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# MARKET POTENTIAL OF TOURISM SERVICES IN INDIA-ISSUES AND CHALLENGES

**S.D.Sharma***
**Saman Khan****

## ABSTRACT

*Modern Tourism is the most striking phenomena of 21st century and offers us an opportunity to learn, enrich humanity and to identify what may be termed as goals for a better life and a better society. As an industry the impact of tourism is manifold. Tourism industry nourishes a country's economy, stimulates development process, restores cultural heritage, and helps in maintaining international peace and understanding. The most significant feature of the tourism industry is the capacity to generate large scale employment opportunities. It also contributes to national integration. Tourism consists of diverse operations ranging from tour operations, travel agencies, hotels, destination development and promotion to airlines, road, rail and water transportation, entertainment, cuisine and so on. In order to develop and promote responsible tourism, one also has to do away with or minimize the negative impacts of tourism, particularly on ecology and environment, culture, customs and traditions of the host population. People in general now view tourism as a way of life rather than a luxury item reserved for the affluent and the elite. The tourist has become more cautious for the value of the money he/she spends. This means for the service providers, constant improvement in the quality of the service, maintaining certain standards and greater emphasis on customer care.*

## INTRODUCTION

The outlook for travel industry in India looks extremely bright. India as a tourism destination is the toast of the world at the moment. Besides, India is probably the only country that offers various categories of tourism such as history tourism, adventure tourism, medical tourism (ayurveda and other forms of Indian medications), eco tourism, cultural tourism, rural tourism, religious/ pilgrimage tourism, spiritual tourism, educational tourism and beach tourism etc.

Travel and tourism industry in India is marked by considerable government presence. Each state has a tourism corporation, which runs a chain of hotels/ rest houses and operates package tours, while the central government runs the India Tourism Development Corporation (ITDC). Tourism involves government, semi government and private organizations presenting different hospitality services to visitors. Better co-ordination and private public partnership are most needed in tourism. There are many key functions associated with tourism in a country. They are destination development, master planning, provision of infrastructural facilities, marketing and publicity, preserving the ecology, public awareness and local participation etc. In the year 2002 the government of India announced a New Tourism Policy to give boost to the tourism sector. It has outlined the following policy initiatives for the tourism sector:

- The new policy is built around the 7-S Mantra of Swaagat (welcome), Soochanaa (information), Suvidhaa (facilitation), Surakshaa (security), Sahyog (cooperation), Sanrachnaa (infrastructure) and Safaai (cleanliness).
- The new policy envisages making tourism a catalyst in employment generation, wealth creation, development of remote and rural areas, environment preservation and social integration. The policy also aims to spruce up economic growth and promote India's strengths as a tourism destination that is both safe and at the same time exciting.
- The policy proposes the inclusion of tourism in the concurrent list of the Constitution so as to enable both the central and state governments to participate in the development of the sector.
- No approval is required for foreign equity of up to 51 per cent in tourism projects. Enhanced equity is considered on a case-to-case basis. NRI investment is allowed up to 100%.
- Approvals for Technology agreements in the hotel industry are available on an automatic basis, subject to the fulfillment of certain specified parameters.
- Concession rates on customs duty of 25% for goods that are required for initial setting up, or for

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substantial expansion of hotels.

- 50% of profits derived by hotels, travel agents and tour operators in foreign exchange are exempt from income tax. The remaining profits are also exempt if reinvested in a tourism related project.
- Approved hotels are entitled to import essential goods relating to the hotel and tourism industry up to the value of 25% of the foreign exchange earned by them in the preceding licensing year. This limit for approved travel agents/tour operators is 10%.
- Hotels located in locations other than the four major metro cities are entitled to 30% deduction from profit, for a ten-year period.
- The expenditure tax has been waived in respect of hotels located in the hills, rural areas, and places of pilgrimage or specified place of tourist importance.

The Indian tourism industry has not had it so good since the early 1990s. With global recession seeming to have waned decisively, Indian economy growing at around 7% per annum and rise in disposable incomes of Indians, an increasing number of people are going on holiday trips within the country and abroad resulting in the tourism industry growing wings.

It is fast turning into a volume game where an ever-burgeoning number of participants are pushing up revenues of industry players (hotels, tour operators, airlines, shipping lines, etc). Thus, the tourism sector is expected to perform very well in future and the industry offers an interesting investment opportunity for long-term investors.

Despite numerous problems, tourism industry was the second-largest foreign exchange earner for the country during the year ended March 2003. During 2002 2.2 million foreigners visited India. Foreign tourist in-flow has risen 20% this year.

There could be several reasons for buoyancy in the Indian tourism industry. First, the upward trend observed in the growth rate of Indian economy has raised middle class incomes, prompting more people to spend money on vacations abroad or at home. Also, India is booming in the IT industry and has become an IT centre. Aggressive advertising campaign "Incredible India" by the Government has also contributed in changing India's image from that of a land of snake charmers, and sparking new interest among overseas travelers.

India is a country of subcontinent proportion to whose splendor, diversity and world-class facilities the world has finally woken up. Away from threats, untouched by SARS and a politically stable India is the flavor of the season. Take a fresh look at her flourishing economy (double digit growth in third quarter of 2003- 2004), geographically strategic location, faith fortified by major software firms to make it a global backup hub for software, the staggering figure of over 366 national/international level expos and about 100 already scheduled for leap year 2004 (of which over 50 in January alone), her forex reserves, her rising Sensex, rapidly growing consumer markets, presence of world's finest and choicest brands and the exceptional growth in interest from FIIs to understand why India offers a feel good factor. Truly, India is one of the most exciting emerging markets in the world.

## CONTRIBUTION OF TOURISM INDUSTRY IN INDIAN ECONOMY

Tourism is one of the fastest growing sectors in the country. It offers immense opportunities to entrepreneurs in various segments. But what is detrimental to our tourism growth is lack of basic facilities at our monuments, pilgrimage places and tourist sites. We need to improve the basic facilities by roping in all the stakeholders as the government cannot do this job alone. The Asia region is as important for us as other regions and we are going to aggressively market there.

This is largely attributed to a rise in global wealth, liberalization of international airspace, cheaper flights and the use of the internet as a travel tool. Interestingly, a recent study has found that India today ranks eighth in the world in terms of the number of billionaires and has over 1.6 million households that earn over Rs. 45 lakh per year and spend about Rs. 4 lakh on luxury on very premium goods and services. So it is estimated that Indian tourism market potential is worth Rs. 65,000 crore and the number of such households is growing at 14%.

Another healthy trend in foreign tourism in India since 1991 is the conspicuous increase in business travels with its spin off effects in upgradation of accommodation and introduction of new technology in communications and other services. On an average, a foreign tourist stays for about 27 days in India which is an important indicator of increase of the foreign exchange earned by the country.

Recent political unrest, fear of violence, terrorism, strikes and epidemics etc. are detrimental to our tourism business. However, considering the recent developments, it is hoped that India will get her share in world tourism. Marketing of Tourism services includes mainly the services sold to domestic and foreign tourist. Domestic tourism fosters a sense of unity in otherwise diverse environment of the country and contributes to national integration.

Tourism in India has a vast employment potential much of which still awaits exploitation. Another important aspect of employment in tourism is that it employs a large number of women in hotels, airlines services, travel agencies, handicraft business and marketing and cultural activity centers. In other words, every man, woman and child could become richer by Rs. 7,000. India has yet to realize its full potential from tourism. The travel and tourism industry holds tremendous potential for India's economy. It can provide impetus to other industries, create millions of new jobs and generate enough wealth to help pay off international debt. That is why we have included Tourism amongst the core sectors of the Indian economy.

Hotel sector is the key segment of tourism industry to earn foreign exchange. Places of tourist interest are so numerous and of varied nature that it is not easy to describe these places comprehensively. These include mostly the Himalayan region, the great plain of north India, the peninsular plateau and coastal plains. In general the tourist spots are counted more like Buddhist sites, shrines, Forts, places of historical importance, hot springs, Jain monasteries, lakes and bird, sanctuaries, religious centers, science spots, sea beaches, summer resorts, waterfalls and wild life sanctuaries.

Tourism involves traveling to relatively undisturbed or uncontaminated natural areas with the specific objects of studying, admiring and enjoying the scenery and its wild flora and fauna, as well as other existing cultural and historical aspects. A visit with a motto to know these areas is nothing but tourism. Places of tourist interest are numerous and of varied nature. These include places of archeological and historical importance, pilgrimage centers, sanctuaries, national parks, hill resorts and sea beaches etc.

In order to give a philip to the tourism trade the central government as well as the State government should come forward to develop some of the newly unexploited and selected tourist places, diversify some of the culture oriented tourism to holiday and leisure tourism, develop trekking, winter sports, wild life, beach resorts tourism, launching key markets near tourist centers, provide inexpensive accommodation and to improve service efficiency. India hopes still to improve tourism marketing services and to take an equal and more challenging steps with her competitors in the field more vigoursly.

There is no dearth of tourist destinations in the world. Tourist generating countries are themselves gifted with diverse natural and man made tourist attractions and therefore they are excellent tourist destinations. So to win targets and to attract maximum inbound tourist creative plans and innovative strategies have to be adopted. A tourist organisation should employ a core group of professionals who will engage in shaping plans, strategies and programmes for implementation. The progress of these actions must be evaluated periodically and if necessary, corrective revision and updating must also be undertaken.

Tourism plays an important role in promoting international goodwill. It creates awareness and appreciation of other countries' culture and tradition and makes possible cultural exchange and enrichment. In Indian context the age old saying "Atithi Devo Bhavo" is apt and appropriate.  Tourism can be a vehicle for international understanding by way of bringing diverse people from different cultures and traditions and can greatly enrich and promote friendship between different countries in the world. The socio-economic benefits from tourism are powerful.

Tourism development must be guided by a sound and careful planned policy, a policy not built on balance sheets and profit and loss statements alone, but on the ideals and principles of human welfare and happiness. Sound development policy can have the happy results of a growing tourist business and the preservation of the natural and cultural resources that attracted visitors in the first place. Main advantages of tourism are that it provides employment opportunities, both skilled and unskilled because it is a labour intensive industry, generates a supply of needed foreign exchange, increases income, creates increased gross national product, requires the development of an infrastructure that will also help stimulate local commerce and industry, justifies environmental protection and improvement, increases governmental revenues, helps to diversify the economy, creates a favourable worldwide image for the destination, facilitates the process of modernization by education of youth and society and changing values, provides tourist recreational facilities that may be used by a local population, gives foreigners an opportunity to be favourably impressed by a little known country or region.

Global tourism continued to move upward during 2006 with the number of international tourist arrivals worldwide reaching about 846 million (UNTO estimates) and international tourism receipts scaling US$ 735 billion in the year. The aforesaid variables grew at 5.7% and 8.4% respectively, compared to 2005. The rate of growth of the tourism sector of India has been above the world average in the last few years. 2006-2007 is the fourth consecutive year of high growth in foreign tourist arrivals and foreign exchange earnings from tourism. Both inbound and outbound tourism from India registered a 15% to 20% growth in 2006-07 and is expected to cross 20% this year too. By 2020 Tourism in India could contribute Rs 8, 50,000 crore to the GDP (Source WTTC). The following table reveals foreign tourist arrivals and foreign exchange earnings over the years.

Foreign Tourist Arrivals and Foreign Exchange Earnings from Tourism

| Year | Foreign Tourist arrivals No. in lakhs | Growth rate | Foreign Exchange Earnings a[a] Million US $ | Growth rate |
|---|---|---|---|---|
| 1999-00 | 25.05 | 4.5 | 3,036 | 1.4 |
| 2000-01 | 26.99 | 7.7 | 3,497 | 15.2 |
| 2001-02 | 24.28 | -10.0 | 3,137 | -10.3 |
| 2002-03 | 24.54 | 1.1 | 3,312 | 5.6 |
| 2003-04 | 29.33 | 19.5 | 5,037 | 52.1 |
| 2004-05 | 36.03 | 22.8 | 6,666 | 32.3 |
| 2005-06 | 41.00 | 13.8 | 7,853 | 17.8 |
| 2006-07 | 46.33 | 13.0 | 9,696 | 23.5 |

Source: Ministry of Tourism

The prospects for growth of tourism in India are bright. The overall development of tourism infrastructure coupled with other efforts by the government to promote tourism such as appropriately positioning India in the global tourism map through the "Incredible India" campaign, according greater focus in newly emerging markets such as China, Latin America and CIS countries, and participating in trade fairs and exhibitions will facilitate tourism growth.

Year 2007 saw over 5 million foreigners visiting India, generating about $ 12 billion in foreign forex earnings. The bullish trend continues in 2008 with about 12% growth in foreign traffic and 29 % growth in forex earnings in the first four months of the year. The opening of a tourism office in Beijing in April 2008 has opened a new gateway. But India has miles to go before it catches up with its neighbour China which boasts of 50 million foreign visitors. The success of "Incredible India" campaign has proved that the potential of the country is immense. On top of an excellent marketing campaign, efforts are being made to create better tourism infrastructure to sustain the growth momentum at national level by maximizing of tourism. Incredible India campaign has been able to capture the high- end tourists who are spending a longer time in India. This is evident from the UN-WTO's latest report which indicates that even though countries like Indonesia, Thailand and Singapore may be having larger number of foreign tourist arrivals, the foreign exchange earned per foreign tourist of India is much higher (at about $ 1,920) compared to that of Indonesia ($ 905), Thailand ($830), Singapore ($835) and Malaysia ($520). These facts confirm that India is attracting travelers from across the globe that are spending more time and money compared to the other South East Asian countries.

In 2007, India received 5 million foreign tourists and had a foreign exchange earning (FEE) of $ 12 billion. Thailand earned a little more than us from about 14 million tourists during the year. While India has been a long - haul tourist destination Thailand and Malaysia are short- haul destination. India is also trying to attract tourists for short - haul destinations. Some important heritage sites are Hampi, Ajanta and Ellora, Bodh Gaya and Taj Mahal. We would also convert more sites into short- haul tourist destinations. For 2008-09, we have a budget of about Rs. 1,000 crore to develop tourism infrastructure.

The tourism sector is an economic driver. It directly and indirectly employs about 8.9 % of the total work force in the country. Globally 8.1 % people are employed in the sector. We expect a total tourist arrival of 10 million in 2010 which will lead to huge employment. We are promoting rural tourism, food, medical, tribal, shopping and tea garden, among many other types of tourism. We are also encouraging adventure and sports tourism like rafting and mountain climbing. We expect to have a significant share in the meetings, incentives, conventions and exhibitions (MICE) market.

## MARKET POTENTIAL OF INDIAN TOURISM INDUSTRY IN GLOBAL PERSPECTIVE:

India has a significant potential for becoming a major global tourist destination. The growth in India's tourism market is expected to serve as a boon, driving the growth of several associated industries, including hotel industry, medical tourism industry and aviation industry. The following achievements and contributions are enough to prove India's Tourism potential in global world:

1. Travel and tourism is the second highest foreign exchange earner for India, and the government has given organizations in this industry export house status.

2. The industry is waking up to the potential of domestic tourism as well, with a 382.1 million domestic trips in 2005 as against 236.5 millions domestic trips in 2001

3. Exports -Export earnings from international visitors and tourism goods are expected to generate 6.7% of total exports (INR 718.2 billion or US$ 18.5 billion in 2008 growing (nominal terms) to INR 2,750.2 billion or US$ 51.6bn (4.4% of total) in 2018

4. Employment- There is considerable government presence in travel and tourism industry. Each state has a tourism corporation, which typically runs a chain of hotels /motels and operates package tours, while the central government runs the India Tourism Development Corporation. Divestment of these state-run tourism corporations has either already taken place or is in process. The contribution of the travel and tourism economy to employment is expected to rise from 30,491,000 jobs in 2008-6.4% of total employment or 1 in every 15.6 jobs to 39,615,000 jobs- 7.2 % of total employment or 1 in every 13.8 jobs by 2018

5. Gross Domestic Product (GDP) - The contribution of travel and tourism to Gross Domestic Product is expected to stay the same at 6.1% (INR 2,859.9billion or US$ 73.6 billion) in 2008 to 6.1% (INR 9,141.1 billion or US$ 171.5 billion) by 2018.

