



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

### CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	ANTECEDENTS OF WORK-LIFE IMBALANCE AMONG BANK EXECUTIVES: AN EMPIRICAL STUDY <i>S. NAZEER KHAN, DR. A. VENKATACHALAM &amp; DR. T. VANNIARAJAN</i>	1
2.	TRANSFORMATIONAL LEADERSHIP AND INFLUENCE ON OCCUPATIONAL COMMITMENT IN INDIAN HOSPITALS <i>DR. KENNEDY ANDREW THOMAS, DR. JOHN BRINKMAN &amp; DR. TARA SABAPATHY</i>	6
3.	SERVICE QUALITY PERCEPTIONS OF CUSTOMERS: A STUDY OF THE CUSTOMERS' OF PUBLIC SECTOR AND PRIVATE SECTOR COMMERCIAL BANKS IN INDIA <i>K. RAMA MOHANA RAO &amp; TEKESTE BERHANU LAKEW</i>	13
4.	SELF-ESTEEM AMONG POOR STUDENTS IN IRAN <i>ARMIN MAHMOUDI</i>	17
5.	ANALYSIS OF CUSTOMER SATISFACTION DRIVERS OF OUT PATIENT DEPARTMENT (OPD): A CASE STUDY <i>GOLAM MOHAMMAD FORKAN</i>	20
6.	PERCEIVED QUALITY OF SERVICES RENDERED BY COMMERCIAL BANKS: A CASE STUDY OF STATE BANK OF INDIA (SBI), PANJAB UNIVERSITY (PU) BRANCH, CHANDIGARH, INDIA <i>DR. TEFATSION SAHLU DESTA</i>	25
7.	BANK CONSOLIDATION AND SOLVENCY: THE NIGERIAN EXPERIENCE <i>MUHAMMAD AMINU ISA</i>	35
8.	ORGANIZATIONAL DETERMINANTS OF FIRM PERFORMANCE: A CASE OF GARMENTS MANUFACTURING FIRMS OF LAHORE, PAKISTAN <i>MUHAMMAD HASSAN &amp; MUHAMMAD RIZWAN SALEEM SANDHU</i>	38
9.	MICROCREDIT AND BUSINESS PERFORMANCE IN NIGERIA: THE CASE OF MFI FINANCE ENTERPRISES <i>ABIOLA BABAJIDE &amp; TAIWO JOSEPH</i>	43
10.	CREDIT RISK OF THE OFF-BALANCE SHEET ACTIVITIES IN CONTEXT OF COMMERCIAL BANKING SECTOR IN THE CZECH REPUBLIC: PRACTICAL EXAMPLE <i>VERONIKA BUČKOVÁ</i>	50
11.	PERCEPTION, EXPECTATION AND SATISFACTION OF CONSUMERS OF STORE BRAND APPARELS IN CHENNAI CITY <i>K. SADASIVAN &amp; DR. JAYSHREE SURESH</i>	59
12.	THE RELATIVITY OF GOALS OF AN INDIVIDUAL ENTREPRENEUR BLESSED WITH VALUES <i>SHALINI SINGH &amp; BHUPENDRA V. SINGH</i>	63
13.	CO-INTEGRATION AND CAUSAL RELATIONSHIP BETWEEN GDP AND AGRICULTURE SECTOR <i>P. SRIKANTH &amp; K. SATHYANARAYANA</i>	66
14.	CONSUMERS' RESPONSIVENESS TO INTERNET MARKETING: AN EMPIRICAL STUDY <i>SUBASH CHANDRA NATH &amp; DR. MAHESWAR SAHU</i>	69
15.	JOB STRESS AT WORKPLACE: A STUDY OF STRESS LEVEL AMONG MANAGEMENT EDUCATORS <i>RASHMI GUPTA &amp; DR. VILAS CHOPDE</i>	73
16.	STRATEGIES FOR CUSTOMER RETENTION & SATISFACTION IN RETAIL SECTOR <i>AJMER SINGH</i>	78
17.	WOMEN EMPOWERED OR DISEMPOWERED: SCENARIO IN PUNJAB <i>SANGEETA SINGH NAGAICH</i>	80
18.	PERCEPTION OF THE RETAIL INVESTORS TOWARDS INVESTMENT IN MUTUAL FUNDS IN PUDUCHERRY: AN EMPIRICAL STUDY <i>D. KANDAVEL</i>	85
19.	JOB AND WEALTH CREATION THROUGH ENTREPRENEURSHIP <i>HARESH BAROT &amp; ARUN MENON</i>	88
20.	DIVERSITY MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS IN INDIAN ORGANIZATIONS <i>DR. SUSHMA SURI &amp; MONU LAL</i>	91
21.	CSR- AN UMBILICAL CORD RELATION WITH THE ENVIRONMENT <i>DR. F. ANDREW SJ</i>	95
22.	INNOVATIVE HR PRACTICES <i>MEGHANA J</i>	98
23.	EXTENSION EDUCATION APPROACHES OF HORTICULTURAL EXTENSION MARKETING: A VIEW <i>JABEEN ARA BEGUM</i>	103
24.	DISABILITY AND ACCESS TO HIGHER EDUCATION IN INDIA <i>MD.HASANUZZAMAN &amp; SHAZIA KHAN</i>	107
25.	COMPARATIVE ADVERTISEMENT AND INFRINGEMENT OF TRADEMARKS <i>GAURAV ARORA, GUNVEER KAUR, SUPRITHA PRODaturi &amp; VINAYAK GUPTA</i>	111
	REQUEST FOR FEEDBACK	115

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**ANTECEDENTS OF WORK-LIFE IMBALANCE AMONG BANK EXECUTIVES: AN EMPIRICAL STUDY****S. NAZEER KHAN****LECTURER****DEPARTMENT OF BUSINESS STUDIES****IBRI COLLEGE OF TECHNOLOGY****IBRI****SULTANATE OF OMAN****DR. A. VENKATACHALAM****DEAN OF COMMERCE****SREE SARASWATHI THYAGARAJA COLLEGE****POLLACHI****DR. T. VANNIARAJAN****READER****N. M. S. S. V. N. COLLEGE****MADURAI****ABSTRACT**

*Banking environment is growing a high pressured environment especially after the globalization. Bank executives are highly affected by their work pressures and also by their work-life imbalance. The work-life imbalance among them affects the performance of the executives not only in banks but also in their family. It results in the poor performance of executive in both these two places. The present study has made an attempt to identify the important antecedents of work-life imbalances. It identified that the lack of role autonomy, role ambiguity, role conflict and role overload are the important antecedents of work-life imbalance. The level of above said stressors are identified as higher in private sector banks than in public sector banks.*

**KEYWORDS**

Work-life imbalance, Role stressors; Discriminant factor.

**INTRODUCTION**

Integration of work and social life is a critical task of early and middle adulthood (Lackman and Boone James, 1997). As we jump into job life, success on balancing work and social roles becomes a stronger contributor to how we feel. The restructuring of work time is one of the key points at which the managerial drive for flexibility in human resource utilization and employee demands for work-family coverage. While employment literature indicates that employees have driven most bargaining on flexible work time (Arrowsmith and Sisson, 2002), there is also going evidence that many employees want more autonomy in working hours arrangements to minimize work-family conflicts (Bielenski et al., 2002; Webster, 2001).

Research on work and personal life issues has been conceived of in terms of work-family balance (Hills et al., 2001) and work-family conflict. Work-family balance reflects integration of work demands with family roles, whereas work-family represents incompatibilities between work and family responsibilities because of limited resources, such as time and energy (Kahn et al., 1964). Integration of work and family roles is relevant to married individuals but whereas it does not concern people without a family. Addressing the proposition of WLB that the problems of balancing life demands depends on time allocation across various life roles (Senecal, Vallerand, and Guay 2001).

**SUPPORTS FOR WORK-LIFE BALANCE**

The impacts of work-life supports on the performance of projects have been linked to higher levels of organizational effectiveness (Stavrou, 2005). Sahilzada et al., 2005 and Breaugh and Frye, 2007 identified that there is a link between non standard work patterns (e.g. flextime, job sharing, part-time work and annual hours) and lower turnover. The home-base work was linked to higher levels of performance and lower absenteeism (Kopelman et al., 2006). Arthur (2003) reports a positive relationship between the announcement of organizational work-life benefits and shareholders returns.

**BARRIERS TO WORK-LIFE BALANCE**

Organisational and intra-group culture and norms define how individuals are expected to respond in different circumstances (Perlow, 1998). Working long hours can serve as an indicator of commitment and productivity in some organizations (Thompson et al., 1999). The same thing is acting as a barrier to work-life balance. (Glass and Fujimoto, 1995). Lack of support of management is an another barrier to work-life balance (Kirby and Krone, 2000). The long working hours; long working (White et al., 2003), hours culture (Lewis, 2000), time pressures (Mauno and Kinnunen, 1999), Lack of flexibility (White et al., 2003), hours culture (Lewis, 2000), time pressures (Manuno and Kimunner, 1999), Lack of flexibility (White et al., 2003), financial pressure (Warren et al., 2004), employer practices (De Cieri et al., 2003), and lack of communication with staffs acted as the barriers to work life balance.

**WORK-LIFE BALANCE AMONG EXECUTIVES**

Banking as a work environment seemed reasonably pressure – free, with few averages over the mid-point of the male: “deadlines and time pressures” before globalization (Linchan and Walsh, 2000). Bank executives consistently rated work environment pressures more (Liff, 1999). The executives are associating more pressures regarding their managerial roles. They are facing lack of important from superiors and inadequate supervision (Kramer and Lanabert, 2007). The executives are facing more work-life balance issues at work (Granleese, 2004) like conflicting responsibilities of home and career, excluded from social and business events. This work-life balance results in poor performance in both personal and corporate life. In this juncture, the present study focuses on the objective namely identification of the important antecedents of work-life imbalances among the executives in banking industry.

**CONCEPTUAL FRAMEWORK OF THE STUDY**

The work life imbalance may be caused by some work related variables. Work-specific variables as a source of work-family conflict, because individuals have relatively less control over their work lives than their family lives (Higgins and Duxbury, 1992). The following four role stressors namely lack of autonomy, ambiguity, conflict and overload are conceptualized in the present study.

**1. ROLE AUTONOMY**

According to Hockman (1977), autonomy is the degree to which the job provides substantial freedom, independence and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out. Individuals who control over their work activities have more flexibility in allocating their limited resources at work and at home. As such, the degree of interference from work to family is minimized (Voydanoff, 1988). The degrees of role autonomy among the employees have been measured with the help of variables drawn from the previous studies (Pareek and Mehta, 1997; Mathur, 1997).

**2. ROLE AMBIGUITY**

It occurs when an individual does not have clear information about what is expected on the job or how the reward system works (Kahn, et al., 1964). Those who suffer from role ambiguity experience lower levels of job satisfaction, high job-related tension, greater fertility and lower self-confidence (Greenhaus and Beutell, 1985). The role ambiguity among the staffs in the present study is measured with the help of six related statement drawn from the previous studies (Srivastav 2006; Pareek, 1983; and Avinash, 2007).

**3. ROLE CONFLICT**

It is the simultaneous occurrence of two or more sets of pressures, such that compliance with one makes compliance with the other more difficult (Kahn et al., 1964). Beehr and McGrath (1992) state that role conflict occurs when an employee is expected, as part of the job, to do something that would conflict with other job or non-job demands or with his or her personal values. Thus conflict at work may draw resources away from the family conflict (Greenhaus and Bentell, 1985). The role conflict of the employees in the present study has been measured with the help of some statements drawn from the previous studies (Gil-Monte et al., 1993; Madhuri and Rachana, 2008; and Tharakan, 1992).

**4. ROLE OVERLOAD**

Role overload occurs when the total demands on time and energy are too great for an individual to perform the role adequately or comfortably (Cooper and Hensman, 1985). Individuals who perceive their workload to be more than they can handle experience negative emotions, fatigue, tension and other mental health symptoms (Gutek et al., 1991). It is also likely that they will experience higher levels of work interference with family (WIF) conflict, because time and energy are limited resources (Grant et al., 1990). The role overload among the employees in the present study have been measured with the help of six statements which drawn from previous studies (Berardo, et al., 1987; Lent et al., 1987; Thoits, 1991 and Williams et al., 1992).

**ANTECEDENTS OF WORK LIFE BALANCE**

Work and family conflicts have emerged as an increasingly important research topic in the last few decades. According to Zedeck (1992), this phenomenon is in part due to the increase in number of women in the work place, the changing attitudes towards work and the changing roles of family members. Further more, to day's work place is increasingly populated with working ponents, single parents, and dual-career couples (Thomas and hauster, 1995). The potential for work-family conflict increase as these working parents or dual couples struggle with the everyday work and home responsibilities. More than 50 per cent of work force is married with children, which suggests that information about this group should be extremely relevant for strategic human resource management and employees (Duxlury and Higgins, 1991).

Studies have investigated the antecedents of work-family conflict. (Frone et al., 1997; Frone and Yardley, 1996), According to them, the more hours an individual spend on roles associated with work and / or family domains, role stress, role overload, social support, job complexity., career development issues and job security are the important antecedents of work-family interface.

The work family interfaces results from incompatible work and family demands (Kopelam et al., 1983). These are two forms of work and family conflicts namely work interference with family (WIF) and Family interference with work (FIW) (Gutek et al., 1991).

Work can interfere with family when work demands prevent the fulfillment of family demands. Family can interfere with work when family demands prevent the fulfillment work demands.

In the present study, the antecedents of work life balance have been examined with the help of organizational role stressors alone.

**ROLE STRESS IN THE BANKING INDUSTRY**

Human behaviour in an organization is influenced by various physical, social and psychological factors. An important aspect of organization that integrates an individual with the organization is the role assigned to her within overall structure of the organization. It is through the role that an individual interacts and becomes integrated with the system. In fact, an organization can be defined as the system of roles. Kahn et al., (1964) in their comprehensive and integrated model of stress postulated that the quest for identity is a central concern for many individuals. They considered a specific type of stress in the form of role stress. Constructs like the conflict, role ambiguity, and role overload were put under the rulic of role stress.

Even though, the organizational role stress sale (ORS) developed by Pareek (1983) consists of to role stressors, the present study confine it to lack of role autonomy, role ambiguity, role conflict and role overload since these are most appropriate to estimate the antecedents of work life balance among the woman employees in banking industry (Pareek, 1997).

The variables related to the four important antecedents of work-life imbalances in the present study are given in Table 1.

**TABLE 1: VARIABLES RELATED TO ROLE STRESSORS**

Sl.No.	Variables	Sl.No.	Variables
<b>I</b>	<b>Lack of Role Autonomus</b>	<b>III</b>	<b>Lack of Role Conflict</b>
1.	I have freedom to design my work schedule	1.	I work against my expected role
2.	I have independence and responsibility in my work	2.	Incompatible instructions from several people
3.	Higher personal responsibility in my work	3.	My values conflict with organization values
4.	I create procedures to be used in my work	4.	The expectation of seniors conflict with those of mine
5.	I have authority to allocate resources	5.	I am unable to satisfy the conflicting demands
6.	Flexibility in my job is higher	6.	I do things acceptable by a few but not others
<b>II</b>	<b>Lack of Role Ambiguity</b>	<b>IV</b>	<b>Role overload</b>
1.	Unclearity on scope and responsibility on the job	1.	My work load is heavy
2.	No established procedure in my job	2.	I have no sufficient assistance to complete my assignment
3.	My role in the work is vague	3.	I feel over burdened in my role
4.	Lack of facts and information given to me about my work	4.	Too much expectation rest on me
5.	Not knowing the level of expectation of my authorities	5.	My job assignments are very taxing
6.	My role has been reduced to nothing	6.	Too many suffering hours are imposed on me

The executives are asked to rate the above said variables (statements) at five point scale according to the order of executive at their banks.

**METHODOLOGY**

In total, there are 246 commercial bank branches at Madurai District. It consists of 118 public sector banks, 34 State Bank Groups and 42 Private Sector Banks. The branches at urban, semi-urban and rural centres are 106, 18 and 76 branches respectively. The total number of executives (Manager, Assistant Manager and Supervisors) is treated as the population for the study. The stratified proportionate random sampling has been adopted to select the sample of the present study.

**COLLECTION OF DATA**

Since the present study is based on the primary data, the primary data is proposed to collect through the pre-structured questionnaire. The questionnaire will be designed on the basis of the requirements of the details for the fulfillment of the objectives of the study. The pilot study will be conducted among 30 executives and 10 academicians to enrich the quality of the questionnaire.

**ANALYSIS OF DATA**

The collected data is planned to process with the help of appropriate statistical tools like confirmatory factor analysis, discriminant analysis and 't' test.

**RESULTS AND DISCUSSION**

**ANTECEDENTS OF WORK-LIFE IMBALANCE AMONG THE EXECUTIVES**

The four important antecedents of work life imbalance among the executives have been measured with the help of 6 variables in each factor. The executives are asked to rate the variables in each factor at five point scale. The score of the variables included for the reliability and validity analysis with the help of confirmatory factor analysis. The results are given in Table 2.

**TABLE 2: ANTECEDENTS OF WORK LIFE IMBALANCE AMONG THE EXECUTIVES**

Sl.No.	Antecedents	No. of Variables	Range of Standardized factor loading	Range of 't' statistics	Cronbach alpha	Composite reliability	Average variance extracted
1.	Lack of role autonomy	6	0.9145–0.6886	42535*–2.6586*	0.8183	0.7884	56.17
2.	Lack of role ambiguity	6	0.8904–0.6458	3.9696*–2.0886*	0.7804	0.7511	54.08
3.	Role conflict	6	0.9331–0.6917	4.3885*–2.8589*	0.8248	0.7917	58.04
4.	Role overload	6	0.9085–0.7244	4.0144*–2.1172	0.8089	0.7616	55.87

\*Significant at five per cent level.

The standardized factor loading of the variables in each factor are greater than 0.60 which shows the content validity (Fornell and Larcker, 1980). The significance of 't' statistics of the standardized factor loading of the variables in each factor reveals the convergent validity (Meyer and Collier, 2001). It is also proved by the composite reliability since these are greater than its minimum threshold of 0.50 and 50.00 per cent respectively. The cronbach alpha of all four antecedents is also greater than its standard minimum of 0.60 (Nunnally, 1967). The result indicates the reliability of and validity of variables in each factor.

**COMPARATIVE VIEW ON THE ROLE STRESSORS AMONG THE EXECUTIVES**

The role stressors in the present study is classified into lack of role autonomy, role ambiguity, role conflict and role overload. The score on four important role stressors have been computed by the mean score of variables in each role stress. The mean score of each important role stress has been computed to exhibit the level of role stress among the executives in banks. Regarding the perception on the above said four role stressors, the significant difference among the employees in PUSBs and PRSBs have been computed with the help of 't' test. The mean scores of four role stressors among the executives in PUSBs and PRSBs; and the respective 't' statistics are given in Table 3.

**TABLE 3: COMPARATIVE ANALYSIS ON ROLE STRESS AMONG THE EXECUTIVES IN PUSBs AND PRSBs**

Sl.No.	Role stressor	Mean score among the executives in		't' statistics
		PUSBs	PRSBs	
1.	Lack of role autonomy	2.9120	3.8455	-2.9041*
2.	Lack of role ambiguity	2.9983	3.6710	-2.5149*
3.	Lack of role conflict	2.8798	3.6940	-2.8647*
4.	Lack of role overload	3.1392	3.9639	-2.6603*

\* Significant at five per cent level.

The highly viewed role stressors among the executives in PUSBs are role overload and role ambiguity since their respective mean scores are 3.1392 and 2.9983. Among the employees in PRSBs, these two are role overload and lack of role autonomy since their respective mean scores are 3.9639 and 3.8455. Regarding the role stressors, the significant difference among the executives in PUSBs and PRSBs have been noticed in all four role stressors since their respective 't' statistics are significant at five per cent level. The level of role stressors among the executives in PRSBs is higher than among the employees in PUSBs.

**DISCRIMINANT ROLE STRESSORS AMONG THE EXECUTIVES IN PUSBs AND PRSBs**

The role stressors among the executives in PUSBs and PRSBs may be different in different degree. In order to formulate some policy implications, it is imperative to identify the important discriminant role stressors among the two group of executives. Initially, the mean difference in all four role stressors and the discriminant power of the role stressors have been computed and presented in Table 4.

**TABLE 4: MEAN DIFFERENCE AND DISCRIMINANT POWER OF STRESSORS AMONG EXECUTIVES IN PUSBs AND PRSBs**

Sl.No.	Role Stressor	Mean scores among executives in		Mean Difference	't' statistics	Wilks Lambda
		PUSBs	PRSBs			
1.	Lack of role autonomy (X <sub>1</sub> )	2.9120	3.8455	-0.9335	-2.9041*	0.2583
2.	Role ambiguity (X <sub>2</sub> )	2.9983	3.6710	-0.6727	-2.5149*	0.1411
3.	Role conflict (X <sub>3</sub> )	2.8798	3.6940	-0.8142	-2.8647*	0.3455
4.	Role overload (X <sub>4</sub> )	3.1392	3.9639	-0.8247	-2.6605*	0.1208

The significant mean difference is identified in all four role stressors since their respective 't' statistics are significant at five per cent level. The higher mean difference is identified in the case of lack of role autonomy and role overload since their respective mean differences are -0.9335 and -0.8247. The higher discriminant power of the role stressors is identified in the case of role overload and role ambiguity since the respective Wilk's Lambda is 0.1208 and 0.1411. The significant role stressors are included to estimate the two group discriminant function. The unstandardised procedure has been followed to estimate the function. The estimated function is:



$$Z = -1.2344 - 0.0473X_1 - 0.2453X_2 - 0.2865X_3 - 0.3861X_4$$

The relative contribution of discriminant role stressors in total discriminant score (TDS) have been calculated by the product of the discriminant co-efficient and the respective mean difference of the role stressors. The results are given in Table 5.

**TABLE 5: RELATIVE CONTRIBUTION OF DISCRIMINANT ROLE STRESSORS IN TOTAL DISCRIMINANT SCORE (TDS)**

Sl.No.	Role stressors	Discriminant co-efficient	Mean difference	Product	Relative contribution in TDS
1.	Lack of role autonomy	-0.0473	-0.9335	0.0442	5.81
2.	Role ambiguity	-0.2453	-0.6727	0.1650	21.68
3.	Role conflict	-0.2865	-0.8142	0.2333	30.66
4.	Role overload	-0.3861	-0.8247	0.3184	41.85
	Total			0.7609	100.00

Per cent of cases correctly classified: 71.09.

The higher discriminant co-efficient is identified in the case of role overload and role conflict since its discriminant co-efficients are -0.3861 and -0.2865 respectively. It represents the higher degree of influence of above two role stressors in the discriminant function. The higher relative contribution in TDS is noticed in the case of role overload and role conflict since its contributions are 41.85 and 30.66 per cent respectively. The estimated function correctly classifies the cases to the extent of 71.09 per cent. The analysis reveals that the important discriminant role stressors among the executives in PUSBs and PRSBs are role overload and role conflict whereas these two are very high in PRSBs than in PUSBs.

## CONCLUDING REMARKS

The present study concluded that the important antecedents of work-life imbalance among the executives in the banking industry are lack of role autonomy, role ambiguity, role conflict and the overload. The above said role stressors are identified as higher in private sector banks than in public sector banks. The important discriminant (role stressors) antecedents of work-life imbalance among the employees in public and private sector banks are role overload and role conflict which are higher in private sector banks than public banks. The banking authorities especially the human resource manager should concentrate on the above said stressors in order to reduce their executives work life imbalance since the work-life balance among the executives is not only helping the executives but also the overall organization.

## SCOPE FOR FUTURE RESEARCH

The present study has some limitations namely limited scope and focus only on role stressors. If the scope of the study extended to the measurement of work-life imbalance and its causes and consequences may provide better result in future. The sectoral comparison may be also done in future research work. The impact of work life imbalance on the various outcomes may be discussed in near future.

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## TRANSFORMATIONAL LEADERSHIP AND INFLUENCE ON OCCUPATIONAL COMMITMENT IN INDIAN HOSPITALS

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### ABSTRACT

*The relationship between transformational leadership and its influence on Occupational commitment of doctors is gaining importance in the context of changing management practices of hospital leadership and management. This study is an investigation to map the relationship of transformational leadership perception of doctors and its influence on their occupational commitment. The sample consisted of 54 doctors drawn from five hospitals consisting of government, private and specialty hospitals in Bangalore, India. Data was collected using questionnaires through a survey. Correlation, t-test and one way Anova were employed to test research hypotheses. Results indicate a significant relationship between transformational leadership, its factors idealized influence attributed, idealized influence behaviour, inspirational motivation and occupational commitment of doctors. A significant difference between male and female doctors with respect to intellectual stimulation was observed. The results are discussed in terms of implications for leaders in hospitals and future research.*

### KEYWORDS

Transformational leadership, Occupational Commitment, Leaders, subordinates.

### INTRODUCTION

The concept of leadership has attracted extensive attention in organizational research. The influence of leadership is important in the military, politics, government, academia, and, indeed, in every profit or non-profit organization especially hospitals. In the context of recent changes, and corresponding influences confronting the nature of the profession of medicine a number of external influences have altered doctors' autonomy and the hierarchies within which they practice. Understanding Leadership of doctors has received little attention in medical literature. This emphasizes that the subject of leadership is for some reasons considered unimportant, uninteresting, or perhaps just too difficult, to warrant more attention in medical literature.

### TRANSFORMATIONAL LEADERSHIP

Many authors described concepts similar to transformational leadership as charismatic, inspirational or visionary leadership (Bryman, 1992). According to Burns (1978), "the result of transforming leadership is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents" thus resulting in a transforming effect on both leaders and followers. Transformational leadership raises the level of human conduct of both leader and follower. Bass (1985) defined a transformational leader as one who motivates followers to do more than they originally expected to do. Transformational leadership that enhances the performance of the followers further promotes the development of the individual members of the group and the organization in general. It establishes greater confidence in the members of the group and emphasizes attention to the key issues of the organization. Transformational leaders broaden and change the interests of their followers, and generate awareness and acceptance of the purposes and mission of the group. They stir their followers to look beyond their self-interest for the good of the group. Palmer, Walls, Burgess, and Stough (2001) found that transformational leadership was positively related to the ability to monitor and manage emotions in oneself and others.

Transformational leadership consists of four factors charismatic leadership or idealized influence, inspirational leadership or motivation, intellectual stimulation, and individualized consideration. Followers have complete faith in charismatic leaders, feel proud to be associated with them, and trust their capacity to overcome any obstacle. Inspirational leadership involves the arousal and heightening of motivation among followers. Intellectual stimulation arouses in followers the awareness of problems and how they may be solved, and stirs the imagination and generates thoughts and insights. Individualized consideration involves giving personal attention to followers who seem neglected, treating each follower individually, and helping each follower get what he or she wants. Therefore "the transformational leader asks followers to transcend their own self-interests for the good of the group, organization, or society; to consider their long-term needs to develop themselves, rather than their needs of the moment; and to become aware of what is really important." (Bass,1990).

### OCCUPATIONAL COMMITMENT

Commitment is an attitude of company loyalty exhibited by employees. It stems from the employees combined belief that the goals, objectives, and values of the organization are congruent with their own. As noted by Mowday, Porter, and Steers (1982), commitment is the "relative strength of an individual's identification with and involvement in the organization" in terms of values and goals. Ostroff (1992) reports that committed employees are associated with better organizational performance, have a low turnover rate, and have low absenteeism. The terms occupation, profession, and career have been used

somewhat interchangeably in the commitment literature. The word occupation is preferred over profession simply because it is more general, encompassing both professionals and non professionals.

Occupational commitment in this study is conceptualized as the psychological connection between a person and his commitment to his occupation based on an affective reaction to that Occupation. Individuals with strong occupational commitment will more strongly identify with, and experience more positive feelings, about, the occupation than will one with weak occupational commitment Sabapathy T. (2005), corroborates with the researches of ( G. Blau 1985a 1988, G Blau et al., 1993). Therefore, it is essential for doctors who head departments; need to understand the significance of building a positive relationship with their respective subordinates. Successful organizations depend on dynamic and effective leadership. Effective leadership is not confined to business organizations alone. Hospitals especially run by government, private organizations, corporates, missionary and individual entrepreneurs are in short of able administration and leadership in India as indicated by the researcher’s interaction with doctors and as leaders and subordinates. The success of any organization’s future depends a great deal on its employees’ commitment levels. It is for the organizational leadership to attract, motivate and retain committed people to realize their objectives. Organisational leadership therefore needs to create the understanding that it is only an employee’s total commitment that will get translated into greater productivity and a very high level of quality service and this applies to doctors as well.

The study focuses on the importance of transformational leadership exercised by leaders and its influence on occupational commitment in Indian hospitals. The study also addresses how capable leaders are needed in hospitals as organizations to strengthen the relationship between transformational leadership to enhance occupational commitment.

**METHODS**

**SAMPLE**

The sample consisted of 54 doctors of which 14 were leaders and 40 were subordinates drawn from five hospitals consisting of government, private and specialty hospitals in Bangalore, India. The hospitals ranged in size from 30 to over 1500 beds.

**MEASURES**

**MULTIFACTOR LEADERSHIP QUESTIONNAIRE BY BRUCE J AVOLIO AND BERNARD M. BASS (1990)**

The Multifactor Leadership Questionnaire (MLQ) is a self-assessment tool designed to determine the extent of a leader’s transformational leadership (Bass & Avolio, 1990). Transformational leaders pursue relationships with their subordinates that go beyond a transactional relationship (were subordinates do what is expected of them) to a more social relationship in which subordinates are influenced to accomplish more than is usually expected of them (Bass, 1985). Burns (1978) initial work viewed transformational leadership and transactional leadership as opposite ends of a continuum while Bass viewed them as conceptually independent with ‘transformational leadership augmenting transactional leadership (Tejeda et al., 2001).

The MLQ measure employed in this research is the MLQ-5X. This is the most recent version of the MLQ-5X (Bass and Avolio, 2004) and has a 63 item version (5X-Long) and a 45 item 5X-Short version. The 5X-Short questionnaire is recommended for individual leader reports and hence is the one applied in this research. It is also recommended that where the team consists of three or less subordinates, as in a number of teams here, that the subordinate version of MLQ-5X is not used.

The MLQ-5X measures, on a scale 0 (not at all) to 4 (frequently, if not always), transformational and transactional leadership behaviours along with effectiveness behaviours. However only the transformational measures consisting of Idealized Influence (Attributed), Idealized Influence (Behaviour), Inspirational Motivation, Intellectual Stimulation and Individualized Consideration is considered in this study (Bass and Avolio, 2004).

The relatively simple application of the MLQ-5X was a further consideration in deciding on measures for this research owing to the limited amount of time available for the doctors to partake in the study. This study focuses on the 20 items that correspond to five transformational leadership factors listed above. The items were totalled and collated into an average score for each of the 5 categories above, a high score in a category relating to a higher frequency of that behaviour.

The doctors as leaders responded to the leader form of the MLQ-5X, a self assessment tool to determine the extent of transformational leadership exercised by them, while the subordinates as doctors responded to the MLQ-5X rater form to determine the extent of their perception of transformational leadership exercised by their respective leaders as doctors.

**OCCUPATIONAL COMMITMENT QUESTIONNAIRE (OCQ)**

This tool was adapted and standardized by the investigators (2004). The tool consisted of eight items from Blau’s career commitment measure (1988), one item from Blau’s (1993) career commitment revised measure and one item from Snizek (1972) scale for professionalism and reworded by the investigators to be applicable to doctors profession and 18 items from Occupational Commitment Scales by Allen; Meyer and Smith (1993). Thus the present Occupational Commitment Scale consists of 28 items. Participants were asked to indicate the extend to which they agreed with the statements using a seven-point Likert Scale (from “Strongly disagree” to “Strongly agree”).

**DATA ANALYSES AND INTERPRETATION**

The nature and distribution of the data for the present study obtained from various leaders and their subordinates of the three different types of hospitals in Bangalore city, India representing the study are presented as sample details in tables 1- 4 and graphically represented in figures 1-4. Further tables 5-10 summarizes the data analyses with respect to the statistical methods employed namely correlation, t-test analysis and One-way Anova.

**TABLE: 1 DISTRIBUTION OF STUDY SUBJECTS AS DOCTORS ACCORDING TO GROUPS AND AGE GROUPS**

Age group	Leaders	%	Subordinates	%	Total
<30 years	0	0.00	20	50.00	20
>30 years	14	100.00	20	50.00	34
Total	14	100.00	40	100.00	54

**Figure:1 Percentage distribution of study subjects as doctors according to groups and age groups**

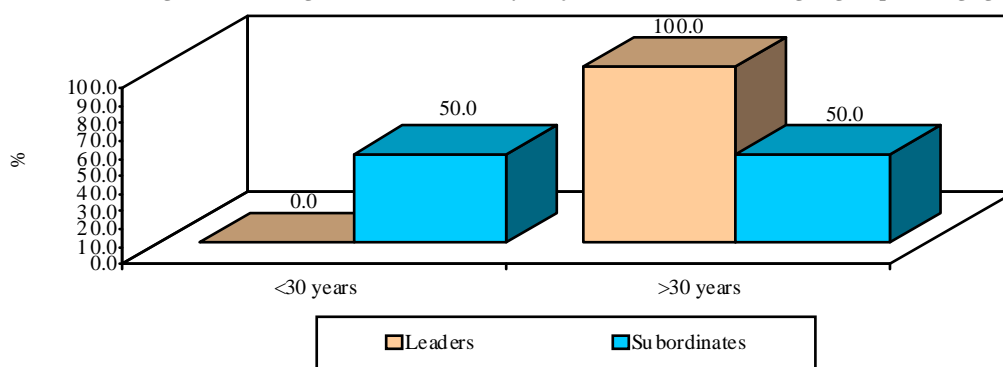




TABLE: 2 DISTRIBUTION OF STUDY SUBJECTS AS DOCTORS ACCORDING TO GROUPS AND SEX

Sex	Leaders	%	Subordinates	%	Total
Male	10	71.43	19	47.50	29
Female	4	28.57	21	52.50	25
Total	14	100.00	40	100.00	54

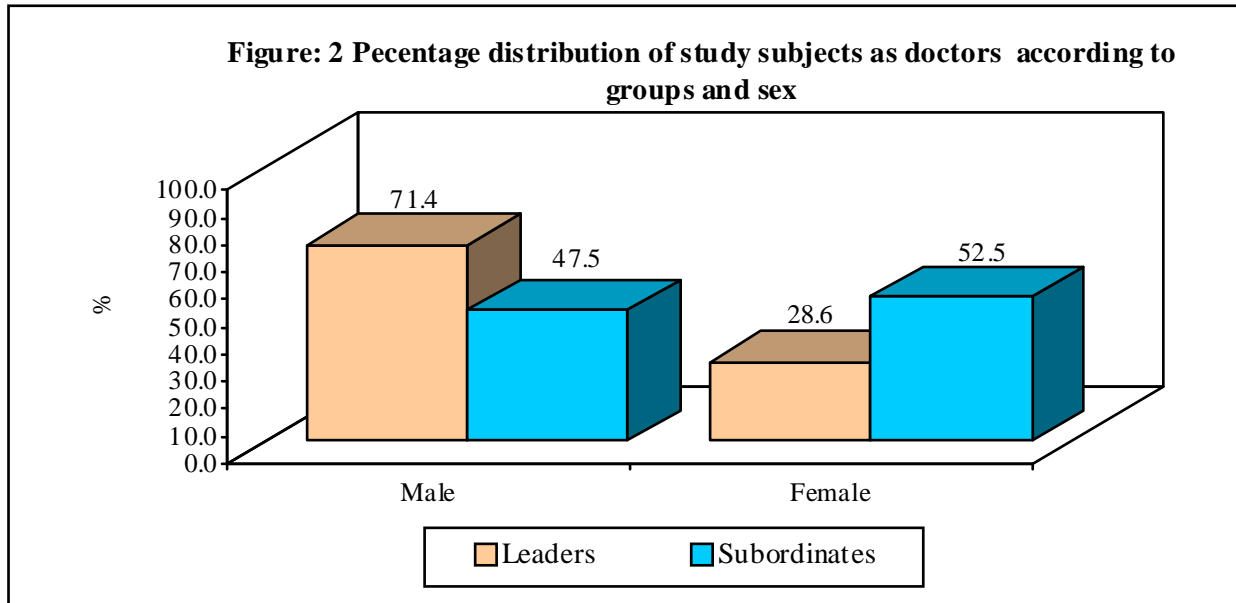


TABLE: 3 DISTRIBUTION OF STUDY SUBJECTS AS DOCTORS ACCORDING TO GROUPS AND EXPERIENCE

Experience	Leaders	%	Subordinates	%	Total
<10 years	0	0.00	22	55.00	22
>10 years	14	100.00	18	45.00	32
Total	14	100.00	40	100.00	54

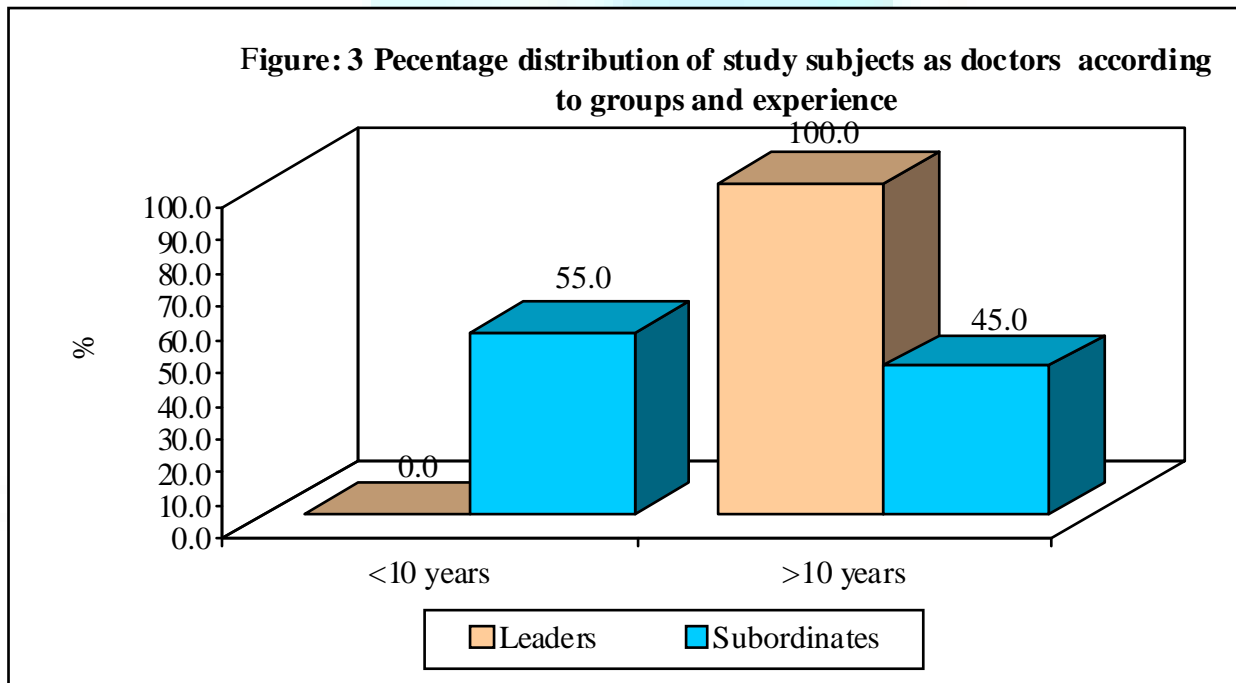
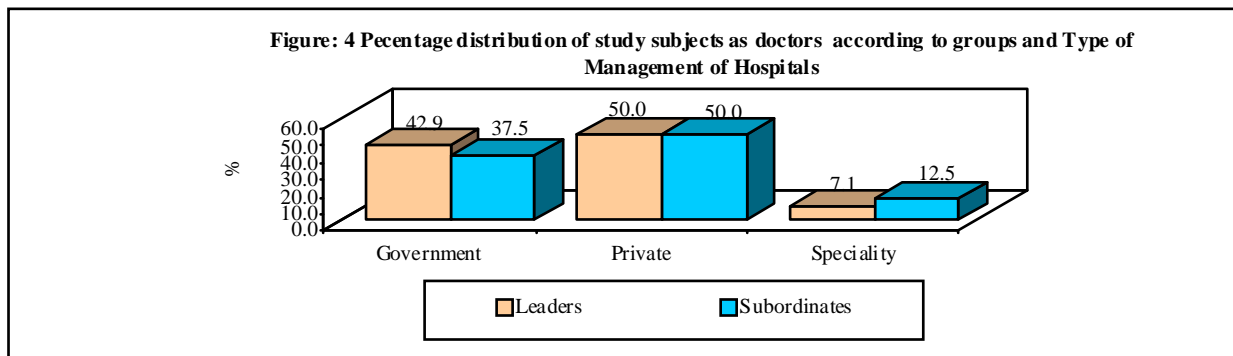


TABLE: 4 DISTRIBUTION OF STUDY SUBJECTS AS DOCTORS ACCORDING TO GROUPS AND TYPES OF MANAGEMENT OF HOSPITALS

Type of management of Hospitals	Leaders	%	Subordinates	%	Total
Government	6	42.86	15	37.50	21
Private	7	50.00	20	50.00	27
Speciality	1	7.14	5	12.50	6
Total	14	100.00	40	100.00	54





**CO-RELATIONAL ANALYSIS BETWEEN DEPENDENT VARIABLE AND INDEPENDENT VARIABLE**

In the present study one independent variable transformational leadership and one dependent variable occupational commitment is considered. The purpose of the study was to find out the relationship between the relationships between transformational leadership -total score and its factors idealized influence attributed, idealized influence behaviour, inspirational motivation, intellectual stimulation and individualized consideration of both leaders and subordinates, leaders and subordinates with occupational commitment. As a prerequisite for the in-depth analysis it was essential to study the relationship among selected variables. Hence in the present context the focus was on the study of the relationship between these variables. In order to investigate, the relationships, Karl Pearson's correlation coefficient technique was applied and simple relationships were obtained. In order to test the significance of obtained 'r's the appropriate students t-test was used.

**TABLE: 5 CORRELATION COEFFICIENT BETWEEN TRANSFORMATIONAL LEADERSHIP TOTAL SCORE AND ITS FACTORS WITH OCCUPATIONAL COMMITMENT OF DOCTORS AS LEADERS (n=14)**

Variables	Occupational commitment of leaders (n=14)		
	Correlation coefficient	t-value	Signi.
Idealized influence attributed	0.6574	3.0223	*
Idealized influence behaviour	0.6302	2.8116	*
Inspirational motivation	0.7779	4.2883	*
Intellectual stimulation	0.3845	1.4427	NS
Individualized consideration	0.4647	1.8180	NS
Total score transformational leadership	0.8039	4.6816	*

From the results shown in table 5 it is seen that, a significant and positive relationship was observed between occupational commitment with idealized influence attributed (r=0.6574, p<0.05), idealized influence behaviour (r=0.6302, p<0.05), inspirational motivation (r=0.7779, p<0.05) and transformational leadership total score (r=0.8039, p<0.05) of doctors as leaders at 5% level of significance. It means that, the variables like idealized influence attributed, idealized influence behaviour, inspirational motivation and transformational leadership total score increases or decreases with increase or decrease in occupational commitment of doctors leaders.

A non significant and positive relationship was observed between occupational commitment with intellectual stimulation and individualized consideration of doctors as leaders at 5% level of significance.

**TABLE: 6 CORRELATION COEFFICIENT BETWEEN TRANSFORMATIONAL LEADERSHIP TOTAL SCORE AND ITS FACTORS WITH OCCUPATIONAL COMMITMENT OF DOCTORS AS SUBORDINATES (n=40)**

Variables	Occupational commitment of subordinates (n=40)		
	Correlation coefficient	t-value	Signi.
Idealized influence attributed	0.0808	0.4995	NS
Idealized influence behaviour	0.1907	1.1973	NS
Inspirational motivation	-0.0951	-0.5888	NS
Intellectual stimulation	0.1437	0.8953	NS
Individualized consideration	0.1798	1.1265	NS
Total score transformational leadership	0.1258	0.7815	NS

From the results indicated in table 6 a non significant and positive relationship was observed between occupational commitment with all other variables i.e. idealized influence attributed, idealized influence behaviour, inspirational motivation, intellectual stimulation, individualized consideration and transformational leadership total score of doctors as leaders at 5% level of significance.

**DIFFERENTIAL STATISTICS**

The comparison of different characteristics in respect of various variables and its factors including mean and SD values are also presented in the following section:

**TABLE: 7 RESULTS OF ANOVA-TEST BETWEEN GOVERNMENT, PRIVATE AND SPECIALITY DOCTORS AS SUBORDINATES WITH RESPECT TO TRANSFORMATIONAL LEADERSHIP, ITS FACTORS AND OCCUPATIONAL COMMITMENT**

Variables	Summary	Government (n=15)	Private (n=20)	Speciality n=5)	F-value	Signi.
Idealized influence attributed	Means	10.0667	10.5500	13.0000	1.8558	NS
	Std.Dev.	2.2509	3.6343	1.2247		
Idealized influence behaviour	Means	10.3333	10.7500	11.8000	0.4769	NS
	Std.Dev.	2.5542	3.0066	3.5637		
Inspirational motivation	Means	10.8000	11.7500	12.6000	0.9367	NS
	Std.Dev.	2.6780	2.4682	4.2778		
Intellectual stimulation	Means	8.8000	10.4500	10.2000	0.9042	NS
	Std.Dev.	3.8582	3.6343	3.0332		
Individualized consideration	Means	11.1333	11.1500	11.4000	0.0223	NS
	Std.Dev.	1.9223	2.8335	3.0496		
Total score transformational leadership	Means	51.1333	54.6500	59.0000	0.8945	NS
	Std.Dev.	10.4804	12.9463	11.9791		
Occupational commitment	Means	148.4000	140.2500	149.0000	0.3852	NS
	Std.Dev.	16.0481	37.9735	23.1840		

From the results indicated in table 7, it is seen that there is no statistical significant difference between three types of groups of doctors as subordinates of government, private and speciality hospitals with respects to transformational leadership, its factors, occupational commitment at 5% level of significance. It means that the government, private and speciality doctors as subordinates have similar perception of transformational leadership of their leaders and level of occupational commitment.

**TABLE: 8 RESULTS OF t-TEST BETWEEN <30 AND >30 YRS AGE DOCTORS AS SUBORDINATES WITH RESPECT TO TRANSFORMATIONAL LEADERSHIP, ITS FACTORS AND OCCUPATIONAL COMMITMENT**

Variables	<30 yrs age (n=20)		>30yrs age (n=20)		t-value	Signi.
	Mean	Std.Dev.	Std.Dev.	Mean		
Idealized influence attributed	11.2000	2.8023	10.1500	3.2489	1.0945	NS
Idealized influence behavior	11.1000	2.7511	10.3500	3.0136	0.8220	NS
Inspirational motivation	12.2500	2.2449	10.7500	3.1267	1.7428	NS
Intellectual stimulation	10.5500	2.8924	9.0500	4.2237	1.3104	NS
Individualized consideration	11.7000	2.0545	10.6500	2.8149	1.3474	NS
Transformational leadership	56.8000	9.0647	50.9500	13.8582	1.5799	NS
Occupational commitment	149.1000	23.6663	139.7000	34.2731	1.0093	NS

From the results indicated in table 8 it is seen that, there is no statistical significant difference between doctors as subordinates belonging to <30 and >30 yrs age groups with respect to transformational leadership and its factors, occupational commitment at 5% level of significance. It means that the doctors as subordinates belonging to <30 and >30 yrs age groups have similar perception of transformational leadership of their leaders as doctors and levels occupational commitment.

**TABLE: 9 RESULTS OF T-TEST BETWEEN MALE AND FEMALE DOCTORS AS SUBORDINATES WITH RESPECT TO TRANSFORMATIONAL LEADERSHIP, ITS FACTORS AND OCCUPATIONAL COMMITMENT**

Variables	Male (n=19)		Female (n=21)		t-value	Signi.
	Mean	Std.Dev.	Std.Dev.	Mean		
Idealized influence attributed	11.2105	2.9922	10.1905	3.0760	1.0609	NS
Idealized influence behavior	11.3684	2.6079	10.1429	3.0379	1.3618	NS
Inspirational motivation	12.2105	2.5073	10.8571	2.9374	1.5588	NS
Intellectual stimulation	11.2105	3.0836	8.5238	3.7232	2.4702	*
Individualized consideration	11.6842	2.2374	10.7143	2.6673	1.2387	NS
Transformational leadership	57.6842	8.9818	50.4286	13.3700	1.9923	NS
Occupational commitment	147.8421	22.6330	141.2857	34.7809	0.6983	NS

From the results indicated in table 9 it is seen that, there is a significant difference was observed between male and female doctors as subordinates with respect to Intellectual stimulation ( $t=2.4702$ ,  $p<0.05$ ) at 5% level of significance. It means that, the male doctors as subordinates have significant higher scores of intellectual stimulation as compared to female doctors as subordinates.

Further there is no statistical significant difference between male and female doctors as subordinates with respect to transformational leadership, its factors, occupational commitment except dimension i.e. Intellectual stimulation at 5% level of significance. It means that the male and female doctors as subordinates have similar perception of transformational leadership of their leaders and level of occupational commitment except Intellectual stimulation factor.

**TABLE: 10 RESULTS OF t-test BETWEEN 10 AND >10 YRS EXPERIENCED DOCTORS AS SUBORDINATES WITH RESPECT TO TRANSFORMATIONAL LEADERSHIP ITS FACTORS AND OCCUPATIONAL COMMITMENT**

Variables	<10 yrs experienced (n=22)		>10 yrs experienced (n=18)		t-value	Signi.
	Mean	Std.Dev.	Std.Dev.	Mean		
Idealized influence attributed	11.0000	2.8950	10.2778	3.2504	0.7428	NS
Idealized influence behaviour	10.9545	2.5723	10.4444	3.2580	0.5536	NS
Inspirational motivation	11.9091	2.5803	11.0000	3.0293	1.0252	NS
Intellectual stimulation	10.4545	2.9717	9.0000	4.2977	1.2624	NS
Individualized consideration	11.5909	2.3230	10.6667	2.6568	1.1736	NS
Transformational leadership	55.9091	8.9651	51.3889	14.6775	1.1986	NS
Occupational commitment	145.3636	31.3681	143.2222	27.7966	0.2259	NS

From the results indicated in table 10, it is seen that, there is no statistical significant difference between doctors as subordinates belonging to <10 and >10 yrs of experience with respect to perception of transformational leadership of their leaders as doctors and level of occupational commitment at 5% level of significance. It means that, the doctors as subordinates belonging to <10 and >10 yrs experienced have similar perception of transformational leadership of their leaders and level of occupational commitment.

**FINDINGS**

This study investigated eight null hypotheses analysed as below:

Ho.1 There is no significant relationship between transformational leadership, its factors, and Occupational commitment of doctors as leaders.

There was a significant relationship between Idealized influence attributed ( $r=0.6574$ ,  $p<0.05$ ), Idealized influence ( $r=0.6302$ ,  $p<0.05$ ), Inspirational motivation ( $r=0.7779$ ,  $p<0.05$ ), total transformational leadership ( $r=0.8039$ ,  $p<0.05$ ), and occupational commitment of doctors as leaders. It means that Idealized influence attributed, Idealized influence, Inspirational motivation, total transformational leadership, have significant correlation with occupational commitment of doctors as leaders. However there was no significant relationship between Intellectual stimulation, Individualized consideration, and Occupational commitment of doctors as leaders.

Ho.2 There is no significant relationship between transformational leadership, its factors, and Occupational commitment of doctors as subordinates.

There was no significant relationship between transformational leadership, its factors, and Occupational commitment of doctors as subordinates.

Ho.3 There is no significant difference between government and private doctors as subordinates with respect to their scores on transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment.

There was no significant difference between government and private doctors as subordinates with respect to scores of transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment. It means that government and private hospitals doctors as subordinates are similar in the perception of transformational leadership of their leaders as doctors and level of occupational commitment.

Ho.4 There is no significant difference between doctors as subordinates of government and speciality hospitals with respect to their scores of transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment).

There was no significant difference between doctors as subordinates of government and speciality hospitals with respect to their scores of transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment). This indicates that doctors of government and speciality hospitals are similar in the perception of transformational leadership of their leaders as doctors and occupational commitment.

Ho. 5 There is no significant difference between doctors as subordinates of private and speciality hospitals with respect to their scores of transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment).

There was no significant difference between doctors as subordinates of private and speciality hospitals with respect to scores of transformational leadership, its factors (i.e. Idealized influence attributed, Idealized influence behaviour, Inspirational motivation, Intellectual stimulation and Individualized consideration and occupational commitment). It means that doctors of private and speciality hospitals are similar in their transformational leadership and occupational commitment levels.

Ho.6 There is no significant difference between age groups (up to 30 years and more than 30 years) of doctors as subordinates with respect to their scores of transformational leadership, its factors, and Occupational commitment.

There was no significant difference between doctors as subordinates belonging to up to 30 years and more than 30 years of age with respect to scores of transformational leadership, its factors and occupational commitment. It means that both young and old doctors irrespective of age have similar perception of transformational leadership of their leaders and occupational commitment levels.

Ho. 7 There is no significant difference between male and female doctors as subordinates with respect to their scores of transformational leadership, its factors and Occupational commitment.

There was a significant difference between male and female doctors as subordinates with respect to perception of Intellectual stimulation of their leaders ( $t=2.4702$ ,  $p<0.05$ ) at 5% level of significance. It means that, the male doctors as subordinates have significant higher mean score (11.2105) of intellectual stimulation as compared to female doctors as subordinates having a mean score of (3.7232).

However there was no statistical significant difference observed between male and female doctors as subordinates with respect to transformational leadership and its factors- Idealized influence attributed, Idealized influence behaviour, Inspirational motivation and Individualized consideration of their leaders as doctors and occupational commitment. It means that the male and female doctors as subordinates have similar transformational leadership and its factors, occupational commitment except dimension i.e. Intellectual stimulation.

Ho.8 There is no significant difference between less experienced and more experienced (up to 10 years and more than 10 years) doctors as subordinates with respect to their scores of transformational leadership, its factors, and Occupational commitment.

There was no statistical significant difference between doctors as subordinates belonging to <10 and >10 yrs experience with respect to their scores of transformational leadership, its factors and occupational commitment. It means that less experienced and more experienced doctors as subordinates have similar perception of transformational leadership, its factors of their leaders and level of occupational commitment.

## DISCUSSION

The correlation analysis reveals that there was a significant relationship between transformational leadership, idealized influence attributed, idealized influence behaviour, inspirational motivation behaviour and occupational commitment of doctors as leaders. This confirms doctors as leaders engaged in transformative style of leadership are committed to their profession. Further the leaders believe and perceive that they are able to influence their subordinates to change their awareness of what is important enabling them to see opportunities and challenges. Thus, this self-perception of proactiveness to optimize, in individual group and organizational development and innovation beyond mere performance is indicative of their commitment.

Doctors as leaders are convinced they hold the trust they have in their subordinates, the ability to maintain their faith and respect determines their occupational commitment. Commitment of doctors as leaders correlated with the leaders idealized attributes of the ability to instil pride, to go beyond their self interest for the good of their groups, respect for their followers and have sense of power and confidence. Besides they engage in behaviours that are oriented in values and behaviours. They share a strong sense of purpose and are conscious of ethical consequences of decisions and build a sense of collective mission.

The leaders are committed as they are able to motivate and inspire their subordinates by having a sense of purpose and meaning in their jobs. They strongly believe it is important to provide individualized opportunities to their subordinates to grow by treating them as unique individuals as part of their occupational commitment.

The correlation analysis further reveals that there was no significant relationship between subordinate's perception of their leader's transformational leadership and the subordinate's occupational commitment. The result is contrary to the leader's perception of their transformational leadership and occupational commitment. The subordinates strongly believe that their occupational commitment is not influenced by their leader's leadership style.

The t-test results indicate that there was a significant difference between intellectual stimulation factor of transformational leadership and occupational commitment of male and female subordinates as doctors. Males (Mean 11.2105) were higher than females (Mean 3.7232), implying, their leader's ability to encourage to be creative and nurturing them to question their own values and beliefs and those of their organizations was very evident. However male and female subordinates as doctors did not differ significantly with respect to total transformational leadership, idealized influence attributed, idealized influence behaviour, inspirational motivation, individualized consideration and occupational commitment of subordinates.

Subordinates as doctors with respect to age and experience did not differ with respect to transformational leadership, its factors, and commitment indicating their inability and lack of maturity to perceive their leaders leadership style impact, on their commitment levels.

The one-way ANOVA analysis revealed that doctors working in government, private and speciality hospitals did not differ with respect to transformational leadership, its factors, and occupational commitment. It means the subordinates irrespective of the type of management they work for are not influenced by their leader's leadership style because doctors are service oriented and therefore possess a trait to serve.

## IMPLICATIONS OF THE STUDY

The study conclusively suggests that leaders need to provide evidence of their transformational leadership behaviours by explicitly and consistently engaging in them, with their subordinates. The study further shows that current practices of transformational leadership behaviour as perceived by leaders was not evident to subordinates as they did not experience it. This result indicates that there is a gap between "saying and doing" of leaders heading teams in hospitals as perceived by the subordinates.

Hence, it is suggested leaders engage in behaviours of trust in all situations and not partially. This will highlight the transformational leadership style more explicitly and provide evidence to subordinates that their leader is influencing their behaviour. Trust can be built by sharing fully, giving feedback to build not to destroy, empower subordinates, providing autonomy and freedom at work.

It is essential leaders must model the way to appreciate, acknowledge, tap their subordinates talents and potentials and find opportunities to support their hopes and dreams. They must inspire the subordinates not only in word but in spirit. Leaders need to work out models to build shared vision to make them feel their work is significant and important.

Therefore the extent to which leaders engage in behaviours that encourage their associates to look up to and seek to identify with them enhance occupational commitment of doctors as subordinates. Hospital managements should promote and appoint doctors as leaders who are worthy to be emulated and trusted. They should be leaders who can motivate and inspire and foster growth by appreciating uniqueness and creating opportunities for growth of subordinates.

## CONCLUSION

The study suggests that in the medical context, if transformational leadership needs to be evident and effective the head of departments need to engage in behaviours that increase goodwill which in turn will positively affect subordinate commitment. Since transformational leadership is positively correlated with occupational commitment it is important for hospitals to initiate sound transformational leadership strategies and occupational commitment developmental programs in order to attain their vision and mission with success.

Hospital Managements should create opportunities to conduct leadership training for all their doctors. However the focus of training being the head of the departments, emphasis should be on transformational leadership skills that strengthen how they can make visible ways to engage in idealized influence attributes and behaviour, inspirational motivation, Intellectual, and individualized consideration.

Leaders are to be trained as change agents for change and act as role models. They should be trained to create a positive influence on their subordinates to further enhance their commitment. The leaders should provide training and visualize the career development plans to all subordinates and recognize the subordinates unique potential and capabilities. Thus improving the quality of transformational leadership will increase subordinates sense of commitment that will benefit not only the leaders and the subordinates, but also the organization as a whole in the achievement of organizational growth and success.

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## SERVICE QUALITY PERCEPTIONS OF CUSTOMERS: A STUDY OF THE CUSTOMERS' OF PUBLIC SECTOR AND PRIVATE SECTOR COMMERCIAL BANKS IN INDIA

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### ABSTRACT

*Service quality in banks has been subject to extensive research since long and remains a topic of research priority in the banking sector due primarily to its apparent association with costs, financial performance, customer satisfaction and customer retention. The study was conducted to examine the service quality perceptions of customers of public sector and private sector banks in the city of Visakhapatnam, India. A total of 300 respondents were surveyed using the universally accepted SERVQUAL model in which 42 quality measurement parameters are used under the five dimensions of service quality: Tangibles, Reliability, Assurance, Responsiveness, and Empathy. The study reveals that the Reliability and Assurance dimensions of service quality scored the highest ratings while the Tangibles dimension got the lowest score. Moreover, the study found a strong dissimilarity in service quality perceptions between customers of private sector and public sector banks.*

### KEYWORDS

SERVQUAL model, service quality, Tangibles, Reliability, Assurance, Responsiveness, and Empathy.

### INTRODUCTION

Banks are required to balance and meet the incongruent demands of their stakeholders; policy makers, investors, customers, employees and the public at large. Banks need to bring in new ways of doing their businesses to satisfy and retain their existing customers and attract potential customers. Though banks provide undifferentiated services, they cater different quality of services (Al-Fawzan, 2005). As banks continue to provide more identical products, switching costs of customers will be lower and inexpensive (Wei, 2009); allowing them to make a switch easily from one bank to another. This implies that the manner in which banks deliver their services will eventually differentiate them from their competitors. Kangis and Voukelatos (1997) suggested that banks will enjoy a competitive advantage over their rivals if they are able to contrive their service delivery schemes to the new rivalry scenarios by enhancing the level of the service quality that they offer to their clients. Thus, service quality has remained critical for banks to keep their competitive advantage in the dynamic business conditions. When customers perceive the service quality of a bank favorably, the bank will be able to reap the fruits of its efforts and will be able to retain its customers for long. Tang and Zairi (1998) noted that banks that are able to cater quality services better than their rivals are more likely to be successful. As a matter of fact, the rapid change in technology is influencing banks across the globe to reconsider their strategies in delivering services to their clients (Hossain and Leo, 2009).

As competition gets tougher and tougher, somehow it is how the customers perceive the service quality that dictates the way the banks should operate, not what actually the banks want to offer to its customers that matters most or the price that they charge since the products are more identical and the price derivatives are minimum (Ellwood, 1994 cited in Kangis and Voukelatos, 1997). Thus, it is paramount important for the banks to understand how their customers perceive the quality of the services that they offer and accordingly adjust their service production delivery system to meet the expectations of their customers.

Of course, quality is all about one's subjective judgment concerning a certain product, be it goods or services, and as such its meaning varies from individual to individual, location to location, organization to organization, scenario to scenario and across time (Manjunata and Shivalingaiyah, 2004). According to Webster and Hung (1994) quality is "what the customer says it is". Indeed, the intangibility, heterogeneity, and inseparability of production and consumption features of a service make service quality a nonfigurative and obscure construct (Parasuraman et al. 1985), and thus it lacks objective measures (Karatepe et al., 2005). Unlike tangible goods, most services are hardly easy to reckon, quantify, take stock, try out and verify before sale to ascertain quality delivery and, as such it is extremely difficult for service marketers to craft and put into effect defined built-up specifications for standardized quality (Zeithamal et al., 1998).

Service quality in banks has been subject to extensive research for several years (Sadek, 2010; Tahir and Bakar, 2007; Hossain and Leo, 2009; Shafie and Haron, 2004; Kangis and Voukelatos, 1997; Berry et al., 1994;) primarily due to its apparent association with costs, financial performance, customer satisfaction and customer retention (Al-Hawari and Ward, 2006; Bennett and Higgins, 1993). Research studies time and again found that enhancing service quality results in better financial performances and greater customer satisfaction and market share (Roth and van der Velde, 1991; Bowen and Hedges, 1993; Berry et al., 1994).