6. Growth - Incoming foreign tourist arrivals have shown a 6% compound annual growth rate over the last 10 years. The government has realized the potential and has advanced several incentives to promote infrastructure growth in the tourism sector. Real GDP growth for travel and tourism economy is expected to be 7.9% in 2008 and to average 7.6% per annum over the coming 10 years.

Current investments are likely to see hotel room capacity increase by 20% over the next three years, with several international hotel chains entering the hotel industry. Similar growth is anticipated in air travel capacity.

Significance of Tourism Industry in India

Tourism is a highly fragile and competitive industry and calls for people's involvement at all levels. If the climate is not conducive to tourism, it can never grow and flourish as has been observed in many parts of the world, which could be attributed to political instability, people's negative approach or other unfavourable factors. The growth in market share to India still remains considerably lower than other destinations such as Malaysia, Thailand, Singapore and Egypt. This industry enjoys a major advantage over other industries namely that of having a unique product which might differ from state to state. The following factors may be considered for the Potential of tourism industry in India:

1. To increase Foreign Exchange: - Tourism is the only industry that earns foreign exchange for a country without exhausting natural resources and without actually exporting any material goods. The income from tourism has tended to increase at a higher rate than merchandise export in a number of countries. Tourism is thus the most important source of income for many countries.

2. To help in the Development of infrastructural facilities: Development and improvement of infrastructure facilities is another important benefit offered by the tourism industry. Important infrastructural facilities benefiting from tourism are airport, roads, water supply and other sectors of the economy. Further more, the provision of infrastructure may provide the basis or serve as an encouragement for greater economic diversification. A variety of secondary industries may be promoted which may not serve the needs of tourism. Thus, indirectly, tourist expenditure may be responsible for stimulating other economic activities of a country.

3. To help in Balanced Regional Development: Tourism development greatly benefits underdeveloped regions of a country. These economically backward regions mostly have places of high scenic beauty, which if developed for the tourism industry, will help to bring a lot of prosperity to the local people. For example, Khajuraho, a few years back was considered a remote and unknown small village but today it is an internationally famous tourist place of interest and it also generates employment to hundreds of local people in hotels, restaurants, travel agencies, handicraft shops etc.

4. To help in generating employment: Tourism industry is a highly labour intensive service industry that generates employment for highly skilled, semi-skilled and unskilled labour in sectors like hotels, restaurants, travel agencies, tourism offices,

shops etc. Not only that, tourism creates employment outside the industry as well for the construction and development of infrastructure.

5. To help in preventing Cultural Heritage: Tourism remains basically a cultural phenomenon. Tourism has always stood as a unique vehicle for cultural promotion. It helps a country to restore its ancient monuments and archaeological treasures. Most of the developing countries which possess an ancient civilization can benefit greatly from tourism. Tourists visiting these countries have a great urge to become acquainted with ancient civilizations. As a result of cultural shopping, which forms an important part of any tourist itinerary, local handicraft is still surviving. Tourism has also given a new lease of life to the traditional customs, costumes, festivals, and dances which generates employment for the weaker sections in the remote areas of any country. Hence, tourism can contribute unique benefits to a nation by exploring its cultural heritage and can serve indirectly to improve the individual cultural levels of both national and foreign tourists.

6. To help in maintaining Peace and understanding: Tourism plays an important role in promoting international goodwill. It creates awareness and appreciation of other countries' culture and tradition and makes possible cultural exchange and enrichment. Tourism can be a vehicle for international understanding by way of bringing diverse people from different cultures and traditions face to face. It can greatly enrich and promote friendship between different countries in the world.

Tourism has enormous untapped potential for a country like India. India is a fascinating destination with an outstanding mix of ancient monuments, majestic snow- capped mountains, exotically beautiful deserts, scenic virgin beaches, calm backwaters, delightful jungles, thrilling wildlife sanctuaries, colourful folk and classical dances. On one hand there is encouragement, promotion and publicity arising from growing awareness of its contribution to the economy by way of foreign exchange earnings, employment, etc. and simultaneously receiving a contemptuous treatment as an elitist industry catering to the affluent class, polluting ecology and environment and eroding our cultural values.

It is heartening to note that of late there has been increasing recognition of the importance of tourism and of the need to make a quantum jump to exploit the full potential of this strategic industry. In the present context of foreign exchange crisis and growing unemployment, tourism appears to be an ideal solution for building up a healthy balance of payment and promoting international understanding and national integration. From every angle, tourism with its multi-dimensional contribution is a sunrise industry holding the key to foster economic development of the country. Luckily, we have a better image as a holiday destination today, particularly in Europe and even in the USA from where most up market tourists come to India.

RNCOS The Market Research Consulting Services Company has recently added a new Market Research Report titled, "Indian Tourism Industry Analysis" to its report gallery. According to the report, India represents one of the most potential tourism markets in the world. It has expanded rapidly over the past few years and underpinned by the government support, rising income level and various international sports events, the Indian tourism industry will continue to grow at a fast pace in the coming years. However, the industry may have to cope up with several challenges which will limit its growth.

**MAJOR ISSUES AND CHALLENGES OF TOURISM INDUSTRY IN INDIA:**

1. Providing a framework for raising the standard of living of the people through the economic benefits of tourism.

2. Developing an infrastructure and providing recreation facilities for visitors and residents alike.

3. Ensuring types of development within visitor centers and resorts that are appropriate to the purposes of those areas.

4. Establishing a development programme consistent with the cultural, social and economic philosophy of the government and the people of the host state or area.

5. Beautiful places but lack of promotion from Government side. Lack of Tourism information. More cohesive marketing and promotional campaigns while reflecting provincial / territorial realities and diversity in India.

6. Lack of infrastructure and very bad roads as compared to roads in developed economies. Sustainable and efficient public transportation system. Investing in tourism infrastructure as well as travel and tourism development training programme.

7. Inadequate security and safety provisions for tourist- a lot of examples can be quoted from newspapers and magazines. Efficient

management of facilities including reservation, political crisis and terrorism.

8. Proper maintenance of heritage. Good practices in Unique Environmental Management (UEM) including conservation and protection of cultural heritage.

9. Depletion of natural resources, child labour, proliferation of prostitution, abandonment of traditional cultural and ways of life.

10. Eco Tourism: Identify locations/ sites with unique features, providing maps/ information/clearly marked footpath, provide lifeguards in designated beaches.

11. Despite being the biggest tourism industry in the world we are able to attract only a small number of foreign tourists.

12. Developed countries pose themselves as tourism place to visit, have fun for life long experience. India lags far behind.

13. Local's attitude towards promotion, if they are trained and motivated to entertain tourist, job opportunity will be explored to them and they will contribute in the industry.

14. Public- private participation (PPP) is required to overcome these challenges. Even the contribution of Tourism Industry to our GDP is meagre.

15. Tourism is both a victim of and responsible for Global warming- it contributes about 5 % of the total green house gas emissions

16. Natural disaster is not preventable and lessons from Tsunami have to be learnt well. Sustainable Mangrove management for coastal protection is a step in the right direction.

17. Exercise development control e.g. proper land use management (hill protection/ felling of trees).

18. Marketing India domestically and internationally to attract more visitors by providing them better and hygiene facilities at competitive price and a courteous attitude towards the tourist.

**CONCLUSION AND SUGGESTION:**

Commencing with a slow growth at the start of the millennium, the Indian tourism industry has performed quite well in the last couple of years. The Indian tourism industry has outperformed the global tourism industry in terms of growth, in the volume of international tourists as well as in terms of revenue. The World Travel and Tourism Council (WTTC) have named India along with China as one of the fastest growing tourism industries for the next 10 to 15 years.

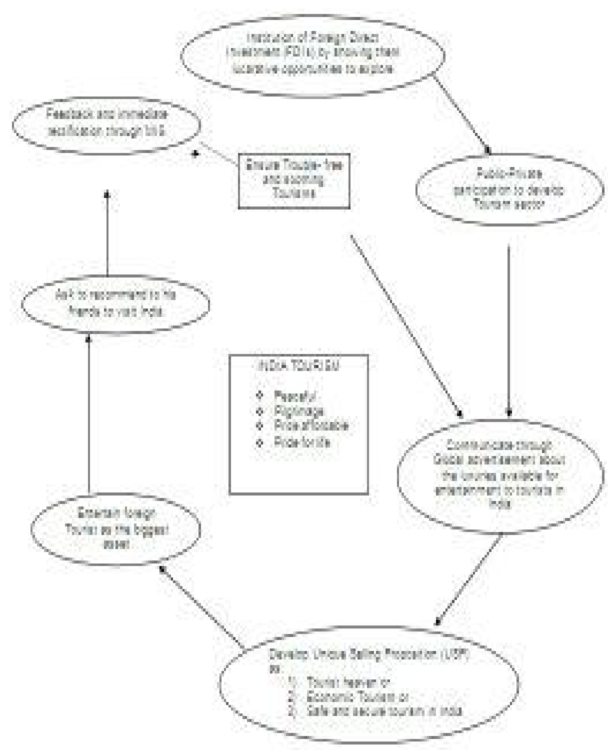
The expected growth of the industry in future has provided its players with an opportunity to invest in new technologies such as Customer Relationship Management (CRM) tools and latest security systems, and to venture into new market segments such as Cruise tourism where India has negligible share in comparison to world cruise tourism market. On the flip side, the growth in the Indian tourism sector is accompanied by the imminent destruction of local ecology and an increase in pollution, which, in the long run, is going to negatively impact the tourism industry of India.

We here suggest the four P's to improve the overall tourism scenario in global perspective i.e.

- Peaceful
- Pilgrimage
- Price affordable
- Pride for life

If the above four P's are incorporated by Indian tourism definitely it will impact Indian Tourism Industry in a long way and also strengthen the Indian economy with integration of culture and heritage. The following model may be helpful in promoting market potential of Indian tourism industry in global world.

Suggested Model for Indian Tourism Industry with 4P's



The Indian tourism industry has been a fast growing economy for the last 3-4 years. Despite lagging in the basic infrastructure that supports the tourism industry; Indian tourism industry has been showing an impressive double-digit growth. In order to sustain this growth and meet the expectations, it is essential for the Government of India to improve infrastructural facilities like airports, air and road transport power, water, communication and accommodations etc. with the help of public private partnership (PPP) and also liberalize immigration procedures and open sky policy, definitely the future of tourism industry is bright. At last India's market potential in global world should be floated as: Tourism for India means a unique traveling opportunity for you to rejoice in life in India with safety and tradition"

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# CUSTOMER SATISFACTION OF ATM SERVICE A CASE STUDY OF SBI ATMS

**Ms.Garima Malik***

## ABSTRACT

*The banking sector in India has made remarkable progress since the economic reforms in 1991. New private sector banks have brought the necessary competition into the industry, which in turn spearheaded the changes towards innovative products and eventually upgraded the services. The customer now prefers to interact with technologies rather than bank's employee. In this study, Automated Teller Machine (ATM), a self-service technology, has been chosen to understand that how the customer evaluate this service. This study aims at investigating the satisfaction levels of SBI ATMs cardholders with respect to various aspects (promptness of card delivery, the performance of SBI ATMs, the service quality of ATMs personnel etc.). With different statistical tools (such as factor analysis, Correlation analysis) it has been found that most of the customers are satisfied with ATM services, although the hidden charges and non-availability are the major obstacles in the spread of ATM services. This paper also suggested some measures to make ATM services more effective in the future.*

## INTRODUCTION

Indian banking has embraced automation in a big way. From inter-branch reconciliation and balancing of books, automation has been directed towards customer-centric products and services. Many internal and external factors are responsible for this transformation. From inter-and-intra bank groups, global forces are compelling the banks to make radical internal and external changes in their day-to-day functioning to face the challenges.

The different e-channels such as ATMs, Credit and Debit cards, Tele-banking, On-line banking, Mobile-banking are changing the face of the Indian banks. ATM machine has brought innovations in the banking sector all over the world. The customers are no more dependent on the brick and mortar branch of a bank. The advent of the ATM has made the concept of "24x7 banking" a reality.

The ATM has been helpful to both, the banker and the customers. This type of innovative service raised customers' expectations, as they prefer to deal with those banks that offer better and efficient services to them. Hence the service quality has to meet the customers' specifications and expectations. It is, therefore, very important to evaluate the customers' perceptions regarding the ATM services and improve the services if they are not upto their expectations. This paper would be helpful to the bank as a feedback about ATM to make these services more efficient.

## REVIEW OF LITERATURE

El-Haddad (1992) studied customers' awareness, usage patterns, reason for using ATMs, problems associated with using ATMs in Kuwait. They concluded that the customers do 'not know the complete procedure for getting value-added services through ATMs. They identify some specific marketing strategy considerations designed to ensure the customers' acceptance of ATMs.

Carmen (1994) constructed a model of banking competition which emphasised the distinctive features of ATM compatibility. They found that in equilibrium either a strict subset of banks shares their ATMs or total incompatibility prevails. They also derived the implications for ATM compatibility of withdrawal fees, interchange bank fees, entry, and depositor switching costs.

Mark M.H Goode, Luiz A. Moutinho and Charles Chein (1996) tested an hypothesized model which measured the overall satisfaction gained from and full spectrum of services attached to the use of ATMs. They suggested that if banks wish to increase customers'' overall satisfaction and the usage of available services they must target factors which directly affects customers expectations and perceived risk.

Shastri (2001) determined the effects and challenges of new technology for banks. Technology has brought a significant change in the functioning of banks. The earlier manual system of preparation of vouchers is slowly being automated thereby saving a lot of time and effort; the use of ATMs and introduction of IT are more than in the past, especially in the post-VRS (Voluntary Retirement Scheme) scenario.

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Surjadaja et al. (2003) reported that ATMs are a form of self service as opposed to e-service in which consumers can receive their service at home or in other locations. ATM is a form of e-service in that customers will learn from the electronic interface and customer service may be significantly influenced by customer performance.

Singh (2004) appraised customer services of Public Sector Banks (PSBs) and concluded that the level of customers' services and satisfaction is determined by the branch location, variety of services, rates & changes, systems & procedures, and attitude & responses. This study is purely concerned with customers of PSBs.

Wendy & Chung (2005) studied the factors influencing Hong Kong bank customers' adoption of four major banking channels i.e. branch banking, ATM banking, internet banking and phone banking. In their study, they focused on the influences of demographic variables and psychological beliefs about positive attributes possessed by the channels. Overall demographic backgrounds were strongly associated with adoption of all banking channels except ATMs. Hamendra, Jain & Bansal (2007), explained the various choice criterions and provided a theoretical framework to understand and analyze decision making for ATM in the era of globalization. They found that as a main customer touch point, ATM are critical to a bank's ability to service its customer base. They constructed a model, named Analytical Hierarchy Process (AHP) model which provide a framework to assist managers in analyzing various location factors, evaluating locations site alternatives, and making final location selections. The primary principle of the AHP model was to match decision-makers' preferences with location site characteristics.

Mohammed Al-Hawari, Nicole Hartley and Tony Ward (2005) developed a comprehensive model of banking automated service quality taking into consideration the unique attributes of each delivery channel and other dimensions that have a potential influence on quality issues. The proposed model has been empirically tested for unidimensionality, reliability, and validity using confirmatory factor analysis.

Uppal (2008) analyzed the quality of e-banking services in the changing environment. Their study concluded that most of the customer of e- banks in terms of ATM , I-Banking, Phone-Banking are satisfied with different services , but the lack of guidance are major obstacle of e-banking services. This study did not relate customer perception of e-banking services with the demographic and psychographic profile of the customers of the bank.