Kangis and Voukelatos (1997) carried out a study on service quality perception of customers in state-owned banks and private banks in Greece and found that customers of private banks perceived receiving a better quality of services than customers of state-owned banks. The study further indicated that state-owned banks were perceived as catering convenient locations, good appearance of staff, and modern looking equipment, and private banks perceived as offering good appearance of staff, accurate statement and willingness to help customers' banking problems. Sadek et al. (2010) examined the service quality perceptions of customers of two group of banks; Cooperative and Islamic banks of Britain. The findings of the study indicated that the compliance issues were found to be very important for customers of Islamic Banks of Britain while responsiveness and empathy were found to be important for customers of cooperative banks. Berry et al. (1994) assessed the service quality perception of customers of banks and found the reliability dimension as important in which case the customers provided the highest ratings. Similarly, Shafie and Haron (2004) carried out a study to examine the service quality perceptions of customers of banks and found compliance, assurance and reliability as the most important service quality dimension and responsiveness, empathy and tangibles as the least important dimensions. The present study has been taken up with an objective of finding customers' perception on service quality of banks from both public sector and private sector.



## RESEARCH METHODOLOGY

The study was conducted in the city of Visakhapatnam, Andhra Pradesh, India. Visakhapatnam is one of the fastest growing cities in India. A total of 300 respondents were interviewed among the customers of public sector and private sector banks that are operating in the city. Two public sector banks (State Bank of India and Bank of Baroda) and two private sector banks (Axis Bank and ICICI bank) were chosen using year of establishment, asset size and branch network as the criteria. From each category of banks, two branches were randomly selected; totaling 8 branches for the study. Ten (10) respondents were interviewed each day over Monday through Friday during business hours of the banks. The customers were approached and asked for willingness immediately after leaving the counter, and each willing customer was interviewed at the premises of the banks.

SERVQUAL model was used to ascertain the perception of the bank customers on service quality. The SERVQUAL model was initially developed in 1988 as an instrument for measuring service quality by Parasuraman, Zeithaml and Berry. Though the SERVQUAL has been duly criticized, it is still a powerful tool as it provides useful techniques for gauging and managing service quality (Othman and Owen, 2001). The quality perceptions of respondents were ascertained in 42 parameters under the five dimensions of the model: Tangibles, Reliability, Assurance, Responsiveness and Empathy.

## QUALITY PERCEPTIONS (QP) ON TANGIBLES

To study the quality perceptions of customers on the tangibles, nine parameters, as shown in table 1, are used. The study revealed that the influence of modern equipment is more in quality perception (mean= 4.4) among tangibles followed by the simplification of account opening forms ( mean =4.39) and visually appealing materials used by the banks (mean =4.27). The opinion of the respondents is close to similarity among the public and private sector banks except in two parameters. The public sector banks scored better ratings in the case of provision of drinking water and washroom facilities (mean =3.32 and p-value =.003), and sufficient number of contact counters ( mean = 4.2 and p-value =0.005). The private sector banks secured a mean value of 1.18 in the case of the provision of drinking water and washroom facilities, and 3.89 in case of sufficient number of contact counters. This implies that customers of private sector banks have perceived that they are receiving much less service in terms of the provision of drinking water and washroom facilities as compared to the customers of public sector banks. In addition, the customers of private banks have perceived that the number of contact counters provided by the banks is insufficient compared to the customers of public sector banks. The overall analysis of quality perception on tangibles reveals that this quality dimension secured a mean value of 3.96. The mean value of this dimension for the public sector banks (mean=4.12) is higher compared to private sector banks (mean= 3.81) which indicate that the quality perceptions on tangibles in public sector banks score better rating by the customers compared to private sector banks.

TABLE 1: SERVICE QUALITY PERCEPTION OF CUSTOMERS ON TANGIBLE

Parameter	Mean score			
	Overall	Public bank	Private bank	P-value
Bank has modern equipment	4.40	4.39	4.40	.92
Bank materials visually appealing	4.27	4.26	4.29	.762
Forms for opening accounts easy to fill	4.39	4.44	4.35	.251
Employees are well dressed	4.08	4.10	4.05	.647
Adequate seating arrangement provided	4.17	4.26	4.09	0.10* <sup>1</sup>
Bank provides adequate infrastructure facilities	3.95	3.96	3.94	.865
Supporting materials (pads, pins etc) provided	4.11	4.15	4.07	.441
Sufficient number of contact counters provided	4.05	4.20	3.89	.005** <sup>2</sup>
Drinking water and washroom facilities provided	<u>2.25</u>	<u>3.32</u>	<u>1.18</u>	<u>.003**</u>
Overall	<u>3.96</u>	<u>4.12</u>	<u>3.81</u>	<u>.212</u>

<sup>1</sup> Significant at 10 percent

<sup>2</sup> Significant at 5 percent

## QP ON RELIABILITY

The reliability dimension of service quality is an important service quality dimension as it provides an insight as to the ability of a bank to perform promised service dependably and accurately from the customers' point of view. To assess the perception of the respondents in so far as the reliability is concerned, 12 parameters are used (Table 2). Of the total parameters considered under this dimension, bank reputation scored the highest value (mean =4.41) followed by wide range of branch networking (mean=4.33) and maintenance of accurate records (mean=4.26). The mean score comparison between the perceptions of customers of private sector banks and public sector banks reveals statistically significance difference between only two parameters; 'bank is progressing well' (p-value = 0.038) and 'bank provides various income generating options' (p-value = 0.004). From the view point of the customers, the public sector banks attained better mean scores in the cases of banks' progress (mean =4.29) and the provision of various income generating options to customers (mean = 4.22) while the private sector banks scored mean values of 4.13 and 3.97, respectively. The overall analysis revealed that the reliability dimension scored a mean value of 4.15. Sector wise, the public sector banks scored an overall mean of 4.14 whereas the private sector banks scored 4.16.

TABLE 2: SERVICE QUALITY PERCEPTION OF CUSTOMERS ON RELIABILITY DIMENSION

Parameter	Mean score			
	Overall	Public Bank	Private Bank	P-value
Employees show sincere interest in solving problems	3.99	3.89	4.09	.057*
Employees perform tasks within the time framework	4.05	4.00	4.10	.300
Bank performs all the time correctly	4.02	3.95	4.10	.102
Employees are hard working	4.03	3.97	4.09	.224
Employees are aware of all services offered by the bank	4.12	4.05	4.20	.108
Banks keeps records correctly	<b>4.26</b>	4.18	4.33	.074
The bank has good reputation	<b>4.41</b>	4.41	4.40	.857
Bank has wide range of branch network	<b>4.33</b>	4.37	4.29	.350
Bank committed for customers benefits	4.17	4.19	4.15	.663
Bank is progressing well	4.20	4.29	4.13	.038**
Bank provides various income generating options	4.10	4.22	3.97	.004**
Bank provides all banking services	<u>4.13</u>	<u>4.19</u>	<u>4.07</u>	<u>.185</u>
Overall	<u>4.15</u>	<u>4.14</u>	<u>4.16</u>	<u>.689</u>

**QP ON ASSURANCE**

To study the perceptions on 'assurance' as a quality dimension eight parameters, as shown in Table 3, are used. The study indicated that the security the banks provide to deposits attained the highest score (mean =4.32) followed by the extent the banks provide security to customer information (mean =4.31) and the safety the banks provide in transacting with customers (mean =4.29). The comparative analysis of perceptions of the customers of public sector banks and private sector banks on this dimension revealed that two parameters, maintenance of fire safety system (p-value=0.001) and location of ATM (p-value=0.001), have shown significant difference. The analysis indicated that the private sector banks scored better in terms of locating the ATM (Automatic Teller Machine) in physically safe locations (mean =4.37) and keeping fire safety system (mean =4.03). This suggests that customers of private sector banks favorably perceived that their banks have located the ATM in physically safe places whereas customers of public sector banks perceived less secured in this regard. The customers of private sector banks perceived that their banks maintained well fire safety system compared to the customers of public sector banks. Generally, the assurance dimension scored a mean value of 4.15; the public sector banks scored an overall mean of 4.11 while the private sector banks scored a mean value of 4.19. This implies that the customers of the private sector banks perceived relatively better in assurance dimension compared to the customers of the public sector banks.

**TABLE 3: SERVICE QUALITY PERCEPTION OF CUSTOMERS ON ASSURANCE DIMENSION**

Parameter	Mean score			
	Overall	Public Bank	Private Bank	P-value
Bank provides high security to deposits	<b>4.32</b>	4.29	4.35	.415
Bank provides high security to customer information	<b>4.31</b>	4.32	4.29	.756
ATM is located in physically safe location	4.21	4.06	4.37	.001**
Employees constantly care for customers with courtesy	4.03	4.00	4.06	.571
Bank instills confidence in customers	3.98	3.97	3.99	.847
Employees ensure safety while transacting with customers	<b>4.29</b>	4.32	4.25	.415
Security personnel are usually present in bank premises	4.24	4.27	4.21	.497
Bank maintains fire safety system	<u>3.82</u>	<u>3.62</u>	<u>4.03</u>	<u>.001**</u>
Overall	<u>4.15</u>	<u>4.11</u>	<u>4.19</u>	<u>.205</u>

**QP ON RESPONSIVENESS**

To assess the responsiveness dimension of service quality, five parameters (Table 4) are considered. The study indicated that timely provision of services to customers scored the highest ratings (mean =4.07) followed by responding to customers' enquiry (mean =4.03) and resolving customer grievances (mean =4.01). The perceptions of the customers of both public sector banks and private sector banks concerning responsiveness are not significantly different except in one parameter; employees show willingness to help customers (p-value=0.002). Private sector banks scored better ratings (mean =4.13) in terms of employees' willingness to help customers than the public sector banks (mean =3.85). The overall analysis reveals that the responsiveness dimension scored a mean value of 4.01; the mean value of the public sector banks on responsiveness is 3.96 while it is 4.06 for private sector banks. Thus, the customers of private sector banks perceive relatively high quality in responsiveness compared to the quality perceptions of the customers of public sector banks.

**TABLE 4: SERVICE QUALITY PERCEPTION OF CUSTOMERS ON RESPONSIVENESS DIMENSION**

Parameter	Mean score			
	Overall	Public Bank	Private Bank	P-value
Employees tell the time required to perform the service	3.99	4.02	3.96	.539
Employees provide timely services to customers	<b>4.07</b>	4.09	4.04	.593
Employees show willingness to help customers	3.99	3.85	4.13	.002**
Employees answer customers' enquiry	<b>4.03</b>	3.94	4.11	.085
Bank is prompt in resolving customer grievances	<u>3.99</u>	<u>3.92</u>	<u>4.07</u>	<u>.126</u>
Overall	<u>4.01</u>	<u>3.96</u>	<u>4.06</u>	<u>.213</u>

**QP ON EMPATHY**

Empathy as a quality dimension is measured using eight parameters as shown in Table 5. The suitability of bank location to customers is the parameter that scored the highest rating (mean =4.19) followed by the extent the banks understand the specific needs of customers (mean =4.15) and the provision of a wide range of account information (mean =4.13). The parameter that the waiting time is not extensive got the lowest rating (mean =3.78). The study found statistically significance difference in the perception of customers of the public and private sector banks in four parameters: 'bank takes care to prevent service failure' (p-value =0.000), 'bank provides individual attention to customers' (p-value=0.009), 'waiting time to receive service is not extensive' (p-value=0.001) and 'bank provides a wide range of account info' (p-value=0.003). The private sector banks scored better ratings compared to the public sector banks in terms of taking care to prevent service failures ( mean =4.12) and providing individual attention to clients ( mean =4.17). On the other hand, the public sector banks scored better ratings than the private sector banks in terms of providing a wide range of account information (mean =4.26) and the waiting time to receive services (mean =3.99). Overall, the empathy dimension of service quality scored a mean value of 4.04; the mean values for the public sector and the private sector banks on this dimension are 4.03 and 4.05, respectively. Thus, the differences in quality perceptions on empathy between public sector and private sector banks are considered insignificant.

**TABLE 5: SERVICE QUALITY PERCEPTION OF CUSTOMERS ON EMPATHY DIMENSION**

Parameter	Mean score			
	Overall	Public Bank	Private Bank	P-value
Bank attends to specific problems of customers	4.09	4.01	4.16	.113
Bank takes care to prevent service failure	3.89	3.66	4.12	.000***
Bank provides individual attention to customers	4.03	3.89	4.17	.009**
Bank arranges convenient operating hours for customers	4.09	4.03	4.14	.288
Bank location is convenient for customers	<b>4.19</b>	4.21	4.17	.627
Waiting time to receive service is not extensive	3.78	3.99	3.57	.001**
Bank provides a wide range of access to account info	<b>4.13</b>	4.26	4.00	.003**
Bank understands the specific needs of customers	<b>4.15</b>	<u>4.20</u>	<u>4.10</u>	<u>.263</u>
Overall	<u>4.04</u>	<u>4.03</u>	<u>4.05</u>	<u>.831</u>

The mean scores of customers' perception on the five dimensions of service quality are summarized in table 6. The reliability and assurance dimensions of service quality scored the highest ratings (mean =4.15 each) whereas the tangibles dimension scored the lowest rating (mean =3.96). In the case of public sector banks quality perceptions on reliability got the highest rating followed by tangibles and assurance. However, the quality perceptions on responsiveness got the lowest rating. The quality perceptions on private sector banks indicate that the assurance dimension scored relatively high rating followed by reliability. Nevertheless, tangibles got the lowest rating for the private sector banks. The public sector banks scored marginally but not significantly better than the private sector banks as indicated by the mean values of service quality of the respective sector.

TALE 4.9: OVERALL SERVICE QUALITY PERCEPTION OF CUSTOMERS ON THE FIVE DIMENSIONS

Dimension	Mean score			
	Overall	Public bank	Private bank	P-value
Tangible	3.96	4.12	3.81	.212
Reliability	4.15	4.14	4.16	.689
Assurance	4.15	4.11	4.19	.205
Responsiveness	4.01	3.96	4.06	.213
Empathy	<u>4.04</u>	<u>4.03</u>	<u>4.05</u>	<u>.831</u>
Overall	<u>4.06</u>	<u>4.07</u>	<u>4.05</u>	<u>.821</u>

## CONCLUSIONS AND SUGGESTIONS

Understanding how customers perceive the service quality is vital for managerial purposes of the service companies. It is of paramount importance to banks particularly because they deliver undifferentiated products and the way they deliver their services ultimately affects their success and growth. An overall analysis of the five dimensions of service quality indicates that Reliability and Assurance dimensions are the two that scored the highest value while the tangibles as a dimension of service quality got the lowest rating. In the case of the public sector banks the Reliability dimension of service quality scored the highest rating while the Responsiveness dimension got the lowest value. On the other hand, the Assurance dimension of service quality relatively got highest score for the private sector banks while the Tangibles dimension scored the lowest rating. The study revealed a strong dissimilarity of profile in the customers' service quality perceptions. The findings of the study suggest that the private sector banks need to focus more on tangibles, empathy and responsiveness to enhance quality perceptions of the customers. The study suggests improvements in drinking water and washroom facilities, number of contact counters and infrastructure facilities in tangibles; provision of income generating options in reliability; enhancing confidence in customers in assurance; informing customers the time required to perform the service in responsiveness, and; waiting time to receive services in the empathy besides possible improvements in other parameters of the respective dimensions. The public sector banks need to focus more on responsiveness. The findings of the study suggest the areas that need special attention for improvement including: drinking water and washroom facilities and infrastructure facilities in tangibles; showing sincere interest in solving customer banking problems, performing tasks correctly all the time, and hard work of employees in reliability; maintenance of fire safety system, and instilling confidence in customers in assurance; showing willingness to help customers, answering customer's enquiry, and resolving customer grievances in responsiveness, and; taking care to prevent service failure, providing individual attention to customers, and the waiting time to receive services in empathy. Quality is a journey, not a destination. Consumers' quality perceptions do change as a response to changes in business as well as other surrounding environments. Service companies need to carry out research studies continually to study quality perceptions of the customers and initiate measures for improvement. This requires total management commitment as well as employee involvement in the process.

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## SELF-ESTEEM AMONG POOR STUDENTS IN IRAN

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### ABSTRACT

The present study was undertaken to compare the self-esteem of poor- and non-poor Students and to study the effectiveness of behavior intervention in enhancing self-esteem. The study was conducted in two parts. In part 'A', self-esteem of poor and non-poor Students was compared and in part 'B', the effectiveness of behavior intervention in enhancing self-esteem of Students was studied. In part 'A', matched group design was used for the study. The sample of the study comprised two groups of Students: group I comprised 50 poor Students and group II comprised 50 non-orphic Students. The result showed significant difference in the self-esteem of poor and non-poor Students. In part 'B', pre and post-design was used. The sample of this part of the study comprised two groups of Students: group I comprised 10 poors and group II comprised 10 non-poor Students, having low self-esteem. The result showed effectiveness of behavior intervention in enhancing self-esteem of both poor and non-poor Students.

### KEYWORDS

Non-poor Students, poor Students, behavior, Iran, self-esteem.

### INTRODUCTION

Self-esteem (S.E.) is a major key to success in life. S.E. is how we feel about ourselves, and our behavior reflects those feelings. The term S.E. refers to the evaluation a person makes and customarily maintains with regard to himself or herself. James first talked about S.E. in 1890; he described it as a ratio or relationship between our achievements and our aspirations. The National Association for Self-esteem defined S.E. as, "The experience of being capable of meeting life's challenges and being worthy of happiness". S.E. includes a person's subjective appraisal of himself or herself as intrinsically positive or negative to some degree (Sedikides & Gregg, 2003).

S.E. originates early in life and its structure becomes increasingly elaborate with age. The foundation of S.E. is laid early in life when an infant develops attachment with the adults. When adults readily respond to their cries and smiles, babies learn to feel loved and valued. As young Students learn to trust their parents and others who care for them to satisfy their basic needs they gradually feel wanted, valued, and loved. Our S.E. is very dependent on factors within our environment. It is formed as a result of our years of experiences (especially the early ones). It could be said that one's eyes and ears record the message they receive from others, especially those most important to them. Because one's unconscious accepts all words and emotions as facts no matter how legitimate or based on reality, one's S.E. is being continuously constructed and reconstructed by what is encountered in the mirror of others verbal and non-verbal messages.

A critical factor as an antecedent to one's S.E. is the quality and amount of parental attention and acceptance received as a child (Homey, 1945; Coopersmith, 1967; Parker et al., 2005). One's S.E. is the quality and amount of parental attention and acceptance one received as a child (Loeb et al., 1980; Gordon et al., 1981). Parents' time given to their Students has significant influence on S.E., mastery and educational aspirations of Students. Mothers also have an important role in the development of child's S.E. (Laura et al., 1994; Moos, 1998; Helmut & Martina, 2001). Friends and peers play a significant role in the development of child's S.E. (Bolger, 1997; Eramet et al., 2005). Teacher's messages, skills, knowledge and academic capabilities also influence the development of child's S.E. (Anderman et al., 2001; Daniels et al., 2001; Rascoe, 2002).

Healthy S.E. is a child's armor against the challenges of the world. A person with high S.E. is fundamentally satisfied with the type of person he is; yet he may acknowledge his faults while hoping to overcome them (Rosenberg, 2001). Greater levels of S.E. can affect many aspects of Students's lives, such as improving school performance and efforts toward achieving goals (Guest & Biasini, 2001). People with high S.E. report more positive attitudes, feelings and life satisfaction and less anxiety, hopelessness and depressive symptoms (Crocker & Wolfe, 2002). Students with a healthy sense of S.E. feel that the important adults in their lives accept them, care about them, and would go out of their way to ensure that they are safe and well (Salmond & Fleshman, 2005). On the other hand Students with low S.E. feel that the important adults and peers in their lives do not accept them, do not care about them very much, and would not go out of their way to ensure their safety and well being (Schoenberg, Salmond & Fleshman, 2005). Lower S.E. in childhood can lead to the development of a variety of emotional disturbances and an increased risk of suicide (Thompson, 2005). Low S.E. can actually trigger higher levels of stress, anxiety, sleeplessness and many other health-depriving symptoms (Turner, Kaplan & Badger, 2006). Hence there is a need to raise the S.E. of Students because low S.E. can lead to many psychological problems. There are many possible interventions that can be initiated for Students or adults with low S.E. Considerable evidence indicates that S.E. can be increased, if parents, teachers, or others create an atmosphere characterized by acceptance and freedom from anxiety, which tends to promote and encourage curiosity and exploratory behaviors. Responsive classroom environment is one of them. The central idea behind it is that schools can give Students awareness of their power and help them recognize that it can make a difference in their lives. Even a minimal, short-term interaction with a caring adult can have a positive impact on the development of a child's S.E. (Anderman et al. 2001; Daniels et al. 2001). Cognitive behavior that elicits unpleasant conditions, such as anger and anxiety, can be decreased with cognitive behavior modification procedures. Praise statements or critical statements from others can serve as reinforcements or punishers for behavior change. (Borowski & Muthukrishna, 1995; Larkin & Thyer, 1999). School system may consider having additional, classroom technologies for the purpose (Page, 2000).

### OBJECTIVES

The present study was undertaken with the objectives of comparing the S.E. of poor and non-poor Students and to study the effectiveness of behavior intervention in enhancing the S.E. of poor and non-poor Students.

### METHOD

The present study was conducted in two parts. In part 'A', self-esteem of poor and non-poor Students was compared and in part 'B' the effectiveness of behavior intervention in enhancing self-esteem of Students was studied. Sample In part 'A' of the study, the sample consisted of two groups. Group I comprised 50 poor Students (25 boys and 25 girls) and group II comprised 50 non-poor Students (25 boys and 25 girls). The age range of these Students is 8-15 years. Poor Students have been selected from the poor ages of Shiraz and Yasouj city. Non-poor Students have been selected from those schools where poor Students are also



enrolled. In part 'B' of the study 10 poor and 10 non-poor Students having low S.E. were included in the sample. Results of S.E. measures of part 'A' of the study were utilized for selection of the sample in part 'B' of the study.

## DESIGN

In part 'A' of the study matched group design (matching by pairs -age, gender, educational level) was used. In part 'B' pre and post-design was used.

## MEASURE

Self-esteem Inventory (SEI) was used to measure S.E. of poor and non-poor Students. It has been developed by Coopersmith (1975). Its school form was used in the present research. Retest reliability for the SEI was reported by Coopersmith to be 0.88 and by Bedeian et al. (1977) as 0.80 for males and 0.82 for females. Kokens (1974, 1978) reported and confirmed the SEI's construct validity. In the present study Hindi translation of school form of the measure (done by researcher) was used. The English and Hindi versions showed a correlation of 0.96 ( $n = 100$ ).

## PROCEDURE

In part 'A' of the study SEI was administered on the sample of 100 Students (50 poor and 50 non-poor), out of which 20 Students (10 poor and 10 non-poor) having low S.E. were selected for behavior intervention in part 'B' of the study. Initial measures of S.E. of Students served as baseline. Behavior intervention for 2 months was given to Students for the purpose of enhancing their S.E. It included the following steps.

Initially all the teachers teaching the Students were given a list of these Students and were told that these Students had been found having high potential on the basis of intelligence and ability tests. Teachers were requested to give special/extra attention to those Students in the class, encourage them, give them maximum opportunities for participation in the classroom activities and give them proper and immediate feedback on their performance/activities. Parents/guardians of each child were also told that their child has high potential as it has been found on the basis of intelligence and ability tests. They should give extra attention and care to their child, encourage the child by helping, praising and behaving in a friendly manner with the child so that the child can freely express itself. The researcher also met each child at least twice a week and talked to the child about its performance and achievement, and praised and encouraged the child for better results.

The above intervention was continued for two months. After the intervention, the data were again collected on the measure.

## ANALYSIS OF DATA

In part 'A' of the study, the S.E. of poor and non-poor Students was compared. To compare the S.E. of poor and non-poor Students, Wilcoxon on-Mann-Whitney test was used. The results are presented in result table-1.

It can be observed from table 1 that the value of  $z_0$  is -6.44. The observed value of -6.44 exceeds the critical value of 2.58 at  $\alpha = 0.01$ . Thus, the obtained value of  $z_0$  is significant at 0.01 level of significance. Therefore, we accept the hypothesis that poor Students have lower self-esteem than non-poor Students.

In part 'B' of the study,

**Result Table-1: Value of  $z_0$  and Critical Value of  $z_0$  at 0.01 Level of Significance**

Groups	N	$Z_0$	Level of Significance	Critical Value
poor	50	-6.44	0.01	2.58
Non-poor	50			

**Result Table-2: Value of 'T' for Both Groups**

Groups	N	Sum of ranks with positive signs	Sum of ranks with negative signs	T
poor	10	55	0	0
Non-poor	10	55	0	0

Wilcoxon on Test was applied to see the significance of difference between pre and post-measures of self-esteem of poor and non-poor Students. Results are presented in Result table - 2.

It can be observed from table 2 that  $T = 0$ . According to Appendix Table, with  $N = 10$  subjects,  $T$  must be less than or equal to 5 (on one-tail test at  $\alpha = 0.01$ ) in order to accept the hypothesis.  $T_{\text{observed}} (0)$  for both groups is less than the table value of  $T$ . So we conclude that behavior intervention is effective in enhancing S.E. of poor as well as non-poor Students

It is indicated in fig. 1 (showing pre and post-intervention scores of poor Students) and 2 (showing pre and post-intervention scores of non-poor Students) that results are not only statistically significant but are also clinically significant. The statistical significance represents that behavior intervention is effective in the enhancement of self-esteem, while the clinical significance is helpful in accepting the hypothesis and is representative of the fact that behavior intervention is effective not only in one particular individual case but in case of all who have low self-esteem.

## DISCUSSION

Results of part 'A' of the study showed that poor Students have lower S.E. than non-poor Students. The Students who have both their parents and are living with them in a family atmosphere of love, care and security have higher S.E. than the poor Students, living in an poor age. Parents play an important role in building and development of a child's S.E. An poor child remains devoid of parental love, care and protection, which affect the development of child's S.E. Love, warmth and acceptance by parents have been determined to be extremely important in terms of developing a high degree of S.E. Students who did not receive parental love and acceptance tend to develop low levels of S.E. (Kernis et al., 2000). Parental rejection or disapproval produces sharp declines in participant's S.E.; these effects occurred regardless of their initial S.E. level (Leary, Haupt, Strausser & Chokel, 2002) and regardless of whether they themselves acknowledged that their S.E. depended on others (Leary et al., 2003). Adoptee Students had low S.E. and are at higher risk of developing severe mental health problems and social maladjustment than Students of the same age living with their biological families in the general population (Mohanty et al., 2006). The quality and amount of parental love, attention and acceptance is the critical factor as an antecedent to one's S.E. Therefore poor Students who remain devoid of parental love, attention and acceptance tend to develop low levels of S.E. The result of part 'B' of the study revealed that there is significant increase in the S.E. of poor and non-poor Students after intervention. These results indicated that behavior intervention is effective in enhancing S.E. of Students. Low S.E. has been identified as a risk factor for aggression, delinquency, depression, poor school performance and so forth. Hence there is a need to enhance S.E. of Students. Enhancement of S.E. among Students is of great importance from individual as well as social point of view. The important way is to boost people's S.E. by accepting and approving of them. Parents, teachers or others must create an atmosphere characterized by acceptance and freedom from anxiety so that Students may learn to honor their strength and maintain their high S.E. Building S.E. in Students requires collaboration between parents, school personnel and the child (Elliot & Dweck, 1998; Pomerantz & Saxon, 2001).

One way to experience high S.E. would be to rethink what is important. When people follow their actual strengths rather than some standard given to them by society, their parents or their peers, they begin to develop high S.E. When other people appreciate their skills, it can result in a rapid improvement in S.E.

This study suggests that teachers and parents can provide individualized support for Students's progress and create an atmosphere that sends a clear message that all pupils can learn, and improve their performance and behavior particularly self-esteem.



**CONCLUSION**

The result of part 'A' of the study leads to the following conclusion: Poor Students have lower self-esteem than non-poor Students and the result of part 'B' of the study leads to the following conclusion: behavior intervention is effective in enhancing self-esteem of poor as well as non-poor Students. It is possible to change their pessimistic view into an optimistic view, with the help of some intervention strategies.

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## ANALYSIS OF CUSTOMER SATISFACTION DRIVERS OF OUT PATIENT DEPARTMENT (OPD): A CASE STUDY

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### ABSTRACT

One of the fastest growing industries in the service sector is the health-care industry. In Bangladesh Square Hospital Ltd. is one of the best and reliable names in the total health care industry. Gap between services provided by different functional units and services received by different customers of out patient department (OPD) has created opportunity of this study. Objective of this study was to examine the reliability and effectiveness of considered customer satisfaction drivers of OPD of square hospital limited and depending on this result have an idea about private healthcare industry of Bangladesh. Different drivers of customer satisfaction, i.e., appointment desk, customer service, nurse station, waiting room, and doctors' service met standards for internal scale reliability except registration desk. Variables or items under each driver loaded on single summated scale considered for every driver except appointment desk and waiting room. Reliability problem at registration desk and single scale loading problems at appointment desk and waiting room could solve with minor effort. So, these drivers can be considered for square hospital as well as healthcare industry of Bangladesh.

### KEYWORDS

Customer satisfaction, Marketing, OPD, Hospital management.

### INTRODUCTION

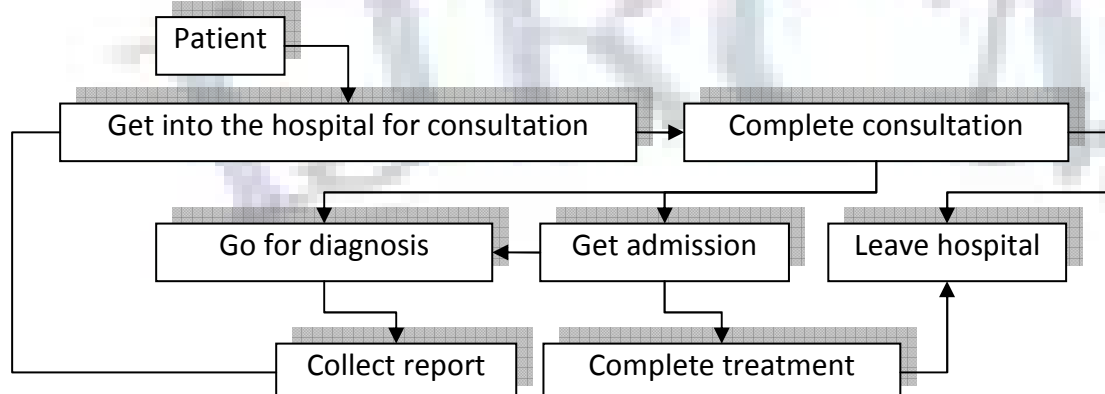
Bangladesh has a good healthcare network covering both rural and urban areas. There are 3,976 healthcare facilities in the public sector and 975 privately-run hospitals/clinics. The healthcare-delivery system of the country compares favourably with that of many other Asian countries. However, overall healthcare use/consumption in Bangladesh is low and is of great concern to society. A survey by the Centre for International Epidemiological Training (CIET), Canada, showed that, in Bangladesh, 13% of treatment-seekers use government services, 27% use private/NGO services, and 60% unqualified services (Siddiqui and Khandaker, 2007). In 2006 the total number of hospitals in Bangladesh was 1683. Of these 1683 hospitals, 678 were government hospitals and 1005 were non-governmental (en.wikipedia.org).

The private health care sector is an important component of the national health care system of Bangladesh, providing services to those sections of the population who can afford the services and are ready to pay for them. This sector offers services ranging from traditional treatments to modern allopathic medicine, provided by a range of people from village doctors, with or without formal training, to highly qualified practitioners working in relatively formal settings in government facilities, private premises, or in both. Private settings include private rooms, clinics and hospitals. In 2003, Hye (2003: 1) estimated that there were 724 licensed private hospitals and clinics, 35 percent of which were in the metropolitan area of Dhaka. In addition, there were 945 licensed private diagnostic laboratories, 46 percent of which were located in the metropolitan area of Dhaka (Rahman, 2007). Square Hospital is one of the best hospitals in the private sector of Bangladesh. It has started its operation in 2006 to provide the best quality medical service equipped with state of the art medical equipments and best physicians (From discussion with the employees of Square Hospital).

Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Kotler and Armstrong, 2010). Health-care industry is one of the fastest growing industries under service sector. The rapid growth of this sector (health-care) been accompanied by dramatic changes in the environment, challenging health care managers and administrators to find alternative ways of remaining viable. Many providers, with help from the research community, are beginning to realize that providing customer satisfaction is a key element of strategy and a crucial determinant of long-term viability and success. Information about patient satisfaction should be as indispensable to assessments of quality as to the design and management of health care systems.

The out patient department (OPD) of a hospital is the gateway of the organization. It introduces the hospital's different types of services provided to the patients. Therefore, patients' satisfaction at this section is very crucial for the hospital to grow. Service quality can be used as a strategic differentiation weapon to build a distinctive advantage which competitors would find difficult to copy. To achieve service excellence, hospitals must strive for "zero defections", retaining every customer that the company can profitably serve. "Zero defections" require continuous efforts to improve the quality of the service delivery system. Furthermore, quality does not improve unless it is measured and quality always dependent on some drivers. There are some drivers of customer satisfaction of this department also. A patient at first comes at out patient department and then gets into the hospital for consulting with the concerned doctor. Following flow chart shows general process of out patient department:

FIGURE 1: GENERAL PROCESS FLOW OF OPD



In almost every hospital above flow chart is followed. But in the square hospital tasks of the out patient department are performed through six different stages. There are complaints that the customers are not satisfied with the over all service quality of the out patient department of the hospital, irrespective of the fact that the out patient department of this hospital is one of the modernized department in the health care industry. In an attempt to find out the reliability and effectiveness of the stages to remove above gap the research has been conducted.

## REVIEW OF THE RELEVANT LITERATURE

In the healthcare industry, hospitals provide the same types of service, but they do not provide the same quality of service. Furthermore, consumers today are more aware of alternatives on offer and rising standards of service have increased their expectations. They are also becoming increasingly critical of the quality of service they experience. In practically all advanced nations the service sector has become the largest element of the economy and the significance of services in modern society is indisputable. Services account for a very large part of economic activity and the service sector constantly increases its share of gross domestic product (GDP), employment, and international trade. Services account for roughly two-thirds of GDP in developed countries and almost one-half of GDP in developing countries (Lowendahl, 2000; and Lovelock and Wright, 2002; Guidelines..., 1999).

Despite recent developments in the Bangladesh healthcare sector, there is still great concern about the quality of healthcare services in the country. The results of a study gave an overview of the perspectives of Bangladeshi patients on the quality of service in three types of hospitals. The quality of service in private hospitals scored higher than that in public hospitals for nursing care, tangible hospital matters, i.e. cleanliness, supply of utilities, and availability of drugs. The overall quality of service was better in the foreign hospitals compared to that in the private hospitals in Bangladesh in all factors, even the 'perceived cost' factor (Siddiqui and Khandaker, 2007).

The hospital is an important place for medical service. For this reason need medical college to create doctors. The doctor patient's ratio is still far from adequate in this country of 140 million people. Along with the Government, initiative private entrepreneurs are coming forward in the health sector establishing Medical Colleges. The private sector has already made commendable progress in this field. A variety of models have been used to describe how patients' satisfaction with medical treatment impacts their health-related decision-making (Gelber et al., 1989; Gopalakrishna and Mummalaneni, 1992; Greiner and Addy, 1996; Llewellyn-Thomas, 1997 and Schommer and Kucukarslan, 1997). However, the health care system still lacks a unified process for assessing and measuring the various elements of quality (Moss and Garside, 1995; Berwyk, 1989; Blumenthal, 1995; Blumenthal et al., 1998; Turner, 1996).

Anderson and Zwelling (1996) advocate that health care institutions actively evaluate the effectiveness of their technical initiatives to determine the point of maximum return. Beyond this, if an intervention yields no further benefit, the resources dedicated to it could be freed up to focus on functional quality improvements. They advocate the integration of measurable and quantifiable dimensions—such as clinical outcomes—with functional dimensions such as patient satisfaction (Peyrot et al., 1993). O'Brien and Hughes (1991) calls for an expansion of the physician's central role in delivering, assessing and improving the quality of medical care to include a role as patient advocate (Taylor, 1994; Woodside, et al., 1989, Jun, 1998; Starfeld, 1998; Isseel and Kahn, 1998).

Within the health care industry, competitive advantage is best attained through service quality and customer satisfaction in the minds of customers (Taylor, 1994). Woodside, et al. (1989) provided support for service quality influencing service provider choice. Clearly, there are many reasons why quality measurement is important. The terms quality and satisfaction are sometimes used interchangeably. While they are closely related, there are differences worth noting. (Taylor, 1994). Woodside, et al. (1989). Jun (1998) recommends that family members should be updated frequently on the status of patient/relative while treatment is on-going.

There are many reasons why health care quality is important. Providers consider increasing quality in health care to be "the right thing to do". The revival of customer service occurred, in part, because service quality, as opposed to cost, distinguishes among health care institutions (Hudson, 1998). Secondly, involvement and satisfaction of the customer affect behavior. Legnick-Hall (1996) developed a conceptual model of the consumer contribution to quality, which includes a description of the relationship of perceived quality to satisfaction, and the motivation to change behavior. This is of considerable importance if you consider the relationship between patient satisfaction and compliance with medical treatment plans (Oswald et al., 1998; Lytle and Mokwa, 1992; Steffen et al., 1996; Arnetz and Arnetz, 1996; Harris, et al., 1995; Salimbene, 1999; Moore and Schlegelmilch, 1994; Berry et al., 1988; Mittal and Baldasare, 1996; Zifko-Baliga and Kampf, 1997; Dube and Menon; 1998; Shetty, 1987;). The literature on satisfaction, particularly patient satisfaction, shows that satisfaction ratings are derived from satisfaction with various components of their care, and that consumers are able to make summary judgments regarding their care (Oliver, 1981, 1993; Berry et al., 1988; Rodwin, 1994; Wensing et al., 1994; Woodside et al., 1989).

Multifarious factors have contributed to the development of the private health care sector in Bangladesh. Its growth has been facilitated by the inclusion of private health care development in planning policies, by symbolic encouragement by government officials, by state patronage through medical education and training, by public sector physicians being allowed to practice privately, and by the provision of grants, subsidies and funds for investment. Opportunities for its expansion have also been created by a host of problems in the public health care system, including an inability to provide services, limited resources, poor perception and poor quality of services, a lack of personnel, absenteeism, corruption, and poor planning and management. But complains are also leveled against the private sector, as it lacks necessary infrastructure, equipment and personnel, with poor service conditions, poor quality and poor standards. The government enacted an Ordinance to regulate private health care, but evidence shows that regulatory practices are ineffective as a result of problems of legislative design, information and implementation, as well as internal and external contradictions within the regulatory system. Some policy guidelines are necessary to ensure positive outputs from the private health care sector (Rahman, 2007).

## OBJECTIVE OF THE STUDY

Objective of this study was to examine the reliability and effectiveness of considered customer satisfaction drivers of out patient department (OPD) of square hospital limited and depending on the results have an idea about private healthcare industry of Bangladesh.

## RESEARCH METHODS

### MANIPULATION OF INDEPENDENT VARIABLES

It is a case based study and **square hospital limited** was selected based on its importance in the private healthcare industry of Bangladesh. The study was done only on out patient department (OPD) of the hospital. The out patient department is divided into six small functional units. These functional units are considered as customer satisfaction drivers of OPD of the hospital are as follows:

- Appointment Desk
- Customer Services
- Registration Desk
- Nurse Station
- Waiting Room
- Doctors' Service

100 patients were drawn randomly from out patient department (OPD) to generalize the perception of the patients. Among 100 samples all were 25 & above years old and experienced to take services from those functional units. Pre-tested questionnaire was designed in keeping with the view of the objective of the research. A 5-point Likert scale was used for the scoring system with one (1) representing least satisfaction and five (5) representing most satisfaction.

### DATA COLLECTION METHODS

This study was conducted on the basis of primary as well as secondary data. Primary data were collected from patients of out patient department (OPD) and employees of square hospital limited. The methods for collecting primary data were survey, personal interview, conversation and observation. Secondary data were collected through different reports, papers & prospectus, relevant journals, dailies, periodicals, related research works, relevant books and websites.

**ITEM GENERATION**

This research was done following series of steps. At first the six (6) drivers (functional units), i.e., appointment desk, customer service, registration desk, nurse station, waiting room, and doctor's service of customer satisfaction of out patient department (OPD) were identified observing and realizing the scenario of the hospital. Then under each driver some items were developed. Thirty-two items under six (6) drivers were generated considering following characteristics of the drivers:

**APPOINTMENT DESK UNIT**

The OPD process flow starts when a patient calls at the appointment desk or walks in to the hospital for appointment of certain specialist. The appointment desk then checks the availability of the doctor and informs the patient about the time available. The appointment desk sometimes suggests the time for appointment and sometimes the patient chooses himself/herself to suit his/her convenience. After confirmation from the patient the appointment desk records the appointment time and reconfirm the timing with the patient. Prior to appointment time the appointment desk reminds the patient about the appointment by calling to them. Under this driver five items were developed.

**CUSTOMER SERVICE UNIT**

If the patient is new, he/she arrives at customer care service for direction. The customer service then directs the patient to the registration desk for registration. In addition to it, if the customer has any query about services the customer care service provides it to the customer. Moreover, if any seriously ill patient arrives, the customer service provides the initial support. Five items were developed for this driver.

**REGISTRATION DESK UNIT**

After arriving registration desk, the patients are asked to fill up a form with basic information for registration. The personnel at the desk help the patients to fill up the form. After filling up the form, the patients are guided to the accounts section of the registration desk for payment of initial registration fee. After that, the patients are guided to the concerned nurse unit. Study considered five items for this functional unit.

**NURSE STATION UNIT**

After arriving concerned nurse station, nurses collect basic information of the patients' health. The nurses measure weight, height, blood pressure, temperature of patients and prepare the files of the patients for the doctors. The patients then wait for the call from the doctors. After consulting with doctors, the patients get back to nurse station. The nurses scan the prescription and other documents into the database and help to the patients if they have any questions regarding prescription. If the doctors ask the patient to do certain tests, the patients might go to laboratory for testing or may do it from outside. If they wish to do it in the hospital, the customer service leads them to the lab. For this functional unit data were collected considering five items also.

**WAITING ROOM UNIT**

After completing all the necessary checkups patients wait for the call of the concerned doctor. The waiting room is well equipped with all kinds of recreation facilities. Here patients can pass their time by watching television, reading news papers/magazines. There are special arrangements for sick people, who are unable to walk or seat. Six items were developed under this driver.

**DOCTORS' SERVICE UNIT**

Waiting ends when the concerned doctor calls the patient into his/her cabin for consultation and treatment. At this stage the doctor gives necessary suggestions to the patient regarding problem. Six items were also developed under this driver.

**DATA PRESENTATION AND ANALYSIS**

Data analysis performs in different statistical techniques such as coefficient alpha and factor analysis by using SPSS 12 Software.

**Measurement of Internal Consistency**

Coefficient alpha under reliability test measures the internal consistency of the scale of the constructs/drivers of customer satisfaction. Consistency of 32 items were analyzed diving into six (6) drivers. The high alpha values indicate a good internal consistency among items within each dimension (Chowdhury and sultan, 2005). Alpha value considering all the items and alpha values of each driver were assessed. Resulting value of total item coefficient alpha was .677 and alpha values of each individual driver ranged between .265 to .885. Individual item value suggested that deletion of two items with low item-to-total correlation would improve the alpha values. Hence, two items, item Rd2 (Consistency of registration fees/ Charges) & Wr6 (Have to wait for a long time) showing low item-to-total correlations were deleted. Coefficient alpha was again assessed for the remaining 30 items (variables) and alpha value of all the items increased to .728 (see table 1). The minimally acceptable reliability for preliminary research should be in the range of .50 to .60 (Chowdhury, 2001). So, the high alpha values indicated good internal consistency among items (variables) within each driver. After deleting two problematic items (Rd2 & Wr6), 30 items were considered for factor analysis.

**TABLE 1: CONSISTENCY TEST RESULTS OF CUSTOMER SATISFACTION LEVEL OF OPD**

No.	Drivers	Number of Items	Coefficient Alpha Values considering All the items	Coefficient Alpha Values after deleting item (s)	Items finally Selected under Corresponding Drivers
1	Appointment Desk	5	0.713	0.713	5
2	Customer Service	5	0.811	0.811	5
3	Registration Desk	5	0.265	0.501	4
4	Nurse Station	5	0.885	0.885	5
5	Waiting Room	6	0.506	0.575	5
6	Doctor's Service	6	0.883	0.883	6

**Factor Analysis**

Factor analysis was performed on 30 items (deleting two after consistency analysis) according to drivers of customer satisfaction. Conducting a factor analysis on a single summated scale for every driver will show whether all items within the summated scale load on the same construct or dimension, or whether the summated scale actually measures more than one construct. Following (Table 2) is the scenario of items loading on different drivers of customer satisfaction.



TABLE 2: FACTOR LOADINGS OF ITEMS UNDER EACH DRIVER

No.	Drivers	Reliability Coefficients (Alpha)	Number of Items	Items loaded on different Drivers
1	Appointment Desk	0.713	3	Ad1 0.902 Ad3 0.559 Ad4 0.907
2	Customer Service	0.811	5	Cs1 0.957 Cs2 0.375 Cs3 0.316 Cs4 0.970 Cs5 0.946
3	Registration Desk	0.501	4	Rd1 0.452 Rd3 0.780 Rd4 0.739 Rd5 0.570
4	Nurse Station	0.885	5	Ns1 0.932 Ns2 0.761 Ns3 0.647 Ns4 0.844 Ns5 0.945
5	Waiting Room	0.575	4	Wr1 0.740 Wr2 0.828 Wr3 0.629 Wr5 0.605
6	Doctor's Service	0.883	6	Ds1 0.881 Ds2 0.857 Ds3 0.756 Ds4 0.721 Ds5 0.796 Ds6 0.766

## DISCUSSION OF FINDINGS

The coefficient alpha values of different drivers of customer satisfaction of OPD are acceptable (as it is more than .50) except one driver (registration desk, alpha=0.265). But after deleting one item (item Rd2, i.e., consistency of registration fees/charges) with low item-to-total correlation the alpha value was improved to 0.501, which is in the acceptable range. Alpha value (0.506) of another driver, i.e., waiting room also in the acceptable range but one item (item Wr6, i.e., have to wait for a long time) shows low item-to-total correlation. That one was also deleted and the alpha value was improved to 0.575. Internal consistency of some drivers like appointment desk, customer services, waiting room and doctors' services is very high.

Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization. Relationships among sets of many interrelated variables are examined represented in terms of a few underlying factors (Malhotra, 2006). From the factor analysis it is found that, items under each dimension do not behave equally. Items under three drivers, i.e., customer service, nurse station and doctor's service loaded on a driver wise single summated scale. But scenario of other three drivers is different. For registration desk one item was deleted at the time of Cronbach Alpha analysis. Then factor analysis was performed on four (4) items and all the items loaded on single scale. Items under appointment desk showed high internal consistency at the time of Cronbach Alpha analysis but failed to load on a single scale. Three items loaded on the single scale but other two (Ad2 & Ad5, i.e., Service was prompt & It was easy to get an appointment) could not because of some problems. For waiting room one item (Wr6) was deleted at the time of Cronbach Alpha analysis. Then factor analysis was performed on rest of the five (5) items but also failed to load on a single scale. After deleting problematic one (Wr4, i.e., Have special arrangements for a very sick person), other items loaded on same scale. Overall scenario of factor analysis says that, items under different drivers of customer satisfaction of out patient department are relevant and support the driver wise summated scales, except few problematic items under some drivers.

So, overall scenario of Cronbach Alpha analysis says that, internal consistency within the items under the drivers is satisfactory except few minor differences, that means functional units of OPD of square hospital are reliable. Factor analysis found that 27 items out of 32 directly had load on the main construct while other items are indirectly in line with the construct. Normally marketing scenario of same types of firms under same industry is more or less same. As customer satisfaction drivers of square hospital are reliable and most of the factors of the drivers also load on the main construct, it is more or less applicable also for other private hospitals as well as for the industry.

## CONCLUSION

As people are being more conscious about health, importance of health-care industry is also increasing. Many providers, with help from the research community, are beginning to realize that providing customer satisfaction is a key element of strategy and a crucial determinant of long-term viability and success. Service marketing is different from product marketing. As it is intangible, it is hard to realize about service quality before consumption. So, to set strategy for services marketing as well as healthcare industry is also very tough. Square Hospital is one of the best hospitals in Bangladesh. The out patient department (OPD) of a hospital is the gateway of the organization. It introduces the hospital's different kinds of services to the patients. Therefore, patients' satisfaction at this section is very crucial for the hospital to grow. For setting appropriate strategies for customer satisfaction of OPD of any hospital, at first will have to know about drivers of that satisfaction and reliability of those drivers. Square hospital also considers six drivers to provide services at OPD. This study found that reliability of the drivers is at acceptable level. Study also found effective of the drivers of OPD of square. As square hospital is a prominent organization and out patient department is one of the modernized departments under health care industry of Bangladesh, customer satisfaction drivers and items of OPD of this hospital will be followed by other members of the industry. And total industry condition can be improved applying same flow chart for service delivery.

## LIMITATIONS AND FURTHER RESEARCH

There are some limitations of this study for which the findings should be used with caution. The research was done only on one hospital; further research can be done taking more hospitals. Sample size was 100, more sample could be used. Other statistical measures like convergent validity could be used. Some items like consistency of registration fees, have to wait for a long time, service was prompt, it was easy to get an appointment and have special arrangements for a very sick person were deleted at the time of Cronbach alpha and factor analysis but these are important. So, at the time of further research, these items can be considered and tested once again.

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## PERCEIVED QUALITY OF SERVICES RENDERED BY COMMERCIAL BANKS: A CASE STUDY OF STATE BANK OF INDIA (SBI), PANJAB UNIVERSITY (PU) BRANCH, CHANDIGARH, INDIA

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### ABSTRACT

*This study aimed at assessing and measuring the banking service quality perception of the SBI-PU branch customers; and examining the relationship between service quality, customer satisfaction and positive word of mouth. A total of 85 (out of 100 sample) bank customers from Panjab University (students, professors and office workers) responded the SERVQUAL instrument. After frequency, descriptive, Pearson's correlation, factor analysis, and Cronbach's alpha was tested, the paired t-test, one-way ANOVA, independent sample t-test, and multivariate regression was employed for hypothesis testing. Its finding revealed that the expectations of bank customers were not met and that the largest gap was found in the reliability dimension. This dimension also had the largest influence on customer satisfaction and overall satisfaction of bank customers had a positive effect on their word-of-mouth. The study also suggested that input from employees on what constitutes "service excellence" will be beneficial. The bank need to reassess "what customers expect from the bank" and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence-particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers' need for personalized service. Finally, this study must be considered as explorative rather than conclusive.*

### KEYWORDS

Bank, Expectations, Perceptions, SERVQUAL, Quality.

### INTRODUCTION

Kotler and Keller (2006) defined service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. A good part of the business sector, with its airlines, banks, hotels, insurance companies, law firms, management consulting firms, medical practices, motion picture companies, plumbing repair companies, and real estate firms, is in the service business. Heizer and Render (1999) were also defined services as those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations. Besides, services are perceived as deeds, performances or efforts. Unlike physical, tangible goods, services are usually regarded as performances (e.g. legal services) or experiences (e.g. spectator sports or live theater), which may be equipment based (e.g. telecommunications, radio, TV) or people based (e.g. management consulting) (Gronroos, 1990).

Service sector occupies a great majority of the markets in many countries. For example, Kotler (2003) in his book Marketing Management stated that 79% of all employees were employed in service sector where services account for 76% of GDP in US economy. In addition, OECD (Organization for Economic Co-operation and Development) stated that more than 70% of people were employed in the service sector. Services entail unique features that distinguish them from manufactured goods. The basic characteristics of a service are: (1) Intangible, which leads to subjectivity of consumers perceptions; (2) Inseparable of production and consumption, which makes the assessment more difficult; (3) Interaction between service employees and consumer, which implies consumer participation or co-production in the production process and the delivery; (4) Perishable; and (5) Heterogeneous, caused by the above characteristics interactions, making each production process and service unique (Gronroos, 1990; Kotler & Andreasen, 1995).

These characteristics coupled with the growing prominence of the services sector, have also increased the need for better service quality as companies look for ways to improve financial performance and attract customers in a very competitive environment (Wang, Lo, & Hui, 2003). Lot of research has been undertaken focused on the topic of service quality over the last ten years, which is increasingly being recognized as one of the key strategic values of organizations in the services sector. Service quality brings many advantages to the company. It allows the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross-selling, improving customer relations and thus enhancing the corporate image. It results in the satisfaction and retention of customers and employees, thus reducing turnover rates. Furthermore, new customers are attracted through positive word of mouth (Caruana, 2002; Lewis, 1991; Newman, 2001). It is thus service quality has been identified as a key determinant of the intention to use a service, and has therefore been extensively under study.

The definition of quality has evolved from "quality is excellence", to "quality is value", to "quality is conformance to specification", to "quality is meeting and/or exceeding customers' expectations" (Reeves & Bendar, 1994). According to the Parasuraman et al. (1988) the latter definition that is quality as meeting and/or exceeding customers' expectations is appealing for measuring service quality. Moreover, the higher the service quality the more satisfied the customers. Thus, satisfaction is based on customer expectations and perception of service quality (Christou & Sigala, 2002; Cronin & Taylor, 1992; Ekinci, 2004; Sigala, 2004 a, b). Banking and financial services are an important part of the service industry. Many regulatory, structural and technological changes have been taking place in response to the process of globalization and WTO/GATS accession. Banks are expanding across borders, offering a diverse portfolio of competitive services and restructuring their services in order to make use of rapid technology and to meet the changing needs of customers. The rapidly changing and highly competitive environment which banks are forced to operate within are pushing them to rethink their attitude towards customer satisfaction and optimization of service quality.

Arasli et al. (2005) described the EU has played an important role in facilitating global banking thus financial services within the EU have been regulated and restructured in an effort to integrate the sector by eliminating impediments to cross border branching practices, as a result of these measures, the nature of banking services and customer relations are undergoing change. Lewis and Pescetto (1996) explained banks in the United States (US) are facing increased competition from international banks as geographic boundaries are eliminated in terms of banking markets; In addition, the banking sector in many developing countries is also undergoing change in order to keep up with the world trends (Yavas, Bilgin, & Shemwell, 1997).

Customer satisfaction is another important aspect for service organizations originated from quality service delivery. Customers compare the perceived service actually received with the expected service. If the perceived service falls below the expected service, customers are disappointed; if the perceived service meets or exceeds their expectations, they are apt to use the provider again; and successful companies add benefits (customer service value) to their offering that not only satisfy but also surprise and delight them. Delighting is a matter of exceeding service expectations.

The probability of customer satisfaction increases as service quality improves. Increased customer satisfaction leads to behavioral outcomes such as commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failures and positive word-of-mouth advertising about the organization (Berry & Parasuraman, 1991; Goode & Moutinho, 1995; Gounaris, Stathakopoulos, & Athanassopoulos, 2003; Heskett, Sasser, & Schlesinger, 1997; Newman, 2001; Reichheld, 1996).



Service quality has been linked with customer satisfaction within the banking industry. Banks now know that delivering quality service to customers is essential for success and survival in the today's global and competitive banking environment (Arasli et al., 2005; Lewis & Pescetto, 1996; Wang et al., 2003).

The Tribune (2007) on its interview with Om Prakash Bhatt, the chairman of the SBI, Bhatt admitted the bank had lost its market share in deposits by 2% and in advances by 1% during this financial year. He also claimed that with a focused approach on better customer service, the bank will be able to regain its market share. He said that his officers are asked to be punctual, service customers better by organizing and offering a bouquet of financial services including life insurance and health insurance. Asked about the changes he saw in the banking sector in the coming years, Bhatt replied that banking would get extremely competitive and there would be a lot of innovation in the fee income of bank, and there would be more mergers and acquisitions to bring about purposeful consolidation.

The SBI has undergone many regulatory and structural changes in response to the liberalization and globalization in order to comply with government introduced financial system reforms since 1991. These financial reforms included interest rate liberalization, gradual liberalization of capital movements, abolition of direct credit control, development of money/capital markets and the liberalization of capital accounts.

The foremost aim of this study is to expand the growing research in the field of bank service quality. Its specific objectives are: to measure the service quality expectation, perception, and gap of SBI – PU Branch customers using the SERVQUAL instrument and to see if the SERVQUAL instrument result in a fit of the five-factor model; to test the impact of the dimensions of the SERVQUAL instrument on customer satisfaction and the impact of customer satisfaction on customer recommendation of the bank to others (positive word of mouth).

This paper is organized as follows. The introductory section gives a brief description of the service, service quality and customer satisfaction relationships, and background of the SBI-PU Branch. It then reviewed some related literatures and the development of related hypotheses. Next, the methodology and data collection of the research paper are explained, followed by the results of the statistical analysis. Finally, conclusions and managerial implications; limitations and future direction are discussed; and recommendations for improving service quality are noted.

## LITERATURE REVIEW ON BANK CUSTOMERS' SERVQUAL

Models have been developed to find measure and assess the determinants of service quality. SERVQUAL is based on the notion of a gap between what customers expect in terms of service quality from the providers of the service and their assessment of the actual performance of that particular service provider. Since Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL instrument, many researchers have used, extended and developed this 22-item scale to study service quality in different sectors of the services industry (Babakus & Mangold, 1992; Buttle, 1996; Coyle & Dale, 1993; Cronin & Taylor, 1992; Fick & Ritchie, 1991; Gounaris et al., 2003; Lam, Wong, & Yeung, 1997; Lewis & Pescetto, 1996; Lim & Tang, 2000; Oldfield & Baron, 2000; Smith, 1995).

In the studies within the banking industry, Avkiran (1994) found a 17-item, four-factor scale that measures customer service quality in branches of an Australian commercial bank. Newman and Cowling (1996) studied service quality in the retail-banking sector of the United Kingdom (UK) by comparing two British clearing banks. They concluded that banks have a greater strategic interest in service quality, partly because of the link between quality, productivity and profitability and partly due to a drive to reduce costs within the sector. Caruana (2002) evaluated service loyalty over 1000 retail banking customers in Malta. Results showed that customer satisfaction played a mediating role in the effect of service quality on service loyalty.

Zhu, Wymer, and Chen (2002) explored the impact of information technology (IT) on service quality in a large consumer bank. Their results showed that IT based services have a direct impact on the SERVQUAL dimensions and an indirect impact on customer perceived service quality and customer satisfaction. They also concluded that the evaluations of customers for IT based services were affected by their preference towards traditional services, experiences in using IT based services and perceived IT policies. Lewis (1991) evaluated student's assessment of banks and building societies with respect to overall satisfaction. Goode and Moutinho (1995) analyzed the effects of free banking (ATM services) on overall satisfaction of students and normal bank customers. Wang et al. (2003) evaluated the antecedents of service quality and product quality, and their influences on bank reputation in the banking industry of China, using a structural equations model. They concluded that both service quality and product quality had a significant influence on bank reputation.

The development of new technologies has profoundly changed the way in which customers interact with service providers. Any service-delivery system (SDS) is concerned with where, when and how the service product is delivered to the customers. Although interpersonal encounters have long been the predominant type of interaction, customers can now choose among several different alternatives including telephone, the Internet, interactive television, and wireless communications. The multi-channel banking service offerings include the internet banking (IB), bank branches (BB), telephone banking (TB), and automatic teller machine (ATMs). Patricio, Fisk, and Cunha (2003) found that in the context of a multi-channel service, customers tend to use the channels available in a complementary way. They also suggested that over all service provision should be designed with enough flexibility to accommodate different customer segments, different operations, and different usage patterns with a strong customer focus, not a channel focus. Rather than concentrating efforts on improvements to each SDS in isolation, also recommend that, it is important to understand and improve the contribution of each channel to customer satisfaction within the overall service offering.

In their comparative study of the five Balkan countries' banking service quality using six dimensions (i.e., effectiveness and assurance, access, price, tangibles, service portfolio, and reliability), Glaveli et al.(2006) found that customers perceive receiving a lower level of service quality. In addition, effectiveness, price and reliability appear to be the most important factors in the creation of perceptions of the service quality received and access the least important. They also suggested the Balkans should adopt a high touch approach to the service delivery, which concerns the consistent and dependable performance of the service personnel. This approach involves emphasizing the social interaction and personal connectivity that forms the basis for emotional bonds. Besides, they underlined that the contact personnel should respect and reflect customers' values and needs, and be able to inspire a feeling of security. They also highlighted the central role of the human resources and its effectiveness in the formation of the bank customer quality perceptions.

Arasli, Katircioglu, and Mehtap-Smadi (2005), in their comparative study of service quality in the banking industry of Cyprus, found that although there is a big discrepancy between the two areas (Turkish Cypriot customer living in the north and Greek Cypriot customer living in the south) from an economic standpoint, the expectations on service quality items fell short of their perceptions. The largest discrepancy was on empathy. Customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service. When overall gap scores were compared, they found a significant difference in terms of assurance and tangible dimensions. Though Parasuraman et al. (1988) stated that tangible is the least dimension for service customers, their study proved tangibles to be significant factor. Their factor analysis revealed that the assurance, reliability, empathy, and tangible dimensions are explanatory variables in predicting customer satisfaction. Assurance had the highest impact on overall customer satisfaction.

In their study on customer service quality in the Greek Cypriot banking industry, Arasli et al. (2005) found that the expectations of bank customers on service quality items were higher than their perceptions. The largest discrepancy was on the responsiveness and empathy dimensions. Customers expect prompt service and do not tolerate delays in response times. They also want a high degree of interaction with the bank staff that are sensitive to their needs and expect personalized services. Their factor analysis depicted that the reliability, responsiveness, empathy, and tangible dimensions were explanatory variables in predicting customer satisfaction. Reliability had the highest impact on overall customer satisfaction.

## SERVICE QUALITY (SERVQUAL) INSTRUMENT

The original SERVQUAL instrument identified ten components of service quality. In a further study conducted Parasuraman et al. (1988), these ten components were condensed into five dimensions: reliability which is the ability to perform the service in an accurate and dependable manner; tangibles which refers to the appearance of physical factors such as equipment, facilities and personnel; empathy involves providing individual attention and care to customers; responsiveness is the willingness to provide help and prompt service to customers; and assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence.



Although there have been many studies using the SERVQUAL model as a framework in measuring service quality, there have also been theoretical and operational criticisms directed towards this model in the service marketing literature. These criticisms have mainly revolved around the interpretation and implementation of the instrument (Babakus & Boller, 1992; Buttle, 1996; Lam et al., 1997; Newman 2001; Smith, 1995). A major problem with the SERVQUAL instrument is related to its dimensional structure. A number of researchers have reported different dimensions for expectations, perceptions and gap scores. Thus, the universality of SERVQUAL's five dimensions has been questioned (Buttle, 1996; Carman, 1990; Cronin & Taylor, 1992).