Table 1: Branches and ATMs of Scheduled Commercial Banks (As at end-March 2008)

| **Bank Group** | **No. Of Branches** | | | | | **No. of ATMs** | | |
|---|---|---|---|---|---|---|---|---|
| | Rural | Semi-Urban | Urban | Metro-Politian | Total | On-site | Off-site | **Total** |
| Nationalized Banks | 13190 | 8140 | 8440 | 7997 | 37,775 | 8,320 | 5,035 | **13,355** |
| State Bank Group | 5,328 | 4,545 | 2,820 | 2,421 | 15,105 | 4,582 | 83,851 | **8,433** |
| New Private Sector Banks | 223 | 870 | 1270 | 874 | 4,450 | 1436 | 664 | **2100** |
| Old Private Sector Banks | 800 | 1498 | 1270 | 874 | 4,450 | 1436 | 664 | **2100** |
| Foreign Banks | 0 | 2 | 48 | 224 | 274 | 269 | 765 | **1,034** |
| Total | 19,557 | 15,055 | 13,725 | 12,801 | 61,129 | 18,486 | 15,303 | **34,789** |

Haytko (2009), highlighted the effects of human interactions versus interactions with technology in overall customer satisfaction with banking services, specifically , tellers versus Automated Teller Machines (ATMs). Findings of the study show that while the human encounter was more important before online banking became so prevalent the convenience of online banking included ATM has displaced the importance of human interactions.

Overview of Technological Developments in Indian Banks Technological developments and the use of information technology (IT) have transformed the functioning of the financial sector in the country. Banks in India have used IT not only to improve their own internal processes but also to increase facilities and services to the customer. Furthermore, the large scale increase in the number of transactions handled by banks has enhanced the dependence of banking sector on modern technology, including use of computers. Apart from reducing transactions costs, the use of technology has also provided new avenues to banks to expand their outreach, especially in the remote and rural areas.

During 2007-08, the total number of ATMs installed by the banks grew by 28.4 percent to 34,789 at end-March 2008. While, the ATMs installed by foreign banks and new private sector banks were nearly four and three times of their respective branches, the ATM to branch ratio was much lower for public sector (41.2 per cent) and old private sector banks (47.2 per cent) shown in Table 1. At individual bank level, the number of ATMs exceeded branches in respect of all new private sector banks, except Centurion Bank of Punjab Ltd., which was later merged with HDFC Bank Ltd. In the case of old private sector banks, the ATM to branch ratio was less than 100 per cent for all banks barring two, viz., SBI Commercial and International Bank Ltd. and Karur Vysya Bank Ltd. As most foreign banks operated with limited branches in urban and metropolitan areas, the number of ATMs operated by them, in general, far exceeded the number of branches.

## OBJECTIVES OF THE STUDY

- To identify customer satisfaction variables which lead to building relationship with customers in the Indian Banking sector with respect to ATM service.
- To know the inhibitors for adoption of ATM services and identify the parameters affecting the service quality of ATM.
- To help banks in making ATM transactions user friendly and satisfactory.

## DATABASE AND METHODOLOGY

This research is based on the data collected through a survey in India with a geographical focus on Delhi (capital of India). The questionnaire was designed from the literature review as well as from the in depth interviews. It includes 26 variables to determine the satisfaction of the customers of State Bank of India for ATM service. State Bank of India chosen for the study because they have the largest network branches in India. This bank has a strong retail presence and offer a comprehensive range of information to the customers. They have taken initiatives to satisfy customers and provide value added services. The questionnaire was administered to 455 customers of the bank, out of which 415 were completely filled questionnaires. The bank was contacted individually for meeting the customers of the bank. These customers hold saving/ current account in the bank and using ATM service from at least three years.

The questionnaire was divided into two sections. The first part of the questionnaire recorded customers' demographic information, their experience with the bank and their banking habits. The second part of the questionnaire dealt with respondent satisfaction with respect to services provided. Customer satisfaction recorded on a 7 point semantic differential stage ranging from extremely good/satisfied to extremely bad/ satisfied.

## ANALYSIS OF RESULTS

In the present work, Customers' perceptions regarding ATM service of the bank (who are using ATM service) have been recorded and processed. Demographic & other information like age, income, family size, educational level and occupation level, and gender affect the customers' thinking. Table 2 reveals that out of the total 415 respondents, 37% are those having income upto 3 lakh 23 % respondents are those having income upto to 6-lakh p.a. Similarly, it is concluded that 65% of respondents are postgraduates and 6% of respondents with Doctorate degree. The table also shows the occupation level of the respondents: 74% of respondents are under service class, 12% are self-employed (business) and 13% are students.

Overall, we can say that customers with middle - income level, and high education, servicemen and businessman use ATM service more. The percentage of male customers is high as compared to female customers only 11% percent female using this service out of total respondents 13% students also using this service upto some extent.

Table 2: Profile of Respondents

| Income P.A. (INR) | No. of Responses | Level of Education | No. of Responses | Occupation Level | No. of Responses | Gender | No. of Responses |
|---|---|---|---|---|---|---|---|
| Upto 3 lakh | 117(37) | Doctorates | 18(6) | Self-Employed | 38(12) | Male | 281(89) |
| Upto 6 lakh | 73(23) | Postgrad. | 205(65) | Service | 234(74) | Female | 35(11) |
| More than 6 lakh | 79(25) | Graduates | 79(25) | Home Maker | 3(1) | Note: Values in parenthesis shows percentage | |
| Yet to make money | 47(15) | Under graduates | 14(4) | Students | 41(13) | | |

Out of 415 respondents, 95% said that they preferred ATM banking to conventional Branch Banking. It can concluded that in metros, branch banking is only preferred by a small number of people, rest 5% feels that branch banking provides them opportunity to have personalized contact with the Bank staff.

## ATM SERVICES USAGES PATTERN

The respondents were asked to tick those services being accessed through ATMs. Table 3 shows the percentage of respondents using the various services.

Table 3: Respondents' usage of selected ATM services

| ATM Services | Services Usages (%) |
|---|---|
| ATM Cash Withdrawal | 100 |
| ATM Balance –Enquiry | 74.3 |
| ATM Cheque/Cash Deposits | 33.1 |
| ATM Fund Transfer | 22.2 |
| ATM Order Cheque Book | 12.3 |
| ATM Bills Payment | 13.8 |
| ATM Recharging of Mobile Pre-Paid Card | 4.3 |

From table 3, it is evident that ATM machines are being utilized as convenient cash dispensers as the basic withdrawal and balance enquiry are the most used service whereas , higher order value added services like funds transfer , bill payment and recharging of mobile phone sim cards and so on are used only by small proportion of the respondents. This proves that thought the adoptions of ATMs are wide spread and multitudes of services are being provided recently through the ATMs, only few people are utilizing these services.

## RESULTS & DISCUSSIONS

The collected data is subjected to various statistical analysis such as factor analysis, and correlation technique is used and SPSS to have an insight into the responses collected.

## FACTOR ANALYSIS

In order to test whether factor analysis was appropriate in this situation, Bartlett's test of Sphericity and Kaiser-Mayer Olkin (KMO) measure of sampling adequacy was applied. The approximate chi-square statistic is 4055.419 with 714 degrees of freedom which is significant at 0.001 level. The KMO static (0.906) is also very large (>0.5). Hence factor analysis is considered as an appropriate technique for further analysis of data. Table

Table 4: Factor Analysis: KMO and Bartlett's Test

| |
|---|
| Kaiser-Mayer-Olkin Measure of sampling Adequacy: .906 |
| Bartlett's Test of Sphercity Approx. Chi-Square : 4055.419 |
| Degree of Freedom: 714 |
| Significanc-0.001 level |

The factor analysis is perform using the principal component extraction method with varimax rotation. In the initial application, the number of variables is reduced from 44 to 26. In the second application these 26 variables are classified under seven dimensions based on their factor loading with minimum value of 0.5 or more are considered are shown in table

Table 5: Sorted rotated factor loading with varimax rotation

| Variable No | Variable Definition | F1 | F2 | F3 | F4 | F5 | F6 | F7 |
|---|---|---|---|---|---|---|---|---|
| Var 1 | Aware about Mobile recharge through ATM | 0.745 | | | | | | |
| Var 2 | Aware about payment of utility bills | 0.946 | | | | | | |
| Var 3 | Aware about ATM locations of ATMs | 0.852 | | | | | | |
| Var 4 | Aware about deposits of cash through ATMs | 0.678 | | | | | | |
| Var 5 | To know about different schemes run with ATMs | 0.656 | | | | | | |
| Var 6 | ATM working properly | | 0.799 | | | | | |
| Var 7 | ATM disbursement cash in accurate manner | | 0.959 | | | | | |
| Var 8 | Speed of ATMs | | 0.859 | | | | | |
| Var 9 | Availability of Cash | | | 0.752 | | | | |
| Var 10 | ATM has a user friendly system | | | 0.615 | | | | |
| Var 11 | Dissemination of Information | | | 0.883 | | | | |
| Var 12 | CTC camera is working for preventing fraud | | | | 0.859 | | | |
| Var 13 | Guard always available to ATMs | | | | 0.788 | | | |
| Var 14 | Any mechanism provided by bank if password hijack by other person | | | | 0.654 | | | |
| Var 15 | Bank provided financial security and confidentiality | | | | 0.700 | | | |
| Var 16 | Banks located ATMs in secure locations | | | | 0.869 | | | |
| Var 17 | ATM is easily approachable | | | | | 0.953 | | |
| Var 18 | ATM is working in the language you can understand | | | | | 0.877 | | |
| Var 19 | ATM is do 'not freeze after you enter password | | | | | 0.789 | | |
| Var 20 | Links are problem free | | | | | 0.859 | | |
| Var 21 | Knowledge and skills of the personal | | | | | | 0.61 3 | |
| Var 22 | You are able to talk to a customer service representative in the bank over telephone (ATM toll free number) | | | | | | 0.52 3 | |
| Var 23 | The bank is willing to help customers' provided appropriate information and prompt service. | | | | | | 0.75 3 | |
| Var 24 | The bank ATM's performs the services right at the first time | | | | | | | 0.83 6 |
| Var 25 | The bank provides a confirmation of the services quickly after receiving instructions | | | | | | | 0.80 7 |
| Var 26 | Bank charges only committed service charge for ATM services | | | | | | | 0.75 0 |

Based on the results of factor analysis, the variables are classified into seven dimensions, which are suitable named. The dimensions and corresponding variables are shown below.

Generally, factor loading represents how much a factor analysis explains a variable. High loading of more than 0.80 s having impact on the variables, it is concluded from the above table. That some variables which are less than 0.80 need attention for the quality improvement of ATM services of the State Bank of India.

**CORRELATION ANALYSIS**

To find the degree of association between the dimensions identified correlation analysis is applied. The correlation coefficients between the various dimensions are calculated and are shown in Table 7.

Table 6: Dimensions & Varbles Definitions

| Dimensions | Variables |
|---|---|
| Awareness regarding Value Added Services | Var1, Var2 , Var3, Var4 , Var5 |
| Operating of ATMs | Var6, Var7, Var8, Var9 |
| Helpful Bank Personal | Var 10, Var11,Var12 |
| Security/Privacy | Var13, Var14, Var15,Var 16 |
| Accuracy in Transactions | Var17, Var18, Var19, Var20 |
| Responsiveness | Var21, Var22, Var23 |
| Fulfillment | Var24, Var25, Var26 |

Table 7: Correlation Analysis

Note: *Correlation is significant at the 0.05 level (2-tailed)

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

It has been observed that the highest degree of significant positive correlation between X7 (Fulfillment) and X6 (Responsiveness). A high degree of significant positive correlation is also observed between X1(Awareness) and X2 (operating of ATM), X4 (Helpful Bank personal) and X3 (Security and Privacy). Again most number of negative correlation is observed in the row containing X7 with X1, X3 and but these correlation are of low degree.

**SUGGESTIONS:**

- ATMs, credit cards and Internet banking are preferred the most by the customers due to time, cost utility and efficient services. So the banks should make efforts by arranging the demo-fares or provide information to the customers at counters to make the channel popular and easier to understand.
- The banks should make the ATMs and e-channels accessible, convenient and secure from information loss by increasing the number of ATMs. Mobile ATMs should be started as these are time savings and more popular in these days.
- Bank Management should provide training to their employee for running these services because it was found that employees do 'not have so much information about these products and they don't know the method of their functioning. Firstly Bank Management trained their internal customers and these customers trained the external customers of the bank.
- Bank provides value-added services through ATMs for increasing the use of ATMs services among customers. For example, banks can putting up an ATM machine at the Railway station's reservation office, which is going to be a interface between the Railway's server and the bank's server. Once this is functional, customers can collect their tickets from the ATM machine and the payment can be made using credit or debit cards. Once this is successful and the interface is done, the bank plans to enable all their ATMs across the country on this platform.

**CONCLUSIONS:**

It is evident from the above discussion that a majority of the SBI customers are highly satisfied from ATM service. But the customers are not fully aware of the value added services provided through ATMs especially mobile recharge and deposit of cash. On the basis of the observations of the respondents, major obstacles of ATM service or demotivating factors are security of transactions and cost of the services. And results indicates that the two dimensions , viz. Privacy /Security and Fulfillment are not contributing significantly towards the overall service quality. This is an implications that the customers feels that bankers fail in providing the services on these two dimensions satisfactorily. On the basis of the findings , the paper suggests that details regarding awareness of value added services and benefits of transacting through ATMs should be highlighted to each group and also to the customers irrespective of their occupation. This will create better awareness among the customers regarding the ATM services. The extension of this study can also include the providers (bankers) perspective to have better understanding the problem domain.

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# CREATING CORPORATE CULTURE FOR ORGANIZATIONAL PERFORMANCE

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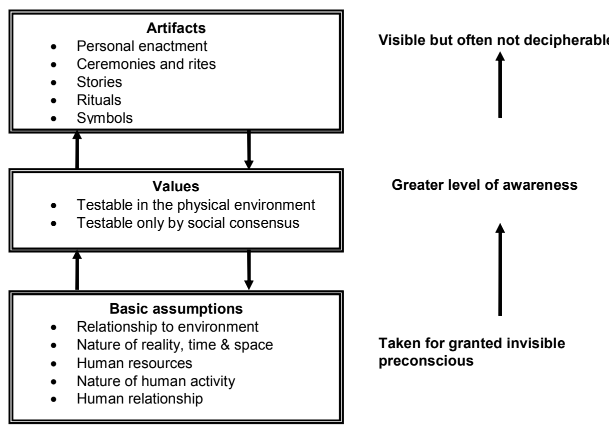
## ABSTRACT

*The competencies and values of the organizational members play a large role in determining the success of the organization. In order to understand the root cause of success of an organization, one needs to look beneath the financial data, infrastructure, and strategies into the more subtle area of organizational culture. If the human resources of an organization are to be a source of competitive advantage an understanding of the culture of the organization is important otherwise outstanding action plans can be annulled by a culture incompatible with those action plans. A large number of studies of organizational culture have been carried out. Different terminologies and terms have been used by the researchers for same or different meanings. There is a need to clarify such perplexity. In this paper we explore the concept of organizational culture and its significance in organizational success and change management. Leaders have the best perspective, because of their position in the organization. An attempt has been made to understand the role of leaders in influencing the organisation wide decision making and creating an environment of collectivism and team work.*

## INTRODUCTION

Originally an anthropological term, culture refers to the underlying values, beliefs and codes of practice that makes a community what it is. The customs of society, the self – image of its members, the things that make it different from other societies, are its culture. Culture has long been the focus of management theorists; the concept of cultures in organizations was alluded to as early as the Hawthorne studies. The topic came in to its own during the early 1970s. In early eighties several books on corporate culture were published. Many definitions of corporate culture or organizational culture have been proposed. Most of them agree that there are several levels of cultures and that these levels differ in terms of their visibility and their ability to be changed. Edger Schein (1985) argues that culture has three levels - artifacts - espoused values - basic underlying assumptions

**Personal enactment** – The behaviour of the




Source: Debra L. Nelson & James Campbell Quick, Organizational Behaviour: Foundations, realities & challenges, fifth edition, chapter 16, pp 531)

organizational members is the reflection of the organizational Culture. Personal enactment is the behaviour of the individuals as well as the groups that reflects the organization's values. In particular, personal enactment by the top managers provides insight into these values. Sanjay Koul, President Hydrocarbon Research foundation, India exhibits personal enactment by meeting personally with new employees and conveying to them his philosophy of mixing education and research with fun.

**Ceremonies and rites –** The activities and actions that are displayed by the organization as a whole time and again on important occasions are known as organizational ceremonies and rites. These occasions provide opportunities to reward and recognize employees who exhibit the desired behaviour according to the value system of the company. These send a message that individuals who both espouse and exhibit corporate values are heroes to be admired. The ceremonies also bound organization members

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together. Wal mart's annual meeting is an important cultural ceremony. Almost 20,000 shareholders, associates and analyst attend the Wal-Mart annual meeting. The annual meeting is like a big family reunion. The day is also celebrated as the award giving ceremony to the performers. Although the meeting does not begin until 10 am, people start arriving at 7 am for the extravaganza held for the associates. Because it is the primary vehicle for perpetuating Wal Mart's culture, videos of meeting are played in Wal Mart stores to motivate associates who are unable to attend. Researches have identified six kinds of rites. Rites of passage, Rites of achievement, Rites of renewal, Rites of integration, Rites of conflict reduction and Rites of degradation

**Stories** - Stories are the tales about the organization, its leaders and people. Tales give meaning and identity to organizations and are especially helpful in orienting new employees. The age old practice of storytelling is one of the most effective tools leaders can use. But they need to pick their stories carefully and match them to the situation. (Stephen Denning, Telling Tales, HBR, May 2004). Researches have identified certain themes such as reaction of top leaders towards the mistakes and the achievement, events leading to employee firings, relocation employees, promotion of lower level employees to the top position, dealing with crisis situations etc that appear in the stories across different type of organizations.

The web site of Wall Mart China reads the story of Jeff, a pharmacist in Harrison, Arkansas. When Jeff received an early morning weekend call telling him that a diabetic patient needed insulin, he quickly opened his pharmacy and filled the prescription. While Arkansas and Beijing are worlds apart, stories such as this one help transfer Wal Mart's corporate personality to its new Asian associates.

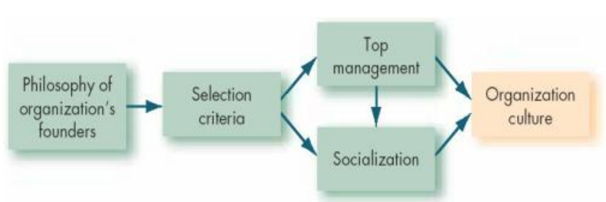
**Rituals** - Every day organizational practices that are repeated over and over are rituals. They are usually unwritten, but they send clear message about "The way we do things around here." While some companies insist that people address each other by their titles (Mr., Mrs., and Ms.) and surnames to reinforce professional image, others prefer that employees operate on first name basis. Hewlett – Packard (HP) values open communication, so its employees address one another by first names only.

**Symbols -** Symbols communicate organizational culture by unspoken messages. Southwest Airlines has used symbols in several ways. During its early years, it emphasized its customer value by using heart symbol ("love airline") more recently, the airline has taken on the theme of fun. Flight attendants wear casual sports cloth in corporate clours. Symbols are representative of organizational identity and membership to employees.

**Values** – These are the second and deeper level of culture. They reflect a person's underlying beliefs of what should be or should not be. Values are consciously articulated both in conversation and in the company's mission statement or annual report. Values can be quite different from organization to organization. N. R. Narayana Murthy, Chairman and Chief Mentor Infosys says that "an enduring value system based on openness, honesty, integrity, meritocracy, fairness, transparency and excellence, helps raise our confidence and the confidence of customers in the company. It gives the courage to handle tough situations with confidence, and sacrifices become easy and natural". According to G. V. Subramanyam, Vice President – Microsoft Technology Centre and Software Engineering & Technology Labs, Infosys Technologies Limited – Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. The importance of values for the success of business can be understood from the subsequent paragraph – "At the Tata Group our purpose is to improve the quality of life of the communities we serve. We do this through leadership in sectors of economic significance, to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business. Our heritage of returning to society what we earn evokes trust among consumers, employees, shareholders and the community. This heritage is being continuously enriched by the fomalisation of the high standards of behaviour expected from our employees and companies". The five core Tata values are – Integrity, Understanding, Excellence, Unity and Responsibility. (As stated in the official web site of Tata motors). When Harley - Davidson hires new customer service employees, they should better be ready to do more than just answer telephones.

**Assumptions -** The deepest level of organizational culture is that of shared assumptions – Which represents basic belief about reality, human nature and the way things should be done. Assumptions are usually unconscious. Org members may not be aware of their assumptions and may be reluctant or unable to discuss or change them. One key assumption at Google is that employee should focus on technical features of the product and not on marketing. Managers and employees alike are committed to a philosophy of trust and the importance of listening to others' thoughts and ideas. Edger Schein argues that culture is the outcome of the shared experiences arising from an organisation's attempts to resolve fundamental problems of adapting to the external world and achieving internal integration and consistency. This constructs a collective pool of knowledge that determines what is appropriate behaviour, directs understanding and gives guidance on how to resolve problems. Every organisation has its own unique culture even though they may not have consciously tried to create it. Rather it will have been probably created unconsciously, based on the values of the top management or the founders or core people who build and/or direct that organisation. Over time individuals (particularly the organization's leaders) attempt to change the culture of their organisations to fit their own preferences or changing marketplace conditions. This culture then influences the decision-making processes, it affects styles of management and what everyone determines as success. When an organisation is created it becomes its own world and its culture becomes the foundation on which the organisation will exist in the world. People's actions in organisations are not always 'their own' but are largely influenced by the socialisation processes of the specific culture to which they belong. Organisational culture is often referred to in the same breath as organisational change - and we often see the process of developing a new culture or changing the existing one linked into the transition curve.

Organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Members of an organization soon come to sense the particular culture of an organization. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different than that of a university. The culture of an organization can be understood by looking at the arrangement of furniture, what the members brag about, what the members wear, etc




Source: Stephen P. Robbins, Organizational Behaviour: Concepts, Controversies & Applications, eighth edition, chapter 16, pp 610)

**HOW ORGANIZATIONAL CULTURES ARE FORMED**

**WHY IS IT IMPORTANT?**

**Culture and success**

Although structure and people systems influence an organisation, culture, which is more soft, plays a crucial role in the success of a company. Lou Gerstner, who took the helm of IBM in early 1990s when the company was one of the world's greatest corporate disasters, had to focus on an outdated corporate culture. He quickly found that culture isn't simply one aspect of the game — it is the game. Deal and Kennedy (1982) argue that culture is the single most important factor accounting for success or failure in organizations. They identified four key dimensions of culture:

1. Values – the beliefs that lie at the heart of the corporate culture.
2. Heroes – the people who embody values.
3. Rites and rituals – routines of interaction that have strong symbolic qualities.
4. The culture network – the informal communication system or hidden hierarchy of power in the organization.

Peters and Waterman (1982) suggest a psychological theory of the link between organizational culture and business performance. Culture can be looked upon as a reward of work; we sacrifice much to the organization and culture is a form of return on effort. Kanter (1989) refers to the paradox implicit in linking culture with change. In line with its belief that 'People make the difference', TCL invests substantially in nurturing employee potential through involvement, empowerment and continuous learning. The organization structure, which lays emphasis on delegation, has helped develop the company's culture. The structure allows immense scope for continuous improvement; managers do not need to worry about day-to-day operations, and can thus better focus on breakthrough improvements. The delegation of responsibility to lower levels has also helped in developing a culture of initiative and risk taking. The company culture is such that individual as well as teams are recognized for their achievements. Teams are recognized on a quarterly basis based on their performance and some key measures. Teams are also recognized for 'Best Kaizens'. Individual growth is related to one's performance in the team. Thus, team members can not shirk their responsibility. In addition, social loafing is not possible due to peer pressure. Another interesting aspect is that workers are known as associates and not workers. This simple step helps inculcate a sense of belonging and loyalty towards the company. Every team member identifies himself/ herself with the team and feels proud to be part of the team. There are a number of inter team contests, team building exercises, constant interaction and counseling by team developer, celebration for every small success.

The phenomenal success of Infosys and the values-driven manner in which it achieved that success led the way in changing several established beliefs and practices. Three aspects are probably the most significant from an employee's perspective. First, the realization that it is possible to deliver world-class work from India. Second, the recognition that employees are the most important assets of any company. And third, the confidence that performance and values can be the sole criteria to be successful in an organization. In fact, Infosys was the first Indian company to implement Employee Stock Option Plans (ESOPs) on a widespread basis, instituting a strong employee ownership within the organization. Infosys has emphasized the culture of the 'Infoscion family' – a culture where employee participation is encouraged, feedback is valued and action is never delayed. (Infosys Annual Report 2005 – 06)

**Culture and the management of change**

The concept of culture is particularly important when attempting to manage organization-wide change. Practitioners are coming to realize that, despite the best-laid plans, organizational change must include not only changing structures and processes, but also changing the corporate culture as well. There's been a great deal of literature generated over the past decade about the concept of organizational culture — particularly in regard to learning how to change organizational culture. Organizational change efforts are rumored to fail the vast majority of the time. Usually, this failure is credited to lack of understanding about the strong role of culture and the role it plays in organizations. That's one of the reasons that many strategic planners now place as much emphasis on identifying strategic values as they do mission and vision. If real change is to occur in organizations rather than cosmetic or short – lived change, it has to happen at the cultural level. Corporate culture has many powerful attractions as a lever for change. The problem is how to get a hand on the lever. Firstly, cultures can be *explicitly created* – you have to be aware of what it takes to change an existing culture. The ability of companies to be culturally innovative is related to *leadership* and top management must be responsible for building strong cultures. Leaders construct the social reality of the organization; they shape values and attend to the drama and vision of the organization. Culture is frequently counter posed to *formal rationality* – in this sense culture helps to resolve the dilemma of bureaucracy; formal procedures are necessary for business integrity but they also stifle autonomy and innovation. The period from the mid 70s has been one of growing uncertainty for firms and in response to a changing environment and business crises adaptable cultures that are responsive to change have become vital. Morgan (1977) focuses on the whole organization, the cultivation of harmonious relations at all levels, the merging of individual with common goals and a reliance on worker responsibility (Japanese approaches) as success factors in organizational culture.

**Leaders Role in Shaping and Reinforcing Culture**.

Leaders play crucial role in shaping and reinforcing culture. The five most important elements in managing culture are – (1) what leaders pay attention to (2) how leaders react to crisis (3) how leaders behave (4) how leaders allocate rewards and (5) how leaders hire and fire individuals.

**What leaders pay attention to** - Leaders communicate their priorities, values and beliefs through the themes that consistently emerge from what they focus on. These themes are reflected in what they notice, comment on, measure and control, employees receive signals about what is important in the organization.

N. R. Narayana Murthy, Chairman and Chief Mentor Infosys asserts that - I would urge Infosys to choose a worthy dream, to go after it confidently, and to play a role that will make all of us proud in the years to come. Nothing seems impossible. This is the time you move on to higher aspirations, and learn to accept failures with equanimity. We need all of this and more for Infosys to achieve bigger and more ambitious targets. (Infosys Annual Report 2005 – 06).

"One hundred years from now, I expect the Tatas to be much bigger than it is now. More importantly, I hope the Group comes to be regarded as being the best in India — best in the manner in which we operate, best in the products we deliver and best in our value systems and ethics. Having said that, I hope that a hundred years from now we will spread our wings far beyond India..."— Ratan Tata.

Enron leader Jeffrey Skilling paid attention to money and profit at all cost. Employees could take as much vacation as they wanted as long as they were delivering results. They could deliberately break company rules as long as they were making money

**How leaders react to crisis** - The way leaders deal with crisis communicates a powerful message about culture. Emotions are heightened during a crisis and learning is intense.

There have been many happy events during these 25 years. There have been a few sad moments as well – the departure of valued colleagues; death of a few young Infoscions; and the loss of a few major contracts despite our best efforts. A great corporation must live for hundreds of years. Hence, we are still very young, but these initial years have taught us several lessons. These lessons are valuable not just for our future journey but for other corporations in the country and perhaps, the world. (N. R. Narayana Murthy, Chairman and Chief Mentor Infosys, Infosys Annual Report 2005 – 06)

When Enron crisis became public, managers quickly shifted blame and pointed fingers. Before bankruptcy was declared, managers began systematically firing any employee they could lay blame on, while denying that there was a problem with accounting irregularities

**How leaders behave** - Through role modeling, teaching and coaching, leaders reinforce the values that support the organizational culture. Employees often emulate leaders' behaviour and look to the leaders for cues to appropriate behaviour.

The behaviour of Enron managers spoke volumes; they broke the law as they created the fake partnerships. They ignored and then denied that problems existed. While employees were unable to dump their Enron stocks, managers were hastily getting rid of their shares, all the while telling employees that the company would be fine.

At the end of the 1950s Bill and Dave decided to write down the company's objectives, which were to serve as guidelines for "all decision making by HP people." Since the company had grown ever larger. With some changes, those objectives are still valid today. They cover as follows: "profit, customers, fields of interest, growth, our people, management and citizenship." And these objectives are to be achieved through team work. (www.silicon-valley-story.de/sv/hp_way.html-4k)

**How leaders allocate rewards** - To ensure that values are accepted, leaders should reward behaviour that is consistent with the values. The performance-based work culture and emphasis on meritocracy ensure that talented employees get ample opportunities to grow. Every win, big or small, is always recognized and celebrated through Spot Awards at the project level, Rewards and Recognition Programs at the business unit level, and Awards for Excellence at the organization level. The annual, much-anticipated Awards for Excellence recognize and reward those who epitomize one of Infosys' core values – the consistent pursuit of excellence. (Infosys Annual Report 2005 – 06)

Enron employees were rewarded only if they produced consistent results, with little regard for ethics. Managers were given extremely rich bonuses to keep the stock price up at any cost.

**How leaders hire and fire individuals** - A powerful way that leaders reinforce culture is through the selection of new comers to the organization. Leaders unconsciously look for individuals who are similar to current organizational members in terms of values and assumptions. The way company fires an employee and the rationale behind the firing also communicate the culture. One of Infosys' employee-related initiatives has been to recruit engineers and graduates, not necessarily Computer Science graduates, and equipping them to take on roles in the software industry, expanding the available talent pool in India. Moreover, investments in skills acquisition and competency enablement are aligned with project needs and market trends. This focus on assertive talent engagement and the cultivation of crossdisciplinary competencies has enabled employees to remain flexible in a changing environment. You may not find "learnability" in a dictionary, but that has been the prime criteria for recruitment. The model has helped Infosys create one of the finest people forces in the world and has become the industry norm. To attract, retain and motivate the best and the brightest, Infosys has believed in empowering its employees. Infosys was the first Indian company to institute a formalized leadership institute. The company has developed a 3-tier leadership model, based on the belief "the company is the campus, the business is the curriculum and leaders shall teach." Senior members of the Infosys management conduct courses on leadership at the Institute, drawing from their experiences. Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. It has also eschewed any transaction that created an asymmetry of benefits between the founder-employees and other employees. (Infosys Annual Report 2005 – 06)

HP always renounced the "hire and fire" mentality, which meant to employ many workers for a single big order and to dismiss them afterwards.

Instead, the company offered its employees "almost perfect job security". Even in 1974, when the U.S. economy was in a profound crisis and many people were unemployed, HP avoided lay offs by a four day workweek, which was a unique measure in corporate America. (www.silicon-valley-story.de/sv/hp_way.html-4k )

Enron hired employees who were aggressive, greed & desire to win at all costs and a willingness to break the rules. It fired non productive employees using a "rank and yank" system. Peers were required to rank each other, which led to cut throat competition and extreme distrust among employees.

**Concluding thought**

Thus it can be concluded that Organizational culture is the personality of the organization which is reflected by the behavioural pattern of the organizational members. It helps the organizations to manage and shape the perceptions of the employees and customers and create a high performing organization. It can be concluded that organizational culture has three main functions. It acts like a social control, social glue and it helps employees make sense of the work place. An understanding of culture, and how to transform it, is a crucial skill for leaders trying to achieve strategic outcomes. Strategic leaders have the best perspective, because of their position in the organization, to see the dynamics of the culture, what should remain, and what needs transformation.