Nevertheless, despite the criticisms, SERVQUAL has been widely used in various contexts throughout other studies. Service quality is an abstract concept and thus hard to measure. There is no standard scale to measure perceived quality particularly in the banking sector (Wang et al., 2003). The SERVQUAL instrument has been widely used because it provides a basic skeleton which can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization (Parasuraman et al., 1988). Waugh (2001) portrayed that Parasuraman et al. have designed SERVQUAL questionnaire in order to measure service quality that has been developed, refined and tested in the business area since 1985 – 1994.

Pariseau and McDaniel (1997) explained that Parasuraman et al. had developed SERVQUAL and validated it in tests of four different service settings (banking, credit-card processing, repair and maintenance, and long-distance telephone service). Their results show that both the determinants of service quality and the rank order of their importance are invariant across service industries. The consumers of any service want to have the provider meet their expectations in the areas of reliability, responsiveness, assurance, empathy and tangibles. These five dimensions represent the determinants of the perception of service quality on the part of the consumer.

Despite the concerns over the validity of the instrument, Buttle (1996) argues that it is still a useful tool for the measurement of service quality and still the mostly widely used and probably the best available. It has also been argued that the use of gap scores to measure service quality is more appropriate due to the fact that service quality is a multidimensional concept. It can also give an indication of the relative importance of the service quality dimensions, which influence customers' overall quality perceptions, thus, priority areas are brought to the attention of management (Angur, Natarajan, & Jaheera, 1999; Yavas et al., 1997). Four or five items are used to measure each dimension and the instrument is administered twice in different forms, so that both customer expectations and perceptions can be measured separately. Reliability analysis for the instrument showed an alpha coefficient scale ranging from .87 to .90 across the different service sectors that were analyzed. By rewording the items measuring expectations, the instrument was further refined by Parasuraman, Berry, and Zeithaml (1991a).

## OBJECTIVE AND SIGNIFICANCE

This study aimed at assessing and measuring the banking service quality perception of the SBI-PU branch customers; to examine the relationship between service quality, customer satisfaction and positive word of mouth; and some useful recommendations are provided to consider while improving service quality and become more customers centric. Besides, the study is significant that it contributes to the existing literature and suggests for further study.

## RESEARCH HYPOTHESES

The hypotheses tested in this study were:

- H1: There are no significant differences between expectations and perceptions of bank customers regarding the tangibles, reliability, responsiveness, and empathy and assurance dimensions of service quality.
- H2: There is no positive significant impact of service quality dimensions on over all customers' satisfaction.
- H3: There is no positive significant impact of bank customer satisfaction on customers' positive word of mouth about the banks.

## METHODOLOGY

The aim of this research was to examine the SBI-PU Branch customers' service quality perceptions, expectations and satisfaction. It was an exploratory research exploiting quantitative analysis. Samples of 100 (85 responded) Panjab University's students, professors and office workers who were the bank customers were selected using non-probability convenience sampling. The SERVQUAL questionnaire as proposed by Parasuraman et al. (1988) was employed to collect data. Data were collected on the first and second week of February 2011. These data have been analyzed by using the Pearson's correlation matrix, t-test, ANOVA (f-test) and multiple regressions in order to test the aforementioned hypothesis. A pilot test was conducted with 10 willing respondents, who were using the SBI-PU Branch services, for further improvement if there was any kind of problem with regards to wording, expressions and clarity of the questions.

The SERVQUAL questionnaire used in this study comprises of five parts: Part A and Part B include expectations (E) and perceptions (P), respectively, of respondents according to five dimensions. These dimensions are tangibles, reliability, responsiveness, assurance and empathy. A seven-point Likert scale ranging from strongly disagree (1) to strongly agree (7) was used to measure the 22 items; and Part C contains two items that measure the dependent variables of the study as proposed by Lam et al. (1997); namely degree of overall satisfaction with the bank and degree of recommendation of the bank to others. Each of these variables was measured by a single item because of their ready interpretability and clear definition. A seven-point Likert scale ranging from (1= very bad) to (7= very good) was used to measure the two variables. Part D contains allocation of 100% among the five dimensions in terms of importance and, finally, Part E contains questions about personal profiles of the respondents including gender, educational level, age, and occupation.

Expectations and perceptions were given for each item. P (perceptions) - E (expectations) were used to find gap scores because service quality depends on a perceived performance in delivery value relative to a users' expectations. If  $E > P$ ; the customer is dissatisfied and if  $E < P$  the customer is satisfied (Kotler & Armstrong, 1999; Parasuraman, 1998; Parasuraman et al., 1991a).

## SCOPE AND LIMITATION

The study was targeting only the Panjab University's students, professors, and office workers who were the SBI-Panjab University Branch customers. Data on expectations and perceptions was filled at the same time rather than at different intervals. This research finding provides only a glimpse of the bank's service satisfaction, not usable for generalization. Hence, future research could be conducted on SBI-PU branch service quality and customer satisfaction by (1) embracing user groups outside Panjab University's students, professors, and office workers, (2) taking greater sample size in congruent to its customer stock, and (3) collecting data at reasonable intervals: first about their expectations and later about their perceptions of the same sample respondents.

## RESEARCH FINDINGS AND DISCUSSIONS

### DEMOGRAPHIC VARIABLES

- Out of the total sample size of 100 participants, only 85 respondents responded (i.e., the response rate was, 85%). 20 (50 and above), 36 (41-50), 15 (31-40), and 14 of them were at the age of between 21-30 years (**Annexure 1**).
- 37 of the respondents were male and 48 of them female (**Annexure 2**).
- 24 of the respondents were PhD, 58 (postgraduates) and 3 university graduates (**Annexure 3**).
- In terms of their occupation, 19 of the respondents were office workers, 34 professors and 32 of them were students (**Annexure 4**).

None of the 22-items were rated below six that results in higher customer expectation. There were also high mean scores (i.e., 6.53 – 6.68 in a 7-rating scale) and low variance. In this case it would be possible to have low rating of overall satisfaction as well as word of mouth to recommend the bank to others unless there is a corresponding high customer perception (**Annexure 5**).

There were low rating of perception below 4 in a 7-rating scale. This leads to the low mean scores that is lower than 5 for reliability and responsiveness that indicates areas of more concern; and below 6 for tangibles, assurance and empathy. There were also significant variances as compared to the low variances in

the case of expectation. The significant discrepancy between expectation and perception result in the relatively lower overall satisfaction and recommendation to others. The variance among respondents was also relatively high for recommendation than overall satisfaction (**Annexure 6**).

#### PRE-ANALYSIS TESTING (Validity and Reliability Testing)

The Pearson correlation (**Annexure 7**) indicated significant positive correlation among the five service quality dimensions. A change in either of the dimensions will have a significant change on the others. Besides, overall satisfaction (Q1OS) had significant positive correlation with reliability (0.873), empathy (0.866), responsiveness (0.844), tangibles (0.789) and assurance (0.698), respectively at  $p < 0.001$ . It also had significant positive correlation with customers' recommendation to others (Q1R) (0.788), i.e., the more customers are satisfied, the more they will have positive word of mouth and are inclined to recommend the bank to others. Customers' recommendation to others had relatively significant positive correlation with reliability (0.808) and empathy (0.748). It means any positive improvement on reliability and empathy of the bank service will yield a more positive word of mouth towards the bank.

#### VALIDITY ANALYSIS

Factor analysis attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. However, in this study, the factor analysis was used to make pre analysis testing in order to check for adequacy of sample.

Pre-analysis testing for the suitability of the entire sample for statistical analysis was computed as recommended by Comrey (1978). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for **Expectation** revealed 0.620 (**Annexure 8**) and 0.715 for **Perception** (**Annexure 9**) and the Bartlett tests of Sphericity was significant at  $p < 0.001$  for both Expectation and Perception. As Bedi (2004) stated, KMO larger than 0.6 is appropriate for statistical analysis. Besides, the Eigenvalues showed that the 22-items explained nearly 74% of the overall variance for Expectation (**Annexure 10**) and nearly 87% of the overall variance for Perception (**Annexure 11**).

#### Reliability Measures: Cronbach's alpha

Reliability analysis allows studying the properties of measurement scales and the items that make them up. The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Intra-class correlation coefficients can be used to compute inter-rater reliability estimates. Alpha (Cranach) is a model of internal consistency, based on the average inter-item correlation.

#### RELIABILITY ANALYSIS - SCALE (ALPHA) (Expectation):

Reliability Coefficients

N of Cases = 85.0

N of Items = 22

Alpha = .8221

Standardized item alpha = .8356

The above result indicated that the alpha for the total scale (the 22-item customer expectation) measure is 0.8221. According to Sekaran (2005), the closer the reliability coefficient gets to 1.0, the better. Reliabilities less than 0.60 are considered to be poor, those in the 0.7 range are acceptable and those over 0.8 are good. Thus, the internal consistency reliability of the measures used in this study can be considered to be good.

#### RELIABILITY ANALYSIS - SCALE (ALPHA) (Perception):

Reliability Coefficients

N of Cases = 85.0

N of Items = 22

Alpha = .9701

Standardized item alpha = .9709

The above result indicated that the alpha for the 22-item customer perception measure is 0.9701. With the same logic as Sekaran stated it above, the internal consistency/ reliability of the measures used for customer perception can be considered to be good.

#### HYPOTHESIS TESTING

The validity analysis and reliability testing are pre-analysis testing requirements. Accordingly, the data collected are found to be valid and reliable for further statistical analysis for the following reasons:

1. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.620 for Expectation and 0.715 for Perception which are above the cut-off point (0.60) and the Bartlett test of Sphericity is significant at  $p < 0.001$  for both Expectation and Perception.
2. The overall reliability testing of expectation (0.8221) and perception (0.9701) were good, i.e., above 0.80 alpha.

**H1: There are no significant mean differences between expectations and perceptions of bank customers regarding the tangibles, reliability, responsiveness, and empathy and assurance dimensions of service quality.**

$$S = \sum_{j=1}^k (P_{ij} - E_{ij}) \quad (1)$$

Where,

S = Overall service satisfaction; k= number of attributes.

$P_{ij}$  = Performance perception of stimulus i with respect to attribute j.

$E_{ij}$  = Service quality expectation for attribute j that is the relevant norm for stimulus i.

A paired t-test was used to determine if there is any significant mean difference between expectations and perceptions. On all five dimensions at the 95% confidence level, there was a significant mean difference between what the customers expect from an excellent bank and their perceptions of the services offered at the SBI-PU branch bank. The difference between expectation and perception for each item in each dimension, each dimension, and the total portrayed that there was significant mean difference between expectation and perception (t-statistic at  $p < 0.001$ ); it means the SBI-PU Branch failed to meet service quality expectations. The mean differences between expectation and perception (E-P) indicated the order of importance of the service quality dimensions as reliability (1.9083), responsiveness (1.8088), empathy (1.5859), tangibles (1.5117) and assurance (1.2088), respectively. Therefore, **the hypothesis is rejected** for it is not statistically hold up (**Annexure 12**).

**H2: There is no positive significant impact of service quality dimensions on over all customers' satisfaction**

$$S = \alpha + \beta_1 (T) + \beta_2 (RI) + \beta_3 (Rs) + \beta_4 (A) + \beta_5 (E) + e_t \quad (2)$$

Where S = overall satisfaction

$\alpha$  = Constant;  $\beta_i$  = Coefficient of the dimensions of quality

T = Tangible; RI = Reliability; Rs = Responsiveness; A = Assurance;

E = Empathy;  $e_t$  = Error term

The R (0.915) in **Annexure 13** demonstrated the correlation of the five independent variables with the dependent variable Q1OS (i.e., the overall satisfaction), after all the intercorrelations among the five independent variables are taken into account. Besides, the  $R^2$  (0.837), which is the explained variance, is actually the square of the multiple R (0.915)<sup>2</sup>. It means that 83.7% of the variance ( $R^2$ ) in the overall satisfaction has been significantly explained by the five independent quality dimensions, i.e., only nearly 16% variances are explained by other factors that have not been considered in this study. Thus, the R and  $R^2$  Coefficients indicate that the model is fit to measure customers' bank service satisfaction. Thus, **the hypothesis is rejected** because the service quality dimensions were the predictors of the customers' overall bank service satisfaction.

The coefficients ( $\alpha$ ) in **Annexure 14** help see which among the five independent variables influences most the variance in the overall satisfaction (i.e., the most important). From the standardized coefficient beta, the highest number in the beta is 1.419 for reliability, which is significant predictor at the  $p < 0.001$ . The contribution of each service dimension to the overall service satisfaction is not the same. There are many predictors in the model whose contribution is insignificant for customer satisfaction, for example, Tangible and Responsiveness. This indicates the presence of multicollinearity. Therefore, multi collinearity problems were fixed by using step-wise linear regression analysis in order to take in only the most useful predictor variables in the model as follows:

The R (0.911) in **Annexure 15** is the correlation of the three independent variables identified as major predictors of customers' service satisfaction (Q1OS), i.e., reliability, assurance, and empathy, after the step wise linear regression analysis. Besides, the  $R^2$  (0.83), which is the explained variance, is actually the square of the multiple R (0.911)<sup>2</sup>. It means 83% of the variance ( $R^2$ ) in the overall satisfaction has been significantly explained by the three independent quality dimensions (i.e., Reliability, Assurance and Empathy); only 17% variances are explained by other factors that have not been considered in this study. Therefore, the step wise linear regression analysis has identified Reliability, Assurance and Empathy as the major predictors of the customers' bank service satisfaction.

**H3: There is no a positive significant impact of bank customer satisfaction on customers' positive word of mouth about the banks.**

$$PWM = \alpha + \beta_1(S) + e_t \quad (3)$$

Where PWM = Positive Word of Mouth

S = overall satisfaction

$\alpha$  = Constant

$\beta_1$  = Coefficient of the overall satisfaction

$e_t$  = Error term

The correlation coefficient in **Annexure 16** spelled the presence of positive significant impact of overall customer satisfaction (Q1OS) on customers' positive word of mouth (Q1R) about the SBI-PU branch bank. There is strong positive correlation between the two variables at  $p < 0.01$ , i.e., the coefficient of determination equals to 0.62% (i.e., 0.788)<sup>2</sup>. Thus, **the hypothesis is rejected** because it is not statistically legitimate.

78.8% of the respondents' ranked reliability as the most important dimension (**Annexure 17**); 56.5% of respondents ranked tangible as the least important (**Annexure 18**); and Reliability is also rated first and tangible is fifth based on the rating of importance out of 100% (**Annexure 19**).

## CONCLUSION AND MANAGERIAL IMPLICATIONS

This study explored the quality expectation and perception of SBI-PU branch bank customers, their overall satisfaction level, their tendency to recommend the bank to others and the differences in relative importance they attach to the various quality dimensions using the Parasuraman et al.'s SERVQUAL survey questions (i.e., the 22-items) with 7-scale adopted to the banking sector. Frequency and descriptive statistics were used to feel the data; validity and reliability tests were conducted by using the Pearson's correlation matrix, factor analysis and Cronbach's alpha; paired t-test; and multiple regression analysis were applied to undertake hypotheses testing.

Gaps scores were calculated by subtracting perception scores from expectation scores. Highest positive gap means lower customer perception. Like most researches done on the banking industry such as Arasli et al. (2005), Bedi (2004), and Glaveli et al. (2006), this research finding indicated that there was significant mean difference (gap) between customer expectation and perception. Their expectations were higher than their perceptions in all the five service quality dimensions. This may be a common tendency of human kind to wish for more than what we have. The difference ranges from 1.2088 to 1.9083. Among these, the largest discrepancies laid on the reliability (1.9083) and responsiveness (1.8088). The lowest score is for assurance (1.2088). This, finding is substantiated by Arasli et al., and Bedi that customers have high expectation on reliability and responsiveness.

Defining the gap between what the customers expect in library service quality and the service quality they perceive have received was intended to assist the SBI-PU branch bank to uncover problem areas and prioritize in taking corrective measures. The mean score gap between expectation and perception items range from 0.65 to 2.34. Out of these five relatively highest gaps, three of them were for reliability dimension: "when employees promise to do something by a certain time, they do so (2.34)", "the bank shows sincere interest in solving when customers have a problem (2.27)", and "the bank performs the service right at the first time (2.08)"; One for responsiveness: "employees of the bank never aloof or too busy to respond to customers' requests (2.19)"; and one for empathy: "employees of the bank understand the specific needs of their customers (2.10)". Thus, this result spells customer perception is significantly affected by the reliability dimension in grand as well as its components.

Pearson's correlation showed there is significant positive correlation between the five service quality dimensions and overall customer satisfaction at  $p < 0.01$  level (2-tailed). It is also revealed that reliability (0.873) is the best predictor of quality followed by empathy (0.866), responsiveness (0.844), tangible (0.789), and assurance (0.698) respectively. The step-wise linear regression analysis has also identified three service quality dimensions as significant drivers of overall customer satisfaction. According to their standardized coefficient ( $\beta$ ), reliability (1.081) is identified as the first followed by assurance (-0.502) and empathy (0.274) at  $p < 0.05$ , respectively. This coefficient indicated assurance has negative correlation. However, it is unusual. The Pearson's correlation matrix revealed assurance has significant positive correlation with the remaining quality dimensions and overall satisfaction. It is thus inconsistency.

In addition, Pearson's correlation disclosed the five quality dimensions as well as overall satisfaction had significant positive impact on the positive-word-of-mouth (PWM) that is propensity to recommend at  $p < 0.01$  level (2-tailed). Still reliability (0.808) had strong positive correlation with PWM followed by overall satisfaction (0.788), empathy (0.748), responsiveness (0.696), assurance (0.694), and tangible (0.676), respectively.

Overall respondents' ranking showed reliability first and tangible as the fifth (i.e., last). Moreover, the respondents' choice of "most important" and "least important" dimension portrayed that reliability chosen as the most important and tangible as the least important. Therefore, this finding is consistent with the earliest researches conducted by Arasli et al. (2005) and Bedi (2004) that the quality dimensions are the drivers of customer satisfaction and reliability has the highest impact on the overall satisfaction.

Zeithaml et al. (1993) suggested that poor performance by service firms is primarily due to not knowing what their customers expect from them. This exploratory study depicted there is significant mean difference/gap between expectation and perception that spells respondents' perception falls below their expectation, i.e., they are less satisfied. This leads to say SBI-PU branch bank is less customer focused.

The bank is facing significant challenges from the surrounding private banks. It is also on the eve of fierce competition from international banks expected to come in to the country in the near future owing to the General Agreement on Trade in Services (GATS). This agreement liberalizes the banking sector and attracts foreign banks which are threats to the domestic banks.

It is more expensive to find and attract new customer than it is to retain an existing one. Therefore, SBI-PU branch bank needs to redefine its image to one that emphasizes service quality by introducing standards for service excellence. This can lend a hand to revamp its appearance and portray a more contemporary image and reach the standards of its counterparts. The study has shown, among others, customers are looking for banks that keep their promises, show sincere interest in solving customer problems, perform services right at the first time, never aloof to respond customer requests, understand customer's specific needs, and provide prompt service.

Due to an interactive nature of employee-customer relationship, including input from employees on what constitutes "service excellence" will be beneficial. The bank also need to reassess "what customers expect from the bank" and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence-particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers' need for personalized service.

Employees interacting with customers in a customer centric manner will be able to provide their service with empathy will be able to promptly recover service failures and also ensures the service delivered is consistent with the service promised. This will help to build profitable customer relationship which in turn results in high customer satisfaction and retention, extend the zone of customer tolerance for service failures, increase recommendations about the bank to others and increase customer loyalty.



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**ANNEXURES**

**ANNEXURE 1: AGE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	50 and above	20	23.5	23.5	23.5
	41-50	36	42.4	42.4	65.9
	31-40	15	17.6	17.6	83.5
	21-30	14	16.5	16.5	100.0
	Total	85	100.0	100.0	

**ANNEXURE 2: GENDER**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	37	43.5	43.5	43.5
	female	48	56.5	56.5	100.0
	Total	85	100.0	100.0	

**ANNEXURE 3: EDUCATION**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PhD	24	28.2	28.2	28.2
	post graduate	58	68.2	68.2	96.5
	university graduate	3	3.5	3.5	100.0
	Total	85	100.0	100.0	

**ANNEXURE 4: OCCUPATION**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	office worker	19	22.4	22.4	22.4
	professor	34	40.0	40.0	62.4
	student	32	37.6	37.6	100.0
	Total	85	100.0	100.0	

**ANNEXURE 5: DESCRIPTIVE STATISTICS [FOR EXPECTATION]**

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
TANGIBILITY	85	6.00	7.00	6.6176	.30274	.092
RELIABILITY	85	6.00	7.00	6.6871	.28693	.082
RESPONSIVENESS	85	6.00	7.00	6.5912	.29085	.085
ASSURANCE	85	6.00	7.00	6.5353	.39369	.155
EMPATHY	85	6.00	7.00	6.5953	.32363	.105

**ANNEXURE 6: DESCRIPTIVE STATISTICS [FOR PERCEPTION AND OVERALL SATISFACTION AS WELL AS RECOMMENDATION TO OTHERS]**

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
TANGIBILITY	85	2.75	7.00	5.1059	1.06512	1.134
RELIABILITY	85	3.00	7.00	4.7788	1.15842	1.342
RESPONSIVENESS	85	2.75	7.00	4.7824	1.20254	1.446
ASSURANCE	85	3.50	7.00	5.3265	1.06697	1.138
EMPATHY	85	2.60	7.00	5.0094	1.08580	1.179
Q1OS	85	4	7	5.01	.838	.702
Q1R	85	3	7	5.51	1.181	1.396
Valid N (list wise)	85					

Where, Q1OS= OVERALL SATISFACTION; Q1R = POSITIVE WORD OF MOUTH

**ANNEXURE 7: PEARSON CORRELATION MATRIX (FOR PERCEPTION)**

		TANG.	REL.	RES.	ASS.	EMP.	Q1OS	Q1R
TANGIBILITY	Pearson Correlation	1	.893(**)	.885(**)	.800(**)	.883(**)	.789(**)	.676(**)
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
RELIABILITY	Pearson Correlation	.893(**)	1	.957(**)	.911(**)	.914(**)	.873(**)	.808(**)
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
RESPONSIVENESS	Pearson Correlation	.885(**)	.957(**)	1	.824(**)	.890(**)	.844(**)	.696(**)
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
ASSURANCE	Pearson Correlation	.800(**)	.911(**)	.824(**)	1	.787(**)	.698(**)	.694(**)
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000
	N	85	85	85	85	85	85	85
EMPATHY	Pearson Correlation	.883(**)	.914(**)	.890(**)	.787(**)	1	.866(**)	.748(**)
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000	.000
	N	85	85	85	85	85	85	85
Q1OS	Pearson Correlation	.789(**)	.873(**)	.844(**)	.698(**)	.866(**)	1	.788(**)
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.	.000
	N	85	85	85	85	85	85	85
Q1R	Pearson Correlation	.676(**)	.808(**)	.696(**)	.694(**)	.748(**)	.788(**)	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.
	N	85	85	85	85	85	85	85

Where, Q1OS= OVERALL SATISFACTION; Q1R = POSITIVE WORD OF MOUTH  
**\*\* Correlation is significant at the 0.001 level (2-tailed).**

**ANNEXURE 8: KMO AND BARTLETT'S TEST (EXPECTATION)**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.620
Bartlett's Test of Sphericity	Approx. Chi-Square
	1427.161
	df
	231
	Sig.
	.000

**ANNEXURE 9: KMO AND BARTLETT'S TEST (PERCEPTION)**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.715
Bartlett's Test of Sphericity	Approx. Chi-Square
	1427.161
	df
	231
	Sig.
	.000

**ANNEXURE 10: TOTAL VARIANCE EXPLAINED (EXPECTATION)**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.252	28.417	28.417	4.279	19.450	19.450
2	2.989	13.588	42.005	2.880	13.089	32.539
3	2.643	12.012	54.017	2.853	12.968	45.507
4	1.712	7.780	61.797	2.847	12.943	58.450
5	1.427	6.487	68.285	1.734	7.883	66.333
6	1.250	5.684	73.969	1.680	7.635	73.969
7	.898	4.083	78.052			
8	.764	3.473	81.525			

Extraction Method: Principal Component Analysis; 6 components extracted

**ANNEXURE 11: TOTAL VARIANCE EXPLAINED (PERCEPTION)**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.005	63.661	63.661	14.005	63.661	63.661
2	2.173	9.878	73.539	2.173	9.878	73.539
3	1.568	7.127	80.666	1.568	7.127	80.666
4	1.289	5.859	86.526	1.289	5.859	86.526
5	.851	3.868	90.394			
6	.591	2.686	93.080			

Extraction Method: Principal Component Analysis; 4 components extracted

ANNEXURE 12: EXPECTATION - PERCEPTION

	Variables and Items (Factors)	Grand Mean Score & Gap			Paired sample test at 95%	
		(E)	(P)	E - P	t-statistic	Sig. (2-tailed)
<b>I</b>	<b>Tangibles</b>	<b>6.6176</b>	<b>5.1059</b>	<b>1.5117</b>	<b>13.918</b>	<b>0.000*</b>
Q1	The bank has modern-looking equipments	6.69	5.41	1.28	9.532	0.000*
Q2	The bank has visually appealing physical facilities	6.53	4.68	1.85	10.405	0.000*
Q3	The bank has neat-appearing employees	6.67	4.87	1.80	13.159	0.000*
Q4	The bank has appealing materials associated with the service (such as passbook, debit card, deposit/withdrawal forms or statements)	6.58	5.46	1.12	8.015	0.000*
<b>II</b>	<b>Reliability</b>	<b>6.6871</b>	<b>4.7788</b>	<b>1.9083</b>	<b>16.522</b>	<b>0.000*</b>
Q5	When employees promise to do something by a certain time, they do so.	6.76	4.42	2.34	14.163	0.000*
Q6	The bank shows sincere interest in solving when customers have a problem,.	6.75	4.48	2.27	15.323	0.000*
Q7	The bank performs the service right at the first time.	6.84	4.76	2.08	18.486	0.000*
Q8	The bank provides its services at the time it promises to do so.	6.49	4.65	1.84	12.150	0.000*
Q9	The bank keeps on error-free records.	6.59	5.58	1.01	7.358	0.000*
<b>III</b>	<b>Responsiveness</b>	<b>6.5912</b>	<b>4.7824</b>	<b>1.8088</b>	<b>14.946</b>	<b>0.000*</b>
Q10	Employees of the bank tell the customers exactly when services will be performed.	6.60	5.08	1.52	8.741	0.000*
Q11	Employees of the bank give prompt service to customers.	6.67	4.86	1.81	16.414	0.000*
Q12	Employees of the bank are always willing to help customers.	6.46	4.74	1.72	11.157	0.000*
Q13	Employees of the bank never aloof or too busy to respond to customers requests.	6.64	4.45	2.19	17.095	0.000*
<b>IV</b>	<b>Assurance</b>	<b>6.5353</b>	<b>5.3265</b>	<b>1.2088</b>	<b>10.614</b>	<b>0.000*</b>
Q14	The behavior of employees of the bank instills trust and confidence in customers.	6.61	4.91	1.70	10.151	0.000*
Q15	Customers of the bank feel safe in their transactions.	6.67	5.76	0.91	6.895	0.000*
Q16	Employees of the bank are consistently polite with customers.	6.42	5.07	1.35	10.550	0.000*
Q17	Employees of the bank have the knowledge to answer customer questions.	6.44	5.56	0.88	6.413	0.000*
<b>V</b>	<b>Empathy</b>	<b>6.5953</b>	<b>5.0094</b>	<b>1.5859</b>	<b>14.325</b>	<b>0.000*</b>
Q18	The bank gives customers individual attention.	6.53	4.76	1.77	9.805	0.000*
Q19	The bank has operating hours convenient to all its customers.	6.56	5.91	0.65	6.107	0.000*
Q20	The bank has employees who give customers personal attention.	6.65	4.92	1.73	9.704	0.000*
Q21	The bank has the customers' best interests at heart.	6.68	5.01	1.67	12.344	0.000*
Q22	Employees of the bank understand the specific needs of their customers.	6.55	4.45	2.10	19.645	0.000*
*	Total	6.6086	4.9909	1.6176	15.292	0.000*

\*Significant at  $p < 0.001$ ; E= Expectation; P= Perception

ANNEXURE 13: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915(a)	.837	.826	.349

a. Predictors: (Constant), EMP\_P, ASS\_P, TANG\_P, RES\_P, REL\_P

ANNEXURE 14: COEFFICIENTS (a)

Model 1		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.427	.241		10.087	.000
	TANG_P	-.010	.022	-.053	-.471	.639
	REL_P	.205	.039	1.419	5.277	.000
	RES_P	-.046	.031	-.262	-1.483	.142
	ASS_P	-.112	.025	-.572	-4.582	.000
	EMP_P	.046	.019	.299	2.396	.019

a. Dependent Variable: Q1OS

ANNEXURE 15: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873(a)	.763	.760	.411
2	.905(b)	.819	.815	.361
3	.911(c)	.830	.824	.351

a. Predictors: (Constant), REL\_P

b. Predictors: (Constant), REL\_P, ASS\_P

c. Predictors: (Constant), REL\_P, ASS\_P, EMP\_P

d. Dependent Variable: Q1OS (i.e., overall satisfaction)

ANNEXURE 16: CORRELATIONS

		Q1OS	Q1R
Q1OS	Pearson Correlation	1	.788(**)
	Sig. (2-tailed)	.	.000
	N	85	85
Q1R	Pearson Correlation	.788(**)	1
	Sig. (2-tailed)	.000	.
	N	85	85

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

**ANNEXURE 17: MOST IMPORTANT**

		Frequency	Percent	Valid Percent	Cumulative Percent	Rank
Valid	reliable	67	78.8	78.8	78.8	1
	responsiveness	13	15.3	15.3	94.1	2
	assurance	1	1.2	1.2	95.3	4
	empathy	4	4.7	4.7	100.0	3
	Total	85	100.0	100.0		

**ANNEXURE 18: LEAST IMPORTANT**

		Frequency	Percent	Valid Percent	Cumulative Percent	Rank
Valid	tangible	48	56.5	56.5	56.5	1
	responsiveness	16	18.8	18.8	75.3	3
	assurance	4	4.7	4.7	80.0	4
	empathy	17	20.0	20.0	100.0	2
	Total	85	100.0	100.0		

**ANNEXURE 19: CASE SUMMARIES**

Dimensions	N	Mean	Rank
Tangibles (R1)	85	13.95	5
Reliability (R2)	85	33.62	1
Responsiveness (R3)	85	17.92	3
Assurance (R4)	85	19.44	2
Empathy (R5)	85	15.07	4
Valid N (list wise)	85		



**BANK CONSOLIDATION AND SOLVENCY: THE NIGERIAN EXPERIENCE**

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**ABSTRACT**

Bank consolidation was introduced in the Nigerian financial sector in order to recapitalize banks and to make them capable of withstanding the intense competition posed by globalization. This process was introduced when the operating solvency of the banks has been completely eroded by their inability to meet their debt obligations as they arise and the banks engaged tied with more financial stress through excessive loans. This paper examines the impact of consolidation on the operating solvency of the banks in Nigeria using regression analysis. Eight (8) banks were randomly chosen to represent the population. Accounting data were obtained from the Fact-book and Annual Stock Price Summary maintained by the Nigerian Stock Exchange (NSE) and the published Annual Reports and Accounts of the sampled banks. The result shows that the absolute value of the correlation coefficient between the dependent variable SOLVENCY and the independent variable CONSO of 0.097 indicates that the strength of the linear relationship is less than 10 per cent at a significance level of 0.329. Again, it indicates an *R* squared of less than 1 per cent which represents the proportion of variations in SOLVENCY that is explained by the regression model. Thus, the study finds a weak and insignificant influence of consolidation on the solvency of Nigerian banks and therefore, concludes that consolidation does not significantly impinge on the solvency of the banks. The paper recommends that schemes of loan guarantee and debt factoring should be encourage by the apex bank in this way the banks could reduce some of the risk assets that are not performing and in order to improve on their short term liquidity and solvency in the long run.

**KEYWORDS**

Bank, Consolidation, Nigeria, Solvency.

**INTRODUCTION**

Bank consolidation was introduced in the Nigerian banking sector to recapitalize banks and make them capable of withstanding the intense competition posed by globalization. Structurally, the sector was highly concentrated, as the ten largest banks accounted for about 50 percent of the industry's total assets/liabilities. Even the largest bank in Nigeria has a capital base of about US\$240 million compared to US\$526 million for the smallest bank in Malaysia. The banks were typify with expensive headquarters, unique investment in software and hardware, heavy fixed costs and operating expenditures, and the horde of branches in the commercial cities resulted in a very high average cost for the industry.

Generally, the major problems of many Nigerian banks, among others, include huge credits and inadequate cash balances to meet their customers' demand. Thus, the operating solvency of the banks has been completely eroded by their inability to meet their debt obligations as they arise. The CBN in 2004 declared the process of recapitalization of the Nigerian banks through consolidation (Poyi, 2006). The board of the CBN approved and published the guidelines and incentives to facilitate the consolidation process in order to assist the banks in meeting the approved capital base of N25 billion by the end of December, 2005 (Soludo, 2006). The objective of the consolidation exercise is to ensure adequate capitalization of the banks in the sector in order to enable them to achieve effective and efficient of operations, strengthen their solvency position and contribute to the stabilization of the banking sector. Boosting the solvency of the banks means their ability to meet customers' demands as they arise is also enhanced (Adejobi, 2008) as well as depositors' trust.

However, prior studies on bank consolidation in the developed markets have shown that bank consolidation has been criticized for not producing the cost savings or increased revenues that were anticipated (Peristiani, 1997). Also, the effects of consolidation on the solvency of banks have shown two patterns: the ambiguous effects of consolidation on the banks' solvency or increase in the insolvency of bank coupled with insignificant improvement in the profitability upon consolidation (Souza and Lai, 2002). Another problem of this research is that there are limited studies on this phenomenon in Nigeria to the best of the researcher's knowledge. The only known study is Adejobi (2008) who used Data Envelopment Analysis (DEA). However, this method estimates "relative" efficiency of a Decision Making Units (DMU) but it converges very slowly to "absolute" efficiency. Thus, it tells how well to compare peers but not to ascertain a "theoretical maximum". Since the DEA is a nonparametric technique, statistical hypothesis testing is difficult which is the focus this research. This study examines the effects of consolidation on the solvency of Nigerian banks to the theoretical maximum which is presented by values of correlation coefficients, "*R*" and coefficient of determination, "*R*<sup>2</sup>" in regression analysis. Thus, this study tests the statistical hypothesis that consolidation has no significant impact on the solvency of banks in Nigeria. The remaining part of the paper is organized as follows: the next section presents the literature review followed by the methodology section. Sections four and five of the paper present discussions of results and conclusions of the paper respectively.

**LITERATURE REVIEW**

One of the major benefits of consolidation is to avoid banks becoming unable to meet liabilities during periods of firm specific or market-wide liquidity stress and increase banks' resilience to liquidity stress given the market failures. Others include: reducing the risk of asset sales at fire-sale prices that might prejudice balance sheet solvency and, if sufficiently widespread, disrupt the asset markets more widely; and reducing the need for intervention by the authorities, with potential costs to the public purse. Consolidation is viewed as the reduction in the number of banks and other deposit taking institution with a simultaneous increase in the size and concentration of the consolidation entities in the sector (BIS, 2001; Adedipe, 2005 and Ajayi, 2005). It is mostly motivated by technology innovation, deregulation of financial services, enhancing intermediation and increased emphasis on shareholder value, privatization and international competition (Berger et al., 2000; IMF, 2001 and De Nicole et al., 2003). Consolidation has been seen as a deliberate policy designed by the governments of various countries to check their impending banking sector crisis subsequent to probable failures and the need to sustain public confidence in the sector (Uchendu, 2005). The process of consolidation creates bigger banks with huge capital that could not be eroded by statutory provisions and as well, creates opportunities for greater diversification and financial intermediation.

Empirically, Hughes et al. (1999) examine the effects of consolidation on profit, solvency and the degree of profit inefficiency in the U.S. Using regression analysis; they found that consolidation improves bank safety measured by reducing the banks' risk of insolvency. De Nicole et al (2003) find that complex banks have high level of risk of insolvency than smaller, less complex or specialized banks. Deregulation need to be complemented with more detailed analyses of banks' managerial incentive to take risk and to exploit the indirect subsidies provided by modern safety nets. Basu et al. (2004) study the impact of consolidation on bank performance in Argentina, using regression analysis. They found that a bank's insolvency risk is reduced significantly through consolidation. Adejobi (2008) used DEA to study the solvency of Nigerian consolidated banks and his findings suggest significant improvement in the solvency of the banks. However, Adejobi's results may not be robust due to the methodology he employed. Therefore, this study contributes to the consolidation literature using similar methodology as in Basu et al. (2004) as evidence from on the impact of consolidation on the solvency of Nigerian banks.

## METHODOLOGY

The study covers three financial periods in the post consolidation era (2006-2008). Eight (8) banks were randomly chosen from the twenty-two (22) banks listed banks. Accounting data were obtained from the NSE Fact-Book, NSE Annual Stock Price Index and the published Annual Reports and Accounts of the sampled banks. The data collected are used for the computing solvency ratios such as Loan to Deposit Ratio (LDR), Deposit to Cash Ratio (DCR) and consolidation, CONSO. The dependent variable, SOLVENCY, represents the average of the LDR and DCR. The LDR measures liquidity as well as the credit risk of a bank. A high value indicates a potential source of illiquidity and insolvency, lower DCR stimulates depositors' trust (Kakani, Saha and Reddy, 2001) and CONSO, the independent variable, represents bank's share of the total assets of the banking industry (Basu, Druck, Marston and Susmel, 2004).

This paper adopts a model used by Basu, Druck, Marston and Susmel (2004) in explaining the relationships between the consolidation and returns of bank in Argentina to test the null hypothesis that consolidation has no significant impact on the solvency on Nigerian banks. The model is similar to the model used in Demsetz and Strahan (1995) with some differences in estimation technique. In order to indirectly test the effect of bank consolidation on bank returns, they check its effect on the Sharpe ratio, that is, the risk-adjusted returns. They estimated the relationship in the model:  $(rit/a2it = \alpha + x'it P + uit...1)$ . Where  $i$  denotes cross-sections and  $t$  denotes time-periods with  $i=1,2,...,N$ , and  $t=1,2,...,T$ . They used the variance of bank returns divided by bank returns, as the dependent variable in model,  $\alpha$  is a scalar,  $P$  is  $K \times 1$  vector of coefficients and  $xit$  is the  $i$ -th observation on  $K$  explanatory variables or risk factors and random error term as  $uit = \sum \mu i Di + \epsilon$ . From this, model (2) is estimated for this study:  $(SOLVENCY = \alpha + CONSO'it P + uit...2)$ . Therefore, A solvent bank's total assets value is greater than its liability otherwise its risk of insolvency becomes high. For consolidation to have a positive impact on the solvency of the listed banks in Nigeria, it is expected that the CONSO would be positively related to SOLVENCY in the model.

## RESULTS AND DISCUSSION

The results (Appendix 1) show a value of 0.097 for the correlation coefficient between the SOLVENCY and the CONSO. The significance (or p-value) of the coefficient of 0.329 shows the probability of obtaining a linear relationship, as observed between the two variables. However, the value of the p-value indicates an insignificant correlation between the variables. The proportion of variations in SOLVENCY that is explained by the regression model is 0.009, precisely less than 1%. This implies that CONSO explains less than 1% of the variability in SOLVENCY of the listed banks. The regression sum of squares is 8.017 (Appendix 2) is considered small in comparison to the residual sum of squares of 836.339. This implies that the model accounts for less of the variations in the dependent variable SOLVENCY. The model fails to explain much of the variations in the SOLVENCY of the listed banks in Nigeria.

The sample slope of the relationship between CONSO and SOLVENCY is -0.065 and a standard error of 0.145 and a value of  $t$  statistics as 0.449 in absolute terms of standard error units away from the hypothesized value at the level of significance, 0.658, (Appendix 3). Thus, the null hypothesis that consolidation has no significant impact on the solvency of the listed banks in Nigeria is not rejected. From this result, *Model 1* is developed to explain the relationship between SOLVENCY and CONSO variables. The model shows that whenever CONSO increases by 1 unit SOLVENCY will decrease by 0.065 units. CONSO improves solvency if the ratios of the SOLVENCY falls as it increases. The fall in SOLVENCY is a source of better liquidity for the banks. This linear relationship shows that consolidation is improving the solvency of the listed banks in Nigeria. However, the proportion of the change in SOLVENCY is not significant in relation to the change in CONSO. This is showed in model 3:

$$(SOLVENCY = 5.877 - 0.065CONSO + 0.145...3)$$

The summary of the results show, to the theoretical maximum, consolidation does not have significant on the solvency of the sampled banks and not in relative terms as in case of Adejobi (2008). Instead, it is observed that consolidation deteriorated the solvency and credit risk of the sampled banks given the values of the coefficients in the regression model. This result is consistent to the findings of Amel, Barnes, Panetta and Salleo (2002), De-Nicolo, Bartholomew, Zaman and Zephirin (2003), who discovered that consolidated banks' risk of insolvency tended to increase with significant loan portfolios. These findings are contrary to the results of Hughes, Lang, Mester, and Moon (1999), Altunbas and Ibanez (2004), Basu, Druck, Marston and Susmel (2004), who found that consolidation improves bank safety measured by solvency. Particularly, De Nicola and Kwast (2002) found a dramatic reduction in bank capital ratios associated with increased safety-net support; they also found that the structure and strength of safety-net guarantees might affect risk taking. The Group of Ten (2001) concluded that there were reasons to believe that financial consolidation had increased the risk and that the failure of a large complex banking organization would be disorderly.

## CONCLUSIONS

There is improvement in the liquidity as well as the credit risk of the consolidated banks. There is also an increase in the ability of the banks to give more loans to customers without much financial stress or over stretching their liquidity. Moreso, the consolidated banks have maintained higher amounts of cash to cover up their customers' deposits. However, these improvements in the solvency of the banks are not statistically significant as shown by the weakness in the coefficients of correlation and determination.

It is recommended that the process of setting up National Loan Guarantee Scheme should be set in motion. This will guarantee billions of naira of loans to Nigerian businesses at commercial insurance fees. The guarantee, which will be provided by the government through its agencies that are to be established, would not cover 100 per cent of the loan - it is important that banks take a share of the risk to prevent reckless lending. And it is the banks, not the Government, that would make decisions about which companies to lend to. Bank's solvency policy should have a contingency plan that addresses alternative funding if initial projections of funding sources and uses are incorrect or if a solvency crisis arises. This would help to ensure that a bank can prudently and efficiently manage routine and extraordinary fluctuations in solvency.

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**APPENDICES**

**APPENDIX 1: REGRESSION MODEL SUMMARY**

Model	R	Significance of R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.097	.329	.009	-.038	6.31098

Source: NSE Fact-Book and Annual Accounts of Sampled Banks (SPSS 15)

a Predictors: (Constant), CONSO  
 b Dependent Variable: SOLVENCY

**APPENDIX 2: ANALYSIS OF VARIANCE OF THE REGRESSION MODEL**

	Sum of Squares	df	Mean Square	F	Sig.
<b>Regression</b>	8.017	1	8.017	.201	.658(a)
<b>Residual</b>	836.339	21	39.829		
<b>Total</b>	844.416	22			

Source: NSE Fact-Book and Annual Accounts of Sampled Banks (SPSS 15)

a Predictors: (Constant), CONSO  
 b Dependent Variable: SOLVENCY

**APPENDIX 3: THE COEFFICIENTS OF CONSO ON SOLVENCY**

	Unstandardized Coefficients		t	Sig.	95% Confidence Interval for B	
	B	Std. Error			Lower Bound	Upper Bound
<b>(Constant)</b>	5.877	1.384	4.247	.000	2.999	8.755
<b>CONSO</b>	-.065	.145	-.449	.658	-.367	0.237

Source: NSE Fact-Book and Annual Accounts of Sampled Banks (SPSS 15)

b Dependent Variable: SOLVENCY

## ORGANIZATIONAL DETERMINANTS OF FIRM PERFORMANCE: A CASE OF GARMENTS MANUFACTURING FIRMS OF LAHORE, PAKISTAN

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### ABSTRACT

*The study has been undertaken to investigate the significant organizational determinants of firm performance in the context of small and medium garments manufacturing firms working in the city of Lahore. Data has been collected from 36 firms by the author himself through face to face structured interviews. Association between organizational variables and firm performance has been tested. Firm performance has been measured using the four indicators that include sales growth, profitability, customer satisfaction and capacity building. Findings of the study reveal that size of the firm, use of information & communication technology, risk taking propensity of the entrepreneur, intentions to increase capacity and output, export, preparation of financial statements, planning system, training & compensation, interdepartmental coordination and promotion methods have been found associated with one or more of performance measures. As against the literature, some surprising findings were that education, related industry experience, certifications, R & D, market research and branding have been found insignificant in relation to the firm performance. In the end study recommends that SMEs should focus on the key organizational variables influencing SME success and suggest areas for future research.*

### KEYWORDS

Organizational determinants, firm performance, garments manufacturing firms.

### INTRODUCTION

The study has been undertaken in the context of small and medium garments manufacturing firms working in the city of Lahore, Pakistan to explore the determinants of SME performance. The main emphasis was to find out the key organizational determinants attributed to the SME success and point out the strengths and weak areas of these firms. Determinants of firm performance have been divided into the economic and organizational factors in the literature (Hansen & Wernerfelt, 1989); however this study will focus only on the organizational variables. Lahore garments cluster consists of firms producing knitwear garments, woven garments and leather garments and previously only a diagnostic study has been undertaken on woven garments manufacturing firms (UNIDO, 2006). Before going to the detailed discussion and analysis a brief view of the sector, products and processes is discussed below.

Pakistan being an agricultural country is the 4<sup>th</sup> largest producer and 3<sup>rd</sup> largest consumer of cotton in the world. Textile industry contributes about 8.5 percent share in the GDP and more than 67 percent of total merchandise exports are from this sector. The sector provides employment to 38 percent of total labor force and contributes 46 percent to total manufacturing with investment of US \$6.4 billion. USA, Germany, United Kingdom, Spain, France and Italy are the major export partners of readymade garments and knitwear. Garments sector's share was 31 percent of the total textiles exports from Pakistan during 2007-08 which is very high as compared to other sectors in textile. It is also the largest employment creating sector in Pakistan with around two million people directly employed and it is major value addition source to textile products. Pakistan is the third lowest wage paying country in the apparel sector with US \$0.37 per hour after Bangladesh and Cambodia with the dominance of piece rate system (PRGMEA, 2009). To support the apparel sector regarding the availability of technical and skilled workers Pakistan Readymade Garments Technical Training Institute (PRGTTI) was established in 2001 which is recognized by the Ministry of Commerce and Trade Development Authority of Pakistan and offering different technical courses and workshops (PRGMEA, 2009). National Vocational and Technical Education Commission (NAVTEC) was promulgated in 2006 to facilitate, regulate, and provide policy direction for technical education and vocational training to meet national and international demand for skilled manpower. Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) was registered in 1985 with Ministry of Commerce to protect and support the garments exporters of Pakistan (PRGMEA, 2010).

The pressure on SME sector is increasing to compete in this global arena. Horizontal integration of small firms is a strategy to enter in global supply chains and the concept of clustering has emerged to strengthen the performance of small firms. In Pakistan the production of garments is mainly concentrated in Lahore, Karachi and Faisalabad. Garment cluster of Lahore consist a variety of woven, knitted and leather garment manufacturing firms. Woven garment cluster is working since mid 80's while its turning point was mid 90's when many commercial banks started offering soft loans to develop new industry (UNIDO, 2006). It was due to the existence of knit wear cluster and availability of yarn provided by spinning sector. A number of large, medium and small firms are working in this cluster, which cater the needs of domestic market and also contribute to foreign earnings. Pakistani exporters could not survive in huge markets of Japan, Far East and Middle East due to non-quota environment and quality requirements.

### LITERATURE REVIEW

Determinants of firm performance are factors that influence or contribute in the success of any firm. A variety of factors ranging from the personal characteristics of the entrepreneur to the economic policy are affecting firm performance (Schutjens & Wever, 2000). The literature classifies the determinants of firm performance into two main streams; the economic variables that focus on the external factors such as industry growth, concentration, capital intensity, advertising intensity, market share and size and the organizational variables also considered as the internal factors include the decision making practices, communication flow, goal emphasis, HRM practices, leadership, group process and job conditions etc. (Hansen & Wernerfelt, 1989). Both type of variables influence firm profitability, however it is suggested that organizational factors are more effective than economic factors (Hansen & Wernerfelt).

One of the organizational determinants the human resource practices are referred to the organizational activities a firm employs to manage the pool of human capital and to ensure that it is aligned with the organizational goals (Schuler & Jackson, 1987). Compensation and training practices both are marginally related to motivation of operators. To firm performance, appraisal, compensation and selection are strong indicators if paired with the workers participation system. Wright, McCormick, Sherman, & McMahan found that training shows a strong negative relationship to firm performance this might be due to increased technological dependence. Training is crucial factor to improve the Productivity and efficiency of employees and it could contribute for new product



development and innovation, which enhances the chances of business success (Schultz, 1960; Hall, 1993). The results of the study by Wright, Gardner, Moynihan and Allen (2005) also support the positive relationship of HR practices and firm performance. Explaining the relationship of HRM effectiveness and firm performance Huselid, Jackson, Schuler (1997) concluded that strategic HRM effectiveness was significantly associated with firm performance, but technical HRM effectiveness was not associated with it. It may be difficult for small firms to implement each type of modern HRM practices due to small scale limitations, but it is highly recommended that discipline is strongest independent variable to increase SME performance (Gulbro and Tucker, 2004). Leiponen (2005) stated that skilled employees are no longer important only to research and development but rather to all functions of the firm.

The importance of planning can never be denied in the success of organization. It is generally said that planning plays a vital role in firm's growth and success. Pushpakumari and Wijewickrama (2008) studying the relationship of formal planning and performance of manufacturing SMEs concluded that there is strong and significant relationship between planning and profits, planning and market share and moderate relationship between planning and number of employees and reinvestment to the business. Edwards and LaFief (2004) proposed that small entrepreneurs will improve their chances of success if they practice strategic planning and strategic control to identify the need for change.

Age of the firm shows the experience and relationships with customers, financial institutions, investors and suppliers that build goodwill so it influences the firm performance (Inmyxai & Takahashi, 2010). Older firms have more customer base showing large sales volume, more employees and capacity indicates the chances of better performance (Rosa, Carter, & Hamilton, 1996). It is conventionally perceived that bigger the organization more its profitability will be. Jim Lee (2009) investigates that along with market share, absolute size plays a positive and dominant role as it is significantly correlated with firm profitability. In a study about factors contributing to small and medium enterprise growth it is concluded that management practices and size of the firm are the major factors contributing to the growth of the firm (Anwar & Andaleeb, 2007). Firm size is an indicator of firm survival and success as it can absorb more shocks than smaller firms. Larger firms enjoy the benefits of economies of scale, have more access to resources and low cost of capital due to high volume (Mukhtar, 2002; Penrose, 1995). In contrast the SMEs are more flexible as compared to large firms having the ability to change their resources and to be more innovative, so size has been found insignificant in measuring firm performance due to lack of flexibility and adaptability (Chandy & Tellis, 2000). Organizational Structure in terms of ownership affects performance of firm in different dimensions. Highly concentrated and Govt. owned enterprises as compared to family owned enterprises have more returns (Gursoy & Aydogan, 2002). In a study Shipley et al. (1998) argued that privately owned enterprises are more successful in Poland than publicly owned.

Another determinant of firm performance which has been widely discussed in the literature during last three decades is market orientation. Simply, market oriented firm is one that focuses on customer needs, competitor's actions and coordination within the internal divisions of firm to be responsive. Research on market orientation is dominated by market intelligence and culturally based behavioral perspectives presented by Kohli and Jaworski (1990) and Slater and Narver (2000) respectively. Kohli and Jaworski divide market orientation into three elements which are market intelligence generation, intelligence dissemination and responsiveness. Slater & Narver (2000) focus on creating an organizational culture that effectively and efficiently creates employee behaviors for delivering superior value to customers. They distribute market orientation into customer orientation, competitor orientation and inter functional coordination.

Market oriented business culture leads to improve business performance by focusing on customers (Slater and Narver, 2000). Market orientation is significant predictor of innovation effects and is compiled from customer orientation, competitor orientation and inter-functional orientation (Bozic & Radas, 2005). Amirkhani and Fard, (2009) identified the effect of market orientation on business performance of the designing and manufacturing clean rooms and concluded that the positive and significant relationship exist between market orientation and firm performance. In a study of drivers and obstacles of market orientation in Pakistani context Malik and Naeem (2009) concluded that greater top management emphasis and interdepartmental connectedness are positively associated with market orientation. However centralization had negative association with market orientation. Mokhtar, Yusoff, and Arshad (2009) examined five critical success factors of market orientation practices in the Malaysian manufacturing firms context. These success factors include market action, market planning, market focus, market coordination and market feedback. This study concludes that market action and market planning are critical success factors positively related to financial performance of manufacturing firms. Market focus, market coordination and market feedback found no significant relation to firm financial performance, which is in accordance of argument that in developing countries all the variables of market orientation may not be associated with firm performance due to contextual factors (Greenley, 1995).

Firm performance has been found associated with the growth orientation which refers to the intentions of a firm to grow in terms of output or turnover to achieve stakeholder's goals. It determines that entrepreneur's have plans and are trying to grow. Fisher and Reuber (2003) have discussed that firms may differ in their way of growth based on preferences and other factors. A growth oriented entrepreneur is one who does its best efforts to catch new customers, increase the sales and believe on up-gradation of technology (Wood, Watts, & Wardle, 2004). In a study on an industry of Pakistan: Growth dynamics of small, medium and large enterprises the level of growth orientation has been determined on the basis of entrepreneurial intentions to expand, plans to increase number of machines and their level of sophistication, current methods of production and their level of sophistication, in-house research and development activities for product refinement and new product development and the kind and purpose of certifications held by firm (Aftab, Rahim, & Wahga, 2010). For SMEs the opportunity to enter and capture the global customer is step forward to grow in terms of quality, sales, innovation and up grading the internal systems and processes to compete. Okpara and Kumbiadis, (2008) in a study about SME export orientation and firm performance in Nigerian context argued that export oriented firms are more proactive and achieve better results in terms of growth and performance as compared to those of non-export oriented firms. They also suggest that export oriented firms are more competitive in decision making and strategy. Jolanda, Hessels, and Stel (2007) investigate that export oriented entrepreneurs contribute significantly better to economic growth than entrepreneurs in general.

Age of entrepreneur combined with experience can create a positive impact on firm performance due to the enrichment of management and other skills (Wai-Kit, Lau, & Nyaw, 2007). The concept of grey entrepreneurs in the literature of entrepreneurship is catching attention of researchers and needs to be discussed and analyzed more. The study of grey entrepreneurs' also known as older entrepreneurs is actually referred to the research of age factor in entrepreneurship. Research explains that grey entrepreneurs possess greater experience, strong networks and more financial resources however lacks energy, more involved in family life cycle and social networks. The age factor of the entrepreneurs needs more attention due to increasing life expectancies and elders' interest in self employment (Weber & Schaper, 2003). Education sharpens the potential abilities of a person to be able to understand, analyze and resolve the business situations and create value for self and society. It is general norm that higher level of education tends to be more productive for businesses. In small firms education of the entrepreneur is positively correlated with the firm performance in terms of profitability, sales volume, market share and net-worth (Segal, Borgia, & Schoenfeld, 2007). Entrepreneur's level of education builds the confidence, knowledge and skills required to achieve success. Previous studies on education-performance relationship suggest that education is associated with firm performance positively (Box, White, & Barr, 1993). In SMEs it is also reported that education helps to survive and be profitable as it creates ability to manage complicated tasks and handle the stress situations (Yusuf, 1995; Schutjens & Wever, 2000). In contrast, a study on the growth dynamics of an industry in Pakistan suggest that there is no significant association between education and growth of firm as highly successful entrepreneurs are non-educated (Aftab, Rahim, & Wahga, 2010). So it will be interesting to know the relationship in this study as sector under study has same contextual environment. It is correctly said that there is no shortcut to experience. Experience plays vital role in the success of small businesses. Entrepreneur's industry relevant experience before starting their venture is strongly related to firm performance. Higher level of industry relevant experience shows greater performance for SMEs in terms of sales, profitability, market share and other performance indicators (Segal, Borgia, & Schoenfeld, 2007). A number of studies claim education and experience as the determinant of one's earnings (Mincer, 1974). Economists also support the theory that experience is a determinant of self employment earnings (Kidd, 1993). Reuber and Fischer (1994) argued that no direct relationship has been found to exist in the management team experience and firm performance. Box, White, & Barr, (1993) suggested that experience of entrepreneurs were significantly associated with performance in the case of manufacturing firms.

The scope of entrepreneurship is ongoing debate in business literature. Generally it is referred as the risk-taking and proactive behavior to create something new or starting a venture to implement the entrepreneurial idea successfully (Wiklund, 1999; Covin & Slevin, 1989; Lumpkin & Dess, 1996). Entrepreneurial orientation represents a frame of mind and perspective toward entrepreneurship that is shown in the firm's activities and culture and includes autonomy, innovativeness, pro-activeness, competitive aggressiveness and risk taking (Dess, Lumpkin, & Taylor, 2005). In the literature of entrepreneurial orientation innovation, pro-activeness and risk-taking dimensions have been widely used (Wiklund, 1999; Covin & Slevin, 1989; Lumpkin & Dess, 1996) and found that entrepreneurial orientation works for improving the performance of firm (Wiklund, 1999).

## METHODOLOGY

It was cross sectional cum descriptive study because data has been collected from different firms in the sector in a given time period and it describes the organizational variables that are more important for the performance of SMEs in garment cluster Lahore. The population of garment manufacturing firms in the city of Lahore is not accurately known. Data has been collected from 36 garment manufacturing firms using convenience sampling technique due to unavailability of the size of the population. To make the sample representative 13 firms were taken who were exporters also and 23 firms were selling domestically. For inclusion in the sample the respondents had to meet these criteria:

- They were actively running and managing the business at least from last three years.
- They operated in the geographic proximity of Lahore.
- They were involved in garments manufacturing business.
- Their number of employees must not exceed 250 in any case including the entrepreneur.

Structured interviews were conducted to collect data from garment manufacturing firms of Lahore. Researcher personally visited all the respondents to collect the data by getting appointments through telephone between April, 2010 and May 2010. Face to face interviews of owners were conducted to collect the data at their business premises due to several advantages as it gives the interviewer the opportunity of probing complex questions and has high completion and participation rate as presence of the interviewer increases the percentage of people willing to participate in the interview. Another advantage of this method is that non-literates can participate in the study. To analyze the data, cross tabulation and Chi-Square test were used because most of the data was of categorical nature. Keeping in mind the non-availability of systematic financial and non-financial data the subjective performance approach has been used in this study to measure the performance of small and medium garment manufacturing firms. Literature also supports the use of subjective performance measures in such an informal and unstructured environment (Selvarajan, Ramamoorthy, Flood, Guthrie, MacCurtain, & Liu, 2007).

The variables used to determine firm performance were sales growth, profitability, customer's satisfaction and progress in terms of capacity building. All these variables have been evaluated on the basis of last three years progress. These measures of firm performance have been assigned weights and on the scores of these weights firms have been classified into the high performance and low performance firms (Appendix I). According to this criterion of determining firm performance, scores from 6 to 8 have been considered as high performance and below 6 as low performance.

## FINDINGS AND DISCUSSION

Among the characteristics of the entrepreneur not a single has been found significant to the firm performance. The literature strongly recommends the education and experience of the entrepreneur as factors of success. However in this study all the entrepreneur related factors are found insignificant including age, gender, education, experience and caste. The role of family caste in a special type of business has been studied and found strategic implications by Nadvi (1999) in the context of surgical cluster Sialkot Pakistan. Family caste in the case of garment cluster Lahore has been found insignificant and no association exists with firm performance. Age and gender as was expected has no implication for the success or failure of the venture. The level of education was good as fifteen out of the sample of thirty six were graduates but the impact of education on the performance of firm has not been found significant.

Among the firm level characteristics the size of the firm and average sales price has been found significantly associated with the customer satisfaction. Firm size was measured by the number of people a firm employs and also found significantly associated with the overall firm performance. The level of significance as in both the cases of customer satisfaction and firm size relationship and firm performance and firm size relationship was .016 which shows a significant association between the variables. The level of significance found as in the case of average sale price and customer satisfaction relationship is .011. It can be explained as the firms involved in export business earn more prices and are better in performance than those of playing domestically due to a price rise of the textile products in the international market. The other variables relating to the firm including age, type, ownership structure, capacity utilization and source of financing were found insignificant in this study.

Research and development activities both in house or outside the organization have been found limited. This is due to the replication trend in the firms focusing domestic market and use of customer specific designs by the firms selling internationally. No significant association has been found between research and development activities and performance measures. On the other hand use of ICT (information and communication technology) and risk taking propensity of the entrepreneur which explains the entrepreneurial orientation has been found significantly associated with performance measures. Use of ICT is the major variable associated with most of the performance measures including sales growth, profitability, customer growth and satisfaction and overall firm performance. Risk taking propensity is related with customer satisfaction and overall firm performance. The level of significance as in the case of ICT and firm performance and risk taking propensity and firm performance relationship remains at .006 and .026 respectively showing a strong level of association.

Record keeping has been found significantly associated with firm performance. Hiring accounting/finance personnel and preparation of formal financial statements are associated with customer growth and satisfaction, profitability, capacity building and overall performance of the firm. The level of significance in the case of accounting/finance personnel and sales growth, accounting/finance personnel and customer satisfaction, accounting/finance personnel and profitability, accounting/finance personnel and capacity building, accounting/finance personnel and overall firm performance relationship is well within the range. The level of significance in the case of preparation of financial statements and customer satisfaction and preparation of financial statements and capacity building remains at .058 and .046 respectively. Financial statements and capacity building relationship shows entrepreneur's option to make strategic decisions based on these statements.

Strategic planning has not been found as significant variable in relation with sales growth, profitability, capacity building and overall firm performance. Entrepreneurs in the garments cluster normally do short term planning due to seasonal nature of business and uncertain environment. Only planning system (centralized, decentralized) has been found associated with customer satisfaction showing .043 level of significance.

Among human resource practices training and compensation has been found associated with customer satisfaction and profitability showing the level of significance of .043 and .039 respectively. Informal system of selection is in practice as workers are hired normally on the personal relationship. Existing workers are asked to arrange the new one and only skilled workers are hired as few organization offer training to the workers. Piece rate system of compensation is common due to which the turnover rate is very high. Performance of employees has been evaluated according to their consistency and quality of work but no formalized appraisal system is there.