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# ENERGY INFRASTRUCTURE IN INDIA AN EVALUATION OF POWER SECTOR

**Manas Pandey**

## ABSTRACT

*The availability of appropriate economic infrastructure service is a pre-condition for rapid economic development. Government has therefore attached great importance to the development of infrastructure sector, such as, energy, communication and transport. Energy is an essential input for economic development and improving the quality of life. In view of this, energy development has been given high priority in our development plans. A number of multipurpose projects came into being and with the setting up of thermal, hydro and nuclear power stations, power generation started increasing significantly. Electricity is consumed in commercial and non commercial (or domestic) uses. The commercial use of electricity is in industries, agriculture, transport etc. and non-commercial or domestic use is for domestic lighting, looking, and in domestic gadgets like refrigerators, air-conditioners, washing machines etc. A system of rating had been introduced for the SEBs with reference to the reforms process. The Electricity Act 2003, has been passed by the parliament as per which generation transmission and distribution of power is to be handled by separate agencies. All these initiatives are quite encouraging for tackling the problem of the power sector of the country.*

## INTRODUCTION

Infrastructure refers to a kind of structure, which is built to provide services in the economy. It may be: (A) economic infrastructure which includes all those service - facilities which influence the production and distribution system directly from within comprising Energy, Transport and Communication; and (B) social infrastructure which includes all those service facilities which influence the economic processes indirectly comprising Education, Health, and Housing. Thus, the main difference between social and economic infrastructures is that social infrastructure influences the production and distribution system from the outside while economic infrastructure influences it from within being a part of the system itself. The availability of appropriate economic infrastructure service is a pre-condition for rapid economic development. Government has therefore attached great importance to the development of infrastructure sector, such as, energy, communication, transport, ports, airports and the like.

Energy is an essential input for economic development and improving the quality of life. In view of this, energy development has been given high priority in our development plans. Broadly there are two principal sources of energy: Conventional and on-conventional sources. The former is further classified into two groups: (i) commercial energy- Which command a price and the users have to pay for this such as coal, oil, gas, water, radioactive elements and electricity. (ii) non-commercial energy which mainly consist of firewood, vegetable wastes and dried dung. Which are supposed to be avai lable without price. . At present about 40 percent of the conventional energy consumed is obtained from non-commercial sources and the rest is commercial energy obtained from oil and gas, coal and electricity. on- conventional energy comprises bio-gas, solar energy, wind energy, tidal energy etc.

The Commercial sources of energy are mainly coal, oil and petroleum, natural gas and electricity. Electricity is a very versatile source of energy. It can be transmitted over long distances at a modest cost. Electricity is an essential ingredient of economic development. It plays an important role in commercial and non-commercial uses. The commercial use comprises its use in industries, agriculture, transport etc. The non-commercial uses consist of its use for domestic lighting. cooking, and domestic gadgets, like refrigerators, air conditioners etc.

Electricity can be generated mainly from coal, water, gas and radioactive elements. When power is generated by using coal, it is known as thermal power. When we generate electricity from the fast flowing waters of high dams, it is termed as hydroelectric power and when power is generated from radioactive elements like uranium, thorium and plutonium, it is called nuclear power or atomic power.

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Power development in India commenced at the end of the 19th century with the commissioning of electricity supply in Darjeeling during 1897. Later on a hydropower station was commissioned at Sivasamudram in Karnataka during 1902. In the pre-Independence era, the power supply was mainly in the private sector that too was restricted to the urban areas. The Electricity (Supply) Act, 1948 paved the way for the formation of State Electricity Boards during Five Year Plans, which has been a significant step in bringing about systematic growth of power supply all over the country. A number of multipurpose projects came into being and with the setting up of thermal, hydro and nuclear power stations, power generation started increasing significantly. The installed power generation capacity in the country has increased from 1400 MW in 1947 to nearly 105000 MW at the end of 2001-02 of which 72 percent was thermal, 25 percent hydro and 3 percent nuclear.

Again electricity generated is of two forms: utilities and non-utilities. In case the electricity is generated to sell it in the market, it is called electricity generated (utilities). On the other hand when electricity is generated by industries for self-consumption, it is termed as electricity generated (non-utilities).The plants that produce non-utilities electricity are called captive plants.

The electricity generation (gross) in India during 1950-51 was 6.6 billion KWH, in case a bulb of 1000 watt is burnt for an hour, it is said to have consumed one kilo watt hour (KWH) energy, out of which 5.1 billion KWH was from utilities and 1.5 billion KWH was from non-utilities. It increased to 573.2 billion KWH during 2001-02 (515.2 billion KWH from utilities and 58 billion KWH from non-utilities). The share of thermal power (including wind) at present is nearly 82 percent in total power generation (utilities), hydro electricity contributes 14 percent and the nuclear energy accounts for 4 percent. The share of electricity generated by non-utilities is about 10 percent. The progress of electricity generation from various sources during the plan- period is as follows:

**Table: 1 -Energy Generation (Gross)**

(Billion KWII)

| Year | Utilities | | | | Non-utilities | Total |
|---|---|---|---|---|---|---|
| | Thermal (Including Wind) | Hydro | Nuclear | Total | | |
| 1950-51 | 2.6 | 2.5 | — | 5.1 | 1.5 | 6.6 |
| 1960-61 | 9.1 | 7.8 | — | 16.9 | 3.2 | 20.1 |
| 1970-71 | 28.2 | 25.2 | 2.4 | 55.8 | 5.4 | 61.2 |
| 1980-81 | 61.3 | 56.5 | 3.0 | 120.8 | 8.4 | 129.2 |
| 1990-91 | 186.5 | 71.7 | 6.1 | 264.3 | 25.1 | 289.4 |
| 2000-0 I | 408.1 | 74.5 | 16.9 | 499.5 | 55.0 | 554.5 |
| 2001-02 | 422.0 | 73.9 | 19.3 | 515.2 | 58.0 | 573.2 |
| 2002-03 | 448.6 | 63.8 | 19.3 | 531.6 | - | - |
| 2003-04 | 466.8 | 73.8 | 17.7 | 558.3 | - | - |
| 2004-05 | 486.1 | 84.5 | 16.8 | 587.4 | - | - |

Source: Economic Survey 2005-06

Hydel power has several advantages, such as it is most economical and it is free from the problem of pollution. However, hydel projects take a long period of gestation as compared to thermal projects. The Plant Load Factor (PLF) is an important indicator of operational efficiency in thermal power plants. The average PLF during 2001-02 was nearly 70 percent which has gone up above 72 percent during 2004-05

**Pattern of Electricity Consumption:**

Electricity is consumed in commercial and non-commercial (or domestic) uses. The commercial use of electricity is in industries, agriculture, transport etc. and non-commercial or domestic use is for domestic lighting, looking, and in domestic gadgets like refrigerators, air-conditioners, washing machines etc. We find changes in the pattern of electricity consumption in India especially since 1950-5 I. It is as follows:

**Table: 2-Pattern of Electricity Consumption (Utilities)** ( Percent)

| Year | Domestic | Commercial | Industry | Traction | Agriculture | Others |
|---|---|---|---|---|---|---|
| 1950-51 | 12.6 | 7.5 | 62.6 | 7.4 | 3.9 | 4.0 |
| 1960-61 | 10.7 | 6.1 | 69.4 | 3.3 | 6.0 | 4.5 |
| 1970-71 | 8.8 | 5.9 | 67.6 | 3.2 | 10.2 | 4.3 |
| 1980-81 | I 1.2 | 5.7 | 58.4 | 2.7 | 17.6 | 4.4 |
| 1990-91 | 16.0 | 5.9 | 44.2 | 2.2 | 26.4 | 4.5 |
| 2000-0 I | 23.9 | 7.1 | 34.0 | 2.6 | 26.8 | 5.6 |

Source: Economic Survey 2002-03

It shows that during the last fifty years the share of electricity consumption for non-commercial or domestic purposes has almost doubled, the share in commercial activities remained almost stable, in industrial sector it has become nearly half (mainly due to non-utilities or captive plant generation of the electricity) in traction it has been reduced to one-third, but in agriculture it has gone up almost seven-fold. It is clear that the use of electricity in agricultural operation is continuously growing. It is a matter of great satisfaction that 508863 (out of 587258) villages have been electrified and 13043926 pump sets had been energised up to march 2002 in the country.

**Challenges for Power Sector:**

The level of availability and accessibility of affordable and quality power is one of the main determinants of the quality of life. In the present day world it is crucial both for production and consumption purposes. However, there are number of challenges or problems faced by our power sector as follows:

(i) Problem of Power Shortage - The government has, since independence, been giving priority to this sector. As a result, the installed generation capacity has risen from mere 1400 MW at the time of Independence to more than I lakh MW today. Despite this tremendous growth, the country has always faced chronic power shortage on account of (a) a continuous rise in the demand for electric power; and (b) inadequate rise in the generation and distribution of power. This needs endeavours to keep a check on unnecessary increase in demand for electricity and also to make sincere efforts to increase the quantum of power generation in the country.

(ii) Poor Performance of State Electricity Board - The critical problem area in the power sector is the poor financial health and performance of the State Electricity Boards. This is mainly due to un-economic tariffs for agriculture, lower slabs of domestic consumption and high transmission and distribution losses and low billing and collection efficiency. In order to restore the financial health and to improve the operational performance of State Electricity Boards, the Central Government has initiated the Accelerated Power Development and Reforms Programme (APDRP) to provide financial assistance to the states. The state Governments are being encouraged to sign Memoranda of Understanding (MOU) with the Government of India to undertake reforms in a time bound manner. Salient features of such are: (i) setting up of State Electricity Regulatory Commissions, (ii) restructuring of State Electricity Board, (iii) administrative measures for improvement (iv) delegation of powers and duties, (v) metering up to II K V feeder level and energy accounting. (vi) 100 per cent metering of all consumers (vii) computerisation of SEB commercial and technical functions, (viii) adoption of turnkey contracts for APDRP implementation, (ix) agricultural tariff policy and subsidy by State government, (x)adoption of unit wise commercial accounting practices

(iii) Plant Load Factor - It is an important measure of operational efficiency, which has been above 72 percent in thermal power plants. There is continuous improvement in the PLF during the Ninth Plan. This is mainly due to a reduction in the weighted average of the generating stations, improvement in the design of the new units and better plant maintenance practices. However, there is a wide difference in PLF among different states of the country and there fore, low PLF states require substantial improvement. A number of steps have been initiated to improve the efficiency in the thermal power plants including that of the creation of National Thermal Power Corporation (NTPC).

(iv) Power Grids - In our country primary sources of electricity power and power generation plants both are unevenly distributed. Electricity generation plant may be located at a particular place but its consumers are scattered at far away places and therefore, it requires to transmit electric power over long distances. There is no coordination between power generation capacity and transmission network. Besides, the transmission lines are overloaded. As a result, there are frequent breakdowns and loss of surplus power in the country. In order to overcome all these difficulties, the power Grid Corporation of India was incorporated in 1989. The mission of the Corporation has been the establishment and operation of regional and national power grids to facilitate transfer of power within and across the regions with reliability. Security and economy. The Corporation has divided the country's power transmission system into five regional grids.

(v) Transmission and Distribution (T&D) Losses - Transmission and Distribution losses refer to electricity produced but not paid for. The current level of T&D losses is very high in our country. The estimates ofT &D loss are in the range of 30-45 percent. Further, losses in some states are much higher. Losses in Delhi and Jammu & Kashmir were as high as 47 percent and 56 percent respectively. The main reasons for high T&D losses are: weak and inadequate transmission and distribution systems; long transmission and distribution lines; inappropriate size of conductors; improper load management; pilferage and theft of energy with the connivance of line personnel and unmetered supply. This urgently requires the establishment of the system of energy audits for fixing the responsibilities.

(vi) Private Sector Participation - In order to overcome the problems of power sector, the government announced a policy in 1991, which allowed private sector participation in power generation and distribution schemes. The initial response of domestic and foreign investors in the power sector had been encouraging. However this policy encountered many hurdles. The shortfall in the private sector was due to the emergence of a number of constraints, which were not anticipated at the time of policy announcement.

The most important is that lenders are not willing to finance large independent power projects and selling power to bankrupt monopoly buyer such as State Electricity Boards. Uncertainties about full supply agreements, delays in the finalisation of power purchase agreements, environmental clearances etc. are also posing hurdles in the way of private participation.

(vii) Rural Electrification - Rural Electrification programme is a very important component in rural development. Under this programme out of 5.87 lakh villages 5.1 lakh villages (87percent) have been electrified. Thus, more than 77 thousand villages still remain to be electrified. Thirteen states have declared 100 percent electrification of their villages. Further, only 31 percent of the rural households are electrified so far. It is resolved that village electrification may be completed by 2007 and full coverage of all households be completed by 2012. To achieve these objectives, village electrification is now treated as a Basic Minimum Service under the Pradhan Mantri Gramodaya Yojana. Finally, against the total estimated potential of 19.5 million electric pump sets for irrigation, only 12 million pump sets have been energised.

**Encouraging Initiatives:**

Five year after the chief ministers had agreed to provide a strong impetus to the power sector, the subject has again assumed relevance. The chief Ministers conference had resolved, among others, that commercial viability of State-owned electricity boards had to be achieved in distribution in two-three years through measures such as creation of profit centres with full accountability, handing over local distribution to panchayats /local bodies/franchisees/ users associations and privatisation of distribution. Now, almost all States have their Electricity Regulatory Commission in place. Many States have unbundled their power utilities totally, the latest being Bihar and about a dozen States have followed this course.

Most of the States have signed Memoranda of Understanding with the union Power Ministry for undertaking distribution reforms in a time-bound manner and implementing the Accelerated Power Development and Reforms Programme (APDRP). One of the basic features of the APDRP is to improve the Financial viability of State Power utilities. A system of rating had been introduced for the SEBs with reference to the reforms process. A six-level intervention strategy had been formulated for distribution reforms at National, State, SEB, Distribution Circle. Feeder and consumers levels to ensure accountability, deliverability and performance. As for measures to curb theft and pilferage of power, Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh and West Bengal have enacted anti-theft legislation, Maharashtra, Punjab, Bihar, Kerala and Gujarat have taken steps in theft control resulting in increase in revenue collection and reduction in commercial losses. In about 86 per cent of II K V feeders, metering has been introduced with 100 per cent coverage in nearly a dozen States and more than 90 per cent in half-a-dozen States.

A far reaching development in the power sector was the Electricity Act. 2003. which replaced all existing laws in the power sector. The legislation came in to force in June 2003 after deliberation for several years. An important feature of this legislation is that generation, transmission and distribution can no longer be handled by one agency. Power generation, except hydropower, has been delicensed. As a corollary to the Act the National Electricity policy and Tariff Policy have been unveiled.

However notwithstanding the complexity involved in the implementation or power sector reforms, everyone acknowledges the role of political will to carry forward the reforms process. Whatever progress had been made so far in the sector is partly due to the commitment displayed at the level of Chief Ministers. Besides. at the Central level, the Power Minister has to be pro-active and should mobilise public opin ion for the implementation of the reform process.

**Concluding Observations:**

The power infrastructure is one of the pnrne mover of the econom IC development and is essential for improving quality of life. It assumes the form of thermal power, hydroelectric power and nuclear or atomic power. The energy generation in util ities has hone up above 115 times since 1950-51. The energy consumption in domestic uses and agricultural operations has increased many folds. As a result the country has been facing the problems of power shortage which needs endeavoured to keep a check on unnecessary increase in demand for electricity particularly for non-commercial uses and also requires sincere efforts to increase the quantum of power generation in the country.

Besides the power sector is also facing the problem of poor performance of state electricity Boards, lake of coordination between power generation and transmission network and high degree of transmission and distribution losses. This need proper remedial measures. It is pertinent to note that the government adapted the policy measures in 1991 allowing the participation of private sector in power generation and distribution. The Chief Minsters conference also recommended the various measures for tackling the problems of power sector as per which the Electricity Regulatory Commission (ERC) has been appointed and Accelerated Power Development and Reforms Programme (APDRP) has been adapted. The Electricity Act 2003, has been passed by the parliament as per which generation transmission and distribution of power is to be handled by separate agencies. All these initiatives are quite encouraging for tackling the problem of the power sector of the country.

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# ACADEMIC GOVERNANCE: ROLE OF MOTIVATION AND ANALYSIS OF PERFORMANCE BUDGETING

**Nazir Ahmad Gilkar**

## ABSTRACT

*The academic governance has gained added currency in the era of excellence in higher education service organizations. The present paper attempts a discussion on (i) role of motivation, (ii) performance budgeting, and (iii) institutional - individual performance convergence in this context.*

## INTRODUCTION

The academic organizations have become complex bureaucratic structures. It is on this score that these organizations are widely criticized. These organizations require managerial expertise for strategic decisions to shun bureaucratic environment and bureaucratic arrogance (Kishen, 2008). We hear of corporate governance, global governance, environmental governance, risk governance, self-governance, good governance, smart governance, e-governance and now academic governance.

The salient features of academic governance are: fairness, transparency, openness, disclosure and chain accountability. Academic governance does not rest on only simple accountability. All the stakeholders from top to bottom when positioned at a centre-stage are accountable to the people on their right and left; and up and down. It includes the functions of observing, analysing, assessing and decision making. Faculty-staff-students are whole heartedly involved in the process of decision making co-ordinated by the chief executive (Vice-Chancellor or principal).

The whole organization (faculty - staff - students) is carried along and material resources utilized for the purpose of producing the desired output by realizing vision - mission - goals - objectives. Important steps involved in this direction are: planning, organizing, staffing, directing, co-ordinating, reporting and budgeting (POSD CORB). Quality of these organizations depends on the effective functioning of the chief executive in all these steps.

The culture of team work, one of the significant pillars, is visible in abundance in academic governance that the organizational chart is visualized with the faculty - office - services on the top and the chief executive at the bottom. This is not just the visual gimmick but the academic leaders sincerely feel that they serve and support the people in the organization.

The unfair practices in whatsoever form or fashion are unknown to academic governance. No scope for bias in favour of or against any one. People in the academic organizations enjoy level playing field. The only business is to attain academic excellence through total commitment to the cause for the wider societal uplift.

## THE STUDY

### Rationale

The academics have been engaged in the discussions with regard to various forms of governance. However, the area of academic governance has not so far gained currency. Governance and leadership is one of the 07 key result area for quality performance under NAAC assessment and accreditation. The various components constituting this criterion include (i) institutituonal vision and leadership (ii) organizational arrangements, (iii) strategy development and deployment, (iv) human resource management (vi) financial management and resource mobilization, (vi) best practices in governance and leadership. In the words of Green and Harvey (1993), quality in education means, (i) quality in terms of exceptionally high standards, (ii) quality in terms of consistency of having zero defects, (ii) fitness for the defined purpose, (iv) more value for money, time and space, and (v) transformative in respect of participants. It is in this backdrop and in association with the aforesaid deliberations that the present paper has been attempted.

## OBJECTIVES

The present paper accordingly pursues the following objectives:

- To study the role of 'motivation' in the academic governance;
- To conduct an exploratory analysis of performance

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budgeting in a higher education service organization;

- To discuss certain measures for the success and advancement of academic organizations.

**METHODOLOGY**

The present paper is contextual and exploratory in its character. The paper is restricted to two vital issues for threadbare deliberations: (i) role of motivation as a step towards transformation in respect of participants, and (ii) performance budgeting in line with more value for money leading to zero tolerance for wastage of public resources. Accordingly, the information gathered from available literature has been re-arranged in conjunction with the observations and experiences of the author to achieve the preset objectives. A study has also been conducted in respect of a NAAC accredited higher education organization operating in Government college sector. For maintaining confidentiality the identity of the organizations has been disguised as "the xy college". The expenditure given in the 'line - item budget' (Annex - I) for a particular year has been distributed across the activities covered under NAAC 07 key result areas. The actual performance has been compared with that of the budget interms of both physical as well as financial accomplishments and wastage of public funds because of under-performance have been worked out.

**ANALYSIS AND DISCUSSION**

The focus of academic governance and leadership is motivation oriented - an important concept studied under human resource management. As such, it distances itself from 'command and control' or 'do as directed' culture. Motivation represents those forces acting within a person which cause him to balance in a goal directed behavivour. Because every human action is the result of a 'need'. One experiences a sort of mental discomfort as long as that need remains unsatisfied. The job of chief executive is to create 'stimulus' which initiates an action that leads to the satisfaction of need. This should be a perpetual process for the action to continue. Motivation plays an important role in converting human potentialities into performance and makes the impossible things possible (Syed Fayyaz, et al, 2008).

The increased attention towards motivation in academic governance is justified by several reasons and merits discussed below:

- Motivation identifies and makes faculty -staff-students to discover their creative potentialities. The motivated people are converted into committed, dedicated and loyal public servants;
- Motivated faculty-staff-students make every sincere effort to explore the alternate (out of box) methods of performing tasks assigned to them. They use creative and innovative methods rather than the existing work practices;
- Motivated faculty-staff-students have a positive attitude towards quality improvement (a need). This growing concern for quality leads to high caliber transaction and total engagement of all in curricular and co-curricular operations in an academic organization;
- Motivated faculty-staff-students exert their energies only towards their respective jobs. This inturn results in the growth in their efficiency and efficacy graph. Ultimately productivity through higher academic accomplishments (a need) at the utilization of minimum inputs is ensured;
- Motivated faculty-staff-students shoulder additional work willingly. They work for enhanced academic achievements;
- Motivated faculty-staff-students are engaged in sweet and meaningful communication among men in the society at large. They in all humility express their views and refrain from barking and pratelling;
- Motivation maintains discipline on the campus, tolerance for dissent and sound relations among colleagues. This inturn leads to congenial interpersonal relations in the academic organizations;
- Motivation makes stakeholders (chief executive-faculty-staff-students) in the academic organizations understand each other well. Love and affection for the youngsters and respect and reverence for the elders in age and status leads to effective group work and team spirit.

The need of hour for effective academic governance in the aforesaid context is to:

- Encourage faculty for their self-evaluation in respect of their academic and administrative operations carried out by them;
- Accommodate staff-students on different committees for their creative contributions to boost their morale;
- Obtain feed back from students in respect of curricular and co-curricular operations they are engaged in.

The 'optimal utilization of budget' is an assessment indicator under the key aspect of financial management and resource mobilization studied under the key result area of Governance and leadership for NAAC assessment and accreditation. This assessment indicator provides a scope for 'performance budgeting' - a concept of recent origin. It has been an integral part of reform process in public expenditure. Performance budget is different from 'line-item budget'. The latter focuses on the 'object' of expenditure. Performance budgeting in sharp contrast considers allocations of expenditure with reference to particular functions. The shift in budgeting from its itemized expenditure to activities has a profound significance in modern financial administration (Avasthi, et al, 2008). Thavaraj (1976) accordingly writes, "the need for result oriented budgeting is more recently felt in all developing countries … to ensure economy, efficiency and effectiveness in the use of resources … Measurement of performance is an essential aspect of result oriented budgeting." This incurring of Government expenditure in social sector - education, health, communications, etc. at a high magnitude is very vital to lay the foundation of a social welfare state (Basu, 2006). However, as academic budgets expand, there are inevitable demands to monitor and control of such expenditure.

The following arguments could be put-forth for implementation of performance budgeting in higher education service organizations:

- Presenting more clearly the 'purpose' for which the funds are sought;
- Bringing out the accomplishments in physical as well as financial terms;
- Fixing responsibility very precisely and giving authority for executing the work;
- Show casing what was done at what cost both programme-wise and unit-wise;
- Rendering academic performance audit more purposeful and effective.

The analysis done in Table 1 highlights that the cost per point scored works out Rs. 35,880. The institution under study has been in a position to achieve performance accomplishments to the tune of 75% during a particular year. And, as such, against the budgeted expenditure of Rs. 358.80 lakhs, drawn from the exchequer and disbursed, an amount of Rs. 269.10 lakhs only could be justified. Whereas, Rs. 89.70 lakhs stands wasted because of under-performance for which responsibility has to be fixed.

The approach of performance budgeting is not a staff reduction exercixse; but to provide an organization a neutral management tool in justifying every rupee of public expenditure resulting in sustainability through a zero tolerance for wastage of public resources. There is always a need and scope for basic infrastructure development which requires a lot of investment. This initiative would certainly push up employment and generate demand which is needed in the present day situation (Sudhaman, 2009). The 100 percent accomplishments across all the 07 key results areas, however, would justify a budgeted allocation of Rs. 358.80 lakhs during the succeeding year. The funds attributed to under-performance could otherwise be directed towards the development of basic infrastructure.

The UGC draft notification on 6th pay package issued in Feb., 2009 provides scope for institutional-individual criterion-wise convergence. The performance of higher education service organizations could get a fillip as the focus has been on the individual performance of the faculty judged by the Performance Appraisal Scoring System (PASS) as well.

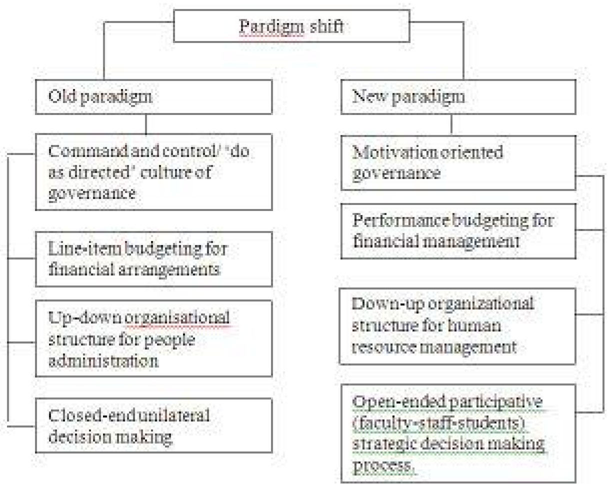
The analysis attempted in Table 2 reveals that the public expenditure per point scored is very substantial ranging from Rs.18000-Rs.22000, keeping in view the emoluments. At least 100 points each academic grade pay (AGP) of three years stay from Assistant Professor to Associate Professor and from Associate Professor to Professor have to be scored.

The performance audit is an in-built component of performance budgeting. Academic performance audit is a continuous process in higher education service organizations where performance budgeting is in operation. Unlike conventional audit, its purpose is to update the information system of the organization. The purpose is to pinpoint any unforeseen contingencies that may creep up. It may call for a revision or modification to conform to changes in priority. The ultimate objective is to bridge the performance gap.

The performance based accomplishments decide resource allocations under performance budgeting. Until now NAAC has been accrediting higher education service organizations based on physical accomplishments. These organizations would march forward at an accelerated rate in their performance achievement when:

- Assessment is also made interms of financial accomplishments. Every rupee of expenditure is to be justified in terms of performance achieved. There shall be zero tolerance for wastage of public resources. Accordingly, responsibility has to be fixed for the public expenditure not resulting in performance accomplishments;

- Individual assessment envisaged under UGC (PASS) is highly encouraging when looked at a right perspective and rationalized stand point. The orgnanisational assessment so far has been done on 'law of averages'. The under-performance has been set-off against performance once a shift in the focus is placed on the individual performance as well, the faculty will be motivated in pursuance of a 'need'. Sequal to it, institutional-individual performance convergence would serve a great boost to organisational academic achievements.




The aforesaid analysis and discussion clearly suggests a paradigm shirt in academic governance as summed up in the box given below:

The present study considers the following initiatives very vital in the light of motivation and its role towards academic excellence and effective utilization of public resources in the Government sector:

- To rationalize the faculty and staff through effective right sizing based on quantum of work in higher education service organizations;
- To senitise stakeholders with regard to the role of motivation and the implementation of physical and financial performance accomplishments;
- To constitute panel of academic auditors for year-wise performance assessment of academic organizations;
- To activate IQACs at each organizational level to work intandem with the changing developments in the global education milieu;
- To keep performance score cards always updated in pursuance of 'charter of functioning' enabling to share information as and when demanded in the matter under RTI Act;
- To justify disbursements from the public exchequer by corresponding accomplishments of NAAC key result areas;
- To make year-wise organizational assessment a regular activity followed by NAAC re-accreditation after completion of a cycle of 5 years;
- To activate administrative and academic committees and initiate necessary measures to overcome weak areas responsible for under-performance;
- To work smart in a competitive environment being offered in higher education service organizations;
- To realize the fact that right emotions, positive attitude and optimistic approach of chief executive-faculty-staff-students are as significant in determining the success and advancement of academic organizations as their technical skills and knowledge;
- To activate IQACs, ASCs, IMPA, IIPA, NUEPA etc to popularize the concepts of academic governance and leadership role of motivation and performance budgeting in higher education service organizations.

**CONCLUSIONS**

The present discussion finally concludes that academic governance fundamentally is smart (systematic-motivating- accountable-result oriented-transparent) governance. To translate his well meaning ideas for effective academic governance the chief executive has to free himself from the tethers of bureaucracy which very often has defeated the purpose of efficient operations of an academic organization. Organizational history is witnessed to the fact that organizations have evolved from nadir to zenith by sheer diligence and collective grit of their people. Organizations are not born great, but collective will of people make them great. Thus, what is required in the words of John Quincy is "if your actions inspire others to dream more, learn more, do more and become more, you are a leader". This academic governance and leadership is desired to have in higher education service organizations.

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**Table 1: Key Result Areas and Budgeted Expenditure**

| Criteria | Key Aspects | Weightage | | Budgeted Expen-diture Rs. in L | Accomplishments | | Wast-age Rs in L |
|---|---|---|---|---|---|---|---|
| | | Total | %age | | Physical | Financial Rs. in L | |
| 1. | Curricular Aspects | 50 | 5 | 17.94 | 3.50 (70%) | 12.56 | 5.38 |
| 2. | Teaching – Learning & Evaluation | 450 | 45 | 161.46 | 33.75 (75%) | 121.10 | 40.36 |
| 3. | Research, Consul-tancy & Extension | 100 | 10 | 35.88 | 6.00 (60%) | 21,53 | 14.35 |
| 4. | Infrast-ructure and Learning Resource | 100 | 10 | 35.88 | 9.00 (90%) | 32.29 | 3.59 |
| 5. | Student support and progression | 100 | 10 | 35.88 | 8.00 (80%) | 28.70 | 7.18 |
| 6. | Governance and Leadership | 150 | 15 | 53.82 | 11.25 (75%) | 40.36 | 13.46 |
| 7. | Innovative Practices | 50 | 5 | 17.94 | 3.50 (70%) | 12.56 | 5.38 |
| | Total | 1000 | 100 | 358.80 | 75.00 (75%) | 269.10 | 89.70 |

a) Note: figures within parenthesis indicate percentage
b) Source: Compiled and constructed on the basis of data obtained from (i) NAAC – New Methodology of Assessment and Accreditation (ii) Line-item budget of the XY College given in Annexure I.

| Table 2: Performance Appraisal Scoring System (PASS) and Budgeted Expenditure | | | | | | |
|---|---|---|---|---|---|---|
| **Academic Performance Indicators** | **Asstt. Professor** | | **Assoc. Professor** | | **Professor** | |
| | **Weigh-tage** | **Budgeted Expendi-ture** | **Weigh-tage** | **Budgeted Expendi-ture** | **Weigh-tage** | **Budgeted Expendi-ture** |
| Teaching & contribution to Profession related activities | 60 | 10.80 | 50 | 10.00 | 50 | 11.00 |
| Research and Development Related Activities | 15 | 2.70 | 25 | 5.00 | 30 | 6.60 |
| Extension, co-curricular and Student Monitoring Activities | 25 | 4.50 | 25 | 5.00 | 20 | 4.40 |
| Total | 100 | 18.00 | 100 | 20.00 | 100 | 22.00 |
| Cost/Score point | | 18000 | | 20000 | | 22000 |

Note: (i) Weightage in %age (ii) Budgeted Expenditure Rs. In lakhs
Score: UGC Draft Notification, Feb, 2009

**Annexure I: Line-Item Budget (Account Head Analysis)**

(Rs. In Lakhs)

| Unit of Head | Budget Expenditure 2007-08 | Revised estimates 2007-08 | Expenditure ending 8/08 | Expenditure Expected 9/08 to 3/09 | Budget Proposals 2008-09 |
|---|---|---|---|---|---|
| Salaries | 278.25 | 296.14 | 123.39 | 172.75 | 328.65 |
| Office expenses | 3.85 | 4.04 | 1.69 | 2.35 | 5.20 |
| Travel Expenses | 2.20 | 2.31 | 0.96 | 1.35 | 1.30 |
| Telephone | 0.55 | 0.58 | 0.23 | 0.35 | 0.95 |
| Books | 8.80 | 9.24 | 3.84 | 5.40 | 6.50 |
| Materials & supplies | 8.80 | 9.26 | 3.86 | 5.40 | 5.20 |
| Petrol, oil, lubricants | 0.85 | 0.87 | 0.37 | 0.50 | 0.40 |
| M.V. repair | 1.10 | 1.18 | 0.48 | 0.70 | 0.65 |
| Stationery & printing | 0.55 | 0.58 | 0.23 | 0.35 | 0.65 |
| Electric charges | 4.40 | 4.62 | 1.92 | 2.70 | 3.20 |
| Medical re-imburse-ment | 1.10 | 1.16 | 0.46 | 0.70 | 1.30 |
| Leave encashment | 2.00 | 2.10 | 0.90 | 1.20 | 2.60 |
| Rent, Rates, taxes | 0.55 | 0.58 | 0.23 | 0.35 | 0.25 |
| Education tour | 1.65 | 1.73 | 0.73 | 1.00 | 1.30 |
| Subject tour | 0.80 | 0.86 | 0.36 | 0.50 | 0.65 |
| Total | 315.45 | 335.25 | 139.65 | 195.60 | 358.80 |
| Salaries to total expenses (%) | 88.20 | 88.35 | 88.35 | 88.32 | 91.60 |

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# CUSTOMERS' PERCEPTION OF SERVICES PROVIDED BY INDIAN BANKS - A CASE STUDY OF DELHI

**Swati Anand***
**Kailash Saklani****

**ABSTRACT**

*Our perception is an approximation of reality. Our brain attempts to make sense out of the stimuli to which we are exposed. This works well when we are about to perceive familiar facts. However, our perception is sometimes "off" when we are not clear about concepts. Perception is a process by which an individual select, organize & Interpret stimuli in a meaningful picture of the world .The paper aims to find out the perception of customer's regarding quality of services provided by public and private banks. For the study two banks have been taken,the area of study is Delhi and the sample size has been 150 customers,the tools used for the study are Factor analysis and Gap analysis.*

## THE CONCEPT OF PERCEPTION

Perception is one of the objects studied by the science of consumer behaviour.