Among the factors of growth orientation, intentions to enhance capacity and output, steps taking for capacity enhancement, export and export progress and export orientation has been found associated with performance measures. The level of significance calculated between firm performance and export, firm performance and intentions to enhance capacity and output and firm performance and steps taking for capacity enhancement remains at .050, .014, .005 which show a significant association. So the firms who are growth oriented are better in performance and the firms exporting their products or firms with high export orientation has been observed as high performers. On the other hand certification has not been found as significant variable as most of the firms in the cluster operate at small scale and they do not have certifications. A surprising finding is that most of the firms which are exporting their products also working without certifications. It is due to the lack of branding as most of the firms sell their products to the large manufacturers, distributors/buying houses using the customer brands.

Among the factors relating to the market orientation customer orientation and interdepartmental coordination have been observed as significant variables to affect firm performance. Type of design and interdepartmental coordination are significantly associated with customer growth & satisfaction. Interdepartmental coordination is also significantly associated with profitability and overall firm performance of the firm. The level of significance measured from the gathered data between interdepartmental coordination and profitability remains at .048 and between interdepartmental coordination and firm performance at .052 which shows significant relationship.

There exists a fierce competition in the market but entrepreneurs think it is not directly relevant to their business due a slight diversification in the designs and quality of the product. Firms did not bother what their competitors are doing at small scale. Only personal relationships have been used to attract the customers and no formal advertising and promotion techniques exist. Only few local brands use the advertising source to attract the customers and enhance their sales. Most of the firms sell their products using tags of international brands or with the brand of their customer. A well established norm in the cluster is that customers are assured for return or replacement in case of any complaint. Some surprising findings were that certifications, research and development, market research, long term planning and branding have been found insignificant in relation to the firm performance. It is observed that firms are not interested in branding and certifications as they feel it unnecessary and time taking to create an image of their products. So they prefer to sell their products using tags of renowned international brands. Market research and research & development activities are associated to the large enterprises and SMEs have not been found involved in such type of activities.

## CONCLUSION AND RECOMMENDATIONS

The importance of SMEs has been increasingly recognized by developing nations, as engine of growth and development for the economy. Micro, small and medium enterprises not only generates the economic activity, these also contributes to provide a major portion of employment. Large enterprises can create economies of scale and economies of scope; however they cannot be as flexible and innovative as SMEs, which are a major source of self employment. Garment industry of Pakistan which is major contributor to foreign earnings is mainly populated by SMEs and Lahore is one of the three main clusters of garments actively participating in the economic strength. The cluster remains unexplored in the empirical research and a little evidence has been found explaining its dynamics in pursuance of growth and success that require focus to scratch the dirt of informal environment from the firms lagging behind. Various organizational variables have been found most important which need to be addressed to increase the performance of firms operating in the Lahore garment cluster. Among the entrepreneurial skills, use of ICT and risk taking propensity has been found more prominent to achieve the performance as firms better equipped in such skills are also better in performance. The investigations reveal that firms which are more focused on formalized procedures are gaining a competitive edge. Formalized and growth oriented firms have been found more successful in the cluster due to their continuous struggle to be competitive. Export and export orientation both have great implications for performance of garment manufacturing firms. Export and export orientation both have significant association with performance measures including customer satisfaction, profitability and overall business success. The findings also show that dominant factors in the market orientation are the customer orientation and interdepartmental coordination. Firm size has been found associated with the capacity building and overall firm performance.

There are number of factors require improvement for the better functioning of firms in the cluster. First the entrepreneurs are required to change the conventional attitude regarding business and to formalize their systems to compete and participate in the market. Firms should have been encouraged to prepare financial statements. Among the areas of improvement firms should focus on the use of ICT, risk taking propensity, formalization of procedures, training, modern promotion methods. However the importance of branding, research and development, market research, and certifications can never be denied to compete with the international players. Further research is needed in three different dimensions. First in the organizational perspective there should be causal research to explain the relationship of each determinant with growth and performance of firms in the local context. Second from the economic perspective there is a need to explain the influence of macroeconomic factors on the performance of garment manufacturing firms. Third the relative importance of both organizational and economic variables and combined effect of these factors should have been investigated in the local context to better understand the phenomenon.

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## APPENDIX

### APPENDIX-I: DETERMINING THE OVERALL FIRM PERFORMANCE

Variables	Scores
Annual Sales Growth	20% or Above = 2 10% to 20% = 1 Below 10% = 0
Three Years Progress in terms of Profitability and Overall Business Success	Good = 2 Average = 1 Poor = 0
Three Years Progress in terms of Customers Satisfaction	Good = 2 Average = 1 Poor = 0
Three Years Progress in terms of Capacity Building (Increase in number of machines and employees)	Good = 2 Average = 1 Poor = 0

Firm scoring 6-8 are considered high performance firms  
Scores less than 6 shows that a firm's performance is low



**MICROCREDIT AND BUSINESS PERFORMANCE IN NIGERIA: THE CASE OF MFI FINANCE ENTERPRISES****ABIOLA BABAJIDE****LECTURER****DEPARTMENT OF BANKING AND FINANCE  
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P.M.B 1023, OTA, OGUN STATE, NIGERIA****ABSTRACT**

*This paper investigates the impact of microcredit loan on business performance of Microfinance Institutions (MFI) finance microenterprises in Nigeria. A microenterprise refers to an individual business that consists of less than five employees and is generally organized as a sole proprietorship or family business. The objective of the study was to examine the effects of micro credit on several business performance criteria of MFI clients. Data for the study was derived from both primary and secondary sources. First, a survey of MFI and entrepreneur – clients were undertaken using simple random sampling technique to select our respondent, this was linked to data extracted from the records of MFI to form a panel data. The data obtained was analyzed using multiple regression analysis. The finding reveals a positive relation between microcredit and profit of the microenterprise. The study recommends a wider coverage of microfinance through effective implementation of micro-fund scheme and mandatory business related training for all micro entrepreneurs.*

**KEYWORDS**

Microfinance, microenterprise, microcredit, profit, regression analysis.

**INTRODUCTION**

To enhance international development, the United Nations Organization (UNO) in year 2000 announced the Millennium Development Goals (MDGs), aimed at poverty reduction among other objectives by 2015. In this regard, microfinance was adopted by United Nations General Assembly, as a form of financial development tool with the primary objective of reducing poverty level. The importance of microcredit was noted in the United Nations World Summit Outcome Document, 2005, (United Nations, 2005) which states that “We [the United Nations] recognize the need for access to financial services, in particular for the poor, including through microfinance and microcredit. . .” The document stipulates that microcredit will help member countries achieve the millennium development goals (MDGs) of reducing poverty rates by 50% by 2015. The year 2005 was declared the Year Microcredit by the General Assembly of United Nations. In the declaration statement, former United Nations Secretary General said expressly state that “...sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs.” (Kofi Annan, December 2003). As a result, Governments, donor organizations and Non Governmental Organizations (NGOs) around the world responded enthusiastically with plans and promises to work together towards the realization of the objectives. Thus, this financing instrument is perceived worldwide as a very effective tool of fighting against hunger and poverty, mainly in developing countries (Daley-Harris 2002; Littlefield, Murdugh and Hashemi 2003).

Prior to these declarations, microfinance has been recognize by international organization such as Consultative Group Against Poverty (CGAP) and Opportunity International (OI) that poor people are capable of coming out of poverty with dignity and can improve their living standard when the right environment and opportunities exist. Countries such as Bangladesh and Indonesia have succeeded in generating dynamic and productive self-employment through microfinance programs. The emphasis is on improving women empowerment, particularly those who live in absolute poverty and experience constant hindrances to growth. Microfinance organizations provide financial assistance to micro entrepreneur by offering them different kinds of financial and non-financial services, which is a common feature of microfinance institutions (Yunus, 2003).

Microfinance is a credit tool which employs effective collateral substitute for short-term and working capital loans to micro-entrepreneurs (Hubka and Zaidi, 2005). The level of a country's poverty has long been linked with measures of its economic development by development economist (Khan, 2005). The economies with positive Gross National Product (GNP) growth rate were measured by their poverty alleviation by the World Bank. The emphasis of microfinance is on wealth creation through self-employment as a path for development and assumed that improved lives for all would be the natural consequence (Littlefield, Murdugh and Hashemi 2003; Khan, 2005).

Microfinance is not a new development in Africa. In Nigeria, the unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the un-sustainability of government sponsored development financial schemes contributed to the growth of private sector-led microfinance in Nigeria. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country (Ojo, 2007). Informal microfinance is provided by traditional groups that work together for the mutual benefits of their members. These groups provide savings and credit services to their members. The informal microfinance arrangements operate under different names: ‘esusu’ among the Yorubas of Western Nigeria, ‘etoto’ for the Igbos in the East and ‘adashi’ in the North for the Hausas (CBN, 2000). The key features of these informal schemes are savings and credit components, informality of operations and higher interest rates in relation to the formal banking sector. The informal associations that operate traditional microfinance in various forms are found in all the rural and urban communities in Nigeria (Otu, et al, 2003). Although, the size of activities covered under the scheme are not easily determined but the non-traditional, formalized microfinance institutions (MFIs), are operating side by side with the informal services. The financial services provided by the MFIs in Nigeria include savings, credit and insurance facilities (Anyanwu, 2005).

In 2005, the Microfinance Policy Regulatory and Supervisory framework (MPRSF) was adopted for Nigeria. The objective of the microfinance policy is to make financial services accessible to a large segment of the potentially productive Nigerian population, which have had little or no access to financial services and empower them to contribute to rural transformation. Other objectives include promoting linkage platform among universal/development banks, specialized institutions and microfinance banks and promote synergy and mainstream the informal subsector into the national financial system. The microfinance policy recognizes the existing informal institutions and brings them within the supervisory purview of the Central Bank of Nigeria (CBN). This would enhance monetary

stability in the country and expand the financial infrastructure of the country to meet the financial requirements of the Micro, Small and Medium Enterprises (MSMEs) (CBN, 2005).

A number of studies have been carried out on the impact of microfinance on entrepreneurial development. Some scholars focused on the mechanism by which poverty is reduced. Ryne and Holt (1994) provide a meta-analysis of microfinance and focuses on women empowerment, intending to show why various studies conflict in their conclusions as to the impact of microfinance on women empowerment. Evans and Adams (1999) approach the microfinance from a different perspective; they seek to explain non participation in the microfinance evolution, stating that while microfinance is used as a viable tool to fight poverty, more than 75% of the poor individuals choose not to participate for various reasons. Park (2001) evaluates microfinance programmes in China using 3 key measurement variables (target, sustainability and overall impact). Copestake, Bhalotra and Johnson (2001) analysed the impact of microfinance on firms and individual wellbeing. Copestake et al. (2001) focused on business performance and household income to establish a link between availability of microfinance and overall wellbeing of the poor. Similarly, Afraine (2002) reviewed impact of microfinance intervention programmes in two African Countries (Ghana & South Africa) testing the impact of microfinance on business incomes, access to life-enhancing facilities, and empowerment of the people, particularly women. Amin, Rai and Topa (2003) focus on the ability of microfinance to reach the poor and the vulnerable. Their main concern is that microfinance is only serving people slightly below or above the poverty line, and that the really poor and destitute are being systematically excluded. Bekele and Zeleke (2008) examine the impact of iqub scheme (a type of microfinance programme in Ethiopia) on long term survival of micro, small and medium enterprises (MSMEs) in Ethiopia. The above analysis shows increase participation both in research and practice of microfinance particularly the impact assessment. Despite increase activities in the sector, trend in research did not provide sufficient justification for the link between microfinance and business performance using profit as a measure of performance in developing countries. Besides, empirical evidence emerging from various studies about the effect of microfinance on entrepreneurial development as a whole have so far yielded mixed results that are inconclusive and contradictory. Moreover, the impact of microfinance on enterprise development has not received adequate research attention in Nigeria. Research also shows that most of the studies on impact of microfinance on enterprise development that have been reported were carried out in industrialized countries except some few cases in some African countries but none in Nigeria. This mean that there is a major gap in the relevant literature on developing countries particularly Nigeria which happen to be the most populated country in Sub-Saharan Africa (SSA). It is on this thrust that this study investigates the impact of microcredit on business performance of MFI finance enterprise. The paper investigates the effect of different loan administration practices in terms of loan size and tenure on several performance criteria of MFI finance by Microfinance Institutions in Nigeria. The rest of the paper is divided into four sections. In section II, relevant theoretical and empirical studies are review while the methodology of the study was explain in section III. The findings of this study were presented in section IV while section V contains the concluding remarks.

## LITERATURE REVIEW

### DEFINITIONS AND MICROENTERPRISE PERFORMANCE MEASURE

The Nigerian Industrial Policy (1989), define Micro, Small and Medium Enterprises (MSMEs) as those with total investment of between \$13,000 and \$260,000 (N100,000 and N2m) excluding land and working capital, and specifically, define micro enterprises and cottage industries as those with investments not exceeding \$13,000 (N100,000) excluding land but including working capital. The MSMEs of the World Bank Group prescribe the following definitions; Micro enterprises, enterprise that employee persons 10 or less, with total assets \$100,000 or less, and turnover value of \$100,000 or less. Small Enterprise are enterprise that employs 10 – 50 persons with total asset of \$100,000 - \$3m, and Turnover of \$100,000 - \$3m, while medium enterprises are enterprise that employees between 50 – 300 persons, with total Assets of \$3m - \$15m and Turnover \$3m - \$15m. The National Policy on MSMEs define microenterprises as business activities employing less than ten people and having asset less than N5 million excluding land and buildings. (National Policy on MSMEs, 2007).

The importance of micro and small enterprises (MSEs) to the socio-economic development of low and middle-income economies is well documented (Daniels & Mead, 1998; King & McGrath, 1999; ILO, 2002; Daniels, 2003; UNIDO, 2003;). In the poorest economies, MSEs, and microenterprises in particular, are a major source of employment and income (Mead & Liedholm, 1998), especially for the poorest members of society. Thus, there is a great deal of interest in the performance of firms in the microenterprise sector and its scope is to generate employment, both through new business start-ups and the expansion of existing businesses. Most microenterprises are characterized with low productive capacity which is manifested in low rates of growth and high mortality rate (Daniels & Mead, 1998; Mead & Liedholm, 1998; ILO, 2002; UNIDO, 2003). In an official document published in 2001, a study of Nigeria's informal sector put the estimated number of non agriculture micro enterprise at 6.49 million with a total employment of 8.97 million. This group is dominated by wholesale and retail trade which accounts for about 49% of employment and manufacturing (30%). Other numerically significant sectors include repair of vehicles (3.2%), transport (2.9%), hotels and restaurants (2.6%) and building & construction (1.8%). Manufacturing is dominated by food processing (18.7%), textiles, clothing & leather goods (3.8%), wood and wood furniture (3.3%) and metals and metal products (1.1%) (Draft National Policy on MSMEs, 2007).

A typical micro enterprise is operated by a sole proprietor/manager aided mainly by unpaid family workers and/or with occasional paid employee and/or with an apprentice, the output value usually very low (a 2001 survey of informal enterprises put it at an average of N15, 000 (\$125) per annum). The levels of technology and skills employ by micro entrepreneur are also very low. However, with the entry of many unemployed school leavers, such as secondary school leavers and graduate of tertiary institutions, there is much scope for upgrading technology and skill level in existing enterprises and for the rise of new high-technology based enterprises. Funding is often individual resources, with a little help from family and traditional mutual fund societies (esusu). Government interaction with micro enterprises is usually very minimal, except through the occasional cooperative or other officially recognised groups. Bank loans are rarely sought and more rarely obtained. Micro enterprises have two strong points in their favour, they are numerous and ubiquitous, a small improvement in their productivity and output will result in large improvements in employment, income and productivity in every nook and corner of the country. But dealing with them requires sensitivity, empathy and a community-focused approach (National Policy on MSMEs, 2007).

Empirical studies on microenterprise performance identified five key determinants of enterprise profitability, namely enterprise size, enterprise age, use of technology, sector characteristics, and entrepreneurial ability (Masakure, Cranfield and Henson, 2008). It is important to recognize that profits can affect firm growth in opposite ways. Growth may be positive if profits are invested in a manner that expands the enterprise (Aryeetey, 2001; Atieno, 2001; Fafchamps & Gabre-Madhin, 2001). Entrepreneur characteristics and type of labour employed are important determinants of firm profits. Both the theoretical and empirical studies suggested that the differences in the growth path of microenterprises and resulting distributions of firm profits may be due to heterogeneity in the ability, management and/or ambition, and drive of entrepreneurs. For example, more educated/skilled entrepreneurs may have better start-up conditions, such as in the form of capital saved from earlier employment (Daniels & Mead, 1998; Goedhuys & Sleuwaegen, 2000; Mitra, 2002; Sleuwaegen & Goedhuys, 2002; Salim, 2005; Cressy, 2006;). With respect to labour use, hired labour is associated with enhanced microenterprise performance. While the family can play an important role in filling social/ familial responsibilities, family labor is often less skilled and motivated than hired labor, and generally works fewer hours (Daniels & Mead, 1998; Fafchamps & Gabre-Madhin, 2001; Fafchamps, 2003;).

Capital and liquidity constraints are critical for microenterprise development especially in an environment with imperfect capital markets. Credit is critical in two ways depending on the conditions under which it is used. If credit is accessible and reasonably priced, it allows firms to address liquidity constraints, thus aiding profitability and growth (Masakure, Cranfield and Henson, 2008). However, credit may negatively affect profit and survival, if firms are captive borrowers (Fisman & Raturi, 2004) or operate under poor economic conditions and high interest rates (Atieno, 2001; Bigsten et al., 2003; Beck, Demirguc-Kunt, & Maksimovic, 2002; Steel & Andah, 2004). Because formal bank credit is often costly for microenterprises, it generally does not significantly leverage performance relative to cheaper informal sources, especially friends and relatives (Daniels & Mead, 1998).

There is a substantial literature relating social networks to the market participation, productivity, growth, and profitability of enterprises. The returns to networks come through reductions in transaction costs, development of trust, and/or contract enforcement mechanisms in networks. There is a long-term strategic benefit in financing today's small enterprises through appropriate support strategy. The findings by Allen, Marco, Frame and Nathan (2006) on the utilisation of social capital and the efficiency of small firms show that there is a statistically significant positive relationship between access to social capital and

viability in small businesses and enterprises. Therefore, social capital seems to enhance efficiency and long term survival in small firms through the alleviation of financial and non-financial constraints of small firms (Bekele & Zekele, 2008). However, networks can have undesirable effects on competition, equity, and efficiency. While network "insiders" gain advantages from network externalities, non-member "outsiders" can be excluded from essential business transactions, such as credit, with detrimental impacts on enterprise performance (Barrett, 2003; Biggs & Shah, 2006).

Finally, the effects of firm registration on performance tend to be sector and scale-specific. In large firms, registration enhances credibility, opens up access to rationed resources (e.g., credit) and reduces transaction costs when dealing with other firms, thus aiding performance and growth (see Goedhuys & Sleuwaegen, 2000; Sleuwaegen & Goedhuys, 2002). Yet in microenterprises, registration may not affect performance appreciably (Mead & Liedholm, 1998). For example, operating outside the regulated environment affords firms more flexibility in input use as local conditions change. Conversely, Mitullah (2003) showed how the unregulated and unprotected environment in cities is not conducive to business, with entrepreneurs being constantly disrupted by municipal authorities in conflicts over licensing, taxation, site of operation, sanitation, and working conditions.

Fasoroti, Akinrinola and Ajibefun (2006) examined the impact of microcredit and training on efficiency of small scale entrepreneurs and found that well structured entrepreneurship training programmes complemented with easy credit access can facilitate the desired improvement in the efficiencies of small scale businesses people. Ogunrinola and Alege (2007), found out that the operations of UNDP sponsored MFI to be beneficial to micro businesses. Barnes *et al.* (2001) also found that Zambuko loan (a type of a microloan) had a positive impact on the inflation-adjusted value of the monthly sales revenue of the matched enterprise of repeat continuing clients (they define continuing client as individuals who have stayed on with the program from 1997 till date and have taken at least one loan). Though literature abounds on the relationship between microcredit and microenterprise, none have linked the performance of microenterprise to microcredit, panel data obtained through a combination of survey method and data collected from the MFIs allowed us to bridge this apparent gap, thereby examining the contribution of microcredit to micro enterprise performance in Nigeria.

## RESEARCH METHODOLOGY

### RESEARCH DESIGN

In an attempt to obtain the data for this study, a simple random sampling technique was adopted. According to the United States Agency for International Development (USAID) funded project on Promoting Improved Sustainable Microfinance Services (PRISMS) (2004), the statistics on the number, size, geographical distribution, and activities of the microenterprise and SME sub-sectors are partial and defective in Nigeria because most microenterprise in Nigeria are unregistered; however, the report suggested that the MSME sub-sector may comprise as much as 87 percent of all firms operating in Nigeria. This percentage excludes the informal microenterprise sub-sector, which remains the main source of income and employment for most Nigerians. The assessment study suggested that there are about 8.4 million MSMEs in operation in Nigeria today. Given to the paucity of available statistics, it is impossible to gauge the exact numbers of MSMEs segregated by size, but it is plausible to suggest that the number of microenterprises may comprise 80 percent of the total number of estimated MSMEs (approximately 6.7 million); that small businesses may account for 15 percent of the total (about 1.3 million); and that medium enterprises may comprise 5 percent of the total MSMEs (around 420,000) (USAID, 2004). For this reason, 6.7million was used as our sample frame. Applying Taro Yamane sample size determination formula reviewed by Glenn (2009), 400 microenterprises was obtained but 500 microenterprises were randomly selected for the study to allow for mailing error. Data on profit reported after each loan and capital employed are extracted from the clients membership card kept with the MFI for each respondents. Only 317 copies of questionnaire were returned from the 500 copies of questionnaire sent to the field. The copies of the questionnaire were filled by the respondents.

### QUESTIONNAIRE DESIGN

The primary data consists of a number of items in well structured questionnaire that was administered to and completed by the respondents. The decision to structure the questionnaire is predicated on the need to reduce variability in the meaning possessed by the questions as a way of ensuring comparability of responses. To ensure the validity of the questionnaire used for the study, experts in the field of microfinance were consulted to look at the questionnaire items in relation to its ability to achieve the study stated objectives, level of coverage, comprehensibility, logicity and suitability for prospective respondents. The questionnaire had five main sections and a section on personal data of the respondents. The first section was on business characteristics of the respondents. The second section focuses on membership of a group and social capital issues, the third section was on loan utilization, the fourth section focus on loan size, tenure and business performance of the respondents, while the fifth section was on problems with the loan and loan administration. To ensure the reliability of the instrument used, the split-halves method was used. The data obtained were analyzed using descriptive statistic and multiple regression analysis technique.

### MODEL SPECIFICATION

In measuring business performance and impact analysis of micro credit, banking and finance have registered divergent conclusions (Ogunrinola and Alege, 2007; Masakure *et al.*, 2008; Olutunla and Obamuyi, 2008; Hartarska and Nadolnyak, 2008). For this study, we adapted the model used by Olutunla and Obamuyi (2008) specified as follows,

$$\text{PROFIT}_{jt} = a_1\text{LOANS}_{jt} + a_2\text{SALES}_{jt} + a_3\text{BIZAGE}_{jt} + a_4\text{BUSIZE}_{jt} + a_5\text{INTEREST}_{jt} + b_j + \lambda_t + e_{jt}$$

Where Profit is profit before tax for firm *j* at time *t*, Loans is the amount of loan obtained by firm *j* at time *t*, sales is the level of sales by firm *j* at time *t*, Bizage is the age of business by firm *j* at time *t* and Bussize is the size of the firm measure by number of employees at time *t*, Interest is the interest rate at time *t*,  $\theta_j$  and  $\lambda_t$  are intercept coefficients, which allow for different unobserved firm specific factors and vectors of time series dummies, while  $e_{jt}$  is the error component that varies over both individual firms and time.

Apriori,  $a_1 > 0$ ;  $a_2 > 0$ ;  $a_3 > 0$ ;  $a_4 > 0$ ;  $a_5 < 0$

With a modification on the above equation, using multiple regression analysis of the ordinary least squared (OLS), we specified as follows;

$$\pi = f(\text{MC}, \text{CC}, \text{Edu}, \text{BizAge}, \text{Biz Size}) \dots \dots \dots (1)$$

We then re-specified in mathematical form as;

$$\pi = \theta_0 + \theta_1\text{MC} + \theta_2\text{CC} + \theta_3\text{Educ} + \theta_4\text{BizAge} + \theta_5\text{Biz Size} + U \dots \dots \dots (2)$$

Apriori, we expect  $\beta_1 > 0$ ,  $\beta_2 > 0$ ,  $\beta_3 > 0$ ,  $\beta_4 > 0$ , and  $\beta_5 > 0$

Where,

$\pi$  = Profit define as average profit per week

MC = MicroCredit – Total amount of micro loan received by the Microentrepreneur

CC = Current Capital employed in the business

Educ = Level of education of the micro enterprise owner/operator

Biz Age = Age of Business

Biz Size = Size of the microenterprise measured by number of employee in the business

$\beta_0$ , = intercept coefficients, which allow for different unobserved firm specific factor .

U= is the error component that varies over both individual microenterprise.

$\beta_1, \beta_2, \dots, \beta_5$  are parameters to be estimated.

Theoretically, our apriori expectations concerning the coefficient of the variables is that Micro credit utilized in the business, Current Capital employed in the business, level of education of the entrepreneur, age of the business and size of the business which is measured by number of hired employee in the business will all carry a positive sign. The data used in the analysis is a primary data obtained from field survey.



## ANALYSIS OF RESULTS AND DISCUSSION

This section provides the empirical findings from the study. It provides demographic information of the respondents and the statistical analysis of the information collected from them. This is followed by the interpretation and discussion on findings.

### PROFILE OF RESPONDENTS

Table 1 below provides information on socio economic profile of the correspondents. The Table shows that 274 (86.4%) of the respondents are female, while 43 (13.6%) are males. This confirms result obtained from past studies that most beneficiaries of microfinance are female. With respect to age distribution of the respondents, the table shows that 58 (18.2%) of the respondents are within the age group 20 – 29 years. 156 (49.2%) are within the age group of 30-39 years, 83 (26.1%) are within the age group of 40 - 49 years, while the remaining 20 (6.3%) are above 50 years of age. This is an indication that most of the respondents were within the economic active age group. We also classified the respondents in terms of their level of education, because this could affect the way they live and manage their businesses (Makasure et al., 2008). The result obtained revealed that 20 (representing 6.3%) had no formal education, 94(29.7%) had basic primary education, majority of the respondents 151(47.6%) had secondary education, 27(8.5%) had ordinary diploma certificate while the remaining 25(7.9%) are university graduates. The implication of this is that the respondents are mature and majority of them have requisite educational background to be able to provide logical answers to questions asked in the questionnaire. The table also goes further to reveal that out of the three hundred and seventeen respondents 26 (8.2%) are single, 255 (80.4%) married, 24 (7.6%) divorced or separated and 12 (3.8%) widowed. The implication of the result obtained is that majority of the respondents also has family to manage apart from enterprise business. One hundred and eighty (56.8%) had between 1 to 3 children and 106 (33.4%) had at least four children and above. With this analysis we tried to find out how many family member(s) each respondent had to cater for because a large family size usually has higher expenses than a smaller family and where income is lower than expenses, this signifies poverty.

**TABLE 1: SOCIO - ECONOMIC PROFILE OF RESPONDENTS**

Variables	Measuring Group	Frequency	Percentage(%)
Gender	Male	43	13.6
	Female	274	86.4
	<b>Total</b>	<b>317</b>	<b>100</b>
Age (Years)	20 – 29	58	18.3
	20 – 39	156	49.2
	40 – 49	83	26.2
	Above 50 years	20	6.3
	<b>Total</b>	<b>317</b>	<b>100</b>
Education Level	No formal Education	20	6.3
	Primary	94	29.7
	Secondary	151	47.6
	OND	27	8.5
	B.Sc	25	7.9
	<b>Total</b>	<b>317</b>	<b>100</b>
Marital Status	Single	26	8.2
	Married	255	80.4
	Divorced/Separated	24	7.6
	Widow	12	3.8
	<b>Total</b>	<b>317</b>	<b>100</b>
No. of Children	None	31	9.8
	1 – 3	180	56.8
	4 and above	106	33.4
	<b>Total</b>	<b>317</b>	<b>100</b>

Source: Field Survey, 2010

### BUSINESS CHARACTERISTIC OF RESPONDENTS

Table 2 revealed that 132(41.6%) of the businesses had been in existence for more than a year, 103(32.5%) are newly established business, 62(19.6%) had been in existence for at least four years while 20(6.3%) had been in existence for more than five year. This shows MFIs contribution to business growth and development. On the kind of business enterprise respondents are engaged in, the result obtained revealed that 148 (46.7%) are involved in retail trading, that is, buying and selling, this confirmed the 2001 country survey (Draft National Policy on SME, 2007) where wholesale and retail trading accounted for 49% of non agriculture microenterprise in Nigeria. 59 (28.1%) are artisans, that is people involved hands on craft. Fifty one (16.1%) are involved in service industry majority of people in this category are people involved in operation of business centres, printing and sale of telephone recharge cards and restaurant business. Only 28 (8.8%) and 31 (9.8) are involved in manufacturing and agricultural business and this call for concern. This implies that out of three hundred and seventeen respondents only 59 are involved in production of real product. Most of the business are one man business; sole proprietorship 276 (87.1%), 23 (7.3%) are family business, 8 (2.5%) are partnership business, while 10 (3.2%) are other type of formation. The result obtained supported the Corporate Affairs Commission report that 90% of the businesses registered in Nigeria are micro and small businesses. Table 2 also show sources of initial start-up capital of the respondents. The result shows that 203 (64%) started their business with their personal savings, 30 (9.5%) started with borrowed fund from friends and family, 26 (8.2%) started with loan from MFI. The result obtained shows that most microenterprises start – up their business from personal savings. To find out if the businesses are growing after obtaining the micro loan and using number of paid employee(s) engaged as indicator for growth, the result obtained reveals that after taking the loan, 173 (54.6%) indicated that that they do not engage paid employees, 87 (27.5%) indicated that they engaged one person, 38(11.9%) indicated that they engage between 2 – 3 persons, and 19 (6%) indicated that they engaged at least 5 person, after taking the loan. The analysis shows that majority of these businesses are still at the subsistence level, engaging only the entrepreneur only.



TABLE 2: BUSINESS CHARACTERISTIC OF RESPONDENTS

Variable	Measuring group	Frequency	%
Year Business Established	Less than a year	103	32.5
	1 – 3 years	132	41.6
	4-5 years	62	19.6
	More than 5 years	20	6.3
	<b>Total</b>	<b>317</b>	<b>100</b>
Type of Business	Trading	148	46.7
	Artisan	59	28.1
	Manufacturing	28	8.8
	Agriculture	31	9.8
	Service	51	16.1
<b>Total</b>	<b>317</b>	<b>100</b>	
Form of Business	Sole ownership	276	87.1
	Family Business	23	7.3
	Partnership	8	2.5
	Other type	10	3.2
	<b>Total</b>	<b>317</b>	<b>100</b>
Source of Initial Capital	Personal Savings	203	64.0
	Borrowed from friends	30	9.5
	Loan from MFI	26	8.2
	Other Sources	58	18.2
	<b>Total</b>	<b>317</b>	<b>100</b>
Number of Employee when business Started	None	187	58.9
	1	78	24.6
	2-3	40	12.6
	5-10	12	3.9
	<b>Total</b>	<b>317</b>	<b>100</b>
No of Employee now	None	173	54.6
	1	87	27.5
	2-3	38	11.9
	5 – 10	19	6.0
	<b>Total</b>	<b>317</b>	<b>100</b>
When Respondent joined MFI	2005	10	3.2
	2006	70	22.1
	2007	130	41.0
	2008	93	29.3
	No response	14	4.4
<b>Total</b>	<b>317</b>	<b>100</b>	

Source: Field Survey 2010

**EFFECT OF MICROCREDIT ON BUSINESS PERFORMANCE OF MICROENTERPRISE**

This section reports the result obtained for the multiple regression analysis when the data obtained was fitted into equation 2 of the model specified in section 3.3. The regression result presented in table 3 below shows the relationship between the dependent variable and the explanatory variables.

TABLE 3: REGRESSION ANALYSIS RESULT

Dependent Variable – Enterprise Profit	Independent Variable					
	Constant	micro Credit (CC)	Current Capital (CC)	Education (Educ)	Business Age(BizAge)	Current Employee
Coefficient	3846.222	0.217	0.225	-0.045	-0.045	0.112
T-values	12.151	3.851	1.557	-1.815	-0.818	2.003
P-values	0.003*	0.000*	0.048**	0.016**	0.414	0.046**
<b>R = 0.226 R<sup>2</sup> = 0.171 Adjusted R<sup>2</sup> = 0.156; F value = 6.687 (0.000) Observations 317</b>						

Source: Authors' computations from study sample

Note: \* denotes significance at 1% &amp; \*\*5%

**INTERPRETATION OF RESULT**

The econometric analysis was used to test the hypothesis of the relationship between micro enterprise profit and micro microcredit and other performance variables measured by Current Capital employed in the business, Level of education of the entrepreneur, Age of the business and size of the business measured by number of hired employee in the business. The coefficient of microcredit is positive and statistically significant at 1%. This confirms our *a priori* expectations of economic theory. This implies that microcredit is positively related to the firm's profitability and that profits of microenterprise tend to increase with increasing amount of loans. This result is consistent with simple economic theory which suggests that access to micro-credit should lead to higher profits and further confirms the assertion of Masakure et al. (2008) that if credit is accessible and reasonably priced, it allows firms to address liquidity constraints, thus aiding profitability and growth and the findings is consistent with the findings of Olutunla and Obamuyi (2008).

The coefficient of current capital employed in the business also carries a positive sign, and consistent with our *a priori* expectation of economic theory and it is significant at 5%. This implies that capital employed in the business aid profit generation. As capital employed in the business increase, particularly through profit recapitalized and properly invested, all things being equal the business grows.

Contrary to our *a priori* expectations the level of education attained by the entrepreneur was found to be negatively correlated with profit of the firm and statistically significant at 5%. The inverse relationship between level of education and profit of the enterprise suggests that it is not general education that an individual need to succeed in business but specific education that is directly related to the business. This confirm the assertion of Masakure et al (2008) that general education may help the entrepreneur at start up, in terms of capacity to source initial capital and networking, but an entrepreneur will require specific

education to grow and remain in business. This is consistent with the findings of Ogunrinola and Alege (2008), but they explained that desire to gain formal employment may not allow the entrepreneur to be committed to the enterprise development.

Age of the business was found to have an inverse relationship with profit. This is contrary to a priori expectation. The negative relationship between the two variables suggests that as firms grow, the ability to firm to generate profit diminish. That is why most organizations have to re-organise and re-invent and repackage their products in order to remain relevant in business. Besides it is not all entrepreneurs, particularly micro entrepreneurs that desire to grow their business (Orser et al, 2000). Many maintain their microenterprise in order to keep busy that is why majority of them remain at their subsistence level. The result is consistent with the findings of Olutunla and Obamuyi (2008). They explained inability of the older business to adapt to changing business environment as the reason for their failure to generate profit.

We found the relationship between business size and profit to be positive and statistically significant at 5%. This means that as the firms get bigger their chances of generating more profit gets brighter. They are less informational opaque so they are free from adverse selection and moral hazard that comes with information asymmetric for small business. Their ability to source fund from other sources to finance the business is enhanced.

The F-value which is significant at 5% connotes that the model does not suffer specification bias while the coefficient of determination ( $R^2$ ) points that about 17.1% variation in Microcredit was jointly explained by the explanatory variables. The value appears small yet significant. In studies such as this (cross-sectional survey and multiple regression) emphasis is usually placed on the significant of individual explanatory variables (Gujarati, 1995). This is also because our main focus is to obtain estimates and not necessarily make prediction.

## CONCLUSION AND POLICY IMPLICATIONS

The study has made significant contribution to knowledge by using microfinance data to measure the performance of microenterprises finance by microfinance institution. It also bridges the gap identified in literature by proving empirical evidence of the impact of microfinance on microenterprise performance using Nigeria data. The results demonstrated that there is a positive significant relationship between profit of the microenterprise and capital employed in the enterprise, as well as business size, but found a negative relationship between profit of the enterprise and level of education of the entrepreneur and Age of the enterprise. There is no doubt that microcredit have helped to close finance gap obvious in the Nigerian financial system. The application of the loans have helped to boost the performance of the microenterprise particularly enhancing their ability to generate profit.

The study therefore recommends that minimum paid up capital of microfinance banks should be increase so that more micro entrepreneurs can access the micro loan and also, the government should provide modalities for accessing the N50 billion (\$322.5 million) loan reserve for Microfinance Institutions (MFIs), so that the MFIs can access the fund for onward lending to the micro entrepreneurs. All micro entrepreneurs should be mandated to go through entrepreneurial training and the training should be a prerequisite to accessing microloan. This will help the entrepreneurs to develop necessary managerial skill that will enhance their business performance. The national policy on MSMEs should be implemented speedily to aid structural growth pattern for Microenterprises in the country.

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## CREDIT RISK OF THE OFF-BALANCE SHEET ACTIVITIES IN CONTEXT OF COMMERCIAL BANKING SECTOR IN THE CZECH REPUBLIC: PRACTICAL EXAMPLE

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### ABSTRACT

*The paper focuses on the off-balance sheet activities of commercial banking sector in the Czech Republic. The purpose is to assess the credit risk resulting from these activities. For this reason, closer attention will be paid to bank guarantees - specifically, guarantees given by a certain commercial bank in the Czech banking sector for its clients. The guarantee is a type of an off-balance sheet instrument which represents a potential obligation of a bank to pay a certain amount if the client fails to comply with his commitment. Thank to this, by giving a guarantee, the bank faces several kinds of risks. The given guarantee may threaten the liquidity and even stability of a bank. One of the most important risks is the credit risk resulting from the uncertainty that the client will not meet his obligation against the bank. The default of the client may cause losses with negative impact on the economic results of the bank. The aim of the article is to quantify the credit risk resulting from given guarantees by a commercial bank and to assess the impact of the risk on the bank management. The goal is achieved by calculation of the expected loss from given guarantees on the practical example of a certain commercial bank in the Czech Republic using a modification of the Build-Up method for the determination of the probability of default.*

### KEYWORDS

Bank guarantees, Built-Up method, Credit risk, Off-balance sheet, Risk management.

### INTRODUCTION

The Czech banking sector can be characterized as a two-level banking sector with one central bank and several commercial banks. The central bank is called the Czech National Bank and acts as a regulator of the banking sector. The commercial banks are mostly universal banks offering a wide range of bank services. The number of the banks operating on the market exceeds 40<sup>1</sup>. The Czech banking sector is highly concentrated, the majority of the market belongs to four banks only. Another characteristic feature of the Czech banking sector is the foreign ownership of the banks, almost all banks are owned by a foreign owner (especially by a bank institution from another European country).

The commercial banks perform various balance-sheet operations – credit loans or deposits, operations with securities etc. Except these operations, the banks perform off-balance sheet operations that do not represent immediate obligations or claims of the banks. Among these services belongs, for example, asset management, credit commitments, open credit lines or guarantees.

In the Czech Republic, the bank guarantees are regulated by the commercial Code (Act No. 513/1991 Coll.) and by the uniform rules stated by the International Chamber of Commerce.

The bank guarantee is created by a written declaration by the bank in a letter of guarantee. The bank declares it will satisfy the beneficiary up to the level of an agreed financial amount if the debtor (client of a bank) fails to fulfill its commitment or another conditions are met (according to the letter of guarantee).

According to the form of the debtor's commitment, there are several types of bank guarantees – payment guarantees, non-payment guarantees, customs guarantees and other types of guarantees.

The guaranteeing bank is obliged to satisfy the beneficiary only if the beneficiary delivers to the bank a written claim to pay. This fact may bring several problems. The beneficiary may deliver its claim even though he does not have a right to be satisfied by the guaranteeing bank (the debtor has already met its obligation). Usually, the bank does not have a possibility to verify the righteousness of the claim of the beneficiary. This fact may increase the credit risk of the bank guarantee. It is highly probable that the debtor will not be willing to repay the bank debt if he has properly fulfilled his commitment to the beneficiary.

The credit risk resulting from given guarantees is related the probability of meeting the commitment of the debtor to the beneficiary. The unwillingness to fulfill the obligation of the debtor to the beneficiary can predict the future unwillingness to repay his debt to the bank. In other words, the probability of default of the debtor in the meeting the commitment to the bank is highly correlated with the probability of default of the debtor in meeting the (previous) commitment to the beneficiary.

### MODELLING OF CREDIT RISK

In modelling credit risk of guarantees given by a bank, it is necessary to treat the given guarantees as a future potential receivable of a bank. In principle, giving guarantees means future granting credit which will be realized if certain conditions are met. If these conditions are met, the guarantee given becomes a credit granted by the bank to the client (debtor).

According to the New Basel Capital Accord (also known as Basel II), the banks use one of three methods for calculating the credit risk capital requirements:

- *Standardized Approach (SA),*
- *Foundation Internal Ratings-Based Approach (FIRBA),*
- *Advanced Internal Ratings-Based Approach (IRBA).*

While calculating the credit risk of a credit receivable, we have to assess the expected loss of this receivable. In case of IRB approach, the expected loss of a credit receivable can be calculated as follows:

$$EL = PD \cdot LGD \cdot EAD \quad (1)$$

where:

EL	Expected Loss
PD	Probability of Default
LGD	Loss Given Default
EAD	Exposure at Default.

<sup>1</sup> On March 31, 2011 it was 41 banks.



*Expected Loss (EL)* reflects the percentage of credit receivable that will not be repaid as a consequence of debtor's default. EL depends on the Probability of Default (PD) and other two parameters which determine the value of the receivable in time of default – namely Loss Given Default (LGD) and Exposure at Default (EAD).

*Probability of Default (PD)* expresses the probability of default of the debtor, i.e. the probability that the debtor will fail in his obligation. In practice, the debtor defaults when the payment is delayed more than several days (for example more than 30 days).

*Loss Given Default (LGD)* represents the amount of receivable that the bank will lose when the debtor defaults. It is expressed as a percentage of the exposure. Usually, the loss of the bank does not reach the full amount of the receivable. LGD is determined by the recovery rate which means what amount of the receivable will be repaid in case of default – recovery rate is increased by various types of collateral or contractual clauses. Then, LGD can be expressed as follows:

$$LGD = 100 - \text{recovery rate} \quad (2)$$

Banks usually do not calculate LGD. They calculate with the standard value of LGD.

*Exposure at Default (EAD)* expresses the value of exposure at the time of default. The calculation of EAD is done by multiplying the credit receivable by an appropriate percentage.

So far, we calculated the EL of a credit receivable. If the credit receivable is originated from the guarantee given to a debtor, it is necessary to multiply the formula (1) by another parameter expressing the probability with which the bank will have to pay under the guarantee.

This means that banks have to estimate the probability of debtor's failure in meeting the obligation which the guarantee relates to. In practice, banks usually do not estimate this parameter. They work with the credit conversion factors (CCF) stated by the Basel Committee. Generally, CCFs express the probability that the off-balance sheet item becomes the balance sheet asset or liability. According to the standardized approach, the value of CCF is 20 % in case of commitments with an original maturity up to one year and 50 % in case of commitments with an original maturity over one year.<sup>2</sup>

The EL for guarantees given can be calculated as follows:

$$EL = PD \cdot LGD \cdot EAD \cdot CCF \quad (3)$$

where: CCF Credit Conversion Factor (CCF)

If the CCF was calculated by the bank, it should be taken into account the correlation between the CCF and PD. In my opinion, there exists a positive correlation between the CCF and PD. In other words, if the debtor fails in meeting his obligation which is guaranteed by the bank, it is highly probable that the debtor will also fail in meeting his obligation to the bank. It can be assumed that the correlation is highly positive (near 1).

If the correlation were highly positive (or even equal to 1), it would mean that the future credit receivable would not be repaid. On the contrary, if the correlation were negative (or equal to -1), the future receivable would be repaid in each case.

Thus, the correlation should be taken into account while calculating the EL. However, in the following model example the correlation would not be included because there are not available all relevant data (historical data on defaults of the potential debtors).

## EL CALCULATION OF GIVEN GUARANTEES

This part of the article is devoted to the calculation of EL in case of one of the largest and most important commercial bank in the Czech Republic – Komerční banka (KB). KB can be characterized as a universal bank providing services for retail, SME<sup>3</sup> and corporate clients. The bank is a member of the Société Générale Group (France). Bank guarantee is one of the basic services provided by this bank. KB provides two types of bank guarantees – payment guarantees and non-payment guarantees.

The following model will calculate EL bank guarantees given by KB at the end of 2010. The bank guarantees will be in sector diversification. EL will be calculated for each sector for one year time horizon. The calculation will be based on the formula (3).

### INPUT PARAMETERS

#### LGD

The LGD will not be estimated. The following calculations will work the value LGD which is used by Moody's. This rating agency use LGD of 50 % if the debtor has a low PD.<sup>4</sup>

#### EAD

On 31 December, 2010, the value of guarantees given by KB was 47.432 millions of CZK. The sector diversification of given guarantees is contained in the next table.

TAB. 1: SECTOR DIVERSIFICATION OF GIVEN GUARANTEES BY KB ON 31 DECEMBER, 2010 (IN CZK MILLIONS)

Sector	Amount
Food industry and agriculture	1 906,77
Chemical and pharmaceutical industry	1 109,91
Mining and extraction	1 565,26
Automotive industry	317,79
Manufacturing of other machinery	3 917,88
Manufacturing of electrical and electronic equipment	535,98
Other processing industry	3 917,88
Power plants, gas plants and waterworks	4 136,07
Construction industry	12 246,94
Retail	1 764,47
Wholesale	3 913,14
Transportation, telecommunication and warehouses	2 158,16
Banking and insurance industry	4 325,80
Public administration	2 689,39
Other industries	5 421,48
Total	47 432,00

Source: KB Annual Report 2010 (after adjustments)

<sup>2</sup> BASEL COMMITTEE ON BANKING SUPERVISION. *International Convergence of Capital Measurement and Capital Standards. A Revised Framework*. 1<sup>st</sup> ed. 2004. ISBN print: 92-9131-669-5. Pg. 22.

<sup>3</sup> SME = Small and Medium Enterprises.

<sup>4</sup> MOODY'S. *Rating Methodology. Probability of Default Ratings and Loss Given Default Assessments*. [online]. (Viewed on 31.1.2011). Available from: <[http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_114187](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_114187)>.

**CCF**

The CCF will not be estimated. In calculation of EL, it will be worked with CCF of 20 % This value of CCF is determined for commitments with an original maturity up to one year – in accordance with the standardized approach. The standard maturity of bank guarantees is 1 year.

**PD**

There are several methods for estimation of PD. They are based on the assessment of the customer's credit quality (bonity). There are many methods (models) used for this purpose (see Bessis<sup>5</sup>).

In order to calculate PD, it can be used a modification of Build-Up method for calculation of equity costs by Mařík<sup>6</sup>.

*Build-Up method* is one of the important tools for business valuation. In principle, the Build-Up method consists in calculation of risk premium and adding this risk premium to a certain risk-free rate. The risk premium is the sum of partial risk premiums.

Build-Up method consists of these steps:

1. definition of risk factors,
2. valuation of risk factors,
3. transformation of risk factors to risk premiums.

These steps are the basis for this model example.

PD will be calculated for each of 14 sectors that are listed in the Table 1.

**Step 1: Definition of risk factors**

First of all, risk factors have to be defined for each sector. There are two types of risk factors:

- economic environment risks (i.e. systematic risk),
- sector risks (i.e. unsystematic risk).

Partial risk factors of systematic risk are following:

- expected development of GDP in next 12 months,
- expected development of interest rate (repo) in next 12 months,
- expected development of consumer prices (inflation) in next 12 months,
- expected development of exchange rate CZK/EUR in next 12 months,
- expected development of unemployment in next 12 months.

Partial risk factors of unsystematic risk are following:

- sector dynamics,
- sector sensitivity to economic cycle,
- sector sensitivity to changes of consumer prices (inflation),
- innovation potential,
- market capacity,
- sector regulation,
- foreign markets orientation.

**Step 2: Valuation of risk factors**

After the specification of risk factors, the valuation of risk factors has to be done. For this purpose, the scale of four grades can be used.

**TAB. 2: RISK SCALE**

Risk grade
1 – Low
2 – Moderate
3 – Middle
4 – High

Source: Author's construction

**Step 3: Transformation of risk factors to risk premiums**

Finally, risk grades have to be assigned to each risk factor. Each grade represents a certain value of risk premium.

The risk premium is calculated by this formula:

$$r = r_{\min} + RP \quad (4)$$

where:

- r risk weight  
 $r_{\min}$  minimal risk weight  
 RP risk premium.

Furthermore:

$$r = r_{\min} \cdot a^x \quad (5)$$

where:

- a invariable parameter (constant)  
 x risk grade.

Then, the risk premium can be determined as follows:

$$RP = r - r_{\min} \quad (6)$$

$$RP = r_{\min} \cdot a^x - r_{\min} \quad (7)$$

$$RP = r_{\min} \cdot (a^x - 1) \quad (8)$$

where:

- $(a^x - 1)$  risk premium coefficient

Further:

$$a^x = \frac{r}{r_{\min}} \quad (9)$$

<sup>5</sup> BESSIS, J. *Risk Management in Banking*. 2<sup>nd</sup> edition. Hoboken: N.J.: Wiley, 2002. 792 p. ISBN 0-471-49977-3 (HB), 0-471-89336-6 (PB).

<sup>6</sup> MAŘÍK, M. *Metody oceňování podniku. Proces ocenění – základní metody a postupy*. 2<sup>nd</sup> edition. Prague: Ekopress, 2007. 492 p. ISBN 978-86929-32-3. Pp. 236 – 25.

and

$$a = \left( \frac{r}{r_{\min}} \right)^{\left( \frac{1}{x} \right)} \tag{10}$$

So as to establish the invariable parameter (a), it is necessary to enter the input parameters – minimal risk weight ( $r_{\min}$ ) and expected maximal risk weight (r). The input parameters were entered as follows:

$r = 5.263\%$        $r_{\min} = 0.03\%$        $x = 4$

Minimal risk weight was set on 0.03 %. According to Basel II rules, PD should not be lower than 0.03 %.<sup>7</sup>

Expected maximal risk weight was set on 5.263 % with regard to the migration matrix of Moody's.<sup>8</sup> For original ratings from Aaa to B3, average annual default rates of European subjects moved in range from 0 % to 5.263 %.<sup>9</sup>

Based on the input parameters, the invariable parameter (a) is:

$$a = \left( \frac{5.263}{0.03} \right)^{\left( \frac{1}{4} \right)}$$

and then

$$a = 6.38943$$

Then, the values of risk for each risk grade are contained in Fig. 3.

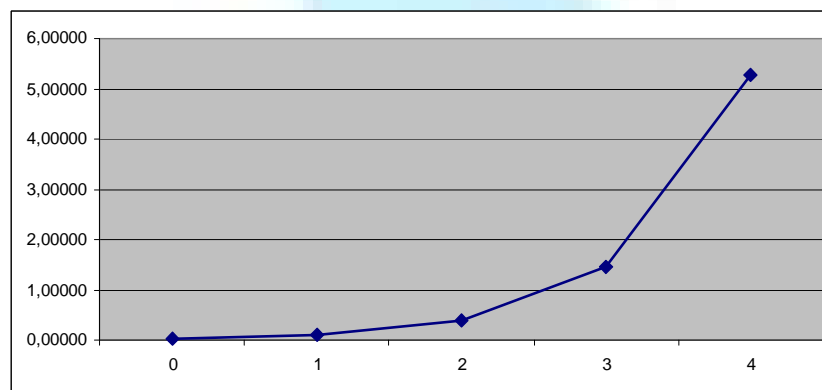
**TAB. 3: RISK VALUES FOR EACH RISK GRADE**

Risk grade (x)	$k = (a^x - 1)$	$RP = k \cdot r_{\min}$	$r = r_{\min} + RP$
0	0.00000	0.00000	0.03000
1	2.63939	0.07918	0.10918
2	12.24512	0.36735	0.39735
3	47.20411	1.41612	1.44612
4	174.43333	5.23300	5.26300

Source: Author's construction

In graphic terms:

**FIG. 1: RISK VALUES FOR EACH RISK GRADE**



Source: Author's construction

So far, it was worked just with one risk factor. Our model, however, works with several risk factors. Thanks to this, the calculation of risk premium has to be modified so as to suit for more risk factors.

If there were 20 factors, for example, the risk premium for one factor would be set as  $RP / 20$ .

Before dividing the risk premium by the number of factors, it is needed to establish the weight of each risk factor.

Assessment of risk factors was done separately for each sector. This means that each sector has assigned its own weight of risk factors of systematic risk and its own grades of risk factors of systematic and unsystematic risk.

All sectors have assigned the same weight of risk factors of unsystematic risk. The weight reflects the importance of each risk factor and its impact on business activity. Grades of risk factor differed.

On contrary, the risk factor weights of systematic risk were variable. In my opinion, every risk factor of systematic risk has different impact on business activity.

For example, the development of GDP has a great impact on the development of construction activity and a relatively small impact on the power plant sector. The grades of systematic risk factors were established equally for each sector. The reason is simple – systematic risk has the same impact on every sector. The grades were determined by the expected development of the particular factors.

The grades of systematic risk factors are listed in the table below. The chosen grade is bold highlighted.

<sup>7</sup> In Czech Republic, the minimal value of PD is stated in the Annex No. 13 in Decree No. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms.

<sup>8</sup> MOODY'S INVESTORS SERVICE. *European Corporate Default and Recovery Rates, 1985-2009*. [online]. (Viewed on 8.3.2011). Available from: <[http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_12391](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_12391)>. Pg. 21.

<sup>9</sup> In my opinion, subjects with worse credit rating are highly risky for a bank and that's why I do not suppose that banks conduct credit transactions with them to a significant extent.

TAB. 4: GRADES OF SYSTEMATIC RISK FACTORS

Risk factors		Risk grade
1. Expected development of GDP in next 12 months	1. GDP growth over 3 % 2. GDP growth 1 - 3 % 3. GDP growth 0 - 1 % 4. GDP decline	1 – Low <b>2 – Moderate</b> 3 – Middle 4 – High
2. Expected development of interest rate (repo) in next 12 months	1. repo rate 0 - 0,75 % 2. repo rate 0,75 - 1,75 % 3. repo rate 1,75 - 2,75 % 4. repo rate 2,75 - 3,75 %	1 – Low <b>2 – Moderate</b> 3 – Middle 4 – High
3. Expected development of consumer prices (inflation) in next 12 months	1. inflation up to 2 % 2. inflation 2 - 4 % 3. inflation 4 - 6 % 4. inflation over 6 %	<b>1 – Low</b> 2 – Moderate 3 – Middle 4 – High
4. Expected development of exchange rate CZK/EUR in next 12 months	1. CZK/EUR 25 and more 2. CZK/EUR 23 - 25 3. CZK/EUR 20 - 23 4. CZK/EUR 20 and less	1 – Low <b>2 – Moderate</b> 3 – Middle 4 – High
5. Expected development of unemployment in next 12 months	1. unemployment up to 7 % 2. unemployment 7 - 9 % 3. unemployment 9 - 11 % 4. unemployment over 11 %	1 – Low 2 – Moderate <b>3 – Middle</b> 4 – High

Source: Author's construction

The risk grades express expected development of macroeconomic variables. They were determined mainly by the expected scenario published by the Czech National Bank<sup>10</sup>. To a lesser extent it was a subjective assessment.

The risk grades of unsystematic risk factors are listed in Annex 2 together with the weights of systematic and unsystematic risk factors.

The results of the calculation were PDs of each sector. PDs were the sum of the minimal risk weight ( $r_{\min}$ ) and total risk premium (total risk premium is the sum of partial risk premiums of systematic and unsystematic risk).

So:

minimal risk weight ( $r_{\min}$ )

+ partial risk premium of systematic risks

+ partial risk premium of unsystematic risks

= probability of default (PD)

The resulting PDs are as follows:

TAB.5: PROBABILITIES OF DEFAULT (IN %)

	Construction	PGW	Wholesale	BII	TTW	MOM	PA
PD	1,657	0,433	1,548	0,430	1,504	1,216	0,208
	FIA	CPI	ME	OPI	Retail	AI	MEEE
PD	0,690	0,523	0,456	1,029	1,502	1,860	1,552

Source: Author's construction

Abbreviations:

PGW Power plants, gas plants and waterworks

CPI Chemical and pharmaceutical industry

BII Banking and insurance industry

ME Mining and extraction

TTW Transportation, telecommunication and warehouses

OPI Other processing industry

MOM Manufacturing of other machinery (i.e. except of automotive vehicles)

AI Automotive industry

PA Public administration

MEEE Manufacturing of electrical and electronic equipment

FIA Food industry and agriculture

## RESULTS

Now, we have all input parameters and we can calculate the EL of guarantees given by KB.

The EL will be calculated for three portfolios of given guarantees. The first portfolio (Portfolio No. 1) is the real portfolio of KB as at December 31, 2010. The others are fictive portfolios. Portfolio No. 2 is less risky (each sector with PD over 1 % shares no more than 5 % of the portfolio, each sector with PD up to 1 % shares more than 5 % of the portfolio). Portfolio No. 3 is more risky (each sector with PD over 1 % shares more than 8 % of the portfolio, each sector with PD up to 1 % shares no more than 5 % of the portfolio).

The results are contained in the following tables. The PD of the item "others" is calculated as a simple (unweighted) average of the sectors PDs. The EAD for each sector was determined by the sector's share.

<sup>10</sup> The Czech National Bank is the central bank of the Czech Republic and acts as a regulator of the banking sector.



TAB. 6: EL CALCULATION OF PORTFOLIO NO. 1 (IN MILLIONS OF CZK, IN %)

	Share	PD	EAD	LGD	CCF	EL
Construction	25.82 %	1.657 %	12,246.94	50 %	20 %	20.29645
PGS	8.72 %	0.433 %	4,136.07	50 %	20 %	1.79277
Wholesale	8.25 %	1.548 %	3,913.14	50 %	20 %	6.059384
BII	9.12 %	0.430 %	4,325.80	50 %	20 %	1.85963
TTW	4.55 %	1.504 %	2,158.16	50 %	20 %	3.245537
MOM	8.26 %	1.216 %	3,917.88	50 %	20 %	4.763352
PA	5.67 %	0.208 %	2,689.39	50 %	20 %	0.560489
FIA	4.02 %	0.690 %	1,906.77	50 %	20 %	1.315153
CPI	2.34 %	0.523 %	1,109.91	50 %	20 %	0.580463
ME	3.30 %	0.456 %	1,565.26	50 %	20 %	0.714394
OPI	3.00 %	1.029 %	1,422.96	50 %	20 %	1.464406
Retail	3.72 %	1.502 %	1,764.47	50 %	20 %	2.649577
AI	0.67 %	1.860 %	317.79	50 %	20 %	0.59103
MEEE	1.13 %	1.552 %	535.98	50 %	20 %	0.831774
Others	11.43 %	1.043 %	5,421.48	50 %	20 %	5.65718
Total	100.00 %	-	47,432.00	-	-	52.38159

Source: Author's construction

The total EL of the Portfolio No. 1 is 52.38 millions of CZK. This represents 0.11 % of the total volume of given guarantees.

TAB. 7: EL CALCULATION OF PORTFOLIO NO. 2 (IN MILLIONS OF CZK, IN %)

	Share	PD	EAD	LGD	CCF	EL
Construction	5.0 %	1.657 %	2,371.60	50 %	20 %	3.930373
PGS	12.5 %	0.433 %	5,929.00	50 %	20 %	2.569911
Wholesale	4.0 %	1.548 %	1,897.28	50 %	20 %	2.937883
BII	10.0 %	0.430 %	4,743.20	50 %	20 %	2.039068
TTW	4.0 %	1.504 %	1,897.28	50 %	20 %	2.853219
MOM	4.0 %	1.216 %	1,897.28	50 %	20 %	2.306708
PA	12.0 %	0.208 %	5,691.84	50 %	20 %	1.186221
FIA	7.0 %	0.690 %	3,320.24	50 %	20 %	2.290068
CPI	11.5 %	0.523 %	5,454.68	50 %	20 %	2.852703
ME	7.0 %	0.456 %	3,320.24	50 %	20 %	1.51538
OPI	3.0 %	1.029 %	1,422.96	50 %	20 %	1.464406
Retail	3.0 %	1.502 %	1,422.96	50 %	20 %	2.136756
AI	1.0 %	1.860 %	474.32	50 %	20 %	0.882134
MEEE	1.0 %	1.552 %	474.32	50 %	20 %	0.736083
Others	15.0 %	1.043 %	7,114.80	50 %	20 %	7.424121
Total	100.0 %	-	47,432.00	-	-	37.12504

Source: Author's construction

TAB. 8: EL CALCULATION OF PORTFOLIO NO. 3 (IN MILLIONS OF CZK, IN %)

	Share	PD	EAD	LGD	CCF	EL
Construction	13.0 %	1.657 %	6,166.16	50 %	20 %	10.21897
PGS	2.5 %	0.433 %	1,185.80	50 %	20 %	0.513982
Wholesale	9.0 %	1.548 %	4,268.88	50 %	20 %	6.610237
BII	2.0 %	0.430 %	948.64	50 %	20 %	0.407814
TTW	9.0 %	1.504 %	4,268.88	50 %	20 %	6.419743
MOM	8.0 %	1.216 %	3,794.56	50 %	20 %	4.613416
PA	3.0 %	0.208 %	1,422.96	50 %	20 %	0.296555
FIA	1.0 %	0.690 %	474.32	50 %	20 %	0.327153
CPI	2.0 %	0.523 %	948.64	50 %	20 %	0.496122
ME	1.0 %	0.456 %	474.32	50 %	20 %	0.216483
OPI	9.0 %	1.029 %	4,268.88	50 %	20 %	4.393219
Retail	8.0 %	1.502 %	3,794.56	50 %	20 %	5.698015
AI	11.0 %	1.860 %	5,217.52	50 %	20 %	9.703474
MEEE	9.5 %	1.552 %	4,506.04	50 %	20 %	6.992792
Others	12.0 %	1.043 %	5,691.84	50 %	20 %	5.939297
Total	100.0 %	-	47,432.00	-	-	62.84727

Source: Author's construction

The EL of Portfolio No. 2 is lower than in the previous portfolio. The total EL is 37.13 millions of CZK, which represents 0.08 % of the total volume of given guarantees.

In the last case, the EL is the higher. The total EL of Portfolio No. 3 is 62.85 millions of CZK and that means 0.13 % of the total volume of guarantees given.

The resulting ELs can be compared with the profit of KB or with the provision for off-balance sheet<sup>11</sup> commitments of KB.<sup>12</sup> In the case of the Portfolio No. 1, the EL represents 0.43 % of the profit and 11.36 % of the provision for OBS commitments. The EL of the Portfolio No. 2 reaches 0.3 % of the profit and 4.29 % of the provision. And the EL of the Portfolio No. 3 reaches 0.52 % of the profit and 13.63 % of the provision.

<sup>11</sup> Shortly „OBS“.

## DISCUSSION TO THE MODEL EXAMPLE

The resulting ELs and their share in the bank's profit are not high in absolute terms. For better assessment, it should be taken into account relatively small share of given guarantees in the banking transactions (from the volume point of view).

Moreover, the CCF plays an important role. In this model example, the CCF had the value of 20 %. So, if the bank grants a credit and gives a guarantee both of the same parameters (EAD, PD and LGD) the EL of the guarantee would reach 20 % of the EL of the credit receivable.

While assessing the EL in relation with the provision for off-balance sheet commitments, it is not possible to conclude that the provision is sufficient or not. The purpose of the provision is to cover credit risk resulting from all off-balance sheet commitments. Thanks to this, the share of the given guarantees in the OBS commitments would be necessary. However, KB does not publish data of all its OBS commitments. The only possibility is to have a look at the aggregated data of the whole banking sector (published by CNB). At the end of 2010, the given guarantees took share of 3 % in the aggregated OBS commitments. From this point of view, the EL is relatively high (while comparing with the provision) – mainly in the case of the Portfolio No. 3. This portfolio has a significant proportion of sectors with high sensitivity to the development of GDP (and others macroeconomic variables). If the economy was in the crisis, it would be highly probable that the debtors from these sectors would get into default.

## CONCLUSION

In the case of given guarantees by a bank, the credit risk results from the uncertainty that the potential future credit receivable would be repaid (i.e. the debtor properly meets his obligation). Credit risk can be quantified as an "expected loss" (EL) which the bank suffers from the credit operation. The base of the EL calculation in case of given guarantees is the same as in case of credit receivables. It is not sure, however, that the given guarantee will result into the credit receivable. It depends on the future meeting conditions of the guarantee. This uncertainty has to be included in the calculation. The calculation of EL has to be enhanced by a factor representing probability with which the conditions of the guarantee will be met. This probability is expressed by the "credit conversion factor" (CCF).

In practice, the banks usually do not calculate CCF. They take the standardized CCF stated by Basel Committee (BCBS).

In my opinion, the correct determination of conversion factors while calculating EL of given guarantees is essential. The question is how the estimation of the probability, with which the bank will have to pay under the guarantee, should be done. The bank will pay under guarantee only if the conditions of the guarantee will be met, i.e. the debtor will fail in meeting his obligation which is guaranteed. In estimation of this probability (CCF) we can proceed in one of these two ways:

- to take into account the past experience with the debtor – if the debtor had problems with meeting his obligations in the past, it can be expected he will not meet them in the future.
- to determine the credit bonity of the debtor – the highest bonity of the debtor, the lower probability of default of the debtor in meeting his obligation (which is guaranteed by the bank). And vice versa.

Moreover, it should be taken into account the correlation between debtor's PD and CCF. According to my opinion, it can be assumed that the debtor's failure in meeting his first obligation signify his future failure in meeting his obligation to the bank (repaying the loan from the guarantee). The correlation between PD and CCF should be included in the calculation of EL.

In accordance with practical experience, there exists a highly positive correlation between PD and CCF in the case of given guarantees. If the debtor failed in meeting his guaranteed obligation, it would be highly probable he would also fail in repayment the loan from the guarantee. For this reason, the given guarantees can be considered as risky operations – with high credit risk for the bank.

While managing credit risk of given guarantees, the bank should not ignore some instruments for hedging the credit risk. First of all, the bank should state a minimal level of debtor's bonity. For determining the bonity, the bank can use its past experiences with the debtor (from the repayment of loans point of view). Moreover, some relevant data of external credit bureaux can be used. Except bonity, other instruments should be taken into account – for example pledge etc.

The KB given guarantees seems to be transactions with high level of credit risk. The main reason is their sector diversification. The construction sector has the largest proportion of all OBS receivables. The construction is considered as a risky sector with relatively high sensitivity to the development of GDP. In times of economic crisis, the quality of the banks guarantee portfolio significantly worsens. According to my calculation of PDs, the construction sector has one of the highest levels of credit default risk.

The calculated ELs were not high in relation to the KB's profit. In fact, this is not surprising as the bank guarantees are only marginal operations representing small proportion of the bank commitments in nominal value. Furthermore, these operations are of potential character and so it is necessary to use CCF while calculating EL. Thanks to this, it is not reasonable to compare them with EL of balance sheet credit transactions. Thus, ELs of off-balance sheet transactions are generally lower than their balance sheet counterparts.

The calculated ELs in relation to the provision signify that the provision would not be sufficient if the bank had given guarantees to debtors from sectors with high sensitivity to development of GDP. If the economic conditions worsened and the economy fell to recession, the provision would not be able to cover all losses resulting from credit risk of given guarantees.

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<sup>12</sup> In 2010, the profit of KB was 12.035 billions of CZK and the provision for off-balance sheet commitments of the bank was 461 millions of CZK.

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## ANNEXURES

### ANNEXURE 1: WEIGHTS OF SYSTEMATIC RISK FACTORS IN SECTOR DIVERSIFICATION

TABLE: WEIGHTS OF SYSTEMATIC RISK FACTORS IN SECTOR DIVERSIFICATION

Risk factors	Construction	PGW	Wholesale	BII	TTW	MOM	PA	FIA	CPI	ME	OPI	Retail	AI	MEEE
1.	1.0	0.4	0.9	0.7	0.8	0.8	0.2	0.5	0.7	0.6	0.7	0.8	1.0	0.9
2.	0.7	0.7	0.7	0.7	0.7	0.7	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7
3.	0.8	0.4	0.8	0.5	0.6	0.7	0.2	0.9	0.7	0.7	0.8	0.8	0.9	0.8
4.	0.5	0.6	0.7	0.6	0.7	0.7	0.1	0.5	0.6	0.6	0.6	0.6	0.9	0.8
5.	0.6	0.5	0.6	0.6	0.6	0.6	0.3	0.5	0.5	0.5	0.6	0.5	0.6	0.5

Source: Author's construction

Risk factors:

1. Expected development of GDP in next 12 months
2. Expected development of interest rate (repo) in next 12 months
3. Expected development of consumer prices (inflation) in next 12 months
4. Expected development of exchange rate CZK/EUR in next 12 months
5. Expected development of unemployment in next 12 months

### ANNEXURE 2: UNSYSTEMATIC RISK FACTORS

TABLE: UNSYSTEMATIC RISK FACTORS

Risk factors		Risk grade
1. Sector dynamics	1. stable sector 2. moderately growing sector 3. very fast growing sector 4. sector in crisis	1 – Low 2 – Moderate 3 – Middle 4 – High
2. Sector sensitivity to economic cycle	1. minimal sensitivity 2. moderate sensitivity 3. significant sensitivity 4. cyclical sector	1 – Low 2 – Moderate 3 – Middle 4 – High
3. Sector sensitivity to changes of consumer prices (inflation)	1. minimal sensitivity 2. moderate sensitivity 3. middle sensitivity 4. high sensitivity	1 – Low 2 – Moderate 3 – Middle 4 – High
4. Innovation potential	1. significant technological growth 2. moderate technological changes 3. minimal technological changes 4. loss of technological innovations in sector	1 – Low 2 – Moderate 3 – Middle 4 – High
5. Market capacity	1. dominant market 2. comparable market share to competitors 3. saturated market 4. need to seek for new foreign markets	1 – Low 2 – Moderate 3 – Middle 4 – High
6. Sector regulation	1. highly regulated sector 2. middle regulated sector 3. moderately regulated sector 4. unregulated sector	1 – Low 2 – Moderate 3 – Middle 4 – High
7. Foreign markets orientation	1. no foreign markets orientation 2. moderate foreign markets orientation 3. middle foreign markets orientation 4. high foreign markets orientation	1 – Low 2 – Moderate 3 – Middle 4 – High

Source: Author's construction

ANNEXURE 3: GRADES OF UNSYSTEMATIC RISK FACTORS

TABLE: GRADES OF UNSYSTEMATIC RISK FACTORS

Risk factors	Construction	PGW	Wholesale	BII	TTW	MOM	PA	FIA	CPI	ME	OPI	Retail	AI	MEEE
1.	1	1	2	2	2	2	1	1	3	1	2	2	2	2
2.	4	1	3	2	3	3	1	1	2	2	3	3	4	4
3.	4	2	4	1	4	3	1	3	2	2	3	4	4	3
4.	3	3	2	1	1	2	2	3	1	3	2	2	1	2
5.	3	1	3	3	3	3	1	3	2	1	3	3	3	3
6.	3	2	4	1	4	4	1	3	2	2	4	4	3	4
7.	2	2	3	1	2	3	1	2	2	2	2	2	4	2

Source: Author's construction

Risk factors:

1. Sector dynamics
2. Sector sensitivity to economic cycle
3. Sector sensitivity to changes of consumer prices (inflation)
4. Innovation potential
5. Market capacity
6. Sector regulation
7. Foreign markets orientation

TABLE: WEIGHTS OF UNSYSTEMATIC RISK FACTORS

Risk factors	Weight	Risk factors	Weight
1. Sector dynamics	0.8	5. Market capacity	0.5
2. Sector sensitivity to economic cycle	1.0	6. Sector regulation	0.7
3. Sector sensitivity to changes of consumer prices (inflation)	0.8	7. Foreign markets orientation	0.6
4. Innovation potential	0.5		

Source: Author's construction



## PERCEPTION, EXPECTATION AND SATISFACTION OF CONSUMERS OF STORE BRAND APPARELS IN CHENNAI CITY

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### ABSTRACT

The foregoing analysis indicates that more than one third of consumers belong to the middle age group and nearly two third of them are married. About of half of the consumers are graduates and majority of consumers belong to middle income group. The results show that more than half of the consumers are employed in private sector and nearly two third of them visit the apparel store once in a month. The perception of consumers of apparel store brands show that both price and convenience are strongly agreed, while price offs, size and dressing sense are disagreed by them. The consumers are neutral with colour, design, discounts and attractiveness with apparel brands. The results indicate that value for money, durability, fashion, price and quality are strongly agreed by consumers as they expect from apparel brands. The satisfaction levels for value for money, friends and colleague impression, price, fashion, family impression and return policy are agreed by the consumers while, satisfaction levels for discount and stitching are disagreed by them. The gap between perception and expectation in key features of price, quality, discount and design are totally disagreed by the consumers of apparel brands. The gap between perception and satisfaction in terms of price, quality, discount and design are totally disagreed by the consumers of apparel brands while the gap between expectation and satisfaction in price, quality and design are totally disagreed but discount is disagreed by the consumers of apparel brands. The correlation between perception and expectation and perception and satisfaction is moderately and positively associated with each other at one per cent level of significance. But, the expectation and satisfaction are also positively and weekly associated with each other at one per cent level of significance. Therefore, it is suggested that styling should be specific and sensitive to the large-size male consumer taking into account fashion ability and uniqueness. Sales assistants should be familiar with consumer needs and show empathy. Quite a number of specific requests are such as spaciousness; enough fitting rooms that are comfortable and have sufficient lighting and mirrors; attractiveness of store portal and availability of enough purchase points. Retailers should send brochures and other promotional materials to customers together with their account. The use of magazines, newspapers and radio for promotion should be intensified. Merchandise should be easy to return, refund or credit options are important as well as a service to make garment adjustments. The store should build a personal relationship with customers through personal contact and feedback from customers.

### KEYWORDS

Correlation, Expectation, Perception, Satisfaction, Store Brand Apparels.

### INTRODUCTION

Store brands, also called private labels, are products that are developed by a retailer and are available for sale only through retailer (Baltas, 1997). Store brands which were first introduced over 100 years ago in few product categories, had seen an impressive growth in past few decades (Tarzijan, 2004). Store brands proliferated in a number of product categories and garnered major market share as retailers perceived numerous benefits by their introduction. Apart from providing higher retail margins in comparison to national brands, store brands added diversity to the product line in a retail category. Added benefits accrued to the retailer in terms of differentiating its offerings from competing retailers as well as having greater leverage with manufacturers of national brands (Ashley, 1998). The brand names of such products are owned by the retailer. There are basically two requirements for a store brand or a private label. First of all, it must be a unit package. Secondly, the unit pack must distinctly bear only the brand name of the store or any other party with whom the store has initiated its store brand programme (Raju *et al.*, 1995).

If properly positioned, store brands can contribute handsomely to the sales revenue of a store. Store brands have been found to increase category profitability, negotiation power of the retailer and consumer loyalty. There are various routes available to a retailer for ensuring business sustainability. Apart from creating strong differentiation in terms of merchandise range and quality, improving the supply chain and price competition, a retailer can achieve sustainability by developing store brands that are in sync with customer needs and wants. Currently, organized retail in India is estimated to have only four per cent share. In the total retail market, it is expected to grow at 25-30 per cent in coming years. Thus, with the growth of organized retail in India, the store brands are also expected to grow as experienced in other developed countries. The growth of store brands in India presents an interesting opportunity for the retailer to understand the motivations of consumers behind choice of store brands.

The store brand boom is not just restricted to the mature markets, but is also seen in emerging markets like India. Retail chains across the Indian sub-continent have developed store brands to bridge the gaps in their product mix and are increasingly using store brands for catering to regional tastes and preferences. In India, store brands presently contribute to a turnover of Rs. 800 crore. Various retail entities have launched their store brands in the recent past and most of them have been either from the food or apparel industry. Store brands who were once completely unknown are fast gaining popularity and are now able to compete with known global brands. The range of store brands varies from apparel to health and beauty and furnishings and customers are most willing to test out new and unknown brands. In-store brands account for about five per cent of the total organized retail market, so the potential for growth is still enormous. With this back ground, the present study was attempted to examine the perception, expectation and satisfaction of consumers of store brand apparels in Chennai city.

### METHODOLOGY

Men's apparel market is 46 percent of the total apparel market in India. Preference for readymade garments is increasing and this has become inevitable with the rise in urbanization. The preference for the branded Western and Indo-western apparels among the working women is on the rise, which is a welcome relief for the manufacturer and retailers of branded apparel. India's Gen Y is increasingly being exposed to Western culture through films and cable television. A large,

young working population, growing numbers of working men and emerging opportunities in the services sector are all boosting the average spending of affluent consumers on branded clothing.

The organized retailing in Chennai is still in a stage of evolution and retailers need to understand the value of retail as a brand rather than remaining as retailers selling brands. However, the characteristics of the branding process, which are of interest to the retailers, are still the characteristics of the traditional product brands—they are simply extended to the intangible part of the business. Thus, the characteristics of a branded product are simply applied in a different space.

Since, Chennai is not a saturated market, and with an expected growth of 10-12 per cent over the next 10 years. Chennai is under-branded and under-penetrated in many categories of apparels. Clearly, Chennai market has scope for more brands and all brands can co exist. Hence, among the four major metropolises in India, the Chennai city has been purposively selected followed by retail stores and consumers for the present study. The data and information have been collected from 500 consumers of store brand apparels by adopting multi stage random sampling technique through pre-tested, structured interview schedule through direct interview method pertains to the year 2009-2010.

In order to understand the general characteristics of consumers of store brand apparels, the frequency distribution and percentage analysis are carried out and the levels of perception, expectation and satisfaction are calculated by weighted mean. The difference between perception, expectation and satisfaction of store brand apparels is analyzed by employing t-test and the relationship between perception, expectation and satisfaction of store brand apparels is analyzed by computing correlation coefficients.

## RESULTS AND DISCUSSION

### GENERAL CHARACTERISTICS OF CONSUMERS OF STORE BRAND APPARELS

The general characteristics of consumers of store brand apparels were analyzed and the results are presented in **Table 1**. The results show that about 34.40 per cent of consumers belong to the age group of 26-30 years followed by less than 25 years (29.00 per cent), 31-35 years (19.40 per cent) and more than 35 years (17.20 per cent). The results indicate that about 63.20 per cent of consumers are married, while, the rest of 36.80 per cent are unmarried. From the table, it is clear that about 51.80 per cent of consumers are graduates followed by post graduates (43.20 per cent) and school education (5.00 per cent) and about 43.60 per cent of consumers belong to the income group of 3.1-4 lakh followed by 4.1-.5 lakh (34.40 per cent), 2-3 lakh(11.40 per cent) and more than five lakh (10.60 per cent).

**TABLE-1: GENERAL CHARACTERISTICS OF CONSUMERS OF STORE BRAND APPARELS**

Variables with Category	Respondents(N=500)		Variables with Category	Respondents(N=500)	
	Number	Per Cent		Number	Per Cent
<b>Age</b>			<b>Annual Income (Rs in Lakh)</b>		
<25	145	29.00	2.0-3.0	57	11.40
26-30	172	34.40	3.1-.4.0	218	43.60
31-35	97	19.40	4.1-.5.0	172	34.40
>35	86	17.20	>5.00	53	10.60
<b>Marital Status</b>			<b>Nature of Employment</b>		
Married	316	63.20	Private	276	55.20
Unmarried	184	36.80	Professional	166	33.20
			Government	58	11.60
<b>Educational Qualifications</b>			<b>Frequency of Visit</b>		
School	25	5.00	Once in a Month	317	63.40
Graduation	259	51.80	Every Two Month	164	32.80
Post Graduation	216	43.20	Occasional	19	3.80

Source: Primary & Computed Data

The results indicate that about 55.20 per cent of consumers are employed in private sector followed by professionals (33.20 per cent) and Government (11.60 per cent) and about 63.40 per cent of consumers visit the apparel store once in a month followed by every two months(32.80 per cent) and occasional(3.80 per cent).

### PERCEPTION OF CONSUMERS ON STORE BRAND APPARELS

The perception of consumers on store brand apparels was analyzed by calculating weighted mean score and the results are presented in **Table 2**. The results show that both price and convenience are strongly agreed while price offs, size and dressing sense are disagreed by the consumers as perceived. The consumers are neutral with colour, design, discounts and attractiveness with apparel brands. The expression, preference, confident, suitability, image, accessories, customer service, ambience, ease, quality and professionalism are agreed by them.

**TABLE- 2: PERCEPTION OF CONSUMERS ON STORE BRANDS APPARELS**

Perception	Weighted Mean Score	Status
Price	4.73	Strongly Agree
Convenience	4.69	Strongly Agree
Expression	4.44	Agree
Preference	4.31	Agree
Confident	4.10	Agree
Suitability	4.09	Agree
Image	4.00	Agree
Accessories	3.96	Agree
Customer Service	3.94	Agree
Ambience	3.93	Agree
Ease	3.61	Agree
Quality	3.59	Agree
Professionalism	3.49	Agree
Colour	3.35	Neutral
Design	3.26	Neutral
Discounts	2.99	Neutral
Attractiveness	2.95	Neutral
Price Offs	2.23	Disagree
Size	2.20	Disagree
Dressing Sense	2.18	Disagree

Source: Primary & Computed Data

**EXPECTATION OF CONSUMERS ON STORE BRAND APPARELS**

The expectation of consumers on store brand apparels was analyzed by calculating weighted mean score and the results are presented in **Table 3**. The results indicate that value for money, durability, fashion, price and quality are strongly agreed by consumers as they expect from apparel brands. Besides, friends and colleague impression, family impression, discount, stitching, design and return policy are agreed by them as their expectations.

**TABLE- 3: EXPECTATION OF CONSUMERS ON STORE BRANDS APPARELS**

Expectation	Weighted Mean Score	Status
Value for Money	4.77	Strongly Agree
Durability	4.61	Strongly Agree
Fashion	4.58	Strongly Agree
Price	4.56	Strongly Agree
Quality	4.56	Strongly Agree
Friends and Colleague Impression	4.04	Agree
Family Impression	4.00	Agree
Discount	3.85	Agree
Stiching	3.85	Agree
Design	3.85	Agree
Return Policy	3.80	Agree

Source: Primary & Computed Data

**SATISFACTION OF CONSUMERS ON STORE BRAND APPARELS**

The satisfaction of consumers on store brand apparels was analyzed by calculating weighted mean score and the results are presented in **Table 4**. From the table, it is clear that the satisfaction levels for value for money, friends and colleague impression, price, fashion, family impression and return policy are agreed by the consumers while, satisfaction levels for discount and stitching are disagreed by them. The satisfaction levels are neutral with quality, durability and design as experienced by the consumers.

**TABLE- 4: SATISFACTION OF CONSUMERS ON STORE BRANDS APPARELS**

Satisfaction	Weighted Mean Score	Status
Value for Money	4.43	Agree
Friends and Colleague Impression	4.21	Agree
Price	4.16	Agree
Fashion	4.03	Agree
Family Impression	4.02	Agree
Return Policy	3.83	Agree
Quality	3.23	Neutral
Durability	3.16	Neutral
Design	2.97	Neutral
Discount	2.22	Disagree
Stiching	2.00	Disagree

Source: Primary & Computed Data

**GAP BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF KEY FEATURES OF APPAREL BRANDS**

The gap between perception, expectation and satisfaction of key features of store brand apparels was analyzed and the results are presented in **Table 5**. The results show that the gap between perception and expectation in key features of price, quality, discount and design are totally disagreed by the consumers of apparel brands. The gap between perception and satisfaction in terms of price, quality, discount and design are totally disagreed by the consumers of apparel brands while the gap between expectation and satisfaction in price, quality and design are totally disagreed but discount is disagreed by the consumers of apparel brands.

**TABLE- 5: GAP BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF KEY FEATURES OF STORE BRANDS APPARELS**

Features	P-E		P-S		E-S	
	Weighted Mean	Status	Weighted Mean	Status	Weighted Mean	Status
Price	0.17	Totally Disagree	0.57	Totally Disagree	0.40	Totally Disagree
Quality	0.97	Totally Disagree	0.36	Totally Disagree	1.33	Totally Disagree
Discount	0.86	Totally Disagree	0.77	Totally Disagree	1.63	Disagree
Design	0.59	Totally Disagree	0.29	Totally Disagree	0.88	Totally Disagree

Source: Primary & Computed Data

**DIFFERENCE BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF STORE BRANDS APPARELS**

The difference between perception, expectation and satisfaction of store brand apparels was analyzed by employing t-test and the results are presented in **Table 6**. The results show that the t-value for perception-expectation is 131.666 which is significant at one per cent level of significance. Hence, there is a significant difference existing between perception and expectations of consumers on apparel brands. The t-value for perception-satisfaction is 180.524 significant at one per cent level of significance. It indicates there is a significant difference between perception and satisfaction among consumers. The results also indicate that t-value for expectation-satisfaction is 56.252 significant at one per cent level of significance. Therefore, there is a significant difference between expectation and satisfaction among consumers about apparel brands.

**TABLE-6: DIFFERENCE BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF STORE BRANDS APPARELS**

	t-Value	df	Sig
Perception-Expectation	131.666**	998	0.01
Perception-Satisfaction	180.524**	998	0.01
Expectation-Satisfaction	56.252**	998	0.01

Source: Primary & Computed Data

Note: \*\* indicates significant at one per cent level.

**RELATIONSHIP BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF STORE BRANDS APPARELS**

The relationship between perception, expectation and satisfaction of store brand apparels was analyzed by computing correlation coefficients and the results are presented in **Table 7**. From the results, it is apparent that the correlation co-efficient between perception and expectation is 0.27, which is moderately and positively associated with each other at one per cent level of significance. The perception and satisfaction is also moderately and positively correlated with each other with the value of 0.25, significant at one per cent level of significance. Besides, the relationship between expectation and satisfaction show that both are also positively and weekly associated with each other with the value of 0.15 which is significant at one per cent level of significance.

**TABLE -7: RELATIONSHIP BETWEEN PERCEPTION, EXPECTATION AND SATISFACTION OF STORE BRANDS APPARELS**

	Perception	Expectation	Satisfaction
Perception	1.00		
Expectation	0.27**	1.00	
Satisfaction	0.25**	0.15**	1.00

Source: Primary & Computed Data

Note: \*\* indicates significant at one per cent level

**CONCLUSION AND SUGGESTIONS**

The foregoing analysis indicates that more than one third of consumers belong to the middle age group and nearly two third of them are married. About of half of the consumers are graduates and majority of consumers belong to middle income group. The results show that more than half of the consumers are employed in private sector and nearly two third of them visit the apparel store once in a month.

The perception of consumers of apparel store brands show that both price and convenience are strongly agreed, while price offs, size and dressing sense are disagreed by them. The consumers are neutral with colour, design, discounts and attractiveness with apparel brands. The results indicate that value for money, durability, fashion, price and quality are strongly agreed by consumers as they expect from apparel brands. The satisfaction levels for value for money, friends and colleague impression, price, fashion, family impression and return policy are agreed by the consumers while, satisfaction levels for discount and stitching are disagreed by them.

The gap between perception and expectation in key features of price, quality, discount and design are totally disagreed by the consumers of apparel brands. The gap between perception and satisfaction in terms of price, quality, discount and design are totally disagreed by the consumers of apparel brands while the gap between expectation and satisfaction in price, quality and design are totally disagreed but discount is disagreed by the consumers of apparel brands. The correlation between perception and expectation and perception and satisfaction is moderately and positively associated with each other at one per cent level of significance. But, the expectation and satisfaction are also positively and weekly associated with each other at one per cent level of significance.

Therefore, it is suggested that styling should be specific and sensitive to the large-size male consumer taking into account fashion ability and uniqueness. Sales assistants should be familiar with consumer needs and show empathy. Quite a number of specific requests are such as spaciousness; enough fitting rooms that are comfortable and have sufficient lighting and mirrors; attractiveness of store portal and availability of enough purchase points. Retailers should send brochures and other promotional materials to customers together with their account. The use of magazines, newspapers and radio for promotion should be intensified. Merchandise should be easy to return, refund or credit options are important as well as a service to make garment adjustments. The store should build a personal relationship with customers through personal contact and feedback from customers. To remain competitive, apparel stores must continue low pricing and weekly sale advertisements. In addition, stores must continue to promote their store labels and brands as well as focus on small niche markets. Without a combination of low price and high quality, store brands will not succeed. Low price store brands end up eliminating price competition, which intensifies consumer price sensitivity, satisfaction and loyalty.

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## THE RELATIVITY OF GOALS OF AN INDIVIDUAL ENTREPRENEUR BLESSED WITH VALUES

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### ABSTRACT

*Entrepreneurial behavior is not neatly compartmentalized in term of defined disciplines. Hence it should be explained by trans-disciplinary approach, i.e., the value system of the entrepreneur. Multidimensional traits of entrepreneurs pose a question in front of economists about the single goal i.e., profit maximization. His aim is not merely profit maximization but this is one out of many. Consequently, streams of development are taking place in this context together with different motives to act, for example, sales maximization, productivity maximization etc. In the present paper the objective of the researcher is to confirm the multiple goals of the entrepreneur and to show that the entrepreneur wants to fulfill his entire goals simultaneously, instead of one. He gives priority according to his own 'value dissonance'. The data are collected with the help of a schedule. Small scale and tiny industries of Varanasi region of UP, India, has been selected for study. One noteworthy viewpoint has also come into light and that is variation in the ranking of objective function between modern and traditional entrepreneurs. For modern entrepreneurs pride is more important than productivity, which has received first rank for traditional entrepreneurs. If entrepreneur would understand priority of his objectives, he will succeed. The results offer the significant outcome and substantiate the new way for further research.*

### KEYWORDS

Entrepreneurship, Theory of firm, Objective, Value, Value System, Value dissonance.

### INTRODUCTION

The entrepreneurial behavior is not neatly compartmentalized in term of defined disciplines. The defined entrepreneurs (Schumpeterian, Austrian, Drone, Imitators, etc.) provide only a part of the whole human existence. This reduces the predictability of the theories. These studies try to bind the entrepreneurial behavior in one contour, while there are many dimensions of his nature. The present endeavor is Trans disciplinary in order to capture the complete self. It proposes that the complete self of the individual is represented by his 'value system'. This poses a question in front of economists concerning the single goal of the firm, be it profit maximization or else. His aim is not merely profit maximization but this is one out of many. Given diverse objectives such as, sales maximization, productivity maximization, production maximization etc, they jointly determine the action tendency of the entrepreneur. We have endeavored to exhibit that the entrepreneur wants to fulfill his entire objectives simultaneously, instead of one. He assigns weights according to his value dissonance.

### THEORY

The enterprising entrepreneur is basically defined on the basis of rationality and accordingly, his objectives (Brewer, 1992; Baumol, 1968; Schumpeter, 1950). Therefore, there are two assumptions for an entrepreneur- rationality and self interest. These assumptions persuade them for profit maximization. Some developments have taken place in the theory of firm that explains diverse objectives, such as, Managerial, Behavioral, and the Transaction costs approach. Each theory explains the goal of the entrepreneur on their own assumption. Managerial theory isolates the ownership from management and works for the utility of managers. Managers do not try to maximize the profit of the firm. They give priority to their existence (power position) in the firm. Consequently, they start to consider non-profit goals such as, sales, market size, and sales revenue maximization and so on (Baumol, 1993; Williamson, 1963). Behavioral theory is based on the satisfaction of entrepreneur rather than maximization. Much of this depended on Herbert Simon's work in the 1950s concerning behavior in situations of uncertainty, which argued that "people possess limited cognitive ability and so can exercise only 'bounded rationality' when making decisions in complex, uncertain situations." Thus individuals and groups tend to 'satisfies'—that is, to attempt to attain realistic goals, rather than maximize a utility or profit function. This may be, further, argued that 'Non Calculative Motives' are equally and some time more important than the 'Calculative Motives'. Accordingly, an entrepreneur gives priority to pride, self satisfaction, consumer satisfaction etc. (Dew, et. al., 2008; Cyert and March, 1963; March and Simon, 1958). Transaction cost approach is basically explained by Ronald Coase and he defines firm theoretically in relation to the market (Coase, 1937). The basic objective of the firm, under this approach, is to organize itself in such a way as to minimize these transaction costs. Basically the focus of this approach is on the greater efficiencies and cost reductions.

There is a basic similarity amidst all these approaches, i.e. they axiomize the rationality as absolute existence- be it smaller (The Bounded Rationality Axiom) or greater in magnitude (The Absolute Rationality Axiom). Rationality as an assumption for economic behavior that is so under-pinned in economics that generally, economists take it as granted and those who drift away from this are considered outcast (Singh & Singh, 2003). It is believed that the entrepreneur is motivated to behave so that the expected value of the chosen outcome is as high as possible. Most of the economic analyses employ method that is very logical and powerful. They use methodological individualism, mathematical formulation of assumptions, logical analysis of the consequences of those assumptions, and sophisticated field-testing (Robin, 1998). In itself, this method is useful but partial view of a complete self.

In addition, the self-interest is the only motivation that can be legitimately pursued in serious economic analysis. This way, the self centered individual is not interested in the other-self. He is a gentleman, intelligent, sober, reasonable and so on so forth, because, he maximizes his objective function which is devoid of ethics, values, morals, love, favor, religion, virtues and sacrifices. In general, we have tried to fit a normal man in the shirt of a psychopath. The present endeavor is Trans disciplinary in order to capture the complete self. Emotion, Cognition, Family, Society and Culture, Education System plays an important role.

Emotion represents a social relationship but it is an individual mind that creates them. Emotions are representations of governed phenomena and must as such be taken. Therefore, this might be more fundamental in the organization of human behavior than cognitions. That, in effect people may be emoters before they are cognizers. Ordinarily, e.g., love is categorized as an emotion and held distinct from the desires, which motivate our preference ordering. The problem by combining emotions and cognitions is multifold. It is due to emotions that the combination will be indeterminate. The simple logical method, based on existence of either 'IS' or 'NOT IS' will not be useful because the result will be multi-dimensional. Due to this, problem lies in identifying a representative to these

combinations. The answer lies in value system of an individual (Mishra and Singh, 2003a). It is the combination of emotion and cognition, which ensures a value system. It is proposed that the complete self of the individual is represented by his 'value system'.

A value is not just a preference but is the preference, which is felt and/or is justified morally or by aesthetic judgment. Patterns of value orientation have been singled out as the most crucial culture elements. Culture has value stands-cognitive, appreciative, and moral. All normal people are metaphysician; all have some desire to locate themselves in a 'system', a 'universe', a 'process' (Mishra and Singh, 2003b). Transcending at least the immediate gives and takes between an individual and his environment. It is convenient to use the term value orientation for these value notions, which are general, organized and include definitely existential judgments. A value orientation is a set of linked propositions including both value and existential elements. It can be defined as a generalized and organized conception, influencing behavior, of nature, or man's place in it, of man relation with man, and of the desirable and non desirable as they may relate to man-environment and inter-human relations. Value can be subjective or objective, good or bad. On this basis, the values can be categorized as: value regarding self, value regarding others, and values regarding process. Out of these three categories of values first and second jointly form the objective function and the third acts as the constraint.

There is always difference between imagination and the real situation. The difference is defined as 'value dissonance'. It is believed that 'Value Dissonance' results when individual have preferences over actual possessions which conflict with superior values inculcated into them (Singh and Singh, 2003). Entrepreneur tries to minimize this gap. This is the value dissonance that motivates the individual to deviate from the one value of profit maximization.

The entrepreneur wants to fulfill his entire objectives simultaneously, instead of one. His decision is governed by all the dimensions of his nature. He assigns priority according to his value dissonance. We have proposed nine dimensions of value dissonance for the individual entrepreneur and they are- profit, pride, productivity, market size, self satisfaction, high price, financial proficiency, production, and consumer satisfaction. Allotted weight to each objective confirms that entrepreneurs drift away from the single objective profit maximization or else. Here we have tried to understand the objective of modern entrepreneurs as well as traditional entrepreneurs. Hence we can compare the objective between modern and traditional entrepreneurs. We have defined entrepreneurs according to their area of production; modern entrepreneurs are those engaged modern areas such as of production and traditional engaged in conventional area of production are traditional entrepreneurs.

## OBJECTIVES OF THE STUDY

The objective of the researcher is to confirm the multiple goals of the entrepreneur and to show that the entrepreneur wants to fulfill his entire goals simultaneously, instead of one. Furthermore to find the priority between traditional and modern entrepreneurs for their objectives.

## METHODOLOGY

The data are raised by a schedule administered on the small and tiny industries of Varanasi Region of Uttar Pradesh (India) during Feb. –March, 2008. The aggregate sample size is 100. Modern and traditional entrepreneurs have been taken in to account (half from modern and other half from traditional). The packages SPSS and MS excel have been used for computation. With the help of statistical tools, such as, cross tabs, frequency, regression, findings are being discussed. To determine the weights non- trivially, ranks are deflated by the rank accorded to the value dissonance- consumer satisfaction. The indices are being created on the basis of rank.

## FINDINGS AND DISCUSSIONS

The usual notion of the entrepreneur's objective is to maximize profit. However, only profit maximization could not be his aim. The entrepreneur simultaneously takes other objectives to overcome 'value dissonance'. This view is substantiated by the fact that members of the sample give different rank to different aims in order of priority. Table 1 shows Mean, Std. Deviation, Minimum and Maximum. Profit, pride, productivity, self satisfaction and consumer satisfaction are being allotted, by the entrepreneurs, 1<sup>st</sup> rank.

Table 2 shows the allotted rank to each objective by the entrepreneurs (traditional and modern). Profit as objective is given highest priority by 69% of the entrepreneur (aggregate). The other three weights are 2<sup>nd</sup>, 3<sup>rd</sup> and 6<sup>th</sup> by 6%, 19% and 6% entrepreneurs. However, there is difference in the precedence between the modern and traditional entrepreneurs for example; profit is assigned rank 1<sup>st</sup> (33%), 2<sup>nd</sup> (6%), 3<sup>rd</sup> (5%) and 6<sup>th</sup> (6%) by modern entrepreneurs while 1<sup>st</sup> (36%) and 3<sup>rd</sup> (14%) by traditional entrepreneurs. Profit is significant objective among others for traditional entrepreneurs.

Pride is given 1<sup>st</sup> rank by 7% entrepreneurs. The rank for pride lies among 1<sup>st</sup> to 8<sup>th</sup>. No one has ranked this to be the last. 27% people have given it to be 2<sup>nd</sup> while 28% have assigned it to be 4<sup>th</sup>. Pride as a primary objective is being assigned by 7% modern entrepreneurs. 15% entrepreneurs assigned it to 4<sup>th</sup> rank (highest). Traditional entrepreneurs have not allotted it to 1<sup>st</sup> rank. They have assigned it to weight among 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 6<sup>th</sup> and 8<sup>th</sup>.

Productivity is given the 2<sup>nd</sup> rank by the 26% of the entrepreneur (aggregate highest rank). Productivity as the driving factor is assigned weight among 1<sup>st</sup> to 8<sup>th</sup>. It has assigned 1<sup>st</sup> rank only by 7% of the entrepreneurs. The other highest rank is 3<sup>rd</sup> (20%). Modern entrepreneurs have not assigned it to 1<sup>st</sup> rank. Highest weight is being allotted to rank 3<sup>rd</sup> (13%) and last to rank 4<sup>th</sup> (4%). Modern entrepreneurs have given it to weight from 2<sup>nd</sup> to 8<sup>th</sup> (except 7<sup>th</sup> rank) while traditional entrepreneurs have assigned it to weight among 1<sup>st</sup> to 8<sup>th</sup>.

For aggregate, production attracts 2<sup>nd</sup> rank by most of the entrepreneurs i.e. 22% and 3<sup>rd</sup> and 4<sup>th</sup> by 17% entrepreneurs. Entrepreneurs have assigned it rank from 2<sup>nd</sup> to 8<sup>th</sup>. Market size, as the goal of the entrepreneurs, is assigned 1<sup>st</sup> rank by 7% of the people. Maximum individuals i.e. 48% assigned it 5<sup>th</sup> rank. Its priority is distributed among the 1<sup>st</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> rank. Self satisfaction has been weight among 2<sup>nd</sup> to 9<sup>th</sup> and around 29% of people give this rank 7<sup>th</sup> and 22% of people give this rank 6<sup>th</sup>. This is given the last rank by 4% of the people. Modern entrepreneurs have assigned it to rank among 2<sup>nd</sup> to 9<sup>th</sup>. Traditional entrepreneurs have not assigned it to 1<sup>st</sup>, 8<sup>th</sup> and 9<sup>th</sup> rank. Self satisfaction attracts 6<sup>th</sup> rank by most of the entrepreneurs i.e. 19% and 7<sup>th</sup> by 12% entrepreneurs.

Only 10% of the people give the consumer satisfaction the rank 1<sup>st</sup> (aggregate). The maximum number of people around 16% gives this rank 6<sup>th</sup>. For modern entrepreneurs consumer satisfaction is important objective and their rank lies among 1<sup>st</sup> to 9<sup>th</sup>. However traditional entrepreneurs have not assigned it to 1<sup>st</sup> and 2<sup>nd</sup> rank.

As given in table 2, high price is given 8<sup>th</sup> rank by most of the entrepreneurs (39%). Almost 74% entrepreneurs assign high price last two ranks. High price has not been given importance by both modern and traditional entrepreneurs. 47% of people give financial proficiency the last rank i.e. 9<sup>th</sup>. No one has ranked this to be 1<sup>st</sup> and 2<sup>nd</sup>. Around 83% of people give this the last three ranks. As High price, financial proficiency also could not attract entrepreneurs (both, modern and traditional).

To determine the weights non- trivially, ranks are deflated by the rank accorded to the value dissonance- consumer satisfaction. The results of the regression are given in the Table 3. The indices are being created on the basis of rank. We can see from the table 3 that modern entrepreneurs have assigned higher weight to their pride instead of profit. This confirms that for modern entrepreneurs pride is more important in comparison to profit. This is not clearly exhibited in table 2. They have allotted II and III weight to profit and self satisfaction respectively. However the difference between profit and self satisfaction is negligible (0.001). They have given last rank to financial proficiency. Traditional entrepreneurs give higher weight to productivity (productivity of labour). They have assigned II and III to production and profit and last to financial proficiency.

## CONCLUSIONS

It is apparent from the findings and discussion that the emphasis of entrepreneur is deviated from the optimization of single objective function. It is proposed that the complete self of the individual is represented by his value system. Values are the main guiding force behind the action of an individual entrepreneur that motivates him to overcome his value dissonance. Due to value dissonance he gives priority to his objectives i.e., proposed dimensions. Allotted weight to each objective confirms that entrepreneurs drift away from the single objective maximization. One noteworthy viewpoint has also come into light and that is

variation in the ranking of objective function between modern and conservative entrepreneurs. For modern entrepreneurs pride is more important than productivity, which has received first rank for traditional entrepreneurs. If entrepreneur would understand priority of his objectives, he will succeed in life and also in business.

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**TABLES**

**TABLE-1**

OBJECTIVE	N	Minimum	Maximum	Mean	Std. Deviation
PROFIT (A)	100	1.00	6.00	1.7400	1.33802
PRIDE (B)	100	1.00	8.00	3.6100	1.85263
PRODUCTIVITY (C)	100	1.00	8.00	3.9700	2.15770
PRODUCTION (D)	100	2.00	8.00	4.5800	2.11860
MARKET SIZE (E)	100	1.00	7.00	5.0000	1.40705
SELF SATISFACTION (F)	100	2.00	9.00	5.3900	2.08842
CONSUMER SATISFACTION (G)	100	1.00	9.00	5.4900	2.50855
HIGH PRICE (H)	100	3.00	9.00	7.4500	1.91419
FINANCIAL PROFICIENCY (I)	100	3.00	9.00	7.6300	1.76758

**TABLE-2**

OBJE CTIV E	PROFIT			PRIDE			PRODUCTIVITY			PRODUCTION			MARKET SIZE			SELF SATISFACTION			CONSUMER SATISFACTION			HIGH PRICE			FINANCIAL PROFICIENCY			
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	
RANK																												
1	33	36	69	7	—	7	—	7	7	—	—	—	—	7	7	—	—	—	10	—	10	—	—	—	—	—	—	
2	6	—	6	13	14	27	10	16	26	2	20	22	—	—	—	12	7	19	7	—	7	—	—	—	—	—	—	
3	5	14	19	7	11	18	13	7	20	11	6	17	—	—	—	6	1	7	1	5	6	7	—	7	—	6	6	
4	—	—	—	15	13	28	4	6	10	7	10	17	8	7	15	1	—	1	4	6	10	6	1	7	5	—	5	
5	—	—	—	1	—	1	5	7	12	7	—	7	24	24	48	2	11	13	11	1	12	—	7	7	—	—	—	
6	6	—	6	6	5	11	7	1	8	7	6	13	12	5	17	3	19	22	2	14	16	1	—	1	6	—	6	
7	—	—	—	1	—	1	6	—	6	10	—	10	6	7	13	17	12	29	4	11	15	4	—	4	2	20	22	
8	—	—	—	—	7	7	5	6	11	6	8	14	—	—	—	5	—	5	10	—	10	10	29	39	14	—	14	
9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4	—	4	1	13	14	22	13	35	23	24	47	
TOTAL	50	50	100	50	50	100	50	50	100	50	50	100	50	50	100	50	50	100	50	50	100	50	50	100	50	50	100	

Note: I, II and III are being used to represent modern, traditional and aggregate small and tiny industries respectively.

**TABLE-3**

VALUE DISSONANCE FOR	MODERN ENTREPRENEURS	TRADITIONAL ENTREPRENEURS
PROFIT	.174 (II)	.176 (III)
PRIDE	.185 (I)	.098 (VI)
PRODUCTIVITY	.158 (IV)	.210 (I)
PRODUCTION	.148 (V)	.185 (II)
MARKET SIZE	.109 (VII)	.129 (IV)
SELF SATISFACTION	.173 (III)	.087 (VII)
HIGH PRICE	.142 (VI)	.106 (V)
FINANCIAL PROFICIENCY	.060 (VIII)	.075 (VIII)

**CO-INTEGRATION AND CAUSAL RELATIONSHIP BETWEEN GDP AND AGRICULTURE SECTOR**

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**ABSTRACT**

*Agriculture in India is one of the most important sectors of its economy. It is the means of livelihood of almost two thirds of the work force in the country. One of the biggest success stories of independent India is the rapid strides made in the field of agriculture. From a nation dependent on food imports to feed its population, India today is not only self-sufficient in grain production but also has substantial reserves. The main objective of the present research work is to study the co-integration between Gross Domestic Product (GDP) and Agricultural Sector and to study the causal relationship between Gross Domestic Product (GDP) and Agricultural Sector. In the present study, the stochastic properties of the variables is analysed by employing Unit Roots Test. In this context, the widely used technique is Augmented Dickey Fuller (ADF) (1979) test. Since, both the variables are integrated to same order I(1), co-movement between the Agriculture Sector and GDP has been tested by the Johansen's Trace and Maximum Eigen value test. Johnson's co-integration test indicates that there is an existence of Co-integration between GDP and Agriculture Sector. Hence, it can be inferred that the agriculture sector and GDP have long-run equilibrium relationship between them. Granger Causality test has been conducted with 1 to 5 years of lags. Granger causality test has provided different results for different lags. With 2 years of lags and 3 years of lags, there is an existence of causal relationship in both the directions between GDP and agriculture sector at 10% level of significance.*

**KEYWORDS**

Agriculture Sector, Co-integration test, GDP and Granger Causality test

**INTRODUCTION**

Agriculture in India is one of the most important sectors of its economy. It is the means of livelihood of almost two thirds of the work force in the country and according to the economic data for the financial year 2009-10, agriculture accounts for nearly 15% of India's GDP. About 43 % of India's geographical area is used for agricultural activity. Though, the share of Indian agriculture in the GDP has steadily declined, it is still the single largest contributor to the GDP and plays a vital role in the overall socio-economic development of India. One of the biggest success stories of independent India is the rapid strides made in the field of agriculture. From a nation dependent on food imports to feed its population, India today is not only self-sufficient in grain production but also has substantial reserves. Dependence of India on agricultural imports and the crises of food shortage encountered in 1960s convinced planners that India's growing population, as well as concerns about national independence, security, and political stability, required self-sufficiency in food production. This perception led to a program of agricultural improvement called the Green Revolution. It involved bringing additional area under cultivation, extension of irrigation facilities, the use of improved high-yielding variety of seeds, better techniques evolved through agricultural research, water management, and plant protection through judicious use of fertilisers, pesticides and cropping practices. All these measures had a salutary effect and the production of wheat and rice witnessed quantum leap.

To carry improved technologies to farmers and to replicate the success achieved in the production of wheat and rice, a National Pulse Development Programme, covering 13 states, was launched in 1986. Similarly, a Technology Mission on Oilseeds was launched in 1986 to increase production of oilseeds in the country and attain self-sufficiency. Pulses were brought under the Technology Mission in 1990. After the setting up of the Technology Mission, there has been consistent improvement in the production of oilseeds. A new seeds policy has been adopted to provide access to high-quality seeds and plant material for vegetables, fruit, flowers, oilseeds and pulses, without in any way compromising quarantine conditions. To give fillip to the agriculture and make it more profitable, Ministry of Food Processing Industries was set up in July 1988. Government has also taken initiatives to encourage private sector investment in the food processing industry.

**AGRICULTURE GROWTH RATE IN INDIA GDP**

India GDP means the total value of all the services and goods that are produced within the territory of the nation within the specified time period. The country has the GDP of around Rs. 4464081 crores in 2009-10, and this makes the Indian economy the twelfth biggest in the whole world. The growth rate of India GDP is nearly 8% in 2009- 2010. The Agriculture Sector has always been an important contributor to the India GDP. This is due to the fact that the country is mainly based on the agriculture sector and employs around 60% of the total workforce in India. Agriculture Growth Rate in India GDP, in spite of its decline in the share of the country's GDP plays a very important role in the all round economic and social development of the country. The Growth Rate of the Agriculture Sector in India GDP grew after independence for the government of India placed special emphasis on the sector in its five-year plans. Further the Green revolution took place in India and this gave a major boost to the Agriculture Sector for irrigation facilities, provision of agriculture subsidies and credits, and improved technology. This in turn helped to increase the Agriculture Growth Rate in India GDP. The agricultural yield increased in India after independence but in the last few years it has decreased. This in its turn has declined the Growth Rate of the Agriculture Sector in India GDP. Agriculture Growth Rate in India GDP has slowed down for the production in this sector has reduced over the years.

**FACTORS CAUSING LOW AGRICULTURAL PRODUCTION IN INDIA**

The Agriculture Sector has had low production due to a number of factors such as illiteracy, insufficient finance, and inadequate marketing of agricultural products. Further the reasons for the decline in Agriculture Growth Rate in India GDP are that in the sector the average size of the farms is very small which in turn has resulted in low productivity. Also the Growth Rate of the Agriculture Sector in India GDP has declined due to the fact that the sector has not adopted modern technology and agricultural practices. Agriculture Growth Rate in India GDP has also decreased due to the fact that the sector has insufficient irrigation facilities. As a result of this, the farmers are dependent on rainfall, which is however very unpredictable.



**LITERATURE REVIEW**

Salih Turan Katircioglu (2006) suggest that agricultural output growth and economic growth as measured by real gross domestic product growth are stationary at their levels, thus, they are naturally co-integrated. They are in long run equilibrium relationship. And secondly, there is feedback relationship between these variables that indicates bidirectional causation among them in the long run period<sup>1</sup>. Salih katircioglu (2006) investigates possible co integration and causal relationship between economic growth and sectoral growth in North Cyprus mainly including agriculture, industry and services sector. Results of this study reveal that agriculture is still the backbone of the North Cyprus economy. It is in a long run equilibrium relationship with growth and gives direction to industry as it provides raw materials to that sector. However, it does not give any direction to the economic growth as measured by real Gross Domestic Product (GDP) growth rate<sup>2</sup>. Titus O. Awokuse (2009) by taking advantage of recent developments in time series econometric methods re-examines the question of whether agriculture could serve as an engine of growth. Results from the empirical analysis provide strong evidence indicating that agriculture is an engine of economic growth. Furthermore, the authors find that trade openness has a positive effect on GDP growth<sup>3</sup>.

**OBJECTIVES OF THE STUDY**

The main objective of the study is to analyse the long-term equilibrium relationship between Agriculture sector and Gross Domestic product (GDP). In the present study, causal relationship between Agriculture sector and Gross Domestic product is also studied.

**METHODOLOGY OF THE STUDY**

**PERIOD OF STUDY**

The study covers a period of 59 years from 1951-52 to 2009-10.

**SOURCES OF DATA**

The present study is based on secondary data. Data on GDP and Agricultural production has been collected from various issues of "Handbook of Statistics on Indian Economy" published by Reserve Bank of India. Apart from this, various journals, magazines, text books and articles have been referred to get the relevant information.

**FRAMEWORK OF ANALYSIS**

Real Gross Domestic Product and Agriculture & Allied activities production at constant prices has been considered at factor cost on annual basis from 1951-52 to 2009-10. For the present study, Natural logarithmic values of GDP and Agriculture Sector are considered. First of all, to fulfill the research objectives, descriptive statistics like mean, median, standard deviation, skewness, Kurtosis, Jarque-bera statistic etc., are carried to show the nature and basic characteristics of the variables used in the analysis. Correlation is the next step to move towards the objectives of this study and finding any relationship between the natural logarithmic values of GDP and Agriculture Sector. Then the formal investigation is carried out by examining the stochastic properties of the variables by using Unit Roots Test to test the stationarity of the variables. In this Context, the widely used technique is Augmented Dickey Fuller (ADF) (1979) test. If the calculated Augmented Dickey Fuller (ADF) Statistic is less than its critical value, then the variable is said to be stationary or integrated to order Zero i.e., I(0). If this is not the case, then ADF test is performed on the first difference of variable. If two variables i.e., Log(GDP) and Log(Agriculture Sector) are both integration of same order, then the next step is to find out whether they are co-integrated. This has been done by using Johansen's Co-integration Approach. Then the causal relationship between GDP and Agriculture has been tested by applying Grangers Causality test.

**DESCRIPTIVE STATISTICS OF NATURAL LOGARITHMIC VALUES OF GDP AND AGRICULTURE SECTOR**

**TABLE 1: DESCRIPTIVE STATISTICS**

Descriptive Statistics	Log (GDP)	Log ( Agriculture Sector)
Mean	13.53948	12.48423
Median	13.37222	12.41799
Maximum	15.31157	13.38765
Minimum	12.34598	11.74191
Std. Dev.	0.819131	0.471341
Skewness	0.509183	0.328653
Kurtosis	2.279571	1.998651
Jarque-Bera	3.825379	3.527093
Probability	0.147683	0.171436
Observations(N)	59	59

As shown in table 1, Mean natural logarithmic value of GDP is 13.539 with a standard deviation of 0.819 and Mean natural logarithmic value of Agriculture Sector is 12.484 with a standard deviation of 0.471. It clearly indicates that variation in the distribution of GDP is more than that of Agriculture sector. Comparatively higher positive skewness in the case of natural logarithmic value of GDP indicates longer right tail of the distribution of GDP. Kurtosis of GDP is higher than the kurtosis of Agriculture sector indicating higher abnormal peaks in the distribution of GDP values in the given period. Jarque-Bera statistic tests the null hypothesis that the given data has normal distribution. In the present case, the 'p' value of Jarque-Bera statistic is more than 0.10 which indicates that both the variables i.e., natural logarithmic values of GDP and Agriculture sector have normal distribution.

**STUDY OF CORRELATION BETWEEN GROSS DOMESTIC PRODUCT AND AGRICULTURE SECTOR**

**TABLE 2: CORRELATION BETWEEN GROSS DOMESTIC PRODUCT AND AGRICULTURE SECTOR**

Variables	Observations	Pearson Correlation	'p' value
Log(GDP) & Log(Agriculture Sector)	59	0.996	0.001

As shown in table 2, correlation between GDP and Agriculture Sector is very strong and statistically significant at 1% level of significance which is indicated by Pearson's correlation coefficient of 0.996 with a 'p' value of 0.001.

**TESTING THE STATIONARITY OF VARIABLES**

**TABLE 3: AUGMENTED DICKEY-FULLER TEST**

Variables	ADF Test at Levels		ADF Test at First difference	
	Test Statistic	Critical Values	Test Statistic	Critical Values
Log(Agriculture sector)	-1.991974	1% level -4.127 5% level -3.490	-8.047673	1% level -4.131 5% level -3.492
Log(GDP)	0.842694	10% level -3.174	-5.532956	10% level -3.175

To see the order of integration of the variables i.e., Agriculture sector and GDP, Augmented Dickey-Fuller test has been employed. Table 3 reveals that at the levels both the variables are non-stationary, because the test statistic value is less than the critical value. The results indicate that both the variables are

stationary at the first difference. Since, both the variables are integrated to same order I(1), then the next step is to find out whether they are co-integrated. The co-integration between the Agriculture Sector and GDP has been tested by the Johansen's Trace and Maximum Eigen value test.

#### STUDY OF CO-INTEGRATION BETWEEN GDP AND AGRICULTURE SECTOR

TABLE 4: PAIR-WISE CO-INTEGRATION BETWEEN GDP AND AGRICULTURE SECTOR (TRACE TEST)

Null Hypothesis	Alternative Hypothesis	Eigen Value	Test Statistic	Critical Value	
				95% Confidence Level	90% Confidence Level
$r=0$	$r>0$	0.295015	26.30719	15.49471	13.42878
$r<=1$	$r>1$	0.105911	6.381171	3.841466	2.705545

TABLE 5: PAIR-WISE CO-INTEGRATION BETWEEN AGRICULTURE SECTOR AND GDP (MAXIMUM LIKELIHOOD TEST)

Null Hypothesis	Alternative Hypothesis	Eigen Value	Test Statistic	Critical Value	
				95% Confidence Level	90% Confidence Level
$r=0$	$r=1$	0.295015	19.92602	14.26460	12.29652
$r<=1$	$r=2$	0.105911	6.381171	3.841466	2.705545

Table 4&5 provides the statistical results of Johnson's trace statistics and maximum eigenvalue statistics assuming linear deterministic trends in data with intercept. Trace test statistic has the null hypothesis of no co-integrating relations ( $r=0$ ) against the general alternative of  $r>0$ . As indicated table 4, the calculated value i.e., Trace test statistic value is more than critical value at 95% & 90% level of confidence. it can be concluded that there is an existence of two Cointegrating equations. The maximum eigenvalue test makes the confirmation of this result. Thus, the agriculture sector and GDP have long-run equilibrium relationship between them.

#### STUDY OF CAUSAL RELATIONSHIP BETWEEN GDP AND AGRICULTURE SECTOR

TABLE 6: PAIR WISE GRANGER CAUSALITY TEST BETWEEN GDP AND AGRICULTURE SECTOR

Null Hypothesis	Years of Lags	Observations	F-Statistic	Probability
$\Delta \text{Log(GDP)}$ does not Granger Cause $\Delta \text{Log(Agriculture Sector)}$	1	57	1.23657	0.2711
$\Delta \text{Log(Agriculture Sector)}$ does not Granger Cause $\Delta \text{Log(GDP)}$			2.29254	0.1358
$\Delta \text{Log(GDP)}$ does not Granger Cause $\Delta \text{Log(Agriculture Sector)}$	2	56	2.80945	0.0696
$\Delta \text{Log(Agriculture Sector)}$ does not Granger Cause $\Delta \text{Log(GDP)}$			6.49459	0.0031
$\Delta \text{Log(GDP)}$ does not Granger Cause $\Delta \text{Log(Agriculture Sector)}$	3	55	2.24282	0.0953
$\Delta \text{Log(Agriculture Sector)}$ does not Granger Cause $\Delta \text{Log(GDP)}$			3.72573	0.0173
$\Delta \text{Log(GDP)}$ does not Granger Cause $\Delta \text{Log(Agriculture Sector)}$	4	54	1.97835	0.1140
$\Delta \text{Log(Agriculture Sector)}$ does not Granger Cause $\Delta \text{Log(GDP)}$			3.69968	0.0109

The study has applied Granger causality test proposed by C.J. Granger (1969). Granger proposed that if causal relationship exists between variables, they can be used to predict each other. Since the Agriculture sector and GDP have become stationary at first difference, granger causality test is conducted on first differenced natural logarithmic values of Agriculture sector and GDP. As shown in table 6, when one year lagged data is used to predict causality, there is no causal relationship between Agriculture Sector and GDP in both the directions. Granger causality test, with two years and three years lagged data, has exhibited causality in both the directions indicating that GDP will granger cause agriculture sector and Agriculture sector will granger cause GDP. When four years lagged data is used to predict the causality, the causal relationship is unidirectional indicating that the Agriculture sector granger cause GDP, but GDP does not granger cause agriculture sector.

#### CONCLUSIONS

As revealed from the present study, there is a strong positive correlation between GDP and Agriculture Sector. Johnson's co-integration test indicates that there is an existence of Cointegration between GDP and Agriculture Sector. Hence, it can be inferred that the agriculture sector and GDP have long-run equilibrium relationship between them. When Granger causality test is conducted with 2 years of lags and 3 years of lags, there is an existence of causal relationship in both the directions between GDP and agriculture sector at 10% level of significance. It indicates that GDP granger cause agriculture sector and at the same time agriculture sector granger cause GDP.

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**CONSUMERS' RESPONSIVENESS TO INTERNET MARKETING: AN EMPIRICAL STUDY**

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**ABSTRACT**

*The internet in its endeavour created a milestone in the way people attached with it. Starting from the ways of use and usage ability of a person, it becomes a part of necessity for surfing. This is the reasons why the perception of Individuals change over time for internet surfing. This study seeks to gain an insight into the perception of people surfing the net and email account users, towards internet advertising and their utility value in terms of impact on the purchase decision. Hence, the attempt was to explore consumers' responsiveness to internet marketing, considering the impact of demographic factors like gender, occupation.*

**KEYWORDS**

Internet surfing, Demographics, gender, occupation, Consumer Perceptions.

**INTRODUCTION**

Research across a wide variety of fields has extensively studied the link between demographics and Internet use. This is just because of the explosion in the Internet use. Much attention has been paid to the demographic correlates of Internet use, which show that richer and more educated individuals are more likely to use the Internet than less educated and lower income individuals. As well, the Internet user is more likely to be male than female and is typically younger than the non-user.

The Internet can be applied by companies as an integral part of the modern marketing concept since it can be used to support the full range of organizational functions and processes that deliver products and services to customers and other key stakeholders. It is a powerful communications medium that can act as 'corporate glue' that integrates the different functional parts of the organization. It facilitates information management, which is now increasingly recognized as a critical marketing support tool to strategy formulation and implementation. The future role of the Internet should form part of the vision of a company since its future impact will be significant to most businesses.

If Internet marketing is to become integrated and fully established as a strategic marketing management tool, then the focus of attention needs to move towards understanding its broader applications within the total marketing process rather than just using it as a communication and selling tool. The danger for those currently considering developing Internet technology is that the focus of such involvement will be too narrow and the true power of the Internet and its potential contribution to the marketing process will be missed. There is a tendency amongst companies first using the Internet to restrict applications to promotion and selling rather than a relationship building and service delivery tool.

**UNDERSTANDING MARKET DEMOGRAPHICS**

The Internet can potentially be used to achieve each of the four strategic directions as follows:

- Market penetration: The Internet can be used to sell more existing products into existing markets.
- Market development: Here the Internet is used to sell into new markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customers' country.
- Product development: New products or services are developed which can be delivered by the Internet.
- Diversification: In this sector, new products are developed which are sold into new markets.

**PAST RESEARCH**

Demographic factors have been widely studied in the context of Internet use (Hoffman & Novak, 1997). Many studies suggest high correlations between demographic variables and Internet use. Age, gender, education, and income have all received extensive attention of researchers interested in Internet use (GVU, 1999; Hoffman, Kolsbeek, & Novak, 1996). Both education and income have been found to be highly correlated with Internet use, providing the impetus to research on the digital divide (Hindman, 2000; Hoffman & Novak, 1997). (Katz and Aspden (1997)) pointed out that the Internet user was more educated and wealthier than the nonuser. Summarizing the research on the digital divide, Sparrow and Vedantham (1995) argued that "disparities exist in levels of access between rich and poor and between suburban and inner city residents" (p. 19).

The 10th GVU User Survey conducted in 1999 observed that Internet users are educated, with 87.8% having at least some college experience (GVU Survey, 1999). According to a report published by National Telecommunications and Information Administration in 1999, while 61.6% of those with a college degree used the Internet, only 6.6% of those with a high school degree or less used the Internet (National Telecommunications and Information Administration, 1999). Similar positive effects of income on Internet use were observed. The average income of the Internet user in the 10th GVU User Survey was \$57,300 (GVU Survey, 1999).

Initial research conducted in the mid 1990s demonstrated that men were more likely than women to use the Internet (Anderson, Bikson, Law, & Mitchell, 1996; Times Mirror, 1994; Yankelovich Partners, 1996). However, the trend underwent a reversal in 2000 when Jupiter Media Matrix reported that the number of women using the Internet had surpassed the number of men (Pastore, 2001a). While women over 18 years of age comprised 40.9% of all Internet users, men over 18 comprised 39.8% of the user segment (Pastore, 2001a). Despite the greater number of women using the Internet, Pastore (2001a) reported that men spent 16% more time per month in 2001 using it than women. While the average man spent 10.5 hours on the Internet, the average woman spent almost nine hours on the Internet (Pastore, 2001a).

**OBJECTIVES OF THE STUDY**

The primary objective of this research study is to gain an insight into the perception of people surfing the net and email account users, towards internet advertising and their utility value in terms of impact on the purchase decision. Hence we are attempting to explore consumers' responsiveness to internet marketing, taking into cognizance the impact of demographic factors like gender, occupation, etc.