Analyzing the works of scientists studying consumer behaviour, it is possible to make a conclusion that perception is presented as one of personal factors, determining consumer behaviour. Personal factors mean the closest environment of a human, including everything what is inside the person, his head and soul, characterizing him as a personality. Using his sensory receptors and being influenced by external factors, the person receives information, accepts and adapts it, forms his personal attitude, opinion, and motive, which can be defined as factors that will influence his further activity and behaviour. Perception within this context is considered as one of the principal personal factors, conditioning the nature and direction of remaining variables.

Authors J. C. Mowen (1987), D. L. Loudon and A. J. Della Bitta (1993) determine perception as a phase of information processing, while C. G. Walters and B. J. Bergiel (1989), F. G. Crane and T. K Klarke (1994), G. D. Harrell, G. L. Frazier (1998), M. R. Solomon (1999), B. Dubois (2000) define perception as a separate variable of consumer behaviour having features of the process and including separate phases of the process. C. G. Walters and B. J. Bergiel (1989) characterize perception as a solid process during which an individual acquires knowledge about the environment and interprets the information according to his/her needs, requirements and attitudes. The works of F. G. Crane and T. K Klarke (1994), G. D. Harrell, G. L. Frazier (1998), M. R. Solomon (1999), B. Dubois (2000) present perception as a more complicated process, during which sensory receptors of a consumer capture a message sent by external signals and the information received is interpreted, organized and saved, providing a meaning for it and using it in a decision making process.

### Customer Perception

Customer perception is an important component of our relationship with our customers. Customer satisfaction is a mental state which results from the customer's comparison of expectations prior to a purchase with performance perceptions after a purchase. A customer may make such comparisons for each part of an offer called "domain-specific satisfaction" or for the offer in total called "global satisfaction".

Moreover, this mental state, which we view as a cognitive judgment, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction where expectations exceed performance perceptions and at the higher end by a high level of satisfaction where performance perceptions exceed expectations.

### Measuring Customer Perception in the Banking Industry

Banking operations are becoming increasingly customer dictated. The demand for 'banking super malls' offering one-stop integrated financial services is well on the rise.

The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. Convergence in the industry to cater to the changing

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demographic expectations is now more than evident.

Bancassurance and other forms of cross selling and strategic alliances will soon alter the business dynamics of banks and fuel the process of consolidation for increased scope of business and revenue. The thrust on farm sector, health sector and services offers several investment linkages. In short, the domestic economy is an increasing pie which offers extensive economies of scale that only large banks will be in a position to tap. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge.The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what perception the customer has to attain satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

**The Need to Measure Customer Perception:**

Satisfied customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction as an important strategic success indicator. Evidence is mounting that placing a high priority on customer satisfaction is critical to improved organizational performance in a global marketplace.

With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

Customer satisfaction is quite a complex issue and there is a lot of debate and confusion about what exactly is required and how to go about it. This article is an attempt to review the necessary requirements, and discuss the steps that need to be taken in order to measure and track customer satisfaction.

**Need and Importance of the Study**

One of the most important developments in banking sector has been the growth of the financial industry over the past two decades. The benefits of financial industry can be seen in the form of large scale industrial development, increased employment opportunities, higher turnover as well as revenue generation to the government and also increase in export of goods and services.

Banking industry in India has undergone a process of evolution with the package of time. To count or to depend on a bank merely by the function it is supposed to perform would be insufficient in the world that we live today.

Investments play a vital role on the part of the customers. A real investor does not simply throw his or her money random investment; he or she performs through analysis and commits capital only when there is a reasonable expectation of profit. Hence they both are interdependent i.e., it all depends upon the customer. "Customer knows what to expect". Today banks have a relationship management approach with their clients.

Banks are offering more customized solutions to their clients. The need of the hour is not only to introduce more value added products for which the customers are willing to pay here but also to innovate & enter new segments like small business & periodical finance. Everything resolves around the customer and banks via with their innovative and quality products to suit their clients. Today the bottom line for any customer is convenience understanding and evaluating the customers perception on the service & products of a bank has without doubt become a need, which propels the body to structure itself for better performance and service. Thus delivering high quality service to clients is just as important as delivering performance that meets or exceeds their expectations. It is in this context that a study is necessary to know about awareness levels on the services provided by the public and private sector banks namely, Public Sector Banks : State Bank of India, and Private Sector Banks : ICICI, and the customer perception towards the banks.

**OBJECTIVES**

**The objectives of the study are:**

- o To evaluate the different factors considered by the investors while making investments.
- o To study the services provided by Private Sector and Public Sector banks and the performance of it.
- o To analyze the service facilities those are being effectively utilized by the customers.
- o To ascertain suggestions from the investors for further improvement of the institutions.

**A HAPPY CUSTOMER**

Managing customers is one of the main issues that bank faces in today's hypercompetitive environment. If the service levels are not up to customers expectation, in all likelihood the customer might take his business elsewhere. This is where (CRM) Customer Relationship Management practices and software (on the technology side) plays an important Role.

Before Banks go for a CRM solution, they need to ask themselves one question, how well do they know their customer? So, the Rationale of a study revolves around Customer and his Perception, how he behaves and what he wants? Once we know our Customer we can easily satisfy his demand.

**METHODOLOGY**

The data required for this study has been collected from the primary sources.

Initially a 'Pilot Study' was conducted for testing the questionnaires. The pilot survey helped in making certain improvement in the final questionnaire. A structured questionnaire was then prepared for the respondents in order to collect primary data. The questionnaire is designed based on the objectives.

**Source of Data**

The data was gathered through primary data and secondary sources. Primary data are those which are collected afresh and for the first time, and thus happen to be original in character. It will be collected through questionnaires method. Secondary data is collected from the possible records like books, magazines, periodicals and websites.

**Universe**

The proposed study is to find out the services rendered by the Public and Private Sector Banks to their Customers. The population is uncountable and is considered as infinite. However, the proposed sample for the study from Private Sector Banks and Public Sector Banks are 150 respectively.

**Sampling Method**

The universe of the study is the account holders of Public and Private Sector Banks in Delhi and the sampling technique adopted will be convenient sampling method.

**Statistical Tools and Techniques**

The collected data have been analyzed with the help of tools like Gap Analysis and Factor Analysis

**LIMITATIONS OF THE STUDY**

The time spent for canvassing the bankers and customers to get the questionnaire filled was considerable. Further, there was reluctance on the part of customers to respond the questionnaire. The cost and time factors are the other limitations. The area covered is Delhi,however adequate care was taken to collect unbiased data.

**Gap Analysis**

The gap analysis is carried out between the expected level and derived level of satisfaction on the various aspects such as

Loan Flexibility;
Easy Access;
Security;

**Customer friendly**

Latest Facilities (Phone banking, Net banking, etc);
Reasonable Interest rate for Credit card transaction.

This analysis is carried out using t-test based on the average score of the values obtained for each factors. The significance is assessed using 5% level. The results are

presented in the following tables with suitable interpretations.

Gap Analysis on Expected and Derived Level of Satisfaction - State Bank of India

The table provides mean difference between expected level of satisfaction and the derived level of satisfaction on the various aspects of customer perception, its t-value and p-value. The aspects considered are Loan Flexibility, Easy Access, Security, Customer friendly, Latest Facilities (Phone banking, Net banking, etc), Reasonable Interest rate for Credit card transaction.

Table 1: Gap Analysis- Expected and derived level of satisfaction - SBI

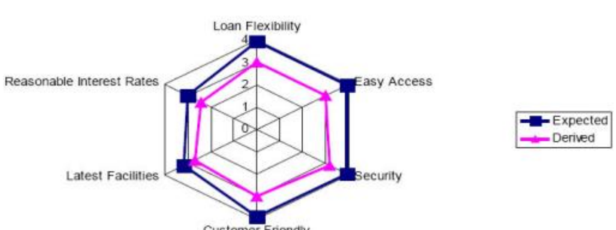
S-significant (p value <= 0.05); NS- Not significant (p value >0.005) It is found from the table 1 that all the mean difference values are positive indicating that the expected level of satisfaction is more than the derived level of satisfaction. Further it is implied that all the aspects are found significant resulting that the expected level of satisfaction is significantly more than the derived level of satisfaction of the respondents on the various facilities in SBI.

| Aspects | Mean Difference Expected-Derived | t-value | p- value | S/NS |
|---|---|---|---|---|
| Loan Flexibility | 0.9 | 59.059 | 0.004 | S |
| Easy Access | 0.9 | 57.559 | 0.009 | S |
| Security | 0.78 | 37.566 | 0.001 | S |
| Temperature | 0.91 | 45.525 | 0.000 | S |
| Customer friendly | 0.46 | 16.389 | 0.002 | S |
| Latest Facilities (Phone banking, Net banking, etc) | 0.63 | 23.912 | 0.001 | S |
| Reasonable Interest rate for Credit card transaction | 0.6 | 22.551 | 0.000 | S |

It is concluded that the respondents' expectation are significantly more than they derive on the various aspects relating to facilities in SBI.

Gap Analysis: Expected and derived level of Satisfaction - SBI

Gap Analysis on Expected and Derived Level of Satisfaction - ICICI Bank




The table provides mean difference between expected level of satisfaction and the derived level of satisfaction on the various aspects of customer perception, its t-value and p-value. The aspects considered are loan Flexibility, easy access, security, customer friendly, latest Facilities (Phone banking, Net banking, etc), reasonable interest rate for credit card transaction.

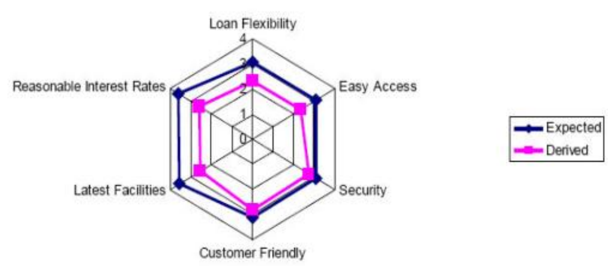
Table 2: Gap Analysis- Expected and derived level of satisfaction - ICICI

S-significant (pvalue <= 0.05); NS- Not significant (p value >0.005)

| Aspects | Mean Difference Expected-Derived | t-value | p- value | S/NS |
|---|---|---|---|---|
| Loan Flexibility | 0.61 | 24.637 | 0.005 | S |
| Easy Access | 0.61 | 25.066 | 0.001 | S |
| Security | 0.61 | 23.922 | 0.001 | S |
| Customer friendly | 0.61 | 21.494 | 0.000 | S |
| Latest Facilities (Phone banking, Net banking, etc) | 0.72 | 28.127 | 0.004 | S |
| Reasonable Interest rate for Credit card transaction | 0.75 | 29.045 | 0.001 | S |

It is found from the table 4 that all the mean difference values are positive indicating that the expected level of satisfaction is more than the derived level of satisfaction. Further it is implied that all the aspects are found significant resulting that the expected level of satisfaction is significantly more than the derived level of satisfaction of the respondents on the various facilities in ICICI bank. It is concluded that the respondents' expectation are significantly more than they derive on the various aspects relating to facilities in ICICI bank.

Gap Analysis; Expected and Derived Level of Satisfaction - ICICI




**Factor Analysis**

The factor analysis is mainly employed for 2 purposes

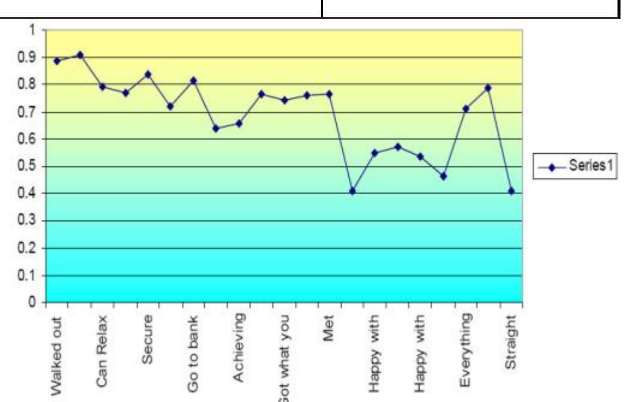
1. For data reduction
2. For identifying the factor which influences most.

In this section the factor analysis under extraction method of principal component analysis is employed to identify the important aspects relating to customer perception on public sector and private sector banks. Important factors are identified with extraction value more than 0.7. The results are presented in table 3. Table 3 describes the extraction values for each aspect relating to customer perception on public sector and private sector banks, through principal component analysis.

**Extraction Values- Aspects relating to customer perception on service of Banks: Table 3:**

| Aspects | Extraction values |
|---|---|
| Customer Friendly | **0.888** |
| Easy Access | **0.910** |
| Can Relax | **0.795** |
| Stress Reduction | **0.771** |
| Security | **0.836** |
| Safe | **0.720** |
| Go to bank with a trobled mind and ther sort it out for you | **0.816** |
| Sleep in night without worrying whats going on | 0.640 |
| Facilities are too good | 0.657 |
| Come away with a aproportion of what you want | **0.764** |
| Got what you went down for | **0.743** |
| Everything went according to plan | **0.762** |
| Met expectations | **0.767** |
| To be unsatisfied when you come and you are still in the same level as you went before | 0.409 |
| Happy with results | 0.551 |
| Content with whats been done for you | 0.574 |
| Awareness about net banking | 0.534 |
| Not frustrated | 0.462 |
| Everything goes smooth | **0.710** |
| No hassle | **0.787** |
| Straight forward | 0.409 |

It is found from the table 3 that among the 21 aspects relating to customer perception towards public and private sector banks 14 aspects are considered as more important than other aspects because of their expectation value more than 0.7. Further it can be deduced that " easy access" is considered as very important because of its high extraction value 0.910 followed by "customer friendly" (0.888); "security" (0.836); "Go to bank with a troubled mind and there sort it out for you" (0.816); "can relax" (0.795) and so on. It is concluded that among the various aspects relating to perception of customers "easy access" is considered as more important than the other factors.