**METHODOLOGY**

Research Design: The research design chosen for the study is conclusive. Our research is mainly based on a survey conducted by distribution of questionnaire.  
Data Collection: Basically Primary ways of data collection has been carried out through a questionnaire with Likert Type of scale used. The variables used for this study was Gender and Occupation. The occupational natures of respondents were like Students, Businessmen, Service, Retired & Housewives.  
Sampling: Random sampling method was used and the sample size taken for the study was 100.  
Technique of Analysis: Quantitative techniques like One way ANOVAs, t-test were used for the Data Analysis where the level of significance was considered as 95%.

An attempt has been made to keep the sample fairly representative across the demographic variables by constructing quotas according to these factors e.g. age, gender, occupation. Almost 54% of the respondents belonged to the age group of 20 to 30 years and approximately 30% of the respondents belonged to the age group of more than 30 years. 30% of the respondents were students, 27% were in service, 14% were housewives and 29% were in business. 59.7% were males and 40.3% were females. Almost 85% of the respondents rated their usage of internet in the range of medium to high. 75% of the respondents used their email accounts primarily for personal communication.

**HYPOTHESIS FRAMED**

Hypothesis based on Occupation

**Ho:** There is no significant relation between different types of occupation on Internet marketing  
**Ha:** There is significant relation between different types of occupation on Internet marketing

Hypothesis based on Gender

**Ho:** There is no significant difference between males & females mail Including Junk mail receivers  
**Ha:** There is significant difference between male & females mail Including Junk mail receivers

**DATA ANALYSIS AND INTERPRETATION**

**Gender: 1<sup>st</sup> Variable**

Request Clicks

Descriptives

Gender	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	80	1.8500	1.00	.15	1.52	2.17	1.00	5.00
Female	20	1.5000	.70	.22	.99	2.00	1.00	3.00
Total	100	1.7800	.95	.13	1.51	2.05	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.980	1	.980	1.079	.304
Within Groups	43.60	48	.908		
Total	44.58	49			

**MARKETING RELATED MAILS**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	80	2.8750	.96576	.15270	2.5661	3.1839	1.00	5.00
Female	20	3.0000	.81650	.25820	2.4159	3.5841	2.00	4.00
Total	100	2.9000	.93131	.13171	2.6353	3.1647	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.125	1	.125	.142	.708
Within Groups	42.375	48	.883		
Total	42.500	49			

**CONVEY RELEVANT INFORMATION**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	80	2.3250	.82858	.13101	2.0600	2.5900	1.00	4.00
Female	20	3.0000	.94281	.29814	2.3256	3.6744	2.00	5.00
Total	100	2.4600	.88548	.12523	2.2083	2.7117	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.645	1	3.645	5.031	.030
Within Groups	34.775	48	.724		
Total	38.420	49			



**TAKE ACTION PERSUASION (PURCHASE)**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	80	1.9000	.84124	.13301	1.6310	2.1690	1.00	4.00
Female	20	1.7000	.67495	.21344	1.2172	2.1828	1.00	3.00
Total	100	1.8600	.80837	.11432	1.6303	2.0897	1.00	4.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.320	1	.320	.485	.490
Within Groups	31.700	48	.660		
Total	32.020	49			

**OCCUPATION: 2<sup>ND</sup> VARIABLE**

Marketing related Mails:

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Student	36	2.8889	1.13183	.26678	2.3260	3.4517	1.00	5.00
Service	40	2.8500	.87509	.19568	2.4404	3.2596	1.00	4.00
Housewife	8	3.5000	.57735	.28868	2.5813	4.4187	3.00	4.00
Businessman	16	2.7500	.70711	.25000	2.1588	3.3412	2.00	4.00
Total	100	2.9000	.93131	.13171	2.6353	3.1647	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.672	3	.557	.628	.601
Within Groups	40.828	46	.888		
Total	42.500	49			

**REQUEST E-MAIL**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Student	36	1.7778	.87820	.20699	1.3411	2.2145	1.00	3.00
Service	40	1.9000	1.16529	.26057	1.3546	2.4454	1.00	5.00
Housewife	8	1.5000	.57735	.28868	.5813	2.4187	1.00	2.00
Businessman	16	1.6250	.74402	.26305	1.0030	2.2470	1.00	3.00
Total	100	1.7800	.95383	.13489	1.5089	2.0511	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.794	3	.265	.278	.841
Within Groups	43.786	46	.952		
Total	44.580	49			

**CONVEY RELEVANT INFORMATION**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Student	36	2.2778	.82644	.19479	1.8668	2.6888	1.00	4.00
Service	40	2.4000	.68056	.15218	2.0815	2.7185	1.00	4.00
Housewife	8	3.5000	1.29099	.64550	1.4457	5.5543	2.00	5.00
Businessman	16	2.5000	1.06904	.37796	1.6063	3.3937	1.00	4.00
Total	100	2.4600	.88548	.12523	2.2083	2.7117	1.00	5.00

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.009	3	1.670	2.299	.090
Within Groups	33.411	46	.726		
Total	38.420	49			

**TAKE ACTION PERSUASION (PURCHASE)**

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Student	36	1.7778	.64676	.15244	1.4562	2.0994	1.00	3.00
Service	40	1.8500	.87509	.19568	1.4404	2.2596	1.00	4.00
Housewife	8	2.0000	.81650	.40825	.7008	3.2992	1.00	3.00
Businessman	16	2.0000	1.06904	.37796	1.1063	2.8937	1.00	4.00
Total	100	1.8600	.80837	.11432	1.6303	2.0897	1.00	4.00

## ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.359	3	.120	.174	.914
Within Groups	31.661	46	.688		
Total	32.020	49			

## RECOMMENDATIONS

Internet advertising can be more useful if organization can incorporate the following attributes in their E-marketing communications:

**Personalization:** *Marketers can be emailed based on the consumers' local time, location, and preferences*

**Time:** *Less intrusive than Junk Mail, recipients can read mails at their leisure and choose when to respond, if at all.* Still, organizations must consider the message frequency for the target group and topic.

**Location:** *Internet Marketing amplifies two key arguments for electronic commerce, location independence and ubiquity.* Consumers increasingly expect tailored and location-based services, thereby underlining the importance of email marketing. Properly applied, location-based services can create or reinforce virtual communities

**Preferences:** *Personalizing messages increases their impact. Similar to traditional media, a personalized mail campaign relies upon databases with enough active and potential clients to reach the target group profitably.* Such databases regularly contain personal information such as leisure activities, holidays, music and media interests, type of Internet access, occupation, marital status, car ownership and income

**Consumer control, permission and privacy:** *There is a trade-off between personalization and consumer control.* Gathering data required for tailoring messages raises privacy concerns. Corporate policies must consider legalities such as electronic signatures, electronic contracts, and conditions for sending E-mails.

## CONCLUSION

From the analysis we come to a conclusion that there is no significant difference between male & female. Mail receivers therefore we accept Ho for the first hypothesis. For the second hypothesis we come to a conclusion that there is significant relation between different types of occupation on E - Marketing. Therefore we accept Ha & individual with different occupation view sms advertising in different perspectives. An individual's occupation has an impact on his perception of his Email account being a mode of communication, advertisement or information. We also found that An individual's work schedule has an impact on his reactions' towards checking his mails specially JUNK mails. An individual's work schedule has an impact on his perception of his email account being a mode of either communication, advertisement or information Individual's occupation on his reactions' towards Internet advertising, it was found that there were significant differences in the reactions of *Businessmen and other Service class.* The businessmen reacted with confusion towards the plethora of information and advertising that they were subjected on their mails, whereas the service class respondents found the information (pertaining to either their work interests or leisure interests) relayed through their emails useful. It can hence be inferred that incorporating attributes like contextualization, relevant utility value

Summarizing the major findings of the study, we can infer that the relationship that we have sought to examine between Internet marketing/ advertising efforts and the consumers' responsiveness in terms of impact on the purchase/ brand decision, exists. However Internet marketing efforts do not have a substantial impact on the purchase or brand decision of the consumer.

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## JOB STRESS AT WORKPLACE: A STUDY OF STRESS LEVEL AMONG MANAGEMENT EDUCATORS

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### ABSTRACT

Stress is a universal element and persons from nearly every walk of life have to face stress. Employers today are critically analyzing the stress management issues that contribute to lower job performance of employee originating from dissatisfaction & high turnover ultimately affecting organizational goals and objectives. How stress affects employee performance, managerial responsibility, & consequences of high stress are basic aims of the study. The universe of the study is Nagpur; the target population is management faculties of the top B-schools of Nagpur District. Field study was conducted with questionnaire as the primary data collection instrument. Data was analyzed using statistical techniques (Karl Pearson coefficient of correlation). The factors affecting stress were identified; personal issues, lack of administrator support, long working hours, poor working conditions, unpredictability in work environment & inadequate monetary reward.

### KEYWORDS

Job stress, Management educators, HRM.

### INTRODUCTION

Job life is one of the important parts of our daily lives which cause a great deal of stress. Due to the competitive nature of the job environment most of the people in the world are spending their time for job related work purposes resulting ignore the stressor those are influencing their work and life. Usually people are more worry about their outcome of their work that can even affect the way they treat other people and how they communicate with their peers and customers. For example, people with a higher percentage of occupational stress may not be satisfied with their job and therefore they will not feel happy working in the organization. They may feel frustrated or "burned out" when they are having problems with peers or customers. This may leave a negative impact to the organization itself. Therefore, it is very important for employer and employees to realize the stress and the stressor that cause all the negative effects. Due to the increasing number of universities and the competition among them, teaching jobs have become very challenging. The aim of this study is to identify the stressors issues that will influence the management faculties' job satisfaction. We selected teaching because educators have been consistently identified as a group experiencing high stress at work.

### STRESS IN WORK AREA

Human body has certain physical and mental capacity. This is also a paradigm. When we do or made to do beyond our capacity, the paradigm is broken and we become tense- this is nothing but stress. Stress is triggered when we are trying to attempt something beyond our capacity. Torments, physical or mental, especially for an indefinite period, can cause stress.

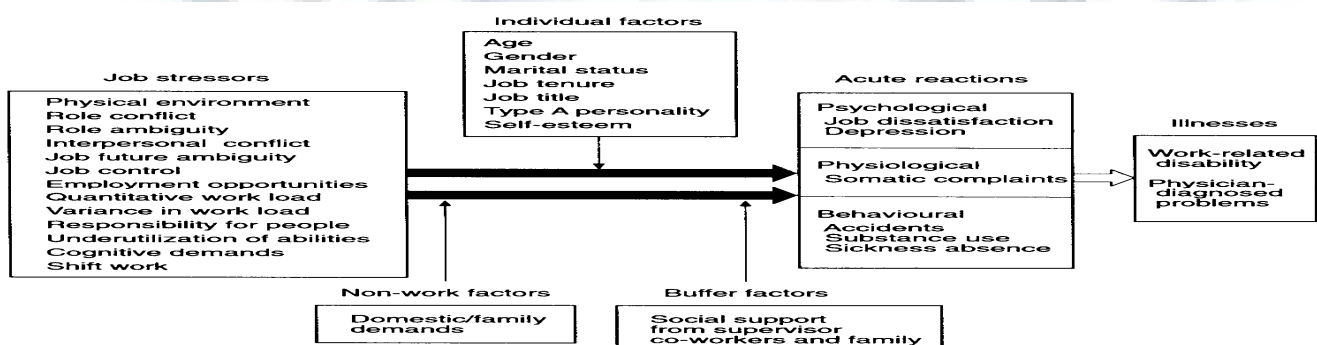
### STRESS DEFINED

Stress seen in individuals, is defined as any interference that disturbs a person's healthy physical and mental well-being. It occurs when the body is required to perform beyond its normal range of capabilities. Beneficial stress can help to drive a few of us to historic successes, while harmful stress can drive us to despair. A force as potent as this has to handle with respect. There are a few interesting facts about stress and they are-

- Stress releases hormones like adrenaline and cortisol, which on short term help us to perform better but these can be extremely harmful to the body in the long run. It is easier for family, friends and colleagues to spot symptoms of stress in a person than a person who is affected.
- Physical Signs of stress include fatigue, headache, skin rashes, digestive disorders, ulcers, colitis, loss of appetite, overeating, cramps etc. the more immediate physical reactions to stress can be in the form of nausea, dry mouth, breathlessness etc..
- Emotional Signs can include irritability, anxiety, loss of sense of humor, inability to concentrate and even loss of interest in personal appearance.
- Behavioral Sign show a craving for stimulants, increased intake of sugar, chocolates, coffee/tea, cigarettes, alcohol etc.

Each individual reacts differently to factors causing stress and the actual stress itself. Though it is believed that women tend to go into shell when extremely stressed, men on the contrary become more violent, irritable and develop addiction. No individual can claim to be free from stress at all points of time. Stress cannot be completely eliminated. Stress can only be reduced.

### CAUSES OF STRESS



**OBJECTIVES OF THE STUDY**

The study is conducted with the following objectives-

- 1) To check out the level of stress among management educators.
- 2) To analyze the working conditions of the management faculties and its impact on stress.

**HYPOTHESIS OF THE STUDY**

The study is conducted with the following hypothesis-

Ho: There exists a significant relationship between variables like working hours, working conditions, stress management techniques on stress level.

H1: There does not exist a significant relationship between variables like working hours, working conditions, stress management techniques on stress level.

**RESEARCH METHODOLOGY**

For the purpose of research 20 management faculties working in top Management schools of Nagpur District are selected. The study is conducted by collecting data through primary sources such as questionnaires, interviews and observations. Secondary sources of data like journals, books, and internet websites are also used for the purpose of data collection.

*Statistical tools used for hypothesis testing:*

Karl Pearson Co-relation test to find correlation between stress level and working hours, working conditions and stress management techniques.

**LIMITATIONS OF THE STUDY**

The present study does not cover all the management Institutes in Nagpur and the sample size is limited to 20 faculties only.

**REVIEW OF LITERATURE**

Mr. Carol Turkington has said that stress itself will not hurt a person, but how one respond to stress is much more important. Some important tips that can be shared by all to deal with stress at work place includes-

- 1) Creating a balance between allowing easy contact and providing privacy.
- 2) Reduce or eliminate noise and other pollution.
- 3) Try and get in as much natural light as possible into the work area.
- 4) Have a backup plan for any electrical or electronic breakdown.
- 5) Try to ensure enough storage and filing space.
- 6) Keep most used articles at easily accessible places.

Stress at workplace seems to be gaining prominence. A recent study conducted by Sandhya Mehta and Sander Kaur of Gurunanak Institute of Management and Technology, Ludhiana found stress level for technical teachers were higher than that of non-technical teachers. Role expectations, role overload, role-isolation are stronger for technical teachers than non-technical teachers.

**CRUCIAL FACTORS**

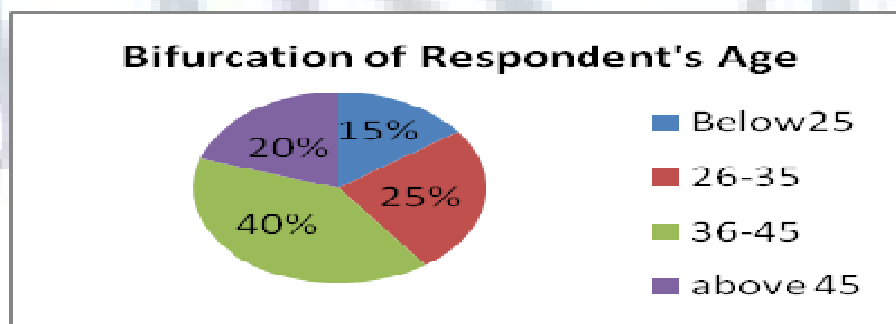
The factors mentioned below are found to have a powerful influence on gold collars

1. Technological Obsolescence
2. Interaction with the team members
3. Carrying out work at home or working for late hours.
4. Role overload: Assuming different roles in a different or same project.
5. Work culture: Travelling abroad and facing different cultures.
6. Technical constraints: Lack of technical expertise
7. Attitude and relation of the family towards work.
8. Workload: Excessive and diverse work
9. Technical risk propensity: Risk due to using innovative technology or process.

**DATA ANALYSIS & INTERPRETATION**

**RESPONDENT'S AGE**

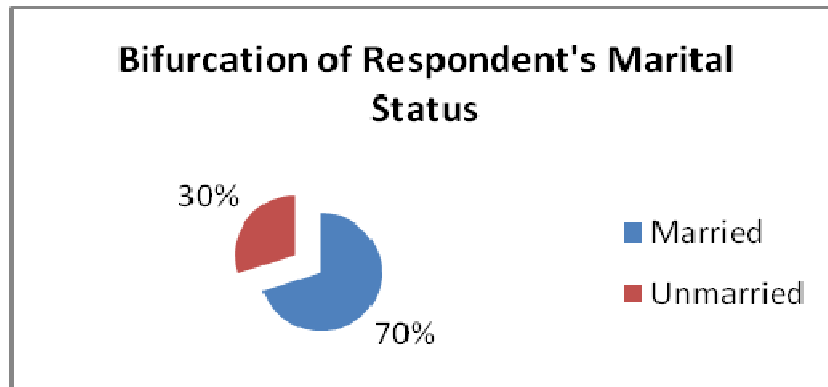
Age	Number of respondents	
	Number	Percentage
Below25	3	15
26-35	5	25
36-45	8	40
above 45	4	20
<b>Total</b>	<b>20</b>	





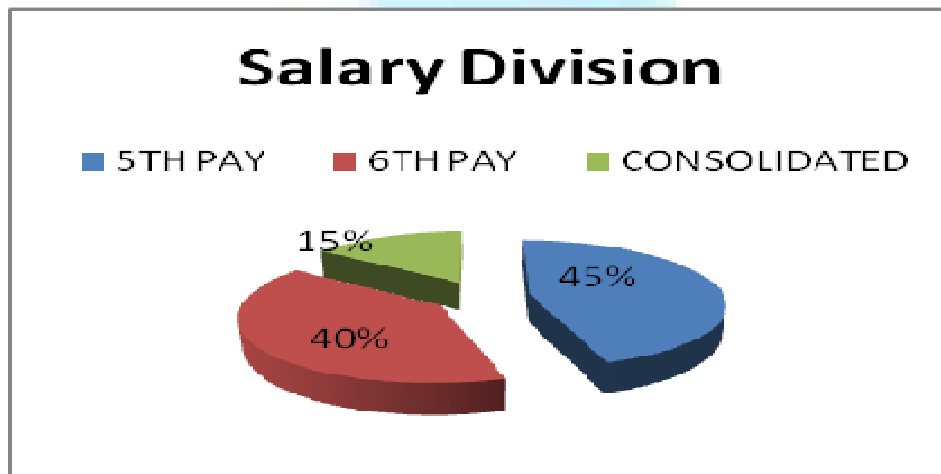
RESPONDENT'S GENDER

Marital status	Number of Respondent's	
	Number	Percentage
Married	14	70
Unmarried	6	30
	20	



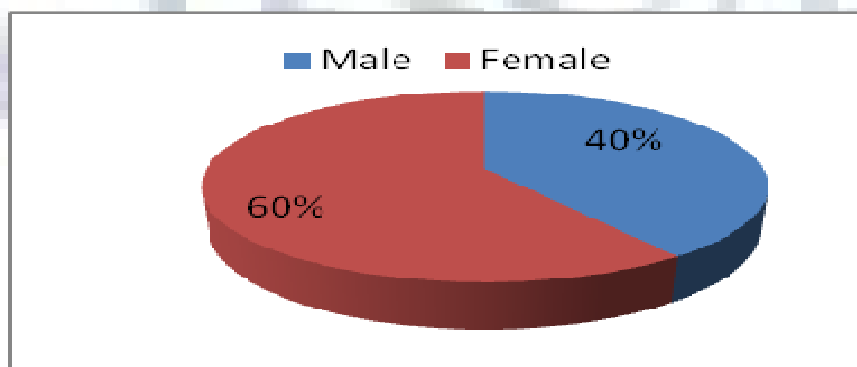
RESPONDENT' SALARY

Salary	Number of respondents	
	Number	Percentage
5TH PAY	9	45
6TH PAY	8	40
CONSOLIDATED	3	15
Total	20	



RESPONDENT'S MARITAL STATUS

Gender	Number of Respondents	
	Number	Percentage
Male	8	40
Female	12	60
Total	20	



## DESCRIPTIVE ANALYSIS

Each factor of stress is measured on a five-point scale; where '1' indicates Strongly Disagree and '5' indicates strongly agree. The below table shows the average level of intensity of each subscale along with their mean, standard deviation and variance.

**TABLE 1: STRESS SCORES LEVELS**

Low level stress	20-45
Middle level stress	45-60
High level stress	60-85

Out of 20 management faculties, 10% lies in the low level test scores, 20% lies in the middle level test scores and the remaining 70% lies in high level test scores.

**TABLE 2: DISTRIBUTION AND MEANS & SD OF VARIABLE**

Factors	Min	Max	Mean	SD	VARIANCE
Working hours	1	4.2	2.87	0.752	0.5651
Working conditions	2.6	3.6	3.14	0.353	0.1244
Stress management techniques	2.6	4.6	3.16	0.542	0.2944

SD= Standard Deviation, Min-Minimum, Max= Maximum

## RESULTS OF THE STUDY

Table 1 presents descriptive data which includes mean, standard deviations, minimum and maximum scores and categories of scores for all variables of study. The range of respondents' age is from 25 to 45 years. Respondent's job experience ranged from 0 to 20 years, likewise the number of dependents vary from 1 to 3. The findings were as follows-

- The findings from Karl Pearson Correlation analysis showed that there were significant positive relationships between respondents gender and work stress. ( $r=0.23$ )
- The findings also suggested that there were positive relationship between the respondents marital status and job stress. ( $r=0.19$ )
- Furthermore, there were significant positive relationships between the respondents number of dependents and stress level ( $r=0.15$ )
- There is a positive correlation between male employees and job working hours. This shows that the male employees are satisfied with the working hours as compared to female employees. ( $r=0.65$ )
- All males and females are satisfied with the working conditions as there is a positive correlation ( $r=0.89$ )
- Analysis of stress management techniques and job satisfaction has showed that the absence of stress management measures has not affected job satisfaction of employees.

## CONCLUSION

The employer can start with some stress reducing measures like-

- 1) Regular feedback of employees on job related aspects.
- 2) Encouraging employees to work in flexible work time, especially for female workers.
- 3) Organize regular stress reducing sessions like yoga, meditation etc.

Stress can be minimized and not completely eliminated. Stress can be reduced by having a positive outlook towards life.

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**QUESTIONNAIRE****MEASURING JOB STRESS AMONG MANAGEMENT EDUCATORS****Name:****Age:** Below 25 / 26 to 35/ 36 to 45 / above 45**Marital Status:** Married/Unmarried**If Married, No. of children:****Organization:****Salary** (per annum): As per fifth pay/ as per sixth pay/ consolidated**Please read the following questions and give any one of the scores mentioned below:**

1. Disagree Strongly 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

S.No	Questions	Score
1	Teaching provides me with an opportunity to advance professionally.	
2	I feel comfortable to work with latest technologies in the organization.	
3	I worry about the layoffs and retrenchment in the organization	
4	I am able to meet out the demands of my job.	
5	I work for long hours, on overtime and even on holidays.	
6	I'm so busy I find it increasingly difficult to concentrate on the job in front of me.	
7	I experience excessive work pressure.	
8	My relationship with colleagues and peers is smooth and co-ordial.	
9	I am able to receive support from my boss, colleagues and juniors.	
10	I am able to get the necessary information to perform my job effectively	
11	I feel tired during the day.	
12	I spend so long at work that my outside relationships are suffering.	
13	I always get a good night's sleep without worrying about work	
14	I have been given my expected Promotion.	
15	My colleagues and peers celebrate my accomplishments.	
16	My income is very important to run my family.	
17	I am able to maintain my family after the working hours	
18	I am able to receive good support from my family members.	
19	I do not have the freedom to make my own decision	
20	Working conditions in my organisation are comfortable	

## STRATEGIES FOR CUSTOMER RETENTION & SATISFACTION IN RETAIL SECTOR

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### ABSTRACT

*This paper talks about Indian retail sector, especially the organized retail sector in India. Indian retailing is passing through a lot of changes with a lot of competition. There is a lot of pressure due to increase in high costs like rental cost, high prices of real estate's as well as high input costs. Hence there is a strong need to build up the strategies for customer retention and to achieve high customer satisfaction for survival, growth and profitability in Indian retail. Hence this paper shows its significance by highlighting appropriate strategies for reducing cost, achieving growth and profits and achieving high economies of scale. Hence in the present era of Indian retail, this paper becomes highly important for the Indian Retail.*

### KEYWORDS

Satisfaction, growth & Profitability.

### INTRODUCTION

Retailing encompasses the business activities involved in selling goods and services to consumers for their personal, family or household use. It includes every sale to the final consumer ranging from cars to apparel to meals at restaurants to movie tickets. Retailing is the last stage in distribution process (Berman, 2007)<sup>1</sup>. Today Wal-Mart is now the leading retailer in the world in terms of sales. It is ahead of Exxon Mobil, General Motors and other manufacturing giants. Now the retailers are acting as a link between manufacturers, wholesalers and the customers. Now retailers collect a wide assortment of goods and services from various sources and buy in large quantity and sell it to the customer in small quantity. This process is known as sorting process (Berman, 2007)<sup>2</sup>. Now as per the Department of Commerce in United State of America, annual U.S. retail store sales exceed \$4trillion-representing the one-third of the total economy. Telephone and mail-order sales by non-store retailers, vending machines, direct selling and the web generate hundreds of billions of revenues every year and personal consumption expenditures on financial, medical, legal, educational and other services account for another several hundred billion dollars in annual revenues. (Washington, DC: reports, 2005)<sup>3</sup>.

### IMPORTANCE OF RETAILING

Retailing is an important area which contributes a large portion in Indian economy as well as in the world economy. It is one of the largest employment sectors. The world's 100 largest retailers generate more than \$2.4 trillion in annual revenues and represent the 17 nations in the world<sup>4</sup>. Forty three of the 100 are based in United States, 12 in Britain, 9 in France, 9 in Germany and the rest 9 from Japan<sup>5</sup>. Retailing has emerged as a most lucrative sectors in India and there has been a phenomenal growth from (2001-06). The retail industry in India estimated to be \$200 billion and it is the 2<sup>nd</sup> largest after China. Retailing in India consists of unorganized and organized form. In India, organized form consists of 3% only, whereas unorganized form consists of 97% in retailing. But organized form of retailing is growing at a very fast rate and estimated to be \$23billion by 2010<sup>6</sup>. The Indian retail industry is estimated an INR 9,30,000 crores (2003-04) and expected to grow at 5% per annum. The organized retail sector is expected to become INR 1000 billion market by 2010. The Size of organized retail market was INR 280 billion in 2004 and was consisting of 3% market share only. Organized retail is expected to grow at a rate of 25-30% per annum and is estimated to reach INR 1000 billion by 2010 (Indian Retail Report,2005)<sup>7</sup>.

### SHARE OF RETAILING IN TOTAL EMPLOYMENT

Country	Share of Retail in Total Employment
India	6-to-7%
China	06%
Poland	12%
Brazil	15%
USA	11.7%
Korea	18%
UK	11%
Malaysia	07%

*Source: FDI in Retail Sector in India, Arpita Mukherjee, Nitisha Patel, ICRIER Publication Page (31).*

From the above table, it is found that retailing is one of the largest employment generators in the world. In India, it is contributing 7% of the total employment, whereas in Korea, it is providing 18% of the total employment in that country. Hence this sector is very important in employment generation in the country.

### PROBLEMS FACED BY INDIAN RETAIL SECTOR

In India, organized retailing is growing at a very fast rate and facing an intensifying competition in the market. Now it is very important to understand the customer and to retain him. In the world market, 70% of the purchases are made at the point of purchase (POP), or in the store. Retailing in India consists of 10% of the country GDP and provides 8% of total employment in the country. Now the problem is that retailing in India requires a high initial investment and it becomes very difficult for even the big retailers to start with this investment. Now the multi storeyed malls and huge complexes offering shopping, entertainment and food all under one roof. The real estate prices are increasing at a very fast rate and it is a strong barrier in Indian retail. Prices of energy products like oil are increasing at a fast rate and thus increasing the transportation and other costs involved in retailing.

Rental costs are also increasing and giving an increase in retailing costs. Cultural and regional differences in India are the biggest challenges in front of the retailers.

Organized retailing is a technology intensive industry and it pushes the cost of the Indian organized retailing<sup>8</sup>.

### STRATEGIES FOR INDIAN RETAILING

On the basis of review of literatures the following strategies need to be adopted by Indian retailers.

1. The retailers should set long-run and short-run objectives for sales and profit, as well as for market share and growth.



2. The retailers should target the market after understanding the demographic profiles such as gender, income, religion etc.
3. The retailers should strategize to attain minimum level of inventory and maximum profits.
4. The retailers should focus on integrated strategy that combines store location, product assortment, pricing and advertising.
5. There should be a regular evaluation and regular feedback to understand the performance level of the store.
6. The retailers should do market research regularly to understand the customer's needs and to serve them well.
7. In the present time of competition, retailers should engage in relationship retailing with the customers so that they satisfy the present and future needs of the customers
8. The retailers should set their formats by understanding the consumer behavior and other influential factors like location, ambience and service, layout and space requirements<sup>9,10,11,12</sup>.

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**WOMEN EMPOWERED OR DISEMPOWERED: SCENARIO IN PUNJAB**

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**ABSTRACT**

*The present paper is introspection into the fact as to how far women in Punjab have been able to to empower themselves. Empowerment here has been analysed by taking into account the key indicators such as sex ratio, education, Employment including Panchayat level employment etc. The three critical components, namely the educational, economic and political empowerment of women have all been discussed in details.*

**KEYWORDS**

Employment, Sex Ratio, Women Empowerment.

**INTRODUCTION**

The term empowerment today is one of those appealing but slippery terms that lend themselves to multiple, sometimes contradictory meanings. Empowerment requires the full participation of people in the formulation implementation and evaluation of decision determining the functioning and the well-being of society. In the context of women, being empowered, in essence, means able to help themselves and breaking down of social, economic, educational, cultural and psychological barriers to upgrade their status from being passive recipients of government programs to active participants and managers of their own affairs.

The present day scenario on women's empowerment basically focuses on four types of perspectives. The most crucial being the "radical gender perspective", which emphatically asserts that it is the gender which defines and determines the disadvantageous position of women vis-à-vis men. The other perspective is the "enablement perspective", often called the "capability perspective", This perspective has three critical components, namely the educational, economic and political empowerment of women. The presupposition here is that with the empowerment of the above three, many of the problems of women would automatically disappear. However, nominal progress of women in educational, political and economic fields does not mean that women have arrived as equal to men. The matter of fact is that the male mindset has not yet changed much. The continuing disempowerment of women is still a fact of life for an overwhelming majority of women all over the globe. The educational empowerment of women holds the key to their economic and political empowerment. Thirdly, the "legal entitlement perspective" on women's empowerment relies heavily on the constitutional measures and other specific provisions that prohibit inequality and forms of discrimination against them. The fourth and the final armour in the women's empowerment strategy is the "social change perspective", calling for wide gamut of attitudinal and institutional changes that are gender-neutral and pro-women.

Punjab state located in the north-west of India covers an area of 50,362 sq km which constitutes 1.53 percent of country's total area and 2.29 percent (Census 2011) of India's population. Its population stands at 27,704,236 comprising 14,634,819 males and 13,069,417 females.

Its density of population which is an important indicator of population concentration, measured as the number of persons per square kilometer is 550 persons per sq km. which is higher than the density of 382 in the country.

**OBJECTIVES**

Women's empowerments being a global issue, their rights are at the forefront of many formal and informal campaigns world-wide. Empowerment being an active and multi-dimensional process enables women to realize their full identity and power in all spheres of life. This power has to be acquired and once acquired, needs to be exercised, sustained and preserved. Women's empowerment can be viewed as a continuum of several interrelated and mutually reinforcing components. Since empowerment is a necessary part of any intervention to enhance women's income, it is essential to understand some of the critical trends of empowerment. It is in the light of these facts that an attempt has been made to view the status of women in terms of their health, nutrition, participation both in economic activity and PRI institutions and education and find how far the development efforts of the government have reached them.

**METHODOLOGY**

The data has been collected from secondary sources like Census of India, Punjab, Statistical Abstract, Director, Health Services etc and simple percentages have been made use of.

**SEX RATIO**

Sex composition is one of the basic characteristics vital for any meaningful demographic analysis. Sex ratio is defined as the number of females per 1000 males. According to the census of India 2011, the Sex ratio of Punjab stands at 893. This is an improvement over 2001, which had recorded 876 females for every 1000 males.

**TABLE 1: TRENDS IN SEX RATIO IN PUNJAB**

Year	1901	1911	1921	1931	1941	1951	1961	1971	1981	1991	2001	2011
Sex Ratio	832	780	799	815	836	844	854	865	879	882	876	893

Source: Provisional population Totals, Punjab 2011.

The Sex Ratio in Punjab has remained unfavorable to females. It declined from 832 in 1901 to 780 in 1911. Ever since 1991 sex Ratio consistently improved till 1991 and reached 882. During 1991-2001 there was a dip in the Sex Ratio by 6 points. As per 2011 census, Punjab has a sex Ratio of 893 which is 17 points higher than that of 2001 census. This increase has not only reversed the decline registered in 2001 but also is higher than previous decades. Sex ratio in Hoshiarpur (962) and Shahid Bhagat Singh Nagar (954) is even higher than the over all Sex Ratio in India (940). Jalandhar and Rupnagar districts (913 each) and Kapurthala (912) too have a high Sex Ratio. Only six districts have a Sex Ratio below state average.

**TABLE 2: PLACE OF SEX RATIO BY PLACE OF RESIDENCE**

Year	Total	Rural	Urban
1981	879	884	865
1991	888	895	870
2001	876	890	849

Rural-urban differentials exist in the sex ratio in the state, with the former having more females per 1000 males. The rural sex ratio has improved marginally during the year 1981-2001 from 884 to 890, but the urban ratio has deteriorated considerably over the period of time. In 2001, only nine districts – Gurdaspur, Kapurthala, Jalandhar, Nawanshar, Hoshiarpur, Firozpur, Faridkot, Muktsar, Moga- have favourable sex ratios.

**LIFE EXPECTING AT BIRTH**

The life expectancy has improved over the period of time in India as well as in the state of Punjab. The female life expectancy in the state stands at 71.6 which are much more as compared to India at 68.1 and at a very modest level compared to the level of 78, of advanced countries.

**TABLE 3: EXPECTATION OF LIFE AT BIRTH BY SEX**

Year	Punjab		India	
	Males	Females	Males	Females
0	1	2	3	4
1976-1980	56.2	55.1	52.6	51.5
1981-1986	62.8	62.7	55.6	56.4
1986-1991	65.6	65.3	58.1	59.1
1991-1996	66.6	66.6	60.6	61.1
1996-2001	68.4	71.4	62.4	63.4
2001-2006	69.8	72.0	64.1	65.4
2006-2010 (P)	68.7	71.6	65.8	68.1

Source: Director, Health services Punjab

Life expectancy at birth differs if we consider gender and spatial factors. In 2006-2010 male life expectancy at birth was 68.7 years, while that of females was 71.6 years. While women on an average live 2.9 years more than men, this difference actually does not mean better quality of women’s health, as biologically healthier and sturdier females normally outlive men on an average by six years longer than men in the advanced nations.

**TABLE 4: LIFE EXPECTANCY BY SEX AND PLACE OF RESIDENCE (1992-96)**

	All	Male	Female
Total	67.4	66.4	68.6
Rural	66.7	65.9	67.5
Urban	70.4	67.6	71.5

The gap between urban and rural Punjabi is however much sharper. The urban Punjabi for example has a life expectancy of 70.4 years, which is higher than the life expectancy of rural Punjabi which stands at 66.7 years.

**LITERACY LEVEL**

Literacy and Education are two important indicators of development in a society. The literacy rate in Punjab has more than doubled during 1971-2011 and the state is heading towards universal literacy. As per the 1971 census, one out of every three persons (34.12%) was literate and this has increased to 76.70 percent in 2011. The increase in female literacy during this period is almost three times, from 24.65 percent in 1971 to 71.30 percent in 2011.

**TABLE 5: LITERACY RATE 1971-2011**

Year	Persons	Males	Females
1	2	3	4
1971	34.12	42.23	24.65
1981	43.37	51.23	34.35
1991	58.51	65.66	50.41
2001	69.70	75.20	63.40
2011	76.70	81.50	71.30

Source: Provisional Population Totals, Punjab 2011.

Ten districts each fall above and below the state average literacy rate of 76.70 percent. Hoshiarpur (85.4%) is the most literate and is closely followed by Sahibzada Ajit Singh Nagar district (84.9%), Rupnagar (83.3%), Ludhiana (82.5%), Jalandhar (82.4%), Gurdaspur (81.1%), Shahid Bhagat Singh nagar and Fatehgarh Sahib both (80.3%) and kapurthala (80.29%) are the districts having a literacy rate of more than 80 percent. In Mansa district nearly two-thirds (62.8%) of its population is literate in 2011 compared to 52.4 percent in 2011. All the districts recorded a significant improvement in their literacy rates. During 2001-2011, male literacy has increased from 75.2 to 81.5 % (6.3 percentage points), while females literacy has increased by 7.9 percentage points (from 63.4% to 71.3%). Male-female literacy patterns at districts level, by and large, are in conformity with the trends in overall literacy rate. Likewise the total literacy rate, Hoshiarpur (89.9%) and Mansa (68.4%) occupy the top and bottom position, respectively in male literacy. Female literacy too is the highest in Hoshiarpur (80.8%), followed by Sahibzada Ajit Singh Nagar (80.0%), Jalandhar (78.3%), Ludhiana (78.2%), Rupnagar (77.2%) and Gurdaspur (75.7%) are the other districts where at least three out of every four females are literate. The male-female gap differential account for 10.2 percentage points with the minimum gap being accounted or by Jalandhar (7.8 points) and the maximum by Firozpur (14.5 points). These differentials in literacy rates are comparatively more pronounced in the districts falling in the Malwa belt.

The female literacy level is on the rise in the state over the decades, though it is still low at 63.4 (2001) compared to the male literacy of 75.2. Regional imbalances also exist in the state with the rural literacy levels lagging behind urban, a reflection of the concentration level of educational efforts in the latter.

**TABLE 6: LITERACY RATE BY RESIDENCE**

Year	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1991	60.71	43.85	52.77	77.26	66.12	72.08	65.66	50.41	58.51
2001	71.0	57.7	64.7	83.0	74.5	79.1	75.2	63.4	69.7

Source: Director, Census Operation, Punjab

**EDUCATION**

Women’s education is advocated chiefly to achieve greater productivity in society whether it is as better informed wives and mothers or whether it is as effective participants in keeping down the birth and mortality rates. Women’s education, as an effective tool for empowerment has been advocated for decades, but was finally given International legitimacy at the Beijing World Conference on Women (1995). Earlier, the emphasis on education was designed to create better informed wives and mothers. However, at Beijing, the definition of Women’s education was given a revolutionary new meaning and education for women

was advocated in order to enable them to have increased choices, take their own decisions and make improvements in their lives, all of which would lead to empowerment.

**TABLE 7: COMPARISON OF ENROLLMENT BY SEX**

Levels of Education	1990		2000		2007	
	Boys	Girls	Boys	Girls	Boys	Girls
Primary School	53.84	46.16	52.44	47.56	53.19	46.81
High School	56.45	43.55	52.95	47.05	54.74	45.26
Higher Secondary School	59.84	40.16	55.20	44.80	55.84	44.16
UG Courses	47.89	52.11	46.73	53.27	41.50	58.50
PG Courses	41.81	58.19	29.75	70.25	25.91	74.09
Research Studies	50	50	37.5	62.5	42.34	57.66
Engineering	92.04	7.96	81.53	18.47	77.62	22.38
M.B.B.S.	56.99	43.01	52.81	47.19	49.21	50.79
B. Ed.	30.98	69.02	29.42	70.58	25.86	74.14

Source: Various Issues of Statistical Abstracts of Punjab.

A comparison between the enrolment levels of boys and girls shows that for primary, high and secondary school levels, there were more boys enrolled as compared to girls, though the percentage of boys enrolled declined whereas the girls enrolled increased marginally. At the Under-graduate, Post-graduate, research and B. Ed. level more of girls were enrolled as compared to boys and the percentage of enrolment for girls showed an increase while for boys it showed a decline. In Engineering and Medical streams more of boys were enrolled as compared to girls.

**TABLE 8: ENROLLMENT BY LEVELS OF EDUCATION**

Levels of Education	1990		2000		2007	
	Boys	Girls	Boys	Girls	Boys	Girls
Primary Schools	48.10	51.48	43.38	44.57	38.03	39.06
High Schools	27.66	26.65	20.11	20.24	19.55	18.86
Higher Secondary Schools	15.72	13.17	24.76	22.77	30.23	27.91
UG Courses	1.81	2.46	3.35	4.33	3.40	5.59
PG Courses	0.13	0.23	0.22	0.58	0.26	0.87
Research Studies	0.004	0.004	0.005	0.01	0.01	0.02
Engineering	0.093	0.010	0.48	0.12	1.07	0.36
M.B.B.S.	0.063	0.06	0.06	0.06	0.06	0.07
B. Ed.	0.048	0.134	0.05	0.13	0.07	0.24

Sources: Various Issues of Statistical Abstract, Punjab

The highest enrollment was at the level of primary schools and secondary schools through there was a decline in the percentage of enrolled during the period of study for both the sexes. In all other courses at the higher level the enrollment was just marginal although more of girls were enrolled than boys.

**TABLE 9: COMPARISON OF TEACHERS BY SEX**

Levels of Education	1990		2000		2007	
	Men	Women	Men	Women	Men	Women
Primary Schools	45.72	54.28	35.61	64.39	36.97	63.03
High Schools	55.78	44.22	47.64	52.36	43.52	56.48
Senior Secondary Schools	51.51	48.49	43.63	56.37	42.90	57.10
Colleges	56.18	43.82	47.35	52.65	37.37	62.63
Universities	81.51	18.49	73.06	26.94	61.83	38.17
Engineering	94.03	5.97	80.63	19.37	60.92	39.08
MBBS	76.76	23.24	63.93	36.07	61.80	38.20
B. Ed.	49.02	50.98	27.41	72.59	28.77	71.23

Source: Various Issues of Statistical Abstract, Punjab

A comparison between male and female clearly shows that the number of women teachers increased at all the levels of education whereas the male teachers showed a decline in all the streams. The most significantly increase of women teachers were witnessed at the Engineering level (from 5.97% in 1990. to 39.08% in 2007) and Universities (from 18.49% in 1990 to 38.17% in 2007).

**TABLE 10: NUMBER OF TEACHERS BY LEVELS OF EDUCATION**

Levels of Education	1990		2000		2007	
	Men	Women	Men	Women	Men	Women
Primary Schools	35.60	45.78	25.76	36.60	24.83	31.01
High Schools	29.74	25.54	24.11	20.83	21.54	20.48
Senior Secondary Schools	14.92	15.21	24.44	24.82	29.31	28.57
Colleges	5.52	4.66	5.67	4.95	5.13	6.30
Universities	0.82	0.20	1.02	0.29	1.09	0.49
Engineering	0.41	0.03	1.44	0.027	2.55	1.20
MBBS	1.38	0.45	1.45	0.064	1.18	0.53
B. Ed.	0.20	0.23	0.18	0.37	0.27	0.49

Sources: Various Issues of Statistical Abstract, Punjab.

The highest percentage of teachers are found in Primary schools, though the percentage of teachers both male as well as females has shown a decline over the period of time. Even high school teachers have shown a decline during the period of study.

The senior secondary schools having the second highest number of teachers showed a significant increase for both the sexes during the period of study. Besides, these at the level of colleges, university, Engineering and B.Ed. the number of teachers increased, though this increase was marginal.

**DROP OUT RATE**

Enrolment and dropout rates are crucial indicators while studying the literacy levels. An analysis of these figures brings out the actual levels of learning at the primary stage. These figures are influenced and biased by the immediate social -economic realities.



TABLE 11: DROP OUT RATE

Educational Level	1998-99			2002-03		
	Boys	Girls	Total	Boys	Girls	Total
Primary	22.86	20.62	21.78	26.37	24.07	25.29
Middle	26.61	29.39	27.91	33.71	31.67	32.75
High/ Higher or Senior Secondary	39.99	44.35	42.03	43.81	47.10	48.10

Source: <http://PunjabGovt.nic.in>

This table reveals that in period 1998-99 in primary education level girls drop-out rate is 20.62 percent which increased to 24.07 in 2002-03. Boys drop-out rate in primary level in year 1998-99 is 22.86 percent which increased to 26.37 percent in 2002-03. In middle level girls drop-out rate is 29.39 percent in 1998-99 and 31.67 in 2002-03. Boys drop-out rate in middle is less than the girls during the period of study. In High/Higher or senior secondary girls drop-out rate is 44.35 percent in 1998-99 and 47.10 percent in 2002-03. Boys drop-out rate in high/higher or senior secondary is 39.99 percent in 1998-99 and 43.81 percent in 2002-03. So it is clear from the table that girls drop-out rate increase continuously from primary to middle and high/higher levels during the period of study.

While the continuing rise in school enrolment is an encouraging sign, a disturbing feature is the high drop-out rate, particularly for girls one in three girls drops-out of the school at all the level. Poverty has very strong links with education of girl children. The higher drop-out rate for girls may be because they are increasingly drawn out of the school system to undertake domestic work also due to the prevalent belief in the rural areas that it will be difficult to find suitable bridegrooms or educated girls. A number of other factors such as distance from school, onset of puberty (and the concomitant racial treatment), very few women teachers, non-availability of separate schools for girls, can also be identified as some of the factors.

**EMPLOYMENT**

In Punjab, women are relatively invisible in workforce statistics. Restrictive definitions of 'work', mostly based on economic concepts of productivity, have reduced women to economic non-entities. This is because women's labour, in most cases does not directly produce marketable goods or services. This gendered notion of work has hugely undermined women's contribution to the economy, resulting in the non recognition of women as important economic entities.

Although women work for longer hours and contribute substantially to the family income, quite often they are the major earners as the work performed by them is *non-monetized*; they are not perceived as workers by either the women themselves or by the data collecting agencies and the government itself. This is a resultant of the non-recognition of the multi-dimensional functions which women perform both as productive and reproductive labour.

The causes of low participation rate of women is repeatedly acknowledged in terms of the invisibility of women's work, domestic chores and other tasks which are viewed as part of a cultural/traditional attitude where man is considered as the primary bread-winner.

Punjab has the lowest female workforce participation rate in the country. The majority of women are included in the category of non-workers, which is evidence of the invisibility of women's work.

TABLE: 12: PERCENTAGE OF TOTAL WORKERS, MAIN WORKERS, MARGINAL WORKERS AS PERCENTAGE OF TOTAL POPULATION, 1981-2001

Total/ Rural/ Urban	Persons/ Males/ Females	Total workers			Main workers			Marginal Workers			Non-Workers		
		1981	1991	2001	1981	1991	2001	1981	1991	2001	1981	1991	2001
Total	Persons	31.50	30.88	37.58	29.35	30.07	32.23	2.15	0.81	5.36	68.50	69.12	62.42
	Males	53.76	54.22	54.10	53.15	54.12	49.97	0.61	0.10	4.13	46.24	45.78	45.90
	Females	6.61	4.40	18.68	2.27	2.79	11.92	3.89	1.61	6.76	93.84	95.60	81.32
Rural	Persons	32.14	31.21	39.73	29.29	30.11	32.70	2.85	1.10	7.03	67.86	68.79	60.27
	Males	54.45	55.04	54.45	53.66	54.92	49.35	0.79	0.12	5.10	45.55	44.96	45.55
	Females	6.90	4.37	23.15	1.72	2.16	13.95	5.18	2.21	9.21	93.1	95.63	76.85
Urban	Persons	29.82	30.06	33.40	29.51	29.96	31.31	0.31	0.10	2.09	70.18	69.94	66.60
	Males	51.97	52.26	53.42	51.80	52.22	51.14	0.17	0.04	2.28	48.03	47.74	46.58
	Females	4.20	4.48	9.74	3.71	4.31	7.87	0.49	0.17	1.87	95.8	95.52	90.26

Source: Primary Census Abstract, Census Operations, Punjab, Various Issues.

The overall female work participation rates have increased, but this is much more significant for rural Punjab compared to urban Punjab. In spite of this increase, female work participation rates remain very low in Punjab. The causes of this may be traced to the migration of females and to the Green Revolution and technological use and to the declined sex ratio which ignores female unskilled labourers.

**HEALTH AND NUTRITION**

The biological processes of conception and childbearing are among the most significant facts influencing a women's health. Women face challenges to their health basically with regard to their reproductive health as this is not given adequate importance in our society.

Punjab ranks very low on maternal health indicators as compared to other states. It ranks 9<sup>th</sup> in respect of number of registered pregnant women, 10<sup>th</sup> in terms of women receiving iron and folic and 10<sup>th</sup> in tablets, 8<sup>th</sup> in terms of institutional delivery and 10<sup>th</sup> in terms of post-natal care. The only positive point is number of woman receiving two doses of tetanus toxide, in which case Punjab is ranked 3<sup>rd</sup>. Considering the high level of availability of health services, the high level of development, per capita income and literacy levels, these facts are indicative of high inequalities between the sexes in the household.

Gender is the most significant determinant of nutritional status. On comparing the 'privileged' and 'under-privileged' sections it was found that in the privileged group 24 percent of females were malnourished and in the under privileged group this percentage increased to 74 percent. The percentages for males were lower in both cases i.e. 14 percent among the privileged and 67 percent in the under privileged group. This illustrates that not only is the girl child more likely to suffer from malnutrition, but that when they do the severity of their malnutrition is greater. as per NFHS-11 report 1998-99 female children are nutritionally disadvantaged, although differences are relatively small.

The World Bank study has also substantiated the fact that during pregnancy and lactation women fail to get the requisite special diet and the prevailing gender inequalities in the household make it difficult for them to access this diet.

However, Punjabi women are relatively better off compared to those in other states with respect to nutritional deficiencies, one indication of which is low levels of anemia amongst women. NFHS11survey results show that 41.4% women suffer from anemia, 28.4% are mildly anemic, 12.3% have moderate anemia and 0.7% is severely anemic. Only Kerala and Himachal Pradesh are better placed in this regard.

In decisions concerning family planning which have a positive impact on the lives of women, women have very little say. It is the husband who decides whether and what form of contraception to use. There is a high prevalence of tubectomies against vasectomies which is indicative of a gender bias in decision making regarding family planning and contraception.

Table 13: Number of semi-Government employees working in Corporations/ Board Municipal Committees/Improvement Trust/ Zila Parishad/ Panchayati Samiti

	1993			1995			1998			2001			2003			2008		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Boards and Corporations	89.79 (89.33)	9573 (10.20)	93836	85431 (89.33)	10199 (10.66)	95630	81206 (80.34)	19866 (19.65)	101072	87771 (90.27)	9454 (9.72)	97225	94412 (90.80)	9558 (9.19)	103970	80697 (92.2)	6760 (7.72)	87457
Municipal Committees	26290 (84.09)	4973 (15.90)	31263	27631 (84.06)	5237 (15.93)	32868	26355 (80.00)	6585 (19.99)	32940	25250 (79.94)	6334 (20.05)	31584	23628 (80.21)	5828 (19.78)	29456	20310 (78.31)	5625 (21.68)	25935
Improvement Trust	616 (89.53)	72 (10.46)	688	1166 (81.99)	256 (18.00)	1422	702 (89.31)	84 (10.68)	786	721 (89.01)	89 (10.98)	810	797 (89.34)	95 (10.65)	892	794 (90.14)	87 (9.85)	883
Market Committee	4547 (93.81)	300 (6.18)	4847	4604 (93.27)	332 (6.72)	4936	440.8 (92.15)	375 (7.84)	4783	4350 (92.43)	356 (7.56)	4706	4164 (91.77)	373 (8.22)	4537	3705 (90.56)	386 (9.43)	4091
Zila Parishad	824 (95.48)	39 (4.51)	863	852 (94.87)	46 (5.12)	898	736 (93.40)	52 (6.59)	788	691 (92.83)	53 (7.12)	744	597 (91.70)	54 (8.29)	651	3744 (48.82)	3924 (51.17)	7668
Panchayat Samitis	2148 (84.13)	405 (15.86)	2553	2095 (83.26)	421 (16.73)	2516	3162 (85.50)	536 (14.49)	3698	2413 (86.45)	378 (13.54)	2791	2182 (86.58)	388 (13.41)	2520	3172 (71.91)	1239 (28.08)	4411

This table reveals that female participation in Boards and Corporations is 10.20 percent in 1993 and male participation is 89.33 percent. In 1995 female participation increased to 10.66 percent and male participation remains the same. In 1998, 19.65 percent females and 80.34 percent males were working in Boards and Corporations. In 2001, 9.72 percent females were working in Boards and Corporation and 90.27 percent males. In 2003, 9.19 percent females working in Boards and Corporations and 90.80 percent males are working but in 2008, 7.72 percent females are working and 92.2 percent males, so, it is clear that from 1993 to 1998, female workers is increases in Boards and Corporations but from 2001 to 2008 it stars declining. Similarly, with the improvement trust female workers are increases from 1993 to 1995 that is 10.45 to 18.00 percent but it about declined from 1998 to 2008 then it remains 10.68 percent to 9.85 percent and male workers in improvement trust is continuously increasing. In the case of Zila Parishad female workers in 1993 is 4.51 percent and it increases will the 2003 that is 8.28 but from 2003 to 2006 it is declining but from 2007-08 it is increasing 51.17 percent. / in the case of Panchayat Samiti female workers in 1993 is 15.86 percent and male are 84.13 percent and female workers are increasing at 16.73 percent in 1995 but male workers are decreases. In 1998 to 2003 female workers are starts declining in Panchayat Samiti and male workers are remain at the same level the 86.58 percent and then female workers stars increases from 2003 to 2008 that 13.41 to 28.08 and male workers in Panchayat Samiti start declining. In the case of Municipal Committees Female Workers are increases from 1993 to 2008 that is 6.18 percent to 9.43 percent and male workers are declining from 1993 to 2008 that is 93.81 percent to 90.56 percent. So it is clear from the table that female workers have increased in Municipal Committee, Market Commissions, Zila Parishad and Improvement Trust but in the case of Boards and Corporations and Panchayat Samitis female workers are declining.

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## PERCEPTION OF THE RETAIL INVESTORS TOWARDS INVESTMENT IN MUTUAL FUNDS IN PUDUCHERRY: AN EMPIRICAL STUDY

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### ABSTRACT

*The present study looks at the perception level of the retail investors towards investment in mutual funds. The small investors purchase behaviour does not have a high level of coherence due to the influence of different purchase factors. The buying intent of a mutual fund product by a small investor can be due to multiple reasons depending upon customers risk return trade off. . Presently, more and more funds are entering the industry and their survival depends on strategic marketing choices of mutual fund companies, to survive and thrive in this highly promising industry, in the face of such cutthroat competition. Therefore, the mutual fund industry today needs to develop products to fulfil customer needs and help customers understand how its products cater to their needs.*

### KEYWORDS

Retail Investor, Finance, Mutual Funds.

### INTRODUCTION

Economic success and sound financial system is intertwined in both literature and practice. The rapid growth of economy and globalization of financial markets is perhaps one of the most significant developments at the international level in the financial market operations. Today, India's financial system is considered to be sound and stable as compared to many other Asian countries. With the reforms of the industrial policy, reforms of public sector and financial sector, new economic policies of liberalization, deregulation, and restructuring the Indian capital market has been growing tremendously and has become an important portal for the small investors. As a result, the Indian economy has opened up and many developments have been taking place in the financial markets which foster savings and channels them to their most efficient use. One such financial intermediary who has played a significant role in the development and growth of capital markets is mutual fund.

A mutual fund is a body corporate that pools money from the individuals/corporate investors and invests the same in a variety of different financial instruments or securities such as equity shares, government securities, bonds, debentures, etc. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual fund units are issued and redeemed by the Asset Management Company based on the fund's net asset value, which is determined at the end of each trading session.

Mutual funds have opened new vistas to millions of small investors by virtually taking investment to their doorstep. In India, a small investor generally goes for bank deposits, which do not provide hedge against inflation and often have negative real returns. He has limited access to price sensitive information and if available, may not be able to comprehend publicly available information couched in technical and legal jargons. Mutual funds are looked upon by individual investors as financial intermediaries/portfolio managers who process information, identify investment opportunities, formulate investment strategies, invest funds and monitor progress at a very low cost. Thus the success of mutual funds is essentially the result of the combined efforts of competent fund managers and alert investors. A competent fund manager should analyze investor behaviour and understand their needs and expectations, to gear up the performance to meet investor requirements.

### STATEMENT OF THE PROBLEM

The Indian financial system in general and the mutual fund industry in particular continue to take turnaround from early 1990s. During this period mutual funds have pooled huge investments for the corporate sector. The investment habit of the small investors particularly has undergone a sea change. Increasing number of players from public as well as private sectors has entered in to the market with innovative schemes to cater to the requirements of the investors in India. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise-based equity investments. The pre-liberalized India had a very poor rate of savings and most of the money earned was spent on consumption rather than accumulation. But in the post-liberalization period, India saw an upsurge in volume of savings. So that investment companies continually introduced new types of funds in an effort to attract investor's capital and maximize assets under management. Investors like consumers are also immensely influenced by fashions and what is "in-thing". Moreover, investors are unique and are a highly heterogeneous group at the retail level. Hence, designing a general product and expecting a good response will be futile.

Indian mutual fund industry provides reasonable options for an ordinary man to invest in the share market. The plethora of schemes provides variety of options to suit the individual objective whatever their age, financial position, risk tolerance and return expectations. In the past few years, we had seen a dramatic growth of the Indian mutual industry with many private players bringing global expertise to the Indian mutual fund industry.

There is not much awareness about the need for financial protection, and most mutual funds are regarded as a tax-saving tool or even a pure investment. Only a minuscule percentage of the population, particularly salary earners and businessmen, own mutual fund. Mutual fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, entrepreneurs, financial intermediaries, investors and regulators for varied reasons. It should be noted that the "expectations" of investors play a vital role in the financial markets. They influence the price of the securities, the volume of trade and various other financial operations in actual practice. These expectations of investors are influenced by their "perception" and humans generally relate perception to action. Thus, the present study makes an earnest attempt to study the perception of the retail investors with regard to investment in mutual funds in Puducherry.

### OBJECTIVES OF THE STUDY

1. To study the growth and progress of mutual funds in India.
2. To study the perception of the retail investors towards investment in mutual funds in Puducherry.
3. To suggest suitable measures for extending the scope for investment in mutual funds based on findings of the study.

## TESTING OF HYPOTHESIS

The study is based on the formulation of the following null hypothesis: There is no significant association among the satisfaction level of the retail investors belonging to different demographic profile towards investment in mutual funds.

## RESEARCH METHODOLOGY

The present study attempts to examine the perception of the investors towards investment in mutual funds in Puducherry. The study is confined only to retail investors. Union territory of Puducherry with 20.89 percent of households invested in mutual funds, being the leading Union Territory in the matter of household investment in mutual funds among all other states and union territories in India, is purposefully selected for the study. There are 4 regions in Puducherry, namely Puducherry, Karaikal, Mahe and Yanam. The researcher has adopted multi-stage sampling. In the first stage, 2 regions out of the 4 regions are selected. In the second stage, 6 communes out of the 13 communes are selected from 2 selected regions. i.e. 3 communes from Puducherry Region and 3 communes from Karaikal Region. In the third stage, 100 retail investors from each commune are selected by adopting convenience sampling. Therefore, the sample size consists of 600 retail investors. As an essential part of the study, the primary data were collected from 600 retail investors by using questionnaire method. In the light of pre-testing, necessary changes were incorporated in the questions and their sequences. The secondary data have been collected mainly from journals, magazines, government reports, books and unpublished dissertations. The data so collected have been entered into a master table and tabulated to arrive at useful conclusions. In order to study the perception of the retail investors towards investment in mutual funds, analysis of one-way variance, student t-test, analysis of co-efficient of variation, multiple regression analysis, and percentage analysis have been employed. The student t-test and analysis of one-way variance are employed to measure the relationship among the demographic profile of the respondents and their perception towards investment in mutual funds. The coefficient of variation is employed to find out the consistency in the attitude of the respondents towards investment in mutual funds. Multiple regression analysis is used to measure the effect of selected independent variables on investment in mutual funds.

## FINDINGS

1. No significant association is found between the satisfaction level of the respondents belonging to different gender, age groups, educational status, and occupation towards investment in mutual funds in Puducherry. Whereas, there is a significant association between the satisfaction levels of the respondents belonging to different annual family income group and amount of wealth owned towards investment in mutual funds.
2. Female respondents, respondents in the age group up to 25 years, respondents having primary education, respondents belonging to annual family income 150001-200000, agriculturists, and wealth owned by respondents in the group Rs.500001-750000 towards investment in mutual funds.
3. Variation in the satisfaction level is high among the male respondents, among the respondents of age group above 45 years, among the investors having degree qualification, whose annual family income is Rs.150001-200000, among the respondents of agriculturists, and among the investors who have wealth value Rs. 500001-750000 towards investment in mutual funds in Puducherry.
4. Gender, annual family income and amount of wealth owned have no significant effect on the satisfaction level of the respondents towards investment in mutual funds in Puducherry. Age (at 1 per cent level) and educational status (at 5 per cent level) have significant effect on the satisfaction level of the respondents towards investment in mutual funds in Puducherry.
5. Out of the 600 respondents, 12.16%, 27.50%, 27.83%, 22.66% and 9.83% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied, and highly dissatisfied respectively towards investment in mutual funds in Puducherry. The mean score reveals that the respondents have higher satisfaction (3.74) towards rate of return followed by market information (3.20), and safety and security (3.18). However, with regard to capital gain, the respondents have lower satisfaction (2.85).

## SUGGESTIONS

1. Investors usually review a range of information before purchasing mutual fund shares. In general, they frequently review or ask questions about a fund's fees and expenses and its historical performance. They most often turn to professional financial advisers for information prior to purchasing fund shares. Some investors also visit Mutual Fund Company; confer with friends, family, or business associates for information before buying fund shares, while others use the Internet regularly. The Internet, with its interactive capabilities, is an effective vehicle for communicating mutual fund information to retail investors. Negative perceptions about mutual funds require to be tackled through appropriate investor education measures. It is suggested that AMFI may set aside a percentage of membership fee that it collects from the AMCs and create a fund for retail investor education programmes. AMC/AMFI/Sponsors should circulate investor education literature in vernacular language to suit the regional needs to create / increase the awareness level of the investors.
2. Whenever a mutual fund is launched, it states its portfolio according to the objectives of funds, but is experienced that many mutual fund operators ignored the basic objective of fund portfolio; particularly those mutual funds which are income oriented required investing their many mainly in debt instrument of high yielding. A large part of resources of these funds is invested in IPOs, small and mid cap stocks which are the not traded frequently at stock exchanges. The retail investors are big losers by investing in these funds as the net asset value of these funds has liquidated to great extent of their original investments. It is suggested that the mutual fund operators must understand the basic objective of fund portfolio and accordingly shall launch funds in the market.
3. Advisory services are becoming more critical to retail investors and independent financial advisors and planners are gaining ground. The US Accreditation Body for Financial Planners was set up in Delhi in the name of Association of Financial Planners and the professional Certified Financial Planners can assist retail investors in their financial planning needs. Further, the banks shall enter into advisory services in a big way. An entirely new distribution channel can be created consisting of professional advisors who will exert substantial influence on what products retail investors will buy.
4. Investor's satisfaction is an important factor for the mutual funds. Retail investors are entrusting their hard-earned savings to mutual funds for effective management of their interests. But, the entry regulations in the mutual funds business are very easy to complete by as killed manipulator. Thus a person of ulterior motive may enter onto mutual fund business easily and may cheat the retail investors. Therefore, it is suggested that to check the entry of such unscrupulous operator, the regulation for granting permission for starting a mutual fund AMC should be made strict. Further, a separate "Investors Service Cell" should be established by all mutual funds and should be regulated by Senior Management from time to time.
5. Mutual fund activities are mainly confined to urban areas. A little effort is being made to attract the savings of rural and agricultural sector. It is suggested that no cover potential investors of vast section of society, these organizations should open some branches in rural areas and specially recruit the agents in rural areas. These agents should be given some additional incentives comparing to others agents. It will attract more potential retail investors in the rural settings.

## CONCLUSION

The present study looks at the perception level of the retail investors towards investment in mutual funds. The small investors purchase behaviour does not have a high level of coherence due to the influence of different purchase factors. The buying intent of a mutual fund product by a small investor can be due to multiple reasons depending upon customers risk return trade off. . Presently, more and more funds are entering the industry and their survival depends on strategic marketing choices of mutual fund companies, to survive and thrive in this highly promising industry, in the face of such cutthroat competition. Therefore, the mutual fund industry today needs to develop products to fulfil customer needs and help customers understand how its products cater to their needs. If the study provokes the authority concerned to take some positive measures for expanding the scope of mutual funds investment, the researcher will feel amply rewarded.



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**JOB AND WEALTH CREATION THROUGH ENTREPRENEURSHIP**

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**ABSTRACT**

*As per the latest survey conducted by Labour Bureau and Ministry of Labour and Employment, more than five lacs people were rendered jobless during recession. It has been accepted by one and all that small entrepreneurs must be assigned a top priority in any programme of economic development, especially in a developing country like India. India is a large country with a large population. Though we are rich in material and manpower resources, we have yet to exploit them fully. On one hand, we have abundant unskilled labour, extensive underemployment while on other hand we suffer from scarcities of technical and skilled labour and scarcities of enterprising and experienced entrepreneurs and managerial talents. Our predominantly agricultural economy has made us neither self-sufficient on the food front, nor provided our agriculturists with adequate incomes ensuring them a respectable and reasonable standard of life. The case for promoting small enterprises in our country rests primarily on the desire to honor the consecrated commitment to build up a democratic society ensuring social justice, equality of opportunities and decentralization of economic wealth and power. The present paper is devoted to highlight the functions of entrepreneurship to generate job openings that ultimate lead to economic development.*

**KEYWORDS**

Economic development, Wealth creation, Entrepreneurship.

**INTRODUCTION**

The concept of growth theory seems to be closely related while explaining the theory of entrepreneurship development as well. After the Second World War entrepreneurship received new meaning for attaining economic development within the shortest possible time. But in the process they were hindered by the rigid institutional setup, political instability, marketing imperfection and other internal and external issues. Development of business enterprise is a complex phenomenon influenced by both the internal and external factors. Internal factor instigate in policies and attitude of the entrepreneur where later are beyond the control of the business entrepreneur. They alone account for unpredictability of returns and risks assumed by the entrepreneur. The entrepreneurial motivation is one of the most important factors which accelerate the pace of economic development by bringing the people to undertake risk bearing activities. Young entrepreneurs should be motivated to do something on their own and also to contribute to the national wealth creation process. If the country wants to achieve growth at the grass root level, through social justice and elimination of poverty, it will have to provide institutional support to promote entrepreneurship development. Industrial development in any region is the outcome of entrepreneurial thrust.

**ENTREPRENEURSHIP**

Joseph Schumpeter introduced the modern definition of entrepreneurship in 1934. According to him "the carrying out of new combinations we call "enterprise" and "the individuals whose function it is to carry them out we call "entrepreneurs", and the combination of these two is called entrepreneurship. Entrepreneurship is a combination of five basic factors namely "introduction of new product, introduction of a new method of production, opening of a new market, the conquest of a new source of supply and carrying out a new organization of industry. Entrepreneurship is a practice begins with action and creation of new organization. When any individuals create a new organization then they entered in a new paradigm of entrepreneurship. Basically there are two types of entrepreneurship, *Opportunity based entrepreneurship* – An entrepreneur seems a business opportunity and chooses to pursue this as an active career choice. *Necessity based entrepreneurship* – An entrepreneur is left with no other viable option to earn a living. It is not the choice but compulsion, which makes him choose entrepreneurship as a career.

**MAGNITUDE OF ENTREPRENEURSHIP**

In the age of globalization, no country remains isolated from the fluctuations of world economy. Banks are affecting all countries in the world as these financial institutes have their investment interest in almost all countries. The crash of global slowdown on India's economy is impacting the employment scenario in India. Five lacs people were rendered jobless between October and December 2008, according to a first of its kind survey conducted by the Labour Bureau and Ministry of Labour and Employment. Worst affected in the US crisis was the service industry of India. Service industry contributes almost 52% to India's GDP growth. This sector has been adversely affected by the global crisis. In Feb 2009, Tata consultancy services had asked about 500 employees to leave due to non-performance. Patni computer systems have laid off around 400 employees or nearly 3% of its 14,800 work force on the same ground. According to a report released by NASSCOM, the BPO and KPO industry together generated Rs. 1160 crore revenue and provided employment to 7 lacs people in 2007-08. The share of the U.S in the Indian BPO-KPO export market was 61 percent making is the largest contributor to exports in the segment in 2007. It was entrepreneurship only that chained India to stand confidently during the staggering time of recession.

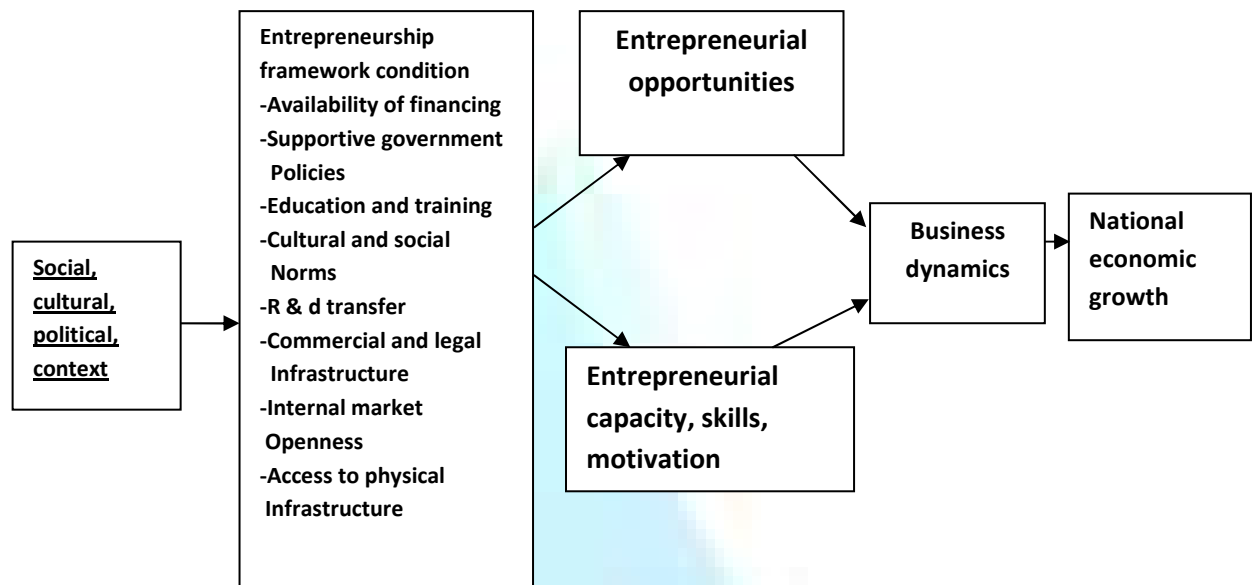
**LINKING ENTREPRENEURSHIP TO ECONOMIC DEVELOPMENT**

As per the results of the National Sample Survey Organization (NSSO) Conducted in 1999-2000, total work force as on 1<sup>st</sup> January, 2000 was of 406 million in India. Out of this 7% work force was employed in organized sector like public sector and remaining 93% work force was employed in unorganized sector. According to the survey conducted by Institute of Human Development, New Delhi till 2006, 92% of the total workforce in India was worked in unorganized sector. A recent report reveals that in the next 10 years, 110-130 million Indian citizens will be searching for jobs, including 80-100 million looking for their first jobs. This does not include disguised unemployment of over 50% among the 230 million employed in rural India. This will shows the importance of entrepreneurship in the economic development of Less Developed Country (LDC) like India. Traditional large employers including the government and the old economy player find it difficult to sustain this level of employment in future; it is entrepreneurs who will create these new jobs and opportunities. It is firmly

believed that India has an extraordinary talent pool with virtually limitless potential to become entrepreneurs. Therefore, it is important for government to get committed towards creating right environment to develop successful entrepreneurs.

### CONCEPTUAL FRAMEWORKS TO LINK ENTREPRENEURSHIP TO ECONOMIC GROWTH

Entrepreneurial activities are accelerating economic growth. There are various grounds that provide literature to link entrepreneurship and economic growth. The Global Entrepreneurship Monitor (GEM) research was started by London Business School and Babson College in September 1997 and has been expanded to 56 countries. The following chart will show how entrepreneurship development will drive the economic growth of the country.



Source: Reynolds, Paul D., Michael Hay, William D. Bygrave, S. Michael Camp, and Erkkio Autio, 2000. *Global Entrepreneurship Monitor: 2000 Executive Report* (Kansas City, Kauffman Center for Entrepreneurial Leadership), p. 6. *Asia-Pacific Development Journal* Vol. 12, No. 2, December 2005

The figure highlights the mechanism driving economic growth: the social-cultural-political context within a country must encourage certain conditions which generate not only the opportunities for entrepreneurship but also the capacity for entrepreneurship. It further depends on the emergence and presence of market opportunities and the capacity, motivation and skills of individuals to establish firms in quest of those opportunities. The overall outcome for a country is economic growth. Conceptual model refer to the importance of the individual level – that is, the attitudes, skills and actions of individual entrepreneurs. This indicates that policies for enhancing entrepreneurial capacity should not focus solely on macroeconomic conditions or access to finance only, although such policies are important for broadening the base of individuals, these policies alone will not be sufficient.

The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an unavoidable cause. Basically there are four factors of production land, labour, capital and organization. Organization is the coordinating factor, which brings the other factors together and entrepreneurship is driving element behind organization. By creatively organizing, entrepreneurs create new commodities or improve the plan of producing an old commodity. For this entrepreneurs must have ability to foresee changes in supply and demand and be willing to act on such risky forecasts in the absence of complete information. The role of entrepreneur is that of a risk-bearer in the face of uncertainty and imperfect information. Entrepreneurs should be able to bear the risk of a new venture if he believes that there is a significant chance of profits. The role of entrepreneur should be of an innovator. An entrepreneur should have special skills that enable them to participate in the process of innovation.

### ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT:

#### A. EMPLOYMENT GENERATION

Unemployment predominantly educated unemployment is the problem of the India. The existing employment opportunities can cater only 5 to 10 percent of the unemployed. Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by initiating many business undertakings they offer job to others. Thus entrepreneurship is the best way to fight the evil of unemployment.

#### B. NATIONAL INCOME

National Income consists of goods and services produced in the country, imports, its consumption and exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services.

#### C. BALANCED REGIONAL DEVELOPMENT

The growth of Industry and business leads to Public benefits like transport facilities, health, education, entertainment etc. When the industries are concentrated in selected areas, development limited to that area. When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, industries are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

#### D. DISPERSAL OF ECONOMIC POWER

Industrial development normally may lead to concentration of economic powers in few hands. This concentration has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population. Thus it helps in weakening the harmful effects of monopoly.

#### E. BETTER STANDARDS OF LIVING

Entrepreneurs play a vital role in achieving a higher rate of economic growth. Entrepreneurs are able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases the consumers get the power to buy more goods for their satisfaction.

#### F. CREATING INNOVATION

An entrepreneur is a person who always looks for changes. He introduces new ideas and new combination of factors. He always tries to introduce new techniques of production of goods and services. An entrepreneur brings economic development through innovation.

Entrepreneurship also helps in increasing productivity and capital formation of a nation. In short, the development of the entrepreneurship is inevitable in the economic development of the country. The Role played by the entrepreneurship development can be expressed in the following words: **"Economic development is the effect for which entrepreneurship is a cause"**

#### TO ACHIEVE THIS INDIA MUST FOCUS ON FOUR AREAS

1. **Create the right environment for success:** - entrepreneurs should find it easy to start business. Capital for business should be easily available from institutional sources. A major challenge for India is to create a handful of areas of excellence; for example Gurgaon and Hyderabad for remote services and Bangalore for Information Technology.
2. **Ensure that entrepreneurs have access the right skill:** - A survey conducted by Mckinsey and company revealed that most entrepreneurs faces two problems, one is how to manage business risks, build a team, identify funding and another is product development, know-how, marketing skills etc.
3. **Ensure that entrepreneurs have access to "Smart Capital":**- India has only a few investors who support the idea in the early stages before entrepreneur becomes involved. While some associations are seeking for a way to fill gap by creating supportive activities. This is India's third challenge creating a global support network to young businesses.
4. **Exchange of Information:**- entrepreneurs learn from experience from others. The rapid pace of globalization and fast growth of asian economies present tremendous opportunities and challenges for India. Through planning and focus, India can aspire to create a pool of entrepreneurs who can be the future of tomorrow.

#### CONCLUSION

There are numeral opportunities in small enterprises in India and such opportunities will lead India in coming future. For that there needs to be support both at the government and society level. The central and state governments should actively involve in promoting the growth of entrepreneurship. Individuals are being encouraged to form new businesses and are being provided such government support as tax incentives, buildings, roads, and a communication system to facilitate this creation process. The states should have their own state sponsored venture funds, where a percentage of the funds have to invest in such ventures in the states. Such people may not need financial assistance but they need marketing and legal assistance in order to sustain themselves. Practical and cost effective programs need to be developed to address their needs because self-employed people will represent an important segment in economic revitalization. Entrepreneurship development is the key factor to fight against unemployment, poverty and to prepare ourselves for globalization in order to achieve overall Indian economic progress. The study of entrepreneurship has relevance today, not only because it helps entrepreneurs better fulfill their personal needs but because of the economic contribution of the new ventures. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place.

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**DIVERSITY MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS IN INDIAN ORGANIZATIONS**

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**ABSTRACT**

*The present study aimed to find out the diversity management and organizational effectiveness in public and private sector organizations. The sample of the study consisted of 60 middle level managers from private (Power supplying companies, n=30) and public (Oil Companies, n=30) sector situated in different parts of Delhi. Two scales namely Diversity Scale developed by Erwee and Innes (1998) consists of 41 items with three subscales (problems related to diversity, openness towards change and diversity management status) and Organizational Effectiveness Scale by Taylor & Bowers (1972) consist of 14 items were used to all the subjects. Obtained scores were analyzed with the help of t-test and correlation. The finding of the study indicated that on the dimensions of diversity related problem both public and private sector organizations differed significantly. They did not show any significant difference on openness towards change and diversity management status) and on Organizational Effectiveness scores. As far as relationship between diversity management and organizational effectiveness of private sector is concerned a significant positive relation was found between the scores of diversity management statue and organizational effectiveness. A positive significant relationship found between openness of company towards change, diversity management status and organization effectiveness of public sector.*

**KEYWORDS**

Diversity Management, Organizational Effectiveness. Public Sector, Private Sector.

**DIVERSITY MANAGEMENT**

**D**M developed as a philosophy in the late 1980s in North America. The concept gained popularity in UK as a new management approach in 1990s and has continued to do so because of the prevailing social and economic climate. Labour market statistics indicated that the workforce of the twenty-first century is becoming more and more diverse in terms of factors such as race, ethnic origin, gender, age, sexual orientation and political and religious belief; hence workforce diversity has become an essential business concern. Diversity is not an option, it is automatically part of the package, and some sort of diversity management framework is a necessity (Allard 2002).

Diversity contributes to increased market share because it enhances an organization's ability 'to deal more sensitively with multicultural domestic and foreign customers, thereby increasing customer satisfaction, keeping and gaining market share (Bhadury et.al., 2000). Diversity enhances employee relations and reduces the cost of labour as well as recruiting the best people in the labour market by embracing diversity, such employers can also benefit from cost savings by having a more cost-effective recruitment process (Woods and Sciarini 1995). Advocates of diversity management argue that an inclusive diversity climate increases the performance and productivity level of employees through increased job satisfaction and commitment (Morrison 1992). Stereotyping and discrimination on the grounds of nationality frequently undermine effective communication in international teams and can lead to misunderstanding and conflict (Phillips 1992).

When a business goes beyond the national borders of its country, the complexity grows. This complexity is created by the sheer diversity of factors to be balanced and managed at every level. Indian companies have to tackle marketing challenges at a nationwide level by adapting to different languages, market preferences etc effectively, yet at the same time considering India as a homogenous market for optimizing on scale. Dwyer et.al., (2003) tell us, 'A growth-oriented, culturally diverse organization benefits from employees who are flexible in their thinking and who are less likely to be concerned about departing from the norm.' Their research findings suggest that firms adopting growth strategies benefit from the increased levels of performance stemming from gender diversity at managerial level.

Scott Page's (2007) mathematical modeling research of team work supports this view. He demonstrated that heterogeneous teams consistently out-performed homogeneous teams on a variety of tasks. A page point out that diversity in teamwork is not so simple in the messy real world. Too often the cultural differences create problems. The goal is to manage diversity to take full advantage of it.

**ORGANIZATIONAL EFFECTIVENESS**

OE is a construct. Constructs are abstractions that exist in the head of people, but they have no objective reality. They cannot be pin pointed, counted or observed. They exist only because they are inferred from the results of observable phenomena. As a construct, the total meaning of organizational effectiveness is unknown. Scott (2003) the rational system approach views organizations as "instruments for the attainment of goals". Scott places these support goals under the natural system perspective, a perspective that recognizes official goals but emphasizes support goals and the organization's preoccupation with survival as well as goal attainment. Organizational Effectiveness is defined as the planned use of tools, practices and behaviors that encourages optimum effectiveness of people and organizations as a whole (Burke 1994).

Yankey & McClellan (2003) "Organizational effectiveness is the extent to which an organization has met its stated goals and objectives . . . and how well it performed in the process. Measurement of nonprofit effectiveness reflects the diversity in the size, scope, and services of the many types of organizations. Little research or agreement exists that qualifies that best objectives or practices to obtain organizational effectiveness, but researchers agree that the goals and mission of nonprofits often differ from the goals of for-profit organizations.

The positive relationship between business performance and workforce diversity in growth-oriented organizations holds true for race diversity as well as gender diversity; but race diversity is shown to be associated with harmful and negative outcomes for the downsizing firms (Richard 2000).

**OBJECTIVES**

To compare diversity management (symptoms of diversity related problem, the openness of companies towards change, and the diversity management status of the company) and organizational effectiveness between public and private sector organizations.

To examine the relationship between diversity management (symptoms of diversity related problem, openness of companies towards change, and the diversity management status of the company) and organizational effectiveness.

**HYPOTHESES**

**HO1.** There would be a significant difference between public and private sector on diversity management (symptoms of diversity related problem, openness of companies towards change and diversity management status of the companies) and organizational effectiveness.

**HO2.** There would be a significant relationship between diversity management (symptoms of diversity related problem, openness of companies towards change and diversity management status of the companies) and organizational effectiveness.

**METHOD**

**PARTICIPANTS**

The sample of the study comprised of sixty (60) middle level managers working in Private (Power) and Public (Oil Companies) sector organizations. The sample included middle level managers from public and private sectors in equal number i.e. Private (n=30) and Public (n=30). F1

**MEASURES**

**Diversity Scale** developed by Erwee and Innes (1998) consists of 41 items with three subscales symptoms of diversity related problem, openness of companies towards change and the diversity management status of the company. The scale has Cronbach Alpha reliability co-efficient of 0.87, 0.79 and 0.73 respectively.

**Organizational Effectiveness Scale** by Taylor & Bowers (1972) consist of 14 items with three dimensions i.e group functioning, satisfaction and goal integration. It has a 5 point rating scale ranging from strongly disagree to strongly agree. The score for strongly disagree is 1 and strongly agree is 5. The maximum score on this scale is fairly reliable and valid and it is widely used.

**PROCEDURE**

After the target sample size was decided upon, a couple of public and private sector organizations were approached for the purpose of data collection. Finally data was collected on middle level manager with minimum experience of. After rapport formation participants were convinced to fill the responses and assure them for confidentiality of the responses.

**RESULTS AND DISCUSSION**

The **table 1** indicated that on the symptoms of diversity related problem public sector differ significantly with private one (t-value= 7.68; p<.01). On the dimensions of openness of company towards changes and diversity management status of the company both the sector did not show any significant difference. On the scores of Organizational Effectiveness

The Correlation Coefficient in table 2 indicated that the organizational effectiveness of public sector is significantly and positively correlated with openness of the company towards change and diversity management status. As far as the organizational effectiveness of private is concern it is only correlated with diversity management status of the company

Comparison of diversity management and organizational effectiveness scores of public and private sector organizations (n=60)

**TABLE 1**

Symptoms of diversity related problem	Organization	N	Mean	SD	t - value
	Public	30	59.90	4.75	7.68**
	Private	30	67.43	2.49	
Openness of company towards change	Public	30	23.70	6.23	1.019
	Private	30	22.03	6.44	
Diversity Management status	Public	30	30.10	3.21	1.51
	Private	30	31.13	1.96	
Diversity Management (Total)	Public	30	116.96	8.18	.485
	Private	30	117.80	4.64	
Organizational Effectiveness	Public	30	63.76	10.11	1.65
	Private	30	66.90	2.35	

\*\*p<0.01, \*p<0.05

Correlation coefficient between organizational effectiveness and diversity management.

**TABLE 2**

Organization	r
Public Sector	
O.E and DM1	.015
O.E and DM2	.510**
O.E and DM3	.452*
Private Sector	
O.E and DM1	.335
O.E and DM2	.314
O.E and DM3	.364*

\*\*p<0.01, \*p<0.05

The finding of the study revealed that on the dimensions of diversity related problem both public and private sector organizations differed significantly. Diversity related problems refer to complaints about other languages, resistance of staff to working with other groups, communicating difficulties due to use of accented foreign language, lack of social interactions between diverse groups, difficulties in recruiting and retaining members of diverse groups, open conflicts between diverse groups or individuals, productivity problems due to misunderstanding of directions, barriers in promotions for diverse employees. Due to different organizational structure and working environment the public sector differed from the private one. Private sector employees mentioned that they have to face less problem as compare to public sector employees. This is due to the Issues such as structural arrangement, cultural patterns and the nature of core business, external relationship and the strategic mission of an organization. Glastra et.al. (2000) advocate a contextual approach to managing diversity: If diversity management have a positive impact, it must develop adequate solutions to organizational problems in the workplace. Sometimes increasing diversity is portrayed as a magic formula that will automatically provide employers with competitive advantages. But empirical research evidence is conflicting. In fact, workforce diversity isn't a competitive organizational strength unless it is effectively managed (Dwyer 2003, Chevrier 2003).

As far as openness of the company towards change is concern public and private sector employees did not differ significantly. Both are ready to bring the change within the organization or with their annual policies reviewed, an openness to suggestions from all people in the company, strategic plan of, approachable top managers etc.

Regarding the diversity management status of the organization is concern there is no significant difference among the employees of public and private sector on the factors like flexibility to accommodate the needs of diverse staff. Managing diversity means valuing people differences and identities as strengths and is directed to achieving organizational outcomes (Kramar, Wiesner & Millet 2001). It is a strategic human resource domain and the HR department has the prime responsibility for formulating diversity related management policies and also inducting line managers to ensure effective implementation. However, without the conviction and commitment of senior management, and in the absence of leadership and organizational policy (D'Netto, Smith & Pinto 2000), stand alone strategies and programs of HR managers can fail. Acknowledging the advantages of human diversity, and creating and upholding diversity awareness among the workforce through various interventions, are critical success factors for multicultural organizations

Diversity Management as whole is concern the mean scores were found almost same for both public and private sector i.e. 116.96 followed by 117.80 and the t-value is .485 which is non significant.

The above result indicates that, the mean scores (66.90) of organizational effectiveness of private organization is higher than the mean scores (63.76) of public one. But the t-value = 1.65 did not show any significant difference. As Morgan (1997) vividly describes, there are numerous ways to conceptualize and model an organization, with profound consequences for criteria of effectiveness. These concepts typically deal with organizational form and structure on the one hand and organizational functions and activities on the other. How the organization is designed and how its functions are defined obviously have important implications for how processes and people are managed. If, for example, managers think of the organization as a machine for the efficient production of products (whether these are widgets, services, or research results), then management controls will seek to maximize production and standardize products for efficiency. If the organization is seen as flux and transformation, then "the fundamental role of managers is to shape and create 'contexts' in which appropriate forms of self-organization can occur" (Morgan 1997). Now the days both public sectors are also seeking new planning and performance management solutions to accomplishing desired results is the degree of comprehensiveness, integration and alignment of the capabilities and the functioning of the organization and its employees. Successfully implementing a new performance management program requires an approach that flows from a strategic plan, measures progress against carefully defined goals and rewards employees for behavior and actions that meet those goals and support the strategy. Hence no significant difference between public and private sector on organization effectiveness. Hence the 1<sup>st</sup> hypothesis has not proved. .

Regarding the relationship between the dimension of diversity management and organizational effectiveness in private sector is concern a significant positive relation was found between the scores of diversity management status and organizational effectiveness  $r = .364^*$ . The above results indicated that Organization Effectiveness in private sector is only affected by the diversity management status of the company. It means that if the organization effectively managed the diversity among workforce increases their organizational effectiveness. Likewise the benefits of effective diversity management, noted in earlier studies of large private sector organizations, include higher productivity (Wolf 1998), better creativity and innovation (Smith 1998), better understanding of customers, improved recruitment opportunities (Agocs & Burr 2000), lower costs (Cox 1993), more positive morale (Kramar 2001), and higher employee retention (Teicher & Spearitt 1996). Diverse workforces, by improving communication, teamwork, and employee utilization, lead to higher productivity, with innovative and creative solutions arising due to a broader range of perspectives and experiences being incorporated and considered (Wolf 1998; Smith 1998). Diversity awareness allows for a better understanding of global customers' needs, and provides access to greater labour pools (Agocs & Burr, 2000). Access to wider employment pools allow for recruitment of optimum human resources, and it can also minimize recruitment and training costs (Cox 1993). A weak positive relationship found between organizational effectiveness and diversity related problems and openness towards change. Awbery (2007) focuses on the concepts of vertical and horizontal diversity. Vertical diversity evaluates difference as superior or inferior, whereas horizontal diversity treats difference as variation. Organizational paradigms of assimilation and separation are based on vertical diversity and treat diversity as a problem to be solved. Assimilation solves it by submergence of difference, and separation by isolating difference. Often organizations in the United States take a benevolent assimilation approach to diversity. However, research shows that assimilation does not engage diversity in ways that promote learning, creativity, and organizational effectiveness. He argues for a relational re-conceptualization of diversity as horizontal, and recommends that diversity paradigms should be integrated with diversity perspectives, levels of self-representation, and uncertainty and certainty orientations.

As far as relationship between organizational effectiveness and diversity management of public sector is concern a positive significant relationship found between openness of company towards change and diversity management status. Cordero (1996) suggest that, 'Homogeneity appears to be a benefit for groups with more routine tasks, while heterogeneity produces benefits for groups with more complex and interdependent tasks.' In other words, diversity among employees delivers a competitive advantage for organizations when the performance of novel and complex tasks that require high levels of creative thinking, innovation and problem-solving skills are involved (Dwyer 2003, Jackson 1992). Hence, our hypothesis is partially proved here.

## CONCLUSION

In the Indian context workforce diversity is most dominant. Employees of Indian organizations are becoming increasingly heterogeneous in terms of women employees, young workers, international careers and expatriates, necessity of international experience etc.

And the secondary dimensions of diversity have decisive influences on organizational cohesion. Affiliation of individuals to specific religions or castes, their marital and parental status or language play a significant role in the process of developing relationships with superiors, as well as subordinates (Kapila 2003). The Indian workforce consists of over 400 million employees originating from 32 different states that tend to be culturally and linguistically unique. Although two languages, Hindi and English, are used for official communication, about 2150 newspapers in 92 languages illustrate the complexity of the Indian linguistic landscape. The level of education of people from different states varies significantly as, for example the states from peninsular India have an aggregate rate of literacy above 70 per cent (Government of India 2005) compared to the national average of 65 per cent (Census 2001).

Researches suggest contradictory findings, some argued that having a diverse workforce leads to increased market share and increased sales to minority-culture groups (Fernandez 1991, Cox and Blake 1991) On the contrary, in some instances; workforce diversity may even undermine business performance. Cordero (1996) conclude that 'homogeneity in group composition creates positive outcomes because of the effects of the similarity-attraction effect, that is, that people are attracted to those who are similar to themselves.'

However, success will come only to those corporations in which the leadership is able to manage the challenges of diversity at each level in an integrated manner.

Regarding the relationship between diversity management and organizational effectiveness it was observed that only on the bases of diversity management organization cannot measure its effectiveness. In present scenario organizations faces many challenges like as acquisitions, merges, internalization, globalization and from the government policies in such situation managing diverse workforce is very difficult task. According to Richard et al. (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations.

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## CSR- AN UMBILICAL CORD RELATION WITH THE ENVIRONMENT

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### ABSTRACT

*This article highlights the symbiotic relationship that exists between the business, society and environment. It compares the business to the human person. Just like the human person who receives everything from his/her mother is expected to care for his/her mother at the old age, business also has a moral responsibility to care for the environment which provides everything, like raw materials, fuel, atmosphere, etc., for its wellbeing. It also describes how the five elements of nature, namely Earth, Water, Fire, Space and Air, contribute to the success of business and after offering everything to the success of business it becomes barren. It paints the sordid picture of how the ecological balance is sacrificed at the altar of modern technological advancement. Hence it is recommended that we concentrate on the sustainable development, where the environment and the technological advancement can go hand in hand. We need to act as the trustees of the nature and environment, and use it for our need and not for our greed. It tries to establish the fact that CSR is not a liability but an asset by quoting prominent management thinkers.*

### KEYWORDS

Business, Corporate Social Responsibility, Environment, Sustainable development, Symbiotic relation.

### INTRODUCTION

Many of us have the notion that Corporate Social Responsibility (CSR) is something to do with philanthropy and a dolling-out activity, springing from the magnanimity and generosity of the corporate. If we look deeper into the concept of corporate social responsibility we would understand that it is just the opposite of it. As the very term CSR says, it is the 'responsibility' of the corporate to the society. Someone becomes responsible only when (s)he has the duty to do something so that (s)he may be blamed if something goes wrong. Thus there exists a symbiotic relationship between the business and society as in the case of a mother and her child. The business gets everything it requires from the society and from the nature just as a fetus in the mother's womb gets all it wants from the mother through the umbilical cord. As a fully grown adult, it becomes the duty of him/her to take care of the mother (parents) who is old and sick because she spent everything she had for the growth and wellbeing of the grown up person. In a similar fashion, the business which sucks everything from the mother-earth and mother-nature for its survival and prosperity has the duty and responsibility to replenish the earth and nature in all possible ways. The business has the responsibility to rejuvenate the nature.

The mother brings forth the new-born baby to the world with so much of struggle and sacrifices; and the child, as a grown up person, has the responsibility towards his/her mother- towards her wellbeing, happiness and sustenance. Hence, no one can say that the efforts of the grown up person to support his/her mother is something that flows out of his/her magnanimity or generosity. Rather it is his/her moral responsibility. (S)He is duty-bound. It is a moral imperative on the part of the person to care for his/her mother. It should flow from the person spontaneously and tenderly as a song flows from a cuckoo. This simile is applicable to business and environment as well.

### CREATING CUSTOMER IS THE PURPOSE OF BUSINESS

Business cannot operate either in isolation or in vacuum. Like individuals, businesses also need to exist in the real world, i.e., in society. Business looks up to the society for the needed inputs like money, men, and skills for its manufacturing activity. In addition to that business also depends on the society for the market where the manufactured products may be sold to the buyers. Since business depends on society for its existence and growth, it also has a definite responsibility towards society. Peter F Drucker (1975), the leading management thinker of the last century, tells that creating a customer is the purpose of a business: "If we want to know what a business is, we have to start with its purpose... There is only one valid definition of business purpose: *to create a customer*. The customer is a foundation of a business and keeps it in existence. The customer alone gives employment. And it is to supply the customer that society entrusts wealth-producing resources to the business enterprise."

Going by the definition of Peter F Drucker, the customer does not live somewhere up in the sky. (S)He lives, moves about and has his/her existence in the society where a business unit also survives and grows solely by taking care of his/her needs. Hence the business is duty-bound to care for the society because it is due to the patronage of the society, a business exists. In short, business revolves around the society.

He further says that Social Responsibility transcends legal obligations and it is on a voluntary basis for the genuine benefit of the society. In the words of Peter F Drucker (1975), "Social responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony."

The same point is driven home by the Marketing guru Philip Kotler (2005). He says, "Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources." A very good example is found in the person of Henry Ford who brought about a revolution in transportation and American industry. Henry Ford had a deep sense of commitment to the community and exhibited this commitment in a visible form. He took efforts to build subdivisions in Detroit to provide affordable housing for thousands of workers, and established Detroit's first large general hospital for the public.

### HUMAN AND BUSINESS LIFE CYCLE

The Indian mythology says that man is made up of the five elements (*pancha bootha*), namely, Earth, Water, Fire, Space and Air. The human life cycle consists of childhood, adolescence, adulthood and old age. At the end of the life cycle, when a (wo)man dies, all these five elements get integrated back into their original sources, namely earth, water, fire, space and air. And that is why the environmentalists say that the human beings have a symbiotic relationship with nature and they need to show greater responsibility to nature and to its protection.

In the same way, business also has its own life cycle and it passes through various stages in its life, such as the Introduction stage, Growth stage, Maturity stage and Decline stage. An organization receives inputs from the society in the form of skilled/unskilled labour, raw materials and natural resources. And, in turn, it offers goods and services to society. While on the one hand industry provides employment opportunities and thus facilitates socio-economic progress, it also displaces people, on the other. It becomes the duty of the industry to ensure proper infrastructure facilities.

### THE MOST UNKINDEST CUT OF ALL

"The most unkindest cut of all..." - these are the words of Mark Antony in the funeral oration in honour of his assassinated friend Julius Caesar. When Mark Antony calls Brutus's stabbing of Julius Caesar "the most unkindest cut of all," he is playing with words. Shakespeare uses the word "unkind" in two meanings.

One is that it is an "inhumane" act, and the other is that it is "unnatural." According to Mark Antony, when Brutus literally "stabbed" the loving Caesar, a bloody act of murder was compounded with ingratitude. It wasn't the wound that killed Caesar, says Antony, but it is Brutus's treachery that killed him. In the same way, if the corporate fail to care for the environment and ecology, which gave its bosom to nurture business, such an act can only be termed as the unkindest cut of all.

### BENEVOLENCE OF THE FIVE ELEMENTS

A lot of people are too busy to understand and appreciate the importance of nature's five elements in their lives. It is important not to be ignorant of what is happening around us, especially to the place we regard as our home – the environment. We have only one planet to live in, and let us take care of it. Let us not take it for granted. Let us now examine the beauty and the bountiful riches of each of the five elements.

**i) EARTH (BHUMI):** The earth interacts with other objects in space, especially the sun and the moon. It is estimated that only one-eighth of the surface of the Earth is suitable for human habitation; three-quarters (71%) is covered by the seas, and the remaining half of the land area is either desert (14%), high mountains (27%), or other less suitable terrain. Both the mineral resources of the planet, as well as the products of the biosphere, contribute riches that are beneficial to support the world's population. Some of the minerals are non-renewable, such as mineral fuels and ores, which are difficult to replenish within a short period of time.

It is the mother earth's lap that welcomes a businessman to have his being. It is from the Industrial Revolution time onwards that the earth started bleeding by the construction of huge concrete structures. The green carpet of forests and fields got converted into concrete jungles to house the monstrous machines to produce goods and services for the greed of the human beings. The soil that was once fertile was made alkaline due to the effluents, pesticides and chemical fertilizers. Our greed has wounded the planet earth and we have a planet to heal.

**ii) WATER (JALAM):** Water is the source of life, and all the civilizations had their genesis on the banks of the river- in water. There is an inseparable relationship between water and human existence. Our human body is nearly 60% water. The earth is surrounded by water. Environmentalists say that the fight for water as a scarce resource would lead to the Third World War. When human existence is solely dependent on water, it is needless to impress upon the necessity of water for the survival of any business.

Water pollution is the contamination of water bodies like lakes, rivers, oceans and groundwater. Water pollution occurs when pollutants are discharged directly or indirectly into water bodies without adequate treatment to remove the harmful compounds.

Water pollution affects plants and organisms living in these water bodies. In most of the cases the effect is hazardous and poisonous not only to individual species and populations, but also to the total natural biological communities. It has been established by statistics that it is the leading worldwide cause of deaths and diseases. Water contamination accounts for the deaths of more than 14,000 people every day. Approximately 700 million Indians have no access to a proper toilet, and 1,000 Indian children die of diarrheal sickness every day. Pollutants in the water change the overall chemistry of water, causing a lot of changes in temperature. All these factors have an adverse effect on marine life. They pollute and kill marine life. Marine life gets affected by the ecological balance in water bodies, especially the rivers and the lakes. Water pollution effects have a huge impact on the health of an individual and the environment as a whole.

**iii) FIRE (AGNI):** The word *agni* is Sanskrit for "fire" (noun), cognate with Latin *ignis* (the root of English *ignite*). Agni has three forms: fire, lightning and the sun. It is fire that taught the primitive hunter to cook food and paved the way for the modern day culinary and cuisine. It is fire that helped man to forge metals and taught and transformed the barbaric hunter into a civilised agriculturist. There started the era of manufacture and production. It is fire that taught man to invent engines to use the energy (remember James Watt and his steam engine) and energy to operate the engines.

In a later Hindu interpretation, as Ravinder Kumar (2008) says, *agni* stands for knowledge. The light *agni* emits is the light of knowledge. Hence it is also known as the illuminator of knowledge, intelligence, and *buddhi* who lights up the path leading to Truth. In the same vein, David Frawley (2006) opines that the human soul or *agni* is the ultimate result of the evolution of the animal soul and of the plant and mineral realms. The human soul that should be the crowning glory of nature and the protector of the Earth is trampling upon the very animals, plants and even rocks through which it evolved and which are its mothers. This is because we have forgotten our soul, our Agni, our flame portion of the Divine light.

**iv) SPACE (AKASHAM):** Psalm 19 in the Bible poetically describes the beauty and purpose of the sky: "In the heavens God has pitched a tent for the sun. It is like a bridegroom coming out of his chamber, like a champion rejoicing to run his course. It rises at one end of the heavens and makes its circuit to the other; nothing is deprived of its warmth."

The greed of human beings throws a monkey wrench in the works of God. The unbridled craving for goods and services of the human beings has depleted the ozone layer. The consequence of such an irresponsible act of the human beings is colossal. Climate change is a predominant global challenge today for the government, corporate and the civil society. Everyone has a role to play in curbing the greenhouse gas emission. The Polar scientists say that the Arctic sea ice has melted to a level not recorded since satellite observations started in 1972- and almost certainly not experienced for at least 8,000 years. The German researcher Georg Heygster, head of the Institute of Environmental Physics at Bremen, says that the record melt was undoubtedly because of human-induced global warming. We should remember that the Arctic ice plays a critical role in regulating Earth's climate.

**v) AIR (VAYU):** Air is the most vital element that keeps any being, be it human beings, animals or plants, alive. That is why it is also called as *prana*, and when someone dies they say that "his life departed" (*uske prān nikal gaye*). The World Health Organization states that 2.4 million people die each year from causes directly attributable to air pollution; and 1.5 million of these deaths are attributable to indoor air pollution. The health hazards caused by air pollution include difficulty in breathing, wheezing, coughing and aggravation of existing respiratory and cardiac conditions. Smog hanging over cities is the most familiar and obvious form of air pollution. But there are different kinds of pollution—some visible, some invisible—that contribute to global warming. In general, any type of substance that people send up into the atmosphere that has damaging effects on living things and the environment, like the burning of tyre and rubbish during *Bhagi* or bursting of crackers during diwali, is considered air pollution.

Gandhiji pointed out sadly in *Indian Opinion* dated 1-2-1913, the irony of the situation where one has to pay a price even to get pure air: "Nature has provided it (air) to such extent that we can have it at no cost. But modern civilization has put a price even on air. In these times, one has to go off to distant places to take the air, and this costs money."

Carbon dioxide, a greenhouse gas, is the main pollutant that is warming the Earth. It is widely considered to be a pollutant when associated with cars, planes, power plants, and other human activities that involve the burning of fossil fuels such as gasoline and natural gas. In the past 150 years, such activities have propelled enough carbon dioxide into the atmosphere to raise its levels higher than they have been for hundreds of thousands of years. We need to take conscious efforts to reduce the "carbon footprint"—the amount of carbon dioxide a person is responsible for putting into the atmosphere. On a larger scale, governments are taking measures to limit emissions of carbon dioxide and other greenhouse gases. One of the ways is through the Kyoto Protocol, an agreement between countries that they will cut back on carbon dioxide emissions. Another method is to put taxes on carbon emissions or higher taxes on gasoline, so that people and companies will have greater incentives to conserve energy and pollute less.

### DEVELOPMENT AT THE EXPENSE OF ECOLOGICAL BALANCE

In Tamil there is a proverb to highlight the unmatched cost we pay for a particular object: "sell the eyes to buy a painting". It makes no sense to buy a magnificent painting by selling one's eyes. The very purpose of buying an artwork is to enjoy the exquisite beauty of it. After giving the eyes as the price for the artwork, how come a person going to luxuriate in the beauty of the picture? And precisely that is what we are doing to nature. Our 'instant' culture, where we wish to have everything instantly, starting from the instant coffee powder to the Caesarean operation to have the birthday of the baby on an auspicious day and hour, we are more anxious about the end we wish to achieve and care less about the means we employ to achieve our ends. In the name of development and sophistication, we have paid a handsome price of messing up the ecological balance.

Alasdair Blair (2001) observes that the last two hundred years have seen fundamental changes to the physical environment- probably greater than any other two hundred year period since the dawn of civilization. The landscape has drastically changed during these two centuries due to the paradigm shift of our focus from agricultural to industrial interests. Business has experienced a sea change to the point that what now poses for business would be unrecognizable to our ancestors in 1800. To give a few examples: the light bulb, television, airplanes, computer, cellphone, internet...the list will go on and on.

All the sophistications come with a price tag. Our four-lane and six-lane roads have bulldozed the trees and reduced the green carpet almost nil in our metropolitan cities. This has given rise to more heat...more air conditioning...more ozone layer depletion...and more infirmities. As the Father of the Nation, Gandhiji, says the Industrial revolution has made the fresh air a luxury. The white revolution has made milk, the staple diet of the children and the elderly, into a chemical concoction. The Blue revolution has made the sea barren by wiping out all her riches through the monstrous trawlers that fish in the deep sea indiscriminately. The Green revolution has poisoned the earth with chemical fertilizers and pesticides.

This does not mean that all these revolutions and innovations have caused only havoc and brought about misery. No doubt, they played their positive role in the GDP and the economic growth. But we have failed to think of a sustainable growth. We were too greedy to get everything for ourselves without leaving anything for our posterity.

Of course, the nature and the natural resources are meant for the wellbeing of the human beings. As Mahatma Gandhiji's trusteeship model of governance insists, we are the trustees of these valuable resources and bountiful riches. But we failed to play the role of the trustees, and instead, we assumed the role of the plunderers. As religious leaders say, God has given enough for our need and not for our greed. We need to use these natural resources responsibly. The time has come for us to enrich our mother-nature. The business in particular, has a special responsibility in this process.

## RESISTANCE TO CSR

People who are not in favour of CSR always quote Milton Friedman. The famous dictum, "The business of business is business", was pronounced by Milton Friedman, winner of the 1976 Nobel Prize for excellence in Economics. His essay in *The New York Times* magazine (13 September 1970) created a never-ending debate on the conduct of business and its consequent relation to society. But people tend to forget that his essay 'The Social Responsibility of business is to increase its Profit' was written against the backdrop of rising interest in socialist thinking. To counter the socialist thinking Friedman took the other extreme and criticized the tendency of businessmen talking about social responsibility and social conscience (Sanjay K Agarwal 2008).

But a lot has changed in recent years. Shareholders, being also consumers, employees and community members, are demanding responsibility and accountability from companies. Kumarmangalam Birla, Chairman, Aditya Birla Group, says: "The days are long past when the business of business was business. The idea that the corporation is merely a legal abstraction, devoid of heart and soul, no longer has legitimacy. The corporation may be an economic *wunderkind*, but it falls short and often falls apart if it does not meet the needs of society, or if it does not act with a conscience. Today, no stakeholder- be it a shareholder, an employee, the community or the government- would accept a business whose rationale is limited to profits at any cost, or only to compulsions of its immediate business."

Many corporate houses are reluctant to be environmentally friendly because they fear that it would increase the cost and the customers would shun the product. But the reality is that 75% of the consumers' purchase decisions are influenced by a company's reputation with respect to the environment, and eight in ten say that they would pay more for products that are environmentally friendly (Philip Kotler and Nancy Lee, 2005).

## RAW MATERIAL IN THE WRONG PLACE

In the process of enriching the environment and ecology we need to learn to Recycle, Reuse, and Reduce. In 1919 Talbot published a book entitled *Millions from Waste* which attempted to explain to the British industrialists that they were blind to the industrial opportunities to utilize waste that were to some extent already implemented by their international competitors. Talbot defines waste as 'raw material in the wrong place' and provides numerous examples of possibilities of using waste to create valuable products. The throw-away culture has created a lot of havoc to environment. The plastic waste, as a non-degradable waste, is one of the serious concerns of all governments all over the globe. It is consoling to know that researches are carried out to study the various possibilities of recycling the waste.

## GREEN IS THE NEW COLOUR OF MONEY

People have become green conscious. The scorching sun and soaring mercury year after year has made people realize their responsibility towards nurturing the environment. Thus the concept of "Green" has pervaded the whole gamut of human life. Mathew J Kiernan (2009) has written a book entitled "Investing in a sustainable world: Why Green is the new colour of money on Wall Street". His book demystifies the concept of sustainable investment and offers a convincing justification for Wall Street to consider environmental and social criteria, not as afterthoughts but rather as core considerations in our investment decision-making framework. It is not merely in investment but also in buildings, marketing, and a host of other areas where 'green' is insisted. This is a clear indication that the business has started to respond to the signs of the time.

## CONCLUSION

As many scholars who advocate corporate social responsibility say, the Bottom-line benefits of CSR are increased sales and market share, strengthened brand positioning, increased ability to attract, motivate and retain employees, decreased operating costs, and increased appeal to investors and financial analysts. Peter F Drucker (1968) succinctly points out the sole objective of corporate social responsibility as, "The proper social responsibility of business is to tame the dragon—that is, to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth."

Anyone who understands the symbiotic relationship of business with the environment would not hesitate to care for nature. Let the corporate houses understand that it is time for them to nurture the nature and environment. Let them do it with great devotion and dedication. This will help the sustainable growth of the economy as well as the environment. When the nature is well-protected, our future is also well-protected. Just as Gandhiji wanted, we all will serve as the responsible trustees who care for the development of the humanity and safeguard the beauty and richness of mother-earth.

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## INNOVATIVE HR PRACTICES

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### ABSTRACT

*In spite of the recognised importance of superior-subordinate construct as a mediator of employee innovativeness and organisational citizenship behaviour relationship, seldom has it been reported in the literature that this paradigm has been rigorously examined. This paper reports the results of evaluating this conceptual framework with a sample of 385 non managerial employees of Malaysian commercial banks. The results demonstrate the relationship between supervisor and subordinate is crucial for facilitating work performance in excess of job scope. The implications and consequences of the study findings for human resource management policies and practices for not only Malaysian financial institutions, but also for institutions in the wider domain of the Asia Pacific, are discussed.*

### KEYWORDS

HR Practices, Banks, HRM.

### INTRODUCTION

Employees who go the extra mile by performing spontaneous behaviours that go beyond their role prescriptions are especially valued by the management. This phenomenon is critical for organisational effectiveness because managers cannot see all contingencies or fully anticipate the activities that they may desire or need employees to perform (Katz & Kahn 1978, Organ 1988). Work behaviour that goes beyond the reach of organisational measures of job performance holds promise for long term organisational success (Van Dyne, Graham & Dienesch 1994) because these types of action are purported to improve organisational efficiency, effectiveness and adaptability (Organ 1988). Doing jobs beyond what is required without expecting to be rewarded is what is referred to in this study as Organisational Citizenship Behaviour (OCB).

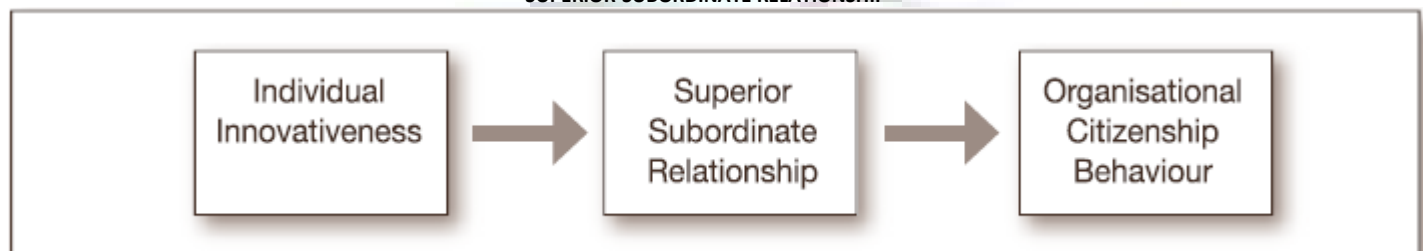
Scholars and practitioners have shown an increasing interest in the concept of OCB (Change & Chelladurai 2003). OCB has been said to enhance organisational performance because these activities lubricate the social machinery of the organisation, reduce friction, and increase efficiency (Bateman & Organ 1983, Smith, Organ & Near 1983). Enhancing an organisation's competitive ability is

enhancing an organisation's competitive ability is increasingly critical and behaviors, which may improve individual and organisational efficiency, become more valuable. Although there have been many studies of OCB in organisations, no known studies have examined the linkage of individual innovativeness with OCB where the effect of superior-subordinate as a mediator, is included. Given this lack of information, attempts are made to answer two questions. Does individual innovativeness influence subordinates' OCB? Does superior subordinate relationship mediate the relationship between individual innovativeness and OCB?

### A THEORETICAL FRAMEWORK

This study examines the relationship between individual innovativeness and OCB. These relationships are expressed as Figure 1, which shows the taxonomy of OCB includes altruism, conscientiousness, sportsmanship, courtesy and civic virtue. Altruism refers to behaviours that are voluntary. For example, being cooperative, helpful and other instances of extra-role behaviour, which helps a specific individual with a given work related problem (Podsakoff, MacKenzie, Moorman & Fetter 1990). The construct of conscientiousness refers to the extent of behaviours to which someone is punctual, high in attendance and goes beyond normal requirements or expectations (Podsakoff, et al. 1990). In addition, courtesy refers to behaviours that are directed to the prevention of future problems, which is different from altruism because altruism is helping someone who has a problem, while courtesy is helping to prevent problems, performing thoughtful or considerate gestures towards others (Podsakoff, et al. 1990). Moreover, sportsmanship describes those individuals who tolerate the annoyances that are inevitable in the workplace a set of behaviours that demonstrate tolerance of less than ideal conditions at work without complaining (Podsakoff, et al. 1990). Finally, civic virtue consists of those behaviours that are concerned with the political life of the organisation (e.g., attend meetings, engage in policy debates, and express one's opinions in implementing a new policy).

**FIGURE 1: THE RELATIONSHIP BETWEEN INDIVIDUAL INNOVATIVENESS AND ORGANISATIONAL CITIZENSHIP BEHAVIOUR AND THE MEDIATING INFLUENCE OF SUPERIOR-SUBORDINATE RELATIONSHIP**



### INDIVIDUAL INNOVATIVENESS AND ORGANISATIONAL CITIZENSHIP BEHAVIOUR

The inconsistency with which innovativeness is defined in the literature makes it difficult to grasp the essential attributes (Hurt, Joseph & Cook 1977). According to Midgley and Dowling (1978), individual innovativeness refers to the individual's openness to new ideas and decision making to adopt an innovation free from the influence of the experiences of other employees. This definition is referred to throughout this study because it intuitively gives a more accurate interpretation of innovativeness, which is well supported, both directly and indirectly, in the literature.

Organisational change, creativity, and innovation schemes have been installed with individual 'champions'. The vision is that these changes to the organisational culture will lead to greater organisational effectiveness and consequently, change agents are used to guide and facilitate the change process (McDermott & Sexton 1998, Mallon & Kearney 2001.) That is, employees who are innovative in their work place are, in essence, satisfied with their jobs and this triggers them to come up with new ways to improve current conditions. One of the ways of how innovative employees express themselves is through performance of OCB. Individual innovativeness contributes to an organisation's renewal, survival and growth in today's turbulent and competitive business environment through the



performance of OCB (Amabile 1988). Despite the limited relevant research that has been undertaken in Asian contexts, these imperatives provide foundation for the following hypothesis.

**Hypothesis 1:** *Individual innovativeness is positively related to the various OCB dimensions: altruism, conscientiousness, courtesy, sportsmanship and civic virtue.*

#### **Superior-Subordinate Relationship as a Mediator**

The relationship between superior and the subordinates develops certain exchanges that benefit organisations. Many studies relating to the relationship between superior-subordinate are found to contribute to greater job responsibilities, influence levels of delegation, responsibility and autonomy and in turn, subordinates perceive greater latitude, decision influence and feelings of contribution (Gomez & Rosen 2001). It is thus expected that the higher the superior-subordinate relationship, the more the subordinates will perform OCB.

Little effort has been made to study the mediating influence of the superior-subordinate relationship relating to individual innovativeness and OCB. The social exchange theory is employed to investigate the relationship between superior-subordinate relationship and OCB. People always seek to reciprocate those who benefit them (Blau 1964, Adams 1965). In order to reciprocate, employees may do so through their job performance, however, such performance may be limited when the organisation has strict contracts. From a social exchange theory perspective, OCB becomes an outlet for these positive feelings. Social exchange relationships have an implicit understanding that a history of extra role efforts will over time be recognised, appreciated and rewarded. From this theoretical underpinning, the following hypothesis is conjectured.

**Hypothesis 2:** *Superior-subordinate relationship mediates the relationship between individual innovativeness and organisational citizenship behaviour.*

Through the theoretical framework, within the structure of social exchange theory, it is hypothesised that individual innovativeness will be related to various dimensions of OCB and this relationship will be mediated by superior-subordinate relationship. To better understand these relationships, a study was conducted with a representative sample of non supervisory employees employed in commercial banks.

## **METHODOLOGY**

### **SAMPLE**

Most of the data was based on primary data which was collected with the help of friends from Malaysia. The assumption is that the job descriptions for non supervisory employees in all commercial banks are similar, have minimal variation in formal responsibility, have no supervisory duties, thus can be considered as a homogeneous group. The sample consisted of 400 non supervisory employees from commercial banks. A total of 390 distributed questionnaires were returned, of which 385 were determined to be usable for purposes of the study. The usable response rate was 99 per cent.

### **PROCEDURE**

A cross sectional research design was used to examine the relationships between individual innovativeness, superior-subordinate relationship and OCB. Data were collected through questionnaires, personally administered at various commercial banks. The design partly avoids common method variance bias because measurements of individual innovativeness and quality of superior-subordinate relationship were obtained from subordinates and measurement of OCB was taken from the superiors of these subordinates.

Appointments were made to visit the banks to personally deliver the set of printed questionnaires to the managers. A package with two sets of survey questionnaires: one questionnaire (Set A) was to be answered by the subordinate; and another one (Set B) to be answered by the superior in charge of the subordinate. The manager in charge in each bank was requested to distribute four questionnaires at random to their subordinates and four questionnaires to the superiors supervising these subordinates. An envelope was also attached to each questionnaire. Instructions were written on the envelope for the respondents to place the questionnaire into the envelope and to seal it before returning to the manager in charge. The subordinates were not made aware that their respective superiors were evaluating them. Superior's evaluations on their subordinates here are presumed to be reasonably good measures of objective performance.

### **MEASURES**

**Organisational Citizenship Behaviour.** The 24 item OCB scale developed by Podsakoff, et al. (1990) was utilised to assess five dimensions of OCB proposed by Organ (1988). These dimensions were altruism, conscientiousness, courtesy, sportsmanship and civic virtue. The item ratings were obtained from a seven point Likert scale that had responsiveness ranging from 1= 'Strongly Disagree' to 7= 'Strongly Agree'. The ratings indicated the extent that each of the behaviours was a characteristic of the employee's behaviour. The role behaviour scale was included in the questionnaire as a control variable so as to isolate variance in OCB measures that was not associated with performance of in role behaviours (Moorman, Niehoff & Organ 1993). The in role items were adapted from Williams and Anderson (1991).

**Individual Innovativeness.** Measurement items for innovative behaviour were adapted from the work of George and Zhou (2001). This variable was assessed with 13 items. An arithmetic mean was obtained for individual innovativeness. Higher scores indicated a higher degree of innovativeness. The responses ranged from 1 = 'To the lowest degree' to 7 = 'To the highest degree'.

**Superior-Subordinate Relationship.** Superior-subordinate relationship was measured using the 12 item questionnaire that was adapted from Liden and Maslyn (1998). The responses ranged from 1 = 'Strongly Disagree' to 7 = 'Strongly Agree'. An arithmetic mean was obtained.

### **ANALYSIS**

Statistical Package for Social Sciences (SPSS Version 11) was used to analyse the data. The analyses were conducted in five stages. Stage 1 was to examine the overall profile of the respondents. Descriptive statistics such as means, standard deviations and reliabilities (Cronbach's alphas) for all the variables used in the study were used to describe the demographic profile. In stage 2, prior to testing the relationships between the variables measured in the study, factor analyses were conducted on these variable items. This was to determine whether the respondents dimensionalised the items of the variables in the same manner as previous studies (Podsakoff, et al. 1990, Williams & Anderson 1991, George & Zhou 2001) and to identify the structure of interrelationship (correlation) among a large number of variables by defining underlying factors.

Zero order correlations among all the variables were then examined in stage 3. The correlation matrix showed how each of the items was associated with all the other items. Multiple regressions were used to test the hypothesised relationships between the predictors and the criterion (OCB) in stage 4. For example, in the first step in assessing the impact of individual innovativeness on OCB, the control variable (i.e., in role behaviour) was entered. Previous studies have identified in role behaviour (Williams & Anderson 1991, Moorman, et al. 1993) as influencing OCB. In the second step, the main effect (individual innovativeness) was entered.

Stage 5 was to test whether the relationships between individual innovativeness and OCB were mediated by superior-subordinate relationship, and the procedure described by Baron and Kenny (1986) was used. A variable functions as a mediator when the following conditions are met (Baron & Kenny 1986): (a) variations in the levels of the independent variable significantly account for the variations in the presumed mediator (i.e., Path a), (b) variations in the mediator (Path b) significantly account for variations in the dependent variable (OCB), and (c) when Paths a and b are controlled, a previously significant relation between independent and dependent variables is no longer significant, with the strongest demonstration of mediation occurring when path c is zero (full mediation) or when relation between independent and dependent variables is significant with the demonstration of mediation occurring when path c is reduced (partial mediation).

The first step in establishing mediation is thus to show that independent variables are related to the mediator (Equation 1). In the second step, the independent variables are related to the dependent variable (Equation 2). Lastly, in order to test whether the mediator has full mediation in the relationship between the independent variables and the dependent variable, the effect of independent variable on the dependent variable (Equation 3) should be zero, when the mediator is controlled (full mediation). Partial mediation exists when the path from the independent variables to the dependent variable is reduced, but still different from zero when the mediator is controlled.

**RESULTS**

The respondents comprised of 64 per cent females and 36 per cent males. The sample was diverse in terms of ethnicity. The highest number of respondents were Malays (75 per cent), followed by Chinese (11 per cent), Indians (10 per cent) and the remainder (3 per cent) was classified as ‘others’. ‘Others’ here included Eurasians and Singhalese. Most of the employees were married (54 per cent), with 44 per cent still single and one per cent separated or divorced. Most employees were relatively young. Most of them were below 30 years old (80 per cent). In terms of educational attainment, 65 per cent held the Malaysian Certificate of Education (MCE), 15 per cent achieved their Higher Certificate of Education (HSC), 17 per cent held Diploma certificates, and a very small percentage of them received Bachelor’s degree (3 per cent) and Master’s degree (0.3 per cent). For the most part, the employees had relatively low formal education. This was not surprising because the positions they held were non supervisory positions. They did not supervise any employee at their workplace.

Each subordinate was rated by a superior. Superiors have been the source of choice in the OCB literature (Bateman & Organ 1983, Smith, et al. 1983, Organ & Konovsky 1989, Podsakoff, et al. 1990). Thus, if superiors see early attendance as extra-role behaviour, a subordinate who comes to work earlier than usual is said to engage in OCB regardless of how the subordinate sees his/her behaviour (Morrison 1994). The total number of superiors who answered questionnaires on their subordinates was 258. These happened because the subordinates chosen to answer the questionnaires were under the current supervision of these same superiors. There were 29 per cent male superiors and 38 per cent female superiors. Also, 42 per cent of the superiors were Malays, followed by Chinese (21 per cent) and Indians (4 per cent). Most of the superiors were married (54 per cent) and 13 per cent were still single. Most of them were between 31 years to 40 years old (33 per cent), 16 per cent less than 30 years old and 17 per cent between 41years old to 50 years old. In terms of educational attainment, a majority had at least a Bachelor’s degree (18 per cent), whilst the rest had Diploma (15 per cent), or a Higher Certificate of Education (HSC) (11 per cent), and other held the Malaysian Certificate of Education (MCE) (21 per cent).

Previous research suggested that OCB measures may assess in role behaviour (Schnake 1991). In role behaviour was thus included as a control variable. This approach was used instead of including in role behaviour in the criterion set because the theory supporting the OCB predictor relationships was not applicable to in role behaviours; thus in role behaviours were not expected to be related to the predictors (Williams & Anderson 1991). The seven item in role scale and 24 item OCB scale were together submitted to a principal components analysis with varimax rotation (N = 385). Factors with eigenvalues greater than or equal to 1.00 were selected. Referring to Hair, Anderson, Tatham and Black (1998), the cut off point for crossloadings of 0.35 is acceptable for a sample size of 250 and above. Most of the items loaded cleanly into the six factors explaining a total of 68.16 per cent of the variance. All extracted items had factor loadings greater than 0.30. Six items were deleted from the measure due to cross factor loadings. Factor 1 made up of five of the original sportsmanship items. The name ‘Sportsmanship’ was thus retained. Factor 2 also contained all the five original items of altruism. The name for this factor was thus maintained as ‘Altruism’. Factor 3 comprised of four items reflecting in role behaviour. This factor was named ‘In role’. Factor 4 had three items reflecting courtesy and one item reflecting civic virtue. The common thread across the items was to always consider others and not to create problems with them. Hence, this factor was named ‘Courtesy’. Factor 5 had three items reflecting civic virtue and one item on conscientiousness. The name ‘Civic Virtue’ was retained. Finally, Factor 6 comprised of items of conscientiousness. The name referred to was ‘Conscientiousness’. These data are presented in Appendix A.

The coefficient alphas for the OCB dimensions were: sportsmanship 0.89, altruism 0.92, in role behaviour 0.90, courtesy 0.82, civic virtue 0.71 and conscientiousness 0.62. One item from courtesy was deleted so as to improve the coefficient alpha from 0.79 to 0.82. The item was ‘He/she takes steps to avoid problems with other workers’. Similarly, one item from civic virtue was also omitted to improve the coefficient alpha from 0.63 to 0.71. The item deleted was ‘He/she attends meetings that are not compulsory, but are considered important’.

Factor analysis conducted on items of individual innovativeness yielded one factor with an eigenvalue greater than 1 (eigenvalues = 9.44). Principal components analysis conducted on the 13 item scale revealed a total of 72.64 per cent of the variance. The name ‘Individual Innovativeness’ was retained. These data are presented in appendix B. The single scale used has a coefficient alpha of 0.97.

Factor analysis was also conducted on the superior–subordinate relationship items and one factor emerged with eigenvalues greater than 1.00, explaining a total variance of 54.00 per cent. All of the items were retained. This factor was named ‘Superior–subordinate Relationship’. The factor analysis results are shown in Appendix C. The coefficient alpha of the scale was 0.93. This is comparable to those reported by Liden and Maslyn (1988) who reported reliability coefficients ranging from 0.80 to 0.92.

Overall, the means, standard deviations, and correlations among variables are displayed in Table 1. The means range from a maximum value of 5.46 (in role behaviour) to a minimum value of 4.10 (individual innovativeness). Correlations between the five dimensions of OCB suggest that statistical independence existed between these variables in that they could be evaluated on separate grounds. Individual innovativeness was found to have a positive significant influence with all the five dimensions of OCB. Superior-subordinate relationship was also found to have positive significant influence on OCB.

**TABLE 1: DESCRIPTIVE STATISTICS, CRONBACH’S COEFFICIENT ALPHA AND ZERO-ORDER CORRELATIONS (N=385)**

Variables	M	SD	1	2	3	4	5	6	7	8
1. Individual	4.10	1.05	<b>.97</b>							
2. Altruism	5.25	1.04	.46**	<b>.92</b>						
3. Courtesy	5.28	0.95	.30**	.54**	<b>.82</b>					
4. Civic virtue	5.16	0.89	.38**	.52**	.59**	<b>.71</b>				
5. Conscientiousness	5.0	1.11	.41**	.53**	.47**	.48**	<b>.62</b>			
6. Sportsmanship	5.30	1.17	.21**	.37**	.50**	.40**	.37**	<b>.89</b>		
7. In role	5.46	0.85	.44**	.59**	.57**	.58**	.54**	.42**	<b>.90</b>	
8 Superior	4.92	0.91	.58**	.74**	.60**	.61**	.60**	.42**	.66**	<b>.93</b>

Notes:

- a. Individual = individual innovativeness, In role = in role behaviour, and Superior = superiorsubordinate relationship.
- b. M = Mean, and SD = standard deviation of the mean.
- c. The bold values on the diagonal are the coefficient alphas.
- d. \*p<0.05, and \*\*p<0.01.

Table 2 presents the results of the analyses among variables. Using the multiple regression procedure, five regressions were conducted on each of the five dimensions of OCB: altruism, sportsmanship, courtesy, civic virtue and conscientiousness. The model explained individual innovativeness as having 17 per cent of the variance in sportsmanship; 45 per cent of the variance in altruism; 34 per cent of the variance in courtesy; 38 per cent of the variance in civic virtue, and 33 per cent of the variance in conscientiousness. Since the sample was sufficiently large, the assumptions of normal distributions were met. The homogeneity and linearity assumptions were met by visually examining the scatterplots of the residuals (Pallant 2001). The variance inflation factor (VIF) and tolerance value were examined to detect multicollinearity. Tolerance values that are greater than 0.10 and VIF values not exceeding 10 indicate that problem of high

multicollinearity are not present (Tabachnick & Fidell 1996). In Step 2, over and above in role variable which was included as a control variable in Step 1 of the regression, the predictor for altruism was individual innovativeness. Civic virtue and conscientiousness were also predicted by individual innovativeness. These results are presented in Table 2. Individual innovativeness was, however, seen to be the stronger predictor to altruism than civic virtue and conscientiousness. Individual innovativeness did not predict sportsmanship and courtesy.

**TABLE 2: STANDARDISED MULTIPLE REGRESSION BETA WEIGHTS FOR OCB DIMENSIONS ON INDIVIDUAL INNOVATIVENESS (N=385)**

Variables	Altruism	Courtesy	Civic	Conscient	Sportsman
<b>Control Variable</b>					
In-role Behaviour	.53**	.55**	.53**	.45**	.07**
<b>Predictor</b>					
Individual Innovativeness	<b>.25**</b>	.08	<b>.17**</b>	<b>.20**</b>	.06
R <sup>2</sup>	.45**	.34**	.38**	.33**	.17**
F	153.27	98.63	115.79	91.48	39.81

Notes:  
 a. Civic = civic virtue, Conscient = conscientiousness, and Sportsman = sportsmanship.  
 b. \*p<.05; and \*\*p<.01.  
 From the results evidenced in Table 2, hypothesis 1 – ‘Individual innovativeness is positively related to the various OCB dimensions: altruism, conscientiousness, courtesy, sportsmanship and civic virtue’ was partially supported. Individual innovativeness predicted altruism, civic virtue, and conscientiousness. Contrary to prediction, individual innovativeness failed to significantly relate to sportsmanship and courtesy.

**TESTING FOR MEDIATION**

Table 3 presents the results of the analyses between individual innovativeness and OCB with the inclusion of superior-subordinate relationship as the mediator. Individual innovativeness was found to be significantly related to superior-subordinate relationship. Tests required for mediated regression analyses were conducted. Three conditions for mediation were examined (Baron & Kenny 1986). The first condition is that the predictors must be significantly related to the mediating element. The second condition is that the predictors must relate to the criterion in the absence of the mediator. The final condition is that, when both the predictors and mediator element are included, the direct relationship between predictors and criterion should become significantly smaller (partial mediation) or non significant (full mediation).

**TABLE 3: STANDARDISED MULTIPLE REGRESSION BETA WEIGHTS FOR OCB DIMENSIONS ON INDIVIDUAL INNOVATIVENESS AND SUPERIOR-SUBORDINATE RELATIONSHIP**

Variables	SSR	Altruism			Courtesy		Civic		Conscient		Sports	
	Eqn 1	Eqn 2	Eqn 3	Eqn 2	Eqn 3	Eqn 2	Eqn 3	Eqn 2	Eqn 3	Eqn 2	Eqn 3	
R <sup>2</sup>	<b>.33**</b>	<b>.37**</b>	<b>.55**</b>	<b>.31**</b>		<b>.33**</b>	<b>.41**</b>	<b>.31**</b>	<b>.38**</b>	<b>.16**</b>		
F	<b>192.27</b>	<b>113.42</b>	<b>155.18</b>	<b>87.17</b>		<b>94.68</b>	<b>86.29</b>	<b>85.00</b>	<b>77.03</b>	<b>35.68</b>		
<b>Control Variable</b>												
In role Behaviour	—	.45**	.14**	.54**	—	.49**	.29**	.43**	.24**	.37**	—	
<b>Predictor</b>												
Individual Innovativeness	.58*	<b>.27**</b>	<b>.04</b>	.05	—	<b>.16**</b>	<b>.02</b>	<b>.21**</b>	<b>.07</b>	.06	—	
<b>Mediator</b>												
Superior-subordinate Relationship	—	—	<b>.62**</b>	—	—	—	<b>.40**</b>	—	<b>.39**</b>	—	—	

Notes:  
 a. SSR = Superior-Subordinate Relationship, and Conscient = conscientiousness; Eqn = Equation. Eqn1 = Direct relationship between SSR and Individual Innovativeness; Eqn2 = Direct relationship between criterion and Individual Innovativeness; Eqn3 = Relationship between criterion and predictor mediated by SSR.  
 b. \*p<0.05, and \*\*p<0.01.  
 As evidenced from Table 3, individual innovativeness fulfilled the requirements for mediated regression (Baron & Kenny 1986) on altruism, civic virtue and conscientiousness. These results are bold in Table 3. Hypothesis 2, which states that: ‘Superior-subordinate relationship mediates the relationship between individual innovativeness and organisational citizenship behaviour’, was thus partially supported. It was found that superior-subordinate relationship fully mediated the relationships between individual innovativeness and altruism; individual innovativeness and civic virtue, and individual innovativeness and conscientiousness in such a way that the direct effects of individual innovativeness on OCB decrease and become insignificant after superior-subordinate relationship is considered. Since the second condition as per Baron and Kenny (1986) that the predictor (individual innovativeness) must relate to the criterion (courtesy and sportsmanship) in the absence of the mediator was not met, the mediating test of superior-subordinate relationship (third condition) on individual innovativeness and two dimensions of OCB (courtesy and sportsmanship) need not be examined.

**DISCUSSION**

The findings showed that employees who are high on openness to new ideas have an appreciation of the merits of new ways of doing things and the potential for improving and changing the status quo (George & Zhou 2001). The willingness for employees to change leads them to want to perform OCB. They feel open towards wanting to help people around them – their colleagues, subordinates and superiors. They try to prevent work related interpersonal problems and they do things that benefit the organisation (e.g., being punctual, obeying rules). Being innovative makes the individual have the effect of helping a specific other person (altruism), carry out roles well beyond the minimum required levels such as not taking long breaks than necessary (conscientiousness), and participates in the political life of the organisation such as attending meetings, voting, speaking up, and discussing issues on personal time (civic virtue). Individual innovativeness does not, however, predict sportsmanship and courtesy. From the results of the findings, being innovative does not make an individual ‘touching base’ with others whose work would be affected by one’s decisions or commitments (Organ 1988). Innovativeness does not relate to the OCB dimension of courtesy such as giving advance notices, reminders, passing along information, consultation and briefings to others. Innovativeness also does not relate to sportsmanship such as avoid complaining and petty grievances. People are seen as innovative to the extent that they demonstrate certain abilities, achievements and/or personality traits (King & Anderson 2002). To encourage employees to be innovative, managers can boost the employees’ confidence through idea elicitation. This technique seeks to enable individuals in organisations to generate more and better new ideas to tackle problems or meet particular challenges. Getting useful feedback from them and giving feedback to them can be helpful to help them make improvements on their jobs. If the employee receives useful feedback from the managers, his or her attention is likely to be directed toward learning and making improvements on the job, in the process of which he or she may be stimulated to see things from different perspectives and come up with new and useful ways of doing things (Scott & Bruce 1994). Such innovativeness may not only result in the willingness to change, but may also result in enhanced organisational effectiveness. Employees who are discontented with the status quo may be a valuable resource in instigating change. Through idea elicitation can be seen as a form of training. One of the best known idea elicitation techniques is through brainstorming. In brainstorming,



good ideas are encouraged, and the greater the total number of ideas produced, the more likely it is that some of these ideas are at least good. The second approach to enhance individual innovativeness of employees is to train organisational members in the skills associated with innovative performance. The programme can take in the form of problem solving and emphasise the need to use a combination of divergent and convergent thinking skills at each stage of the process – problem finding, problem solving and solution implementation. The third approach that managers can take to promote individual innovativeness is to use selection and assessment to try to ensure that new members of the organisations are high in innovativeness, ability and that existing members are placed in jobs which enable them to fulfil their innovative potential.

The results of the study also implied that superior–subordinate relationship mediates the relationships between individual innovativeness and altruism, civic virtue and conscientiousness. Having good superior–subordinate relationship at the workplace leads to employees gaining more confidence in terms of their appearance, ability and power (Buss 2001). When employees are satisfied and happy with their interactions with their supervisors, they feel self worthy of themselves which may be described as the issue of character (Buss 2001). Practitioners thus can benefit from the study through the understanding of how relationships portrayed by the superiors can play a major part in influencing subordinates to perform work that goes beyond their job scope without expecting to be rewarded.

The finding that superior-subordinate relationship influences the relationship between individual innovativeness and OCB is particularly of interest to the banking industry in Malaysia and also to Asian banks that operate in tight labour markets. Human resource practitioners need to focus in promoting good relationships of those innovative employees in their organisations in order to lead to an increase of performance of OCB. These results are intriguing from a number of perspectives. The findings can form the basis for useful recommendations for Malaysian managers and employees who are concerned with the high economic costs of obtaining and retaining their workforce, in encouraging the practice of OCB for long term organisational success. The results from the study will help employers capitalise on the social exchange dynamics, by concentrating on employees' perceptions of innovativeness. Such understanding concerning the employees will provide clues to employers on what they need to do to promote different types of OCB. Managers will also be able to better manage and promote the relationships between meaningful organisational attitudes and beneficial organisational behaviour of their employees.

There are several implications for supervisors and organisations. From a theoretical perspective, the study looked at the impact of individual innovativeness and OCB coming from the perspective of the subordinates. Superior–subordinate relationship was also included to see how this construct influenced the relationships between individual innovativeness and OCB. Results from this study supported the hypotheses that individual innovativeness was associated with OCB through the mediation of superior–subordinate relationship.

The main weakness of the study is that the results pertaining to individual innovativeness and OCB may be susceptible to common method variance. Another weakness of the study was the cross sectional design, which does not allow for an assessment of causality. As a consequence, the results are mute where issues of causality are concerned.

## CONCLUSION

Evidence showed that individual innovativeness has a direct effect on employee's performance beyond their job scope. This is especially true when the subordinates see their superiors giving them support and encouragement to them at work. In an environment in which relationships are important, the superior's emotional support and guidance appeared to assist subordinates in attaining higher levels of performance. Interestingly, when there is presence of good superior–subordinate relationship, this somehow has increased bearing towards making the subordinates perform better OCB. The results of this study highlight the important and complex role of understanding individual innovativeness and OCB. Several other avenues can be envisioned for future research. The most obvious avenue is to explore the relationship between individual innovativeness and OCB, and also the relationships between superior–subordinate relationship and other organisational variables. Arguably, the pursuit of this line of research will greatly benefit the understanding of the reciprocity that functions in relationships.

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**EXTENSION EDUCATION APPROACHES OF HORTICULTURAL EXTENSION MARKETING: A VIEW**

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**ABSTRACT**

*Most of the strategies utilized in agricultural extension are adopted from extension education. Their use, however, depends on the organizational structure of the extension system, availability of resources, program objectives, and leadership style in the extension organization. Their use varies from place to place and from technology to technology. No single extension education approach can be considered as the best. Whether this can influence people to utilize any technology or information depends on the persons using them, the nature of such technology and the context in which they will be applied. What is applicable in one area may not work at all in another. Hence, the choice of extension education approach needs to consider the context and conditions in the area. Therefore this paper examines only the more commonly-used extension education approaches will be discussed in relation to horticultural extension marketing. These are: commodity approach, farming systems approach, project approach and participatory approach.*

**KEYWORDS**

Extension education, Marketing, Agriculture extension.

**INTRODUCTION**

Agricultural extension strategies can be used to effectively complement the traditional marketing approach. Companies can hire their own extension staff or partner with existing extension personnel from the government or nongovernmental organizations (NGOs). Extension agents can serve as after-sales service for seed companies by assisting farmers on how to best use the product they have just acquired. Most of the strategies utilized in agricultural extension are adopted from extension education. Their use, however, depends on the organizational structure of the extension system, availability of resources, program objectives, and leadership style in the extension organization. Their use varies from place to place and from technology to technology. No single extension education approach can be considered as the best. Whether this can influence people to utilize any technology or information depends on the persons using them, the nature of such technology and the context in which they will be applied. What is applicable in one area may not work at all in another. Hence, the choice of extension education approach needs to consider the context and conditions in the area. Therefore this paper examines only the more commonly-used extension education approaches will be discussed in relation to horticultural extension marketing. These are: commodity approach, farming systems approach, project approach and participatory approach.

**EXTENSION EDUCATION APPROACHES****THE COMMODITY OR SCHEME APPROACH**

This extension approach is highly specialized since it focuses on an export crop such as coffee, sugar, tobacco, cotton etc. It assumes that the only way to increase production is to concentrate on a particular crop. Examples of this are the boards of different crops in many countries. The purpose of the commodity approach is to increase production of a particular crop and improve its quality. It also aims to maximize the utilization of specific inputs. This approach is controlled by the organization implementing a particular extension program. Such control covers the setting of program goals, extension messages, time frame for activities, people participating in the program and extension staff. Implementation is based on the instructions of the organization. Techniques used in this approach are face-to-face interactions, group meetings, print media and demonstration farms where appropriate. If farmers do not follow the instructions, then sanctions are applied by the organization (low prices or non-provision of inputs). The extension organization provides resources, trains technicians and provides support services such as on-location farm management accounting or on-the spot soil tests when necessary. Success is measured based on total production of the particular crop. Advantages of this approach are:

- The technology is appropriate to the production process, and there is coordination of research and marketing.
- There is a concentrated range of technical concern.
- There are better incentives for trained personnel, and closer management and supervision.
- There are fewer farmers for each extension worker to handle, thus, it is easier to monitor and evaluate.
- It is cost-effective.

The disadvantages of this approach are:

- Less priority is given to farmers' interests.
- It does not offer advice to farmers raising other crops not covered by the program.

**THE FARMING SYSTEMS DEVELOPMENT APPROACH**

This approach assumes that technology which fits the needs of small farmers is not available; hence this has to be generated locally. Its purpose is to provide extension personnel (and farmers in the end) with research results appropriate to the needs and interests of local farm conditions. The farming systems approach is holistic. Thus, control of the program is shared jointly by men and women in the locality, extension workers and researchers. In each locality, the program "fits" the needs and interests of its end-users. Over time, they are likely to participate, adopt the recommended practices and support the continuity of extension education. There is a partnership of research and extension personnel and with local farmers. This approach involves analysis and field trials in the fields and homes. This is coupled with such techniques as meetings, tours and demonstrations. It also requires research personnel to go out to the project sites to listen to men and women with the extension personnel, to try to understand the farm as a system. This approach:

- Encourages active participation of the target group.
- Utilizes the existing organization.
- Is conservation-based.
- Views the family/household as an integral part of the farming system.
- Is dependent on the availability of support services.
- Is enhanced when farming system research activities exist.
- Has effective mechanisms for extending identified technologies and emphasizes the need for networking.
- Provides for substantial and continuous training.
- It aims for sustainability.

Success using this approach is measured in terms of adoption of technologies developed and their continuous use over time. Advantages of the approach are:

- Relevance and "fit" of the messages generated.

- Availability of messages to be shared with end-users.
- Linkages between extension and extension systems.
- Commitment of farmers to use the technologies.

The disadvantages, however, are:

- Cost is very high to bring the team to the field.
- This approach may be too slow.
- Heavy specialization.
- Reporting and administrative control are difficult.

#### THE PROJECT APPROACH

The extension officer's role is then to support the individual, to coordinate the activities of the different parties involved and to chase up the progress of the project. A planned project approach to horticultural marketing development will increase the chances of genuine improvements being made. It is important for the extension officer to have a clear mental image of the desired outcome and successfully communicate that objective. The project must be understood by all parties if they are going to be able to work effectively together. Business management experience has shown that targets, such as tonnages to be shipped or selling prices, are important too, as they provide challenges to the parties involved and can be used to monitor the progress of the project. This technique is called "management by objectives."

However, no matter how good the preliminary work has been, when a plan is put into action the unexpected will happen. Allowances for the unexpected should be made. It is advisable to start the project with a pilot stage so that mistakes can be made on a small scale and learned from. Furthermore, the project must be flexible so that changes can be made in the light of these lessons. Inevitably, the project's critics will try to emphasize any problems; most successful projects will have had to face problems, particularly in the early phases, and their success is often a measure of their ability to learn from and overcome difficulties. The project approach is generally supported by foreign funds or by organizations collaborating with government. Implementation, however, is done by project staff and other personnel employed on a temporary basis. The measures of success in this approach are usually the short-range changes that have taken place at the project site based on the objectives of the project. Advantages of this approach are:

- It is focused and hence, evaluation of effectiveness can easily be undertaken.
- Novel techniques and methods can be tested and experimented.
- Lessons learned from such can have lasting values in extension education.

There are disadvantages however, which are:

- Time frame is too short.
- Funds provided may be more than is appropriate.
- A flow of "good ideas," or the "spread effect," to other areas is limited.
- Unwarranted continuity after the project is over.
- Double standard for personnel (within and outside the project) is evident. This becomes a problem after the life of the project.

#### THE PARTICIPATORY APPROACH

It is a community-based development approach which focuses on the involvement of the very people who are the actors and targets of development. The assumption is that people's creative attributes and potentials can be tapped for development endeavours. Considering that people have their own resources, they should be involved in all phases of the program management. It is important that awareness is created and that they are empowered to take control of their own lives and fulfill their own needs and aspirations. In so doing, they will enhance and use their potential to improve not only themselves, but their community as well. Hence, they can be self-reliant and, thus, enhance their human dignity (self-worth). An example of the participatory approach is participatory breeding. Participatory breeding is widely used during the development phase on new varieties. Participatory breeding ensures that the seed that is developed meets not only the technical requirements and objectives set forth by the breeder, but also results in a product that is accepted by the end user. The purpose of a participatory extension approach is to increase production and income and enhance human dignity and quality of life of the beneficiaries. Such an approach involves:

**Social preparation:** This consists of selection of beneficiaries, their orientation and awareness creation to prepare them for the planning and implementation of the program/project.

**Training of those involved in the program:** To enhance the capability of the participants in participatory extension education, a training program is necessary for them to understand the methodology, values and technical know-how in the implementation of such an approach.

**Diagnosis of the study site:** This is undertaken by the participant-beneficiaries to determine the socio-economic, cultural, political and ecological aspects of the community. Participatory Rapid Appraisal (PRA) is used to get the baseline data which will be the basis for determining the changes later on that have taken place in the community. The PRA will help determine the problems, needs, potentials and capabilities of the local people in the area which will be the starting point for development.

**Planning process:** With the active participation of end-users and implementers (agencies, Governmental Organizations (GO) and NGOs) involved in the program, the group evolves a development plan for the targeted area. This plan includes the why, what, when, where and for whom, with whom and how the plan will be carried out. It will take into consideration the interventions that will be introduced, the inputs, process, output and outcome of the program/project.

**Implementation of the plan:** All sectors in the community will be harnessed and mobilized for the execution of the plan. Linkages within and outside the community will be established classifying the roles/functions played by the different agencies/organizations and coordinating such activities with local leaders participating actively. This phase will consider the timeliness of inputs, synchronization of the processes/activities and the monitoring of the outputs and outcomes and aligning the same to the program/project objectives.

**Monitoring and evaluation:** At each phase of the approach, monitoring will have to be undertaken to evaluate the processes that are taking place to find out whether the project is on the right track and whether redirections are necessary. This phase will also determine the pace of the implementation for a formative evaluation of the approach. Moreover, the process as well as the impact of the approach should also be assessed.

The purpose of this approach is to find out whether the needs and problems of the people are taken into consideration, and which goals are achieved. In the end, there is also the sustainability of the program and the self-reliance of people themselves. The advantages of this approach are:

- Relevance or "fit" of the program.
- Mutually supportive relationships are developed among participants (researchers, extension specialists and local people) including those who provide support services.
- It stimulates increased confidence, awareness, and participation among end users.

On the other hand, the disadvantages are:

- Lack of control of the program from the government's point of view.
- There is difficulty in reporting and accounting of the participatory approach.
- Pressure is applied to research and extension systems by the local people.
- Local people may exert pressure on personnel management decisions (choice, assignments and upward mobility of extension workers) on the central government.

**MARKETING TECHNIQUES FOR EXTENSION AGENTS**

Credibility can be a serious problem for extension officers. Farmers will often be skeptical of advice from someone they consider being inexperienced in practical matters. Growers may be suspicious of the motives for providing free advice. They are understandably reluctant to accept untried advice, particularly when they will suffer financially if it proves to be wrong. Furthermore, it is often those who most need good advice who are the most difficult to contact. These are the small, poor farmers without transport who are usually the most conservative. Wealthy farmers will probably have the transport to visit extension officers and are often more appreciative of extension advice. They are, however, those that least need assistance.

The challenge to the extension officer with special responsibility for marketing is firstly to decide how the marketing problems of the area can be solved. Secondly, he or she needs to think through the best way to get advice or plans across to the maximum number of target farmers. Finally, the agreement and the commitment of those that will be involved in any coordinated production program in the area must be obtained. The two chief functions of an extension officer are:

- to reduce the learning time for an individual farmer to accept a new idea or technique;
- to increase the number of farmers who understand the new ideas. .

In some countries certain extension officers are given the responsibility of becoming subject matter specialists in marketing. It is then their task to train other extension officers and provide specialist marketing advice. By working through other extension officers their effectiveness is increased. Generally the marketing extension officer is based in the production area. He or she must make regular visits to the markets in order to maintain contacts and keep in touch with changes in price and demand. Sometimes, however, he is based away from the production areas. In this case he will have to return regularly to the production areas to maintain contact with growers regarding their problems and to provide relevant marketing advice. Experience has shown that one of the most effective ways of working is to work with groups of farmers. An extension technique, very much under-exploited, is helping farmers indirectly by providing guidance and advice to private-sector companies. For example, companies who either supply inputs or, more importantly, assist in the marketing and distribution of produce can often use timely and reasoned advice to put into motion a process which brings benefits to large numbers of growers.

**FARMER TEACHES FARMERS**

A successful farmer explains to a group of other farmers his production and marketing practices. The meeting is most effective on the farmer's own farm. This concept is similar to the concept of **Farmers Field School**, where trained farmers will in turn train their peers for an optimal diffusion of knowledge and new or improved technology.

**DEMONSTRATIONS**

Practical demonstrations of techniques such as harvesting, cleaning, grading and packing, preferably taking place on a farm are useful. Prepared samples, which demonstrate the differences overtime of different handling practices, can be effective, as are samples of competing produce and photographs.

**TALKS AND SEMINARS**

Possible topics include: market possibilities successful case studies, post harvest techniques, market-oriented production techniques. Buyers and middlemen should be involved to talk.

**PROBLEM-SOLVING TECHNIQUES**

The farmer group is encouraged to identify its own major problems. The problem solving can be tackled systematically, by calling in specialists individually to advise the group or by forming a panel to answer farmers' questions. Alternatively, the group might be encouraged to decide on their own solutions, which they can then implement themselves collectively.

**STUDY TOURS**

Farmers are taken on a study tour to make their own contacts and to see the market for themselves, visit processing centers and observe how their produce withstands transportation. Farmers visit farmers in another area to exchange experiences and see new techniques. This experience alone can transform a grower's views on production and marketing.

**WRITTEN INFORMATION / PROTOCOLS**

Fact sheets are prepared and distributed. These can identify potential trading partners or provide technical information on production and post-harvest techniques.

**MARKET NEWS SERVICES**

Establish a market news service which provides regular, reliable, relevant and timely information. This may be in the form of a news sheet or a radio bulletin.

**IDENTIFICATION OF PROBLEMS AND OPPORTUNITIES**

The ways in which problems can be solved and opportunities exploited will change from area to area. To help the extension officer have a clear overview of the area, he or she will need to identify what stage in horticultural development the region has reached. Normally the aim will be to try to introduce the next steps in the horticultural progress.

**ANALYSIS OF CONSTRAINTS AND OPPORTUNITIES IN MARKETING EXTENSION**

Constraints	Opportunities
Problems	Advantages
No local market Poor transport services	Capable of early crop production
Solutions	Actions
Organize local farmers' market Encourage buyers with own transport	Encourage growing early crops and develop production techniques for earlier crops

**AGREEING ON AN ACTION PLAN**

**Giving advice to individuals:** The first involves giving advice to an individual farmer. This should be a low priority as it is an inefficient use of time, where advice is given to individuals, larger-scale farmers obtain the most benefits.

**Providing marketing advice to groups:** The second involves providing marketing advice to farmer groups, particularly through the methods of mass extension. This has the advantage of reaching a large number of growers and allows coordination of farmers' activities and cooperation in marketing.

**Providing information:** The third technique involves providing advice or information to critical individuals, organizations or private-sector companies in the marketing chain whose actions can have a beneficial effect on marketing.

Finally, and perhaps most ambitiously, an extension officer may decide whether it is necessary to attempt a project approach to develop horticultural marketing. Marketing is normally achieved by a series of interlinking stages and coordination between the stages is essential. A project approach is one which involves coordinating the activities of a number of different intermediaries in a marketing chain. It may involve a group of farmers assembling their produce at one point so that it can be transported in bulk to the market. More complex schemes could involve ensuring a supply of inputs, providing growers with production advice and negotiating contract terms with a buyer, be he/she a food processor or exporter.

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**DISABILITY AND ACCESS TO HIGHER EDUCATION IN INDIA**

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**ABSTRACT**

The higher education system in India is a powerful tool to build a knowledge-based society. Access to institutions of higher education is as important for disabled people since it can offer them the opportunities for employment, social inclusion and poverty alleviation. A disability (or lack of a given ability) in humans may be physical, cognitive/mental, sensory, emotional, developmental or some combination of these. The most commonly cited definition by the World Health Organization in 1976, is that, 'a disability is any restriction or lack (resulting from an impairment) of ability to perform an activity in the manner or within the range considered normal for a human being'. The Indian Parliament, for the first time, has legally endorsed the right of access for people with disability to education, vocational training and employment through the Persons with Disability (Equal Opportunity, Protection of Rights and full Participation) Act, 1995. In the present paper our main objective is to know the extent to which Higher Education is accessible to the Disabled group. For this, we use secondary data and analyze them. In India the accessibility of higher education is limited for some reasons. The education level among disabled in rural areas is low compared to urban areas because of the concentration of educational facilities in urban areas. What is required is to create more educational facilities in rural areas to increase the education among rural disabled.

**KEYWORDS**

Disability, Definition, Higher Education.

**INTRODUCTION**

The higher education system in India is a powerful tool to build a knowledge-based society. Access to institutions of higher education is important for disabled people since it can offer them the opportunities for employment, social inclusion and poverty alleviation. Understanding and accommodating students with disability has become a central focus for higher education. In the Ninth five-year plan, the University Grants Commission (UGC) has stated that persons with disability should not be ignored in the higher education system. It has recommended a scheme to provide special assistance to disabled persons to facilitate better accessibility in higher education. It offers special education with financial assistance available under the programme of Integrated Education for Disabled Children by the Ministry of Human Resource Development, Government of India, or within the available resources of the UGC. According to Article 26.1 of the University Declaration of Human Rights, higher education shall be equally accessible to all on the basis of merit. Students with disabilities represent one of the groups, which are more active and intelligent. They may be generally less mature and have more problems in making social relationship. But if they are provided with the favorable environment and adequate opportunities, they can develop their capabilities through education and training. Their educational needs can be addressed through open and distance learning system and special education. They face additional challenges in their educational environment. Often the method followed for their assessment is not suitable. After completing their lower level of education, these students face both physical and attitudinal barriers in higher education. Disabled students require some special aids and appliances. The aim of the Educational Policy in India should be such that, it can provide access to disabled students in higher educational institutions and the existing structure should be made disability friendly.

**OBJECTIVES**

The objectives of this study are

- To know the extent to which higher education is accessible to disabled group.
- To examine the nature and extent of disability in India.

**METHODOLOGY**

The methodology for this study is such that it could effectively collect the data/fact to evaluate the accessibility of higher education to the disabled student and to achieve the objectives of the study. In this study mainly secondary data is used from various sources like reports of Census and NSSO, journals etc.

**DISABILITY**

Defining *disability* is difficult because there are too many definitions which are used for different purposes. The most commonly cited definition by the World Health Organization in 1976, is that, 'a *disability* is any restriction or lack (resulting from an impairment) of ability to perform an activity in the manner or within the range considered normal for a human being', 'an *impairment* is any loss or abnormality of psychological, physiological or anatomical structure or function', 'a *handicap* is a disadvantage for a given individual, resulting from an impairment or a disability, that prevents the fulfilment of a role that is considered normal (depending on age, sex and social and cultural factors) for that individual'. (Website-1)

The Rehabilitation Council of India Act, 1992 has provided a set of definition. These are as follows:

*Hearing handicap* means deafness with hearing impairment of 70 decibels and above in the better ear or total loss of hearing in both ears. *Locomotor disability* means a person's inability to execute distinctive activities associated with moving, both himself and objects, from place to place, and such inability resulting from affliction of either bones, joints, muscles or nerves. *Mental retardation* means a condition of arrested or incomplete development of mind of a person which is specially characterized by sub-normality of intelligence. *Visual handicapped* means a person who suffers from any of the following conditions, such as: (i) total absence of sight, (ii) visual acuity not exceeding 6/60 or 20/200 in the better eye with the correcting lenses, (iii) limitation of the field of vision subtending an angle of degree 20 or worse. (Barik, S. 2009, p. 120)

**Planning Commission of India** has given a definition. According to this definition, 'a disabled person means who is: blind, deaf, having orthopedic disability, having neurological disorder, mental retarded'. The definition includes 'any person who is unable to ensure himself/herself, wholly or partly, the necessities of a normal individual or social life including work, as a result of deficiency in his/her physical or mental capability.' (ibid, p-121)

Indian Parliament, for the first time has passed the

**Person with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.** The Act has 74 sections. Section 2 (i) identifies the following seven categories of disability:

- (i) Blindness
- (ii) Low vision
- (iii) Locomotor disability
- (iv) Leprosy cured
- (v) Hearing impairment
- (vi) Mental retardation
- (vii) Mental illness

Thus the disabled group includes both, physically and mentally handicapped people: blind, deaf, dumb, mentally retarded, orthopedically deformed and those who are suffering from incurable diseases like polio, leprosy etc.

## EXTENT OF DISABILITY IN INDIA

Disability is a global problem, but the proportion is very high in Asia specific region. Estimating the prevalence of disability in India has been hampered by complex and countless factors. The lack of adequate definitions of disability further compounds the task of accurately assessing the prevalence of disability. There are two government sources of nationwide disability statistics in India: the Census and surveys of the National Sample Survey Organization (NSSO). The Census of 2001 did not adopt any particular definition of disability, rather it included a functional limitation question that asks respondents about their type of functional limitation (e.g., in seeing, hearing, movement), while the NSSO adopt the definition provided by the WHO in 1976. (Hiranandani, V. and Deepa, Sonpal, 2010)

Out of all types of disabilities, data are available only for five types. The national level data collected by both the institutions are shown in table: 1

**TABLE 1: ESTIMATES OF DISABILITY IN INDIA BY CENSUS AND NSSO**

Types of Disabilities	Census 2001		NSSO - 2002	
	Number	% of Total Disabled	Number	% of Total Disabled
Seeing	10,634,881	48.55	2,826,700	15.29
Speech	1,640,868	7.49	2,154,500	11.65
Hearing	1,261,722	5.76	3,061,700	16.56
Movement	6,105,477	27.87	10,634,000	57.51
Mental	2,263,821	10.33	2,097,500	11.34
Total	21,906,769	100.00	18,491,000	100.00

*Source:* Census of India 2001 & 58<sup>th</sup> round of NSSO 2002

According to the survey of NSSO 2002, the estimated number of disabled persons in the country was 18.49 million during July to December, 2002, and they formed about 1.8 per cent of the total population. Census of India 2001 has identified five types of disabilities and estimated that total number of disabled in India was 21.9 million which constitute about 2.13 percent of total population. Census data shows that nearly half total disabled are having seeing disabilities (48.55 percent) followed by movement disabilities (27.87 percent), while NSSO data shows that more than half (57.51 percent) of total having movement disabilities. The data of Census and NSSO vary because they used different parameters in counting the disabled. Their definitions of disability are different.

**TABLE 2: CLASSIFICATION OF DISABILITIES BY SEX**

Types of Disabilities	Sex		
	Persons	Male	Female
Total	21906769 (100.00)	12605635 (57.54)	9301134 (42.46)
Seeing	10634881 (100.00)	5732338 (53.90)	4902543 (46.10)
Speech	1640868 (100.00)	942095 (57.41)	698773 (42.59)
Hearing	1261722 (100.00)	673797 (53.40)	587925 (46.60)
Movement	6105477 (100.00)	3902752 (63.92)	2202725 (36.08)
Mental	2263821 (100.00)	1354653 (59.84)	909168 (40.16)

*Source:* Census of India 2001

Table 2 shows that rate of prevalence of disabilities are higher (57.54 percent) among males as compared to females (42.46 percent). In the case of movement and mental disabilities the proportion of male is much higher than females.

**TABLE 3: CLASSIFICATION OF DISABILITY BY RESIDENCE**

Types of Disabilities	Residence		
	Persons	Rural	Urban
Total	21906769 (100.00)	16388382 (74.81)	5518387 (25.19%)
Seeing	10634881 (100.00)	7873383 (74.03)	2761498 (25.97)
Speech	1640868 (100.00)	1243854 (75.80)	397014 (24.20)
Hearing	1261722 (100.00)	1022816 (81.07)	238906 (18.93)
Movement	6105477 (100.00)	3465452 (56.76)	2640025 (43.24)
Mental	2263821 (100.00)	1593777 (70.40)	670044 (29.60)

*Source:* Census of India 2001

Census 2001 shows that majority of disabled are living in the rural areas (74.81 percent of total disabled) than urban areas (25.19 percent of total disabled). Lacks of medical facilities, large family size, concentration of medical facilities in urban localities, etc. are the major reasons for this trend.

## ACCESSIBILITY OF HIGHER EDUCATION FOR DISABLED STUDENTS

Higher education, also called tertiary or post secondary education, is the non-compulsory education. Higher education is normally taken into include undergraduate and post-graduate, as well as, vocational education and training. Colleges and universities are the main institutions that provide higher education. (Singh, Dolly and Dasprabhu, Suchitra, 2008, p. 2) The structure of higher education consists of three years in bachelor's degree in arts, social sciences and

sciences and four years in professional fields like engineering and medicine. This is followed by two years of study for Master's degree and at least three years beyond the Master's for a Ph.D degree. (Patanjali, Prem Chand, 2005, p. 31)

Since independence there has been an enormous increase in the number of higher educational institutions in India. The number of universities has increased from 20 in 1947 to about 357 in 2005. There are now 20 Central Universities, 217 State Universities, and 106 Deemed Universities. The number of colleges increased from 500 in 1947 to 17,625 in 2005. There are about 1265 engineering and technology colleges, 320 pharmacies, 107 architecture, and 40 hotel management, making a total about 1749 institutions in 2004. In respect of post-graduate educational institutions there are 958 MBA/PGDM and 1034 MCA in 2004. With this progress, we expect improvement in the level of higher education, access to disadvantage groups, and the quality of higher education. (Thorat, Sukhadeo, 2006, p. 3)

The main aim of education for the disabled would be to make them literate and educated, and to provide employment so that they can enjoy an independent life. Disabled students need special arrangements in the regular environment of educational institutions for their independent functioning.

The National Policy on Education (NPE), 1986 and the Programme of Action (1992) gives the basic policy framework for education, emphasizing the correcting of existing inequalities. It stresses on reducing dropout rates, improving learning achievements and expanding access to students who have not had an easy opportunity to be a part of the mainstream system. In 2003 *Ministry of Social Justice and Empowerment* has introduced scheme of providing scholarships for people with disabilities to pursue higher education.

The Persons with Disabilities Act of 1995 emphasized equal access for disabled people to all levels of education including higher and vocational education, and reservation of a minimum of 3% in admissions to all levels of public educational institutions (*Government of India, 1996*). Disabled children rarely progress beyond primary school, and only 9% have completed higher secondary education (*World Bank, 2007*). *National Centre for Promotion of Employment for Disabled People (NCPEDP)* unveiled shocking statistics on 'Education Scenario vis-à-vis Students with disabilities' at a press conference in Delhi on September 14, 2004. The 119 respondent universities out of 331 had just 1,635 disabled students registered. This figure is alarmingly low when compared to the University Grants Commission (UGC) standard of 3.6 lakhs disabled students for 119 varsities, which is only 6 per cent of the entire population of disabled people. Only the Banaras Hindu University and the Aligarh Muslim University had disabled students in double digits, with 202 and 280 respectively. While JNU ranked sixth in terms of the number of disabled enrolled, Delhi University failed to even reply. Among the 100 colleges out of 294, a mere 0.52 per cent of the students' population consisted of people with disabilities, lower than the 3 per cent mandated by the PWD Act 1995.<sup>8</sup>

Despite all these attempts to develop the condition of the disabled persons, their educational level is not satisfactory. Census of India 2001 provides data of literacy rate among disabled persons. Table 3 shows the literacy level by sex and residence.

TABLE 4: LITERACY RATE AMONG DISABLED (Percentage)

Residence	Persons	Male	Female
Total	49.31	58.15	37.32
Rural	44.40	54.11	31.31
Urban	63.87	70.05	55.36

Source: Census of India 2001

Literacy level is higher in urban areas (63.87 percent) as compared to rural areas (44.40 percent) because most of the educational institutions, especially special schools for disabled, are located in urban centers. The above table also shows that literacy level is low among disabled females as compared to male. Lowest literacy rate is observed among rural disabled female. This revealed that education among girls in rural areas is not given important especially if she is disabled. The situation will be clear if we compare this literacy rate with total number of literate population. It is only 4.72 percent. Among disabled male literacy rate is 5.66 percent of total literate male and 1.37 percent of total male. Among female this is 3.49 percent of total literate female and 0.70 percent of total female.

TABLE 5: LITERACY RATE AMONG DIFFERENT CATEGORIES OF DISABLED BY SEX

	Total	Male	Female
Seeing	49.85	59.56	38.50
Speech	36.23	41.91	28.57
Hearing	43.17	55.73	28.79
Movement	57.37	65.44	43.08
Mental	37.89	43.68	29.27

Source: Census of India 2001

Table 5 shows the literacy rate among different categories of disabled. This shows that literacy rate is highest among movement disabled.

TABLE 6: LITERACY RATE AMONG DIFFERENT CATEGORIES DISABLED BY RESIDENCE

	Total	Rural	Urban
Seeing	49.85	43.56	67.77
Speech	36.23	31.38	51.41
Hearing	43.17	39.31	59.72
Movement	57.37	53.74	69.04
Mental	37.89	34.72	45.44

Source: Census of India 2001

The table shows that literacy rate is highest in urban areas especially for movement disability. This indicates that movement disabled persons are enrolled in educational institutions in highest number.

TABLE 7: EDUCATED DISABLED

	Literate	Higher education
Total	10801232	645118
Male	7330091	486373
Female	3471141	158745

Source: Census of India 2001

Table 7 shows the total number of literate disabled persons and enrolled in higher education. In higher education their enrollment is very low especially for female.

TABLE 8: NUMBER OF DISABLED PERSONS BY ATTENDANCE OF VOCATIONAL COURSE PER 1000 DISABLED PERSONS OF AGE 10 YEARS AND ABOVE FOR EACH SECTOR ALL-INDIA

sector	not attended any vocational course	course attended		
		engineering	non-engineering	total
rural	984	3	12	15
urban	963	9	26	35
Rural + urban	979	4	15	19

Source: NSSO 2002

Table 8 shows the number of disabled in vocational courses. Vocational courses can be divided into two categories-engineering and non-engineering. In engineering courses their number is very low. Out of 1000 disabled persons living in rural areas in rural India, only 15 completed any vocational course. In urban areas, a comparatively higher number of disabled persons (35) have done so.

## SPECIAL EDUCATION

*Special education* is the instruction that is modified for those students with special needs. Special education in India was present since the pre independence time, with very few schools or NGOs helping intellectually impaired children. Today India has come a long way and made a good progress in the field of disability rehabilitation. Presently India has four national institutes for effective implementation of this special education through various government schemes. The popular national level institutes for disabled persons are the National institute for Hearing Handicapped, National Institute for the Mentally Handicapped, National Institute of the Visually Handicapped and National Institute for orthopedically handicapped. National Institute of Rehabilitation, Training and Research and The Institute for Physically Handicapped are other two national level institutes run by government. Moreover, government has initiated District Rehabilitation Centre (DRC) scheme in ten states to make all-inclusive rehabilitation. Four Regional Rehabilitation Training Centers are there to train the staff and teachers who work with these institutes. There are almost 37 diploma courses in the field of special education in India some of the institutes offer courses like B. Ed as well. All these courses are regulated and governed by the Rehabilitation Council of India (RCI)- a legislative body under the Ministry of Social Justice and Empowerment.(Website-2)

In 2005, International Institute for Special Education was set up in Uttar Pradesh, which has been given authorization by Government of India. This institute runs the following courses- PhD, MCA, PGDBA, BBA and BCA. (Singh, Dolly and Dasprabhu, Suchitra, 2008, p. 54)

## PROBLEMS

India has created one of the biggest higher education systems in the world. But the *accessibility of higher education* is limited due to some reasons:

1. Higher bureaucratized system with multiple controls and regulations by Central and State Government and statutory bodies.
2. Most institutions offer outdated programmes with inflexible structure.
3. Infrastructure facilities are not adequate.
4. Lack of trained manpower, funds, training facilities, techniques and research for the disabled.
5. The unit cost of higher education, particularly of professional education is high.

## SUGGESTIONS

For the accessibility of *higher education* to the disabled some steps should be taken immediately:

1. Provide them proper medical attention, special education and rehabilitation facilities in a greater extent.
2. Adopt some policies to remove malnutrition, hunger and diseases which are the major cause of disability.
3. Access to higher education should be broad-based so that open universities, distance educations and vocational training institutions can grow.
4. Good quality, market based, e-learning courses and Internet schools need to set up.
5. The potential of ICT should be fully utilized.
6. Scholarship should be provided to meritorious students.
7. Use of multimedia and technology can ensure a quality higher education.
8. Create awareness among people about the conditions of disabled students.

## CONCLUSION

It is accepted that good quality higher education is the most important instrument for achieving social development. Social development can be achieved by developing all sections of the society. Disabled people are one of the sections of the society and if they are provided educational opportunities, they can develop their capabilities. Recent trends in educational institutions in India show that it accessibility is growing up. But this is not true for disabled people. Majority of them are far away from higher education. In higher education their number is 645118 out of 21.9 million.

The study reveals that literacy rate is very low among disabled. In case of male disabled, their literacy rate is higher than female disabled. In rural areas literacy rate is lower than urban areas because of the concentration of educational facilities in urban areas. There are few universities which have department of special education in India. All universities must have special education department with courses at under-graduate and post-graduate level to promote higher education to disabled students. Education is most important for the advancement of women and girls with disabilities as it provides access to information and enables them to communicate with others. Hence, there is an urgent need to consider policies and programmes that will place them in the mainstream education system. Further, it is clear that the estimation of disability is very difficult. For the policy formulation, estimates should be made in accordance with accepted definition of disability. It is necessary to formulate some policies, especially for the disabled for the upliftment of their conditions and for education. But only formulation of policies is not necessarily increase their educational facilities. These should be implemented as soon as possible.

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**COMPARATIVE ADVERTISEMENT AND INFRINGEMENT OF TRADEMARKS**

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**ABSTRACT**

*Trademark law is an emerging field of study with various dimensions. The main purpose of this paper is to analyse the link between the comparative advertisement and the trademark law regime. It is well known notion that the decisions of the consumers are influenced by the comparative advertisements. An attempt has been made in this paper to analyse whether or not this notion is right. In this paper, an attempt has been made to analyse the meaning and the relation between comparative advertisement, trademark infringement and consumers. In the first section of the paper the general introduction is given to the topic, in the second section the questions such as whether the comparative advertisements help the consumers in making rational decisions and secondly assuming that they do provide whether it is worth to have it at the cost of court battles which take place as a result of the infringed trademarks. The third section shall be dealing with the conclusion. The consumers have become more sceptical and do not get carried away by the comparative advertisement. It can also be said that even though the comparative advertisements do provide a remote benefit to the consumers, it ends up in a legal battle between the two brand owners. Hence, the effectiveness of the advertisement becomes very low.*

**KEYWORDS**

Comparative advertisement; Consumers; Legal Battles; Trademark infringement.

**INTRODUCTION**

Advertisement helps in the good decision making of the consumers and helps the brand owners to promote their product. It is basically used to make the products and services familiar to the consumers or in a nutshell it is a medium of communication between the owners of various brands and the consumer in the market place. Comparative advertisement is used in many countries for the purpose of the commercial advertising. This kind of advertisement is done with an aim to influence the consumer behaviour and to attract the consumers. Comparative advertisement is that kind of advertisement which compares goods and services of one party with the goods and services of the other party, where the advertising party tries to showcase its goods to be superior. The increase in competition between companies has also increased the rate of the comparative advertisements.

Registration of a trademark gives an exclusive right to a person to use that particular mark. But many a times this is violated by the way of comparative advertisements to influence the consumer behaviour. This infringement of the trade mark increases various concerns of the brand owners as well as the consumers. In this paper an attempt has been made to analyse the meaning and the relation between comparative advertisement, trademark infringement and consumers. In the first section of the paper the general introduction is given to the topic, in the second section the questions such as whether the comparative advertisements help the consumers in making rational decisions and secondly assuming that they do provide whether it is worth to have it at the cost of court battles which take place as a result of the infringed trademarks. The third section shall be dealing with the conclusion.

**WHAT IS COMPARATIVE ADVERTISEMENT?**

Before understanding what is comparative advertisement it is very important to know about advertisement. Advertisement is a marketing tool which is used for publicity and promotion of the product among the consumers. The main aim is to make the consumers aware that product has a good utility and is effective. Whereas, comparative advertising is a kind of advertising where the goods or services of one party are compared with the goods and services of another party, where the advertising party places its product in a more favourable position. Moreover, there are various conditions or factors effecting the comparative advertisement (Terence A. Shimp, 2008).

Comparative advertising is advertising in which a trademark owner compares its product or service with that of a competitor and this is usually done to show that the advertiser's product is of a superior quality. It is a form of advertising in which two or more recognizable of the same product or class are compared with the help of the product attributes (Batra, 2006). There are many types of comparative advertising, the advertiser can stress similarities or differences; it can refer to a competitor directly or indirectly (Belinda Issac, 2000). The comparisons can be to more than one product or service. In the entire above cases one thing which is similar is that the purpose is to show the advertisers own product in a favourable position in the market place. If comparisons are direct then it is basically called the Direct Comparative Advertisements in which the trademarks or the service marks of the goods are usually used. Comparative advertisement refers to identifying the competitor's products with its trademarks and comparing it to an advertised product (Ryan W. O'Donnel & John J. O' Malley, 2008).

Comparative advertisements have a tendency to evoke string of emotions on both the sides in the form of court cases. This specially happens when the comparative advertisement causes the infringement of the trademarks. When the trademarks are infringed then the parties go to the courts. Hence, there is a very important nexus between the infringement of trademarks and comparative advertisement which is discussed in the next segment.

### WHAT IS INFRINGEMENT OF TRADEMARKS?

The use of a mark that creates a likelihood of confusion amongst the relevant public as to the source of goods bearing the mark constitutes infringement (American Bar Association, 2008). The Trademark law is very clear about the infringement of trademarks. Section 29 of the Trade Mark Act, 1999 deals in detail about the infringement provisions. Section 29 (1) says that a trademark is infringed by a person who uses the trademark despite not being a registered proprietor and not having the right to use that particular trademark. Moreover, this mark should be used in the course of the trade. This use should in a way mislead the consumers making them believe that the goods belonged to the registered proprietor of the trademark. The other subsections also deal with various aspects of infringement, such as the rights of the company whose trademark has been infringed by other company who uses the trademark without any lawful right to use it. According to Section 29(9), the infringement can either be through words or even visual. These infringement provisions also apply to the internet advertisement as well (Kevin Lee & Catherine Seda, 2009).

The Trademark is said to be infringed in the following cases when we talk about advertisement (Rodney D. Ryder, 2003) -

1. Uses a mark identical to the registered trademark for the goods & services identical to those covered by registration.
2. Uses a mark similar to the registered trade mark of the goods and services identical to those covered by registered trademark for goods and services identical to those covered by the registration. (where the public is likely to be confused)
3. Uses a mark identical to the registered trademark for goods and services similar to those covered by registration. (where the public is likely to be confused)
4. Uses a mark similar to the registered trademark for goods and services similar to those covered by registration. (where the public is likely to be confused)
5. Uses a mark identical or similar to a registered trademark for goods or services dissimilar to those covered by registration (where the use of unfair advantages of, or is detrimental for the registered marks, distinctive character or reputation).

The above are the grounds on which persons can be held liable for infringement. However, when we talk about comparative advertisement we usually consider the first four grounds. Moreover, the infringed trademark can be of two kinds-

1. Unregistered Trademark - Use of a these kind of trademarks in a comparative advertisement brings with it the risk of an action for passing off (Narayana P., 2006) if the plaintiff can show that there is a misrepresentation, i.e., that customers are deceived into believing that the defendant's product is that of the plaintiff. Belinda Milla, 1996) For Example, Burger King discovered this when McDonald's brought a passing off action against it following Burger King's use of the phrase "Not just Big, Mac" in an advertisement for its Whopper burger. Trademark law applies to the well known unregistered trademarks.
2. Registered Trademark - When the trademark is registered then the scenario is totally different. All the provisions of the Trademarks Act, 1999 will apply. Even though the consumers are misled, a party cannot be charged for comparative advertisement unless the infringed trademark is registered. Hence registration is very important. The exception to this rule is the well known trademarks.

### RELATIONSHIP BETWEEN COMPARATIVE ADVERTISEMENT AND THE TRADEMARK INFRINGEMENT

The main function of the trademark is to distinguish the goods of one person from the goods of the others in the market place. Hence trademark is a way by which the consumer can easily identify the product. Hence, when the advertising party uses the trademark of the goods of another party and puts his goods in a favourable position then it is known does not only fall a part of the comparative advertisement but it also invokes the provisions of the trademark infringement. Comparative advertisement constitutes trademark infringement if it is without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark (Jeremy Philips, 2006). It was also held in the case of *Pepsico Inc. and ors. vs. Hindusthan Coca Cola Ltd. and Anr.*, (2003) 27 PTC 305, that if a trader compares his goods with the goods of rival without in any way advertising that the trade mark is used in relation to his goods, there is prima facie no infringement.

Moreover, in the case of *Wander Ltd. and Anr. vs. Antox India P. Ltd.*, 1990 Supp. Scc727, the Supreme Court was of the view that using somebody else's trademark can be deceptive and can be regarded as an unfair tradepratic. The action will be regarded as an action for deceit.

The most important case in this context is the case of *Reckitt & Colman of India Ltd. vs. Kiwi T.T.K. Ltd.*,63 (1996) DLT 29, The Hon'ble Court laid down the following guidelines for comparative advertising:

1. A tradesman is entitled to declare his goods to be the best in the world, even though the declaration is untrue.
2. He can also say that my goods are better than his competitors', even though such statement is untrue.
3. For the purpose of saying that his goods are the best in the world or his goods are better than his competitors' he can even compare the advantages of his goods over the goods of others.
4. He, however, cannot while saying his goods are better than his competitors', say that his competitors' goods are bad. If he says so, he really slanders the goods of his competitors. In other words he defames his competitors and their goods, which is not permissible.
5. If there is no defamation to the goods or to the manufacturer of such goods no action lies, but if there is such defamation an action lies and if an action lies for recovery of damages for defamation, then the Court is also competent to grant an order of injunction restraining repetition of such defamation.

Hence by above mentioned guidelines it can be clearly said that a person cannot promote his goods by degrading the quality of other person's goods.

### STATUTORY POSITION REGARDING THE TRADEMARK INFRINGEMENT AND THE COMPARATIVE ADVERTISEMENTS

Comparison is almost impossible without reference to a mark which refers to a particular product, service or business. In these cases, not only the unfair competition law will apply, but also the trademark law has to be taken into account. In India the advertisements are regulated by the Advertising Standards Council of India which is the regulatory body and it has laid down a code which has to be followed for advertising. This council has also laid down provisions regarding the comparative advertisement. Trademark Act, 1999 provides protection for the registered trademarks. However, to the well known unregistered trademarks the trademark act applies. Trademark Act, 1999 permits comparative advertising u/s 30(1) which is an exception to Section 29.

### CONSUMER, COMPARATIVE ADVERTISEMENT AND TRADEMARK INFRINGEMENT

#### DO THE COMPARATIVE ADVERTISEMENTS HELP THE CONSUMERS TO MAKE RATIONAL DECISION?

With the Liberalization Privatization & Globalization (LPG) policies of the government there has been an increase in competition which has resulted in a greater use of comparative advertising by companies to tell consumers why their products should be bought. The consumers are confused as there is wide range of brands sold in the market and it is here when comparative advertisement plays the role of a salesman by catering to the emotional, status and other consumer behaviours. The comparison of goods and services provides more information and thus educates consumers in taking a better decision. The advertisers in India generally compare the prices that cater to the status appeal of the maximum populations as 30% of Indians live under the category of middle class which is the most growing consumer market and they are also benefitted with the comparative advertisements.

From the research done in India and abroad (Linda, 2011) regarding the consumer reactions to the comparative advertising, it is clear that it helps in informing customers on the comparative features of two competitive brands. It is an effective positioning tool as well (Ashok, 2011). Few advertisers view the comparative advertising as offensive but from the practical experience so far, it is an accepted fact that consumers are being benefitted by the comparative advertisements. In Indian market, as mentioned above there has been a sea-change after the introduction of LPG policies. Brands that were considered to be of very high quality with practically no competition have lost out to other international brands, with the opening up of our markets and with the increasing awareness of the

consumers about the products. Comparative advertisement truly gives an opportunity to help consumers not only to decide on which product is better but also what is best suited for him.

Moreover, it was also seen in many cases that the comparative advertisement does not hold much good when we talk about the consumer behaviour. The case in this context is the case of Persil Powder and P&G's Ariel, in this case the comparative advertisement was regarding the new 'manganese accelerator' which is an ingredient of the Persil Powder, which P&G Ariel warned the consumers that this ingredient will result in the ruining of the clothes. At the time of the advertisement Persil had a market share of 27.9%, whereas P&G's Ariel had a market share of 28.4%. By June 1994, the figures had considerably changed. Persil's market share value increased to 28.4%, whereas the P&G's Ariel's Market value decreased to 26.4% (Figures taken from Marketing Week, 1994).

Hence it can be seen that the consumers are usually not influenced by the advertisements where the direct advertisement is made using the trademark and which is negative in nature. Hence, the consumers are not always taken in by the claims of advertisers and are likely to be particularly sceptical about comparative advertisement (Boddewyn and Marton, 1978). The consumers who have the brand loyalty start developing a negative attitude towards the brand indulging in Comparative advertisement.

Many studies also indicate that the comparative format is suspect and less believable than the non-comparative advertisement (Barry, 1993). Hence it can be concluded that the non comparative advertisements can boost the market share in most of the cases as compared to the comparative advertisements using trademarks.

## COMPARATIVE ADVERTISEMENTS AND LEGAL BATTLES

It is seen many a times that Direct Comparative Advertisements do have an effect on the market share of a particular product, but a legal battle often comes in between which effects the effectiveness of the comparative advertisement as a whole. For example in the case of Schick Inc, this company used a comparative advertisement mechanism to promote its product. This comparison was done with another company also having a Flexomatic shaver. As a result of this the company's market share increased from 8% to 24% - it was followed by a legal battle in the court. The result of this legal battle was the withdrawal of the advertisement on the ground that it was falls and misleading. Hence there was loss to the company and the consumers.

It is further important to note that the different stages of decision making processes are affected by the Comparative advertisement. All these together collectively help us to determine the overall effectiveness of the product (Wilkie & Faris, 1975). Hence if at the end of the day the advertisement is withdrawn due the legal battle between the parties then the overall effectiveness of the advertisement will be affected.

## HOW SHOULD THE COMPARATIVE ADVERTISEMENTS BE KEEPING IN MIND THE TRADEMARKS AND THEIR INFRINGEMENTS?

Comparative advertisement is a very useful in the market place for the consumers. If we see it in a consumer perspective it tells the difference between two goods in the market and tell the consumer why he should opt for the advertisers product (Randal L. Ross *et al.*, 1975). Hence to a large extent the consumer behaviour is affected when the comparative advertisement is done through infringement of the trademark. Trademark protection is commercially important as it embodies consumer good will created through extensive, costly and skilful advertising (Graeme B. Dinwoodie & Mark D. Janis, 2008). The Law does not prohibit the informational use of the trademark of others, rather, punishes uses that confuse the consumers (Lee Wilson, 2008).

One of the most important things to be seen while a comparative advertisement is done through the usage of trademark is that it should be an honest approach. The visual comparative advertisements are valid as long as there no misrepresentation if the trade has been used to cause confusion and is not portraying the accurate facts of the consumer then this results in false advertising and infringement of trademark. Hence there should not be any attempt to cause confusion among the consumers.

Another important point while doing comparative advertisement with the help of trademarks is that there should not be useless assumptions made, as this will mislead the consumers. Moreover the comparisons need to be comparable in nature. Any type of information which is physical in nature is usually should be in the form of the additional information which is in the bottom of the page.

Special reference is also given to the consumers while talking about the 1997 European Council Directive. It says that comparative advertising which is truthful, not misleading and which consistent with principles of fair competition can be permitted as long as it helps consumers in making their decisions.

## CONCLUSION

Comparative advertisement has its own advantages and disadvantages. But as we analyse it from the sides of the brand owner and the consumer we come to know that it is not beneficial for either of them. The consumers have become more sceptical and do not get carried away by the Comparative advertisement. This can very well be seen in the case of Persil and Ariel, where the market share of Persil had increased despite of a negative comparative advertisement against it.

It can also be concluded that even though the comparative advertisements do provide a remote benefit to the consumers, it ends up in a legal battle between the two brand owners. Hence the effectiveness of the advertisement becomes very low. It is true that the state of the market in an economy can be told by the state of the comparative advertisement; India in this sense needs to develop its law and make them more consumers friendly because at the end of the day, the consumer is the king.

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