**Factors Influencing Customer Perception**

### Findings based on GAP Analysis

- It is concluded that the respondents' expectation are significantly more than they derive on the various aspects relating to facilities in SBI.
- It is concluded that the respondents' expectation are significantly more than they derive on the various aspects relating to facilities in HDFC bank.

### Findings from Factor Analysis

- It is concluded that among the various aspects relating to perception of customers "easy access" is considered as more important than the other factors.

## CONCLUSIONS AND SUGGESTIONS

The following suggestions are the outcome of the research and applications of these

- Every bank should take precautions to keep customers experience safe. It should take continued efforts to safeguard online banking transactions.
- All internet banks should provide close interaction between bank service and web based e-commerce and even service through direct electronic payments.
- The bank should provide more convenient international transactions which means internet along with general trends.
- Elimination of geographical boundaries will help free access of internet banking.
- The bank should provide more customer awareness and need of transparency in their dealings.
- All banks should provide digital certification procedure as it helps the customers data that they receive from the correct system.
- The banks should come up with innovative ways of service at their door steps this may be a costly affair but will surely give positive results in the long run.
- The banks should take the initiative of training the advisors about the new schemes from time to time which also makes the advisors connected to the bank.
- The banks should also emphasis on the monitoring of EMI which directly relates to the returns of a loan amount.
- The company should come up with proper fixed deposit plans at this point of time where the market is highly volatile and the investors become very cautious at this level.
- The banks should use brand ambassadors for example the CEO's of major companies where the company allocate the funds. This will probably ensure proper results.
- The banks should focus on the advertising strategy and also the marketing of the bank product.
- The bank doesn't have enough tax saving plans or appropriate plans for tax so which they should come up with.

## SCOPE FOR FUTURE RESEARCH

There is a wide scope to extend this study in the future. Future researchers may continue the same study or they can study by taking all the private sector banks or public sector banks. The study may be done as a world wide study to bring about the potential of the bank industry.

### Conclusion

The last decade has seen many positive developments in the Indian banking sector. The policy makers, which comprise the Reserve Bank of India (RBI), Ministry of Finance and related government and financial sector regulatory entities, have made several notable efforts to improve regulation in the sector. The sector now compares favourably with banking sectors in the region on metrics like growth, profitability and non-performing assets (NPAs). A few banks have established an outstanding track record of innovation, growth and value creation. This is reflected in their market valuation.

However, improved regulations, innovation, growth and value creation in the sector remain limited to a small part of it. The cost of banking intermediation in India is higher and bank penetration is far lower than in other markets. India's banking industry must strengthen itself significantly if it has to support the modern and vibrant economy which India aspires to be. While the onus for this change lies mainly with bank managements,an enabling policy and regulatory framework will also be critical to their success. The failure to respond to changing market realities has stunted the development of the financial sector in many developing countries. A weak banking structure has been unable to fuel continued growth, which has harmed the long-term health of their economies. In this paper, we emphasise the need to act both decisively and quickly to build an enabling, rather than a limiting, banking sector in India.

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# MANAGEMENT STYLE IN RELATION TO ORGANIZATIONAL CLIMATE OF PUBLIC SECTOR ORGANIZATIONS

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## ABSTRACT

*The present study was conducted on 200 managers for assessing the relationship between Management style and Organizational climate in public sector organizations. Two units were selected for the purpose of data collection. Organization I was manufacturing unit and organization II was corporate office of two different public sector organizations. Data for study were acquired using a structured questionnaire, Management style measuring Supportive, Rescuing, Normative, Prescriptive, Problem-solving, Task-obsessive, Innovative, Bohemian, Confronting, Aggressive, Resilient & Sulking and Organizational climate measuring Results, Rewards & Interpersonal Relations, Organizational Processes, Clarity of Roles & Sharing of InformatioNand Altruistic Behavior. The current study reports significant correlations between Management style and Organizational climate on the dimensions of Rescuing, Normative, Prescriptive, Problem-solving, Task-obsessive, Bohemian, Confronting, Aggressive, Resilient & Sulking management style with Results, Rewards & Interpersonal Relations, Organizational Processes and Altruistic Behavior of Organizational climate. This study concludes with implications for practitioners and explores areas for further research.*

## INTRODUCTION

In reality, organizations are truly complex entities. They invariably encompass mediating influence of past experience and confluence of present and future. With emergence of business survival and growth needs, and the ever changing socio - political and economic scenario interaction with other organizations cannot be undermined. The internal and external environment to which they are continuously exposed influences organizations, at a particular moment. Here organizations have to maintain the balance of internal and external environment. External forces are exogenous. The internal environment comprise of - beliefs, values, expectations, perceptions, attitudes, interactive groups, morale, involvement, satisfaction, policies and structure. The internal environment forces can be effectively propelled through managerial efforts. In the present day world, management styles provide ways, possibilities and opportunities to achieve organization's desire, goals that an organization set for themselves. Organizational climate provides a type of work environment in which individual feels comfortable to work and he can take interest in his work and get involved in the job.

## MANAGEMENT STYLE

In the organizations, there are so many different management styles as there are managers. There are the autocratic managers who dictate instructions to employees without much discussion. Some are easy-going managers who are more hand off and trust their employees to self motivate, other managers are team-oriented and welcom suggestions and help with decision-making. Chalking out the management style that is right for managers requires some research, observation and self-examination, but when manager find a style that works, both manager and manager's staff benefit, In ever) company, no matter how big or small, there are managers who excel and managers who have room for improvement.

A classic definition is that, "Leaders do the right thing and Managers do things right." A more standard definition is usually something like "manager work toward the organization's goals using its resources in an effective and efficient manner". Business management author Heller explain a manag ment style that is "fast to act and react, flexible in choice of ends and means, focused on the prime activities and markets. friendly within the firm and with partners, competitors, suppliers and customers; and flat in non- hierarchic structures".

Management styles have come a long way in the last decade, the command and control style of management behavior remains common practice in many companies. This management approach basically means that employees are told exactly what to do, when to do it and even how it should be done. The manager is in charge, has all the answers.

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and fixes all the problems. It's no surprise that plenty of people find this approach demotivating and that workplaces with a command-control style are rated as pretty unsatisfying. When it comes down to it, none of manager really enjoys being told exactly what to do and neither do for employees. When people feel as though they have no say and are given no opportunity to contribute outside their work tasks, they switch off and become "disengaged". The command and control approach is being phased out for a more collaborative and engaging style - a "Coach" approach or being a "manager-coach". This is a positive shift - as long as it supports manager in understanding what on earth is meant by a "coach approach", and how expectations from them are changing.

## ORGANIZATIONAL CLIMATE

To understand employee's needs, concerns and perceptions. the organizational climate must be assessed. Interest in organizational climate began as early as the 1930's and has been increasing since the mid 1960's. The literary findings on organizational climate are diverse and defined organizational climate as related to the following: perceived organizational support (Eisenberger and Huntington, 1986); the structure of the organization (Payne and Pugh, 1976); and the degree of similarity between the organization's expectations and the employee's expectation (Glick, 1985). Schneider and Reichers (1983) defined organizational climate as "an approach to understanding phenomena that rests on employee perceptions that are descriptive of Organizational or subsystem events, practices and procedures that, in the aggregate, are useful in characterizing organizations or subsystems." Simply stated, assessing organizational climate requires that the unit of analysis be employees' perceptions in the aggregate. not the perception of the individual. Even the concept of assessing perception is relatively new and, according to Schneider and Reichers, provides an alternative to the once widely accepted assessment of individual employee motivations (Motivational theory). Thus, assessing workforce perceptions in the aggregate evolved from analyzing the psychology of the individual (Schneider and Reichers, 1983). Essential to the understanding and the measurement of organizational climate is the acceptance that measuring one outcome such as service or safety requires assessing the perceptions of events, practices and procedures related to that one outcome.

Organizational climate is a popular subject for research in the domain of industrial and organizational psychology. The origin and use of the specific term are found to be as old as the original concept of management itself. In the research work Forehand and Gilmer (1964) defined Organizational Climate as a 'set of characteristics that (a) describe the organization and distinguish it from other organizations, (b) are relatively enduring over time, and (c) influence the behaviour of people in the organization.' Gregopoulos (196J) defined Organizational Climate as a 'normative structure of attitudes ana beha -ioural standards which provided a basis for interpreting the situations and act as a source of pressure for directing activities'. In their Extensive research work Litwin and Stringer (1966) introduced a very comprehensive framework of Organizational Climate. They provided six dimensions of organization climate that include: i) structure. ii) responsibility, iii) reward, iv) risk, v) warmth, and vi) support. In other book by Litwin and Stringer (1968) emphasis was given on the concept of climate and its influence on the McClelland's 'need factors' of motivation i.e. a) power, b) achievement and c) affiliation. Attempts were also made to establish the operationalization of climate through the assessment of members' perceptions. During this time the actual concept of Organizational Climate began to take shape. In the study by Schneider and Bartlett (1968), attempts were made to develop a measure of climate. During this time the studies of Organizational Climate has established the face that it can be conceptualized and measured through the shared perceptions of the organizational members and almost all the contemporary studies embraced the concept.

## LITERATURE REVIEW

The literature available on relationship of management style and organizational climate is very varied but most of it has concentrated on the relationship of management style with organizational climate in the organizations.

Chung and Megginson (1981) considered leadership as the ability to influence the behaviour of people in a particular direction. Sinha and Sinha (1983) studied the relationship of Indian values with choice of leadership styles among male undergraduates of a college. They found that authoritarian leaders valued 'showed-off and 'personalized relationship'. The nurturant task leaders were associated with 'carefree life' (Aram) and the participative leaders were dependence prone. Elizer (1984) argued that two basic facets were needed to describe the domain of work values: modality of outcomes (the importance of various work outcomes to the individual) and system performance contingencies (the importance of performance - reward contingencies and system rewards to the individual). Tinti (1995) assessed the effect of leadership behavior on employees' work attitudes. Strong positive correlations were found between the attitudinal variables. Ekvall & Ryhammar (1998) indicated behavioural sty le of the manager affected organizational results only through influencing the social climate. Agarwal and Krishnan (2000), in their study of relationship between leadership styles and values systems, found that relationship - oriented leadership is positively related to values such as benevolence, universalism, tradition and security. They also found that task-oriented leadership is positively related to values of achievement, self-direction and power. Mendel, Watson and MacGregor (2002) stated collaborative leadership style contributed to a positive school climate. Liu (2003) found the trust between each other for both unit executive and staff would upgrade the beha ior ofleading and as well as the involvement of staff working. Kawatra (2004) studied the transformational masculine leaders & transformational feminine leaders on organizational culture. Jogaratnam (2005) suggested that entrepreneurial managers were more frequent scanners of the em ironment. Oyetunji (2006) examined climate that exists in schools was related to the head teacher's leadership style. Vliert (2006) supported the cultural leadership theory, autocratic leadership, as the opposite of democratic leadership, was seen as less effective in richer countries with more demanding climates but as more effective in poorer countries with more demanding climates. Moss and Ritossa (2007) suggested goal orientation of employees should be optimized before plans to encourage transformational leadership.

**PRESENT STUDY**

A review of literature revealed, though studies have been conducted on knowledge, skills and competencies for various level of management there has been less amount of work in the area of management style with reference to organizational climate in public sector organizations. The present study is therefore an attempt to address this important aspect by understanding organizational climate and different styles of management.

**OBJECTIVES**

The main objective of the present work is

- To study the Management Style and Organizational Climate In public sector organizations.

**METHODLOGY**

The sample for present study consists of 200 managers from two public sector organizations, one a manufacturing unit and another corporate office. In each unit 100 managers (Deputy Manager, Manager, Senior Manager and Additional General Manager) were contacted for the survey. Effort was made to cover every department of elected public sector organization. Organization 1 is a manufacturing unit of one public sector organization and organization 2 is a corporate office of another public sector organization. The concept behind the selection of the two organizations of public sector background was that management style and organizational climate was assumed to be different because of the nature of the organizations.

**MEASURES**

Two standardized questionnaires were used for collecting data. These were 1) Managerial Style - Spiro M (A vary 1980), and 2) Organizational Climate Scale - OCS (Sanjyot Pethe, Sushma Chaudhari and Uopendra Dhar 2001). These questionnaires were administered the personally to an in individual member as well as to group setting.

Managerial Style - Spiro M contains 36 items covering twelve styles respectively-Supportive, Rescuing, Normative, Prescriptive, Problem-solving, Task-obsessive, Innovative, Bohemian, Confronting, Aggressive, Resilient and Sulking styles. Each style contains 3 items. The score could be 0 and 5, 0 indicated rarely or never behave and 5 showed almost always behave this way. The Organizational Climate Scale (OeS) contains 22 items covering 4 variables respectively Results, Rewards & Interpersonal Relations, Organizational Processes, Clarity of Roles & Sharing of Information and Altruistic Behaviour. OCS comprises questions having 7 point scale. When response is strongly agreed score is 7 and when response is strongly disagree then score is 1.

**RESULTS AND ANALYSIS**

A correlation analysis was done to study the amount of relationship explained by the Management Style and Organizational Climate variables in each unit and total group. The study revealed that there were significant relationship between Management Style and Organizational Climate. Management style components: Supportive, Rescuing. Normative, Prescriptive, Problem-Solving, Task-obsessive, Innovative, Bohemian, Confronting, Aggressive, Resilient and Sulking management styles showed significant relationship with Results, Rewards & Interpersonal Relations, Organizational Processes, Clarity of Roles & Sharing of Information and Altruistic Behaviour of organizational climate.

***RELATIONSHIP OF MANAGEMENT STYLE WITH ORGANIZATIONAL CLIMATE IN ORGANIZATION 1***

Management styles, Rescuing (r = -0.2052, P < 0.05) and Prescriptive (r = -0.2471, P < 0.01) styles showed significant negative relationship with Results, Rewards & Interpersonal Relations. Organizational Processes depicted negative relationship with Rescuing (r = 0.4121, p < 0.01) and Prescriptive (r = -0.2888, p < 0.01) management styles, whereas Clarity of Roles & Sharing of Information showed a positive relationship with Supportive (r = 0.2248. p < 0.05), Problem-solving (1' = 0.2008, P < 0.05), Bohemian (r = 0.2034, P < 0.05), Confronting (r = 0.2521, p < 0.01), Aggressive (r = 0.3074. P < 0.01), Resilient (r = 0.2253, p < 0.05) and Sulking (r = 0.2197, p < 0.05) management styles. Organizational climate dimension, Altruistic Behaviour showed significant negative relationship with Rescuing (r = -0.3319, p < 0.01), Normative (r = -0.2052, p < 0.05), Prescriptive (r = -0.4227, p < 0.01), Task obsessive (r = -0.2027, P < 0.05), Aggressive (r = 0.2776, P < 0.01) and Sulking (r = -0.2384, P < 0.01) management styles.

***RELATIONSHIP OF MANAGEMENT STYLE WITH ORGANIZATIONAL CLIMATE IN ORGANIZATION 2***

Management styles, Problem-solving (r = 0.2867, P < 0.01) and Bohemian (r = 0.2137, p < 0.05) styles were significantly and positively related with Organizational Processes. Clarity of Roles & Sharing of Information showed a negative relationship with Innovative (r = -0.2332, P < 0.05) and Confronting (r = -0.2815, P < 0.01) management styles. Altruistic Behaviour showe.d a significant positive relationship with Resilient style (r = 0.2483, P < 0.01) whereas it showed negative relationship with Rescuing (r = -.2085, p < 0.05), Prescriptive (r = -0.3479, p < 0.01), Aggressive (r = -0.2215, P < 0.05) and Sulking (r = -0.2045, P < 0.05) management styles.

***RELATIONSHIP OF MANAGEMENT STYLE WITH ORGANIZATIONAL CLIMATE FOR TOTAL (ORGANIZATION 1 + ORGANIZATION 2)***

Problem-solving (r = 0.1499, p < 0.05) showed a positive relationship with Results, Rewards & Interpersonal relations whereas Results, Rewards & Interpersonal Relations depicted a negative relationship with Rescuing (r = -0.1867, P < 0.01), Prescriptive (r = -0.1680, p < 0.01) and Task-obsessive (r = -0.1554, P < 0.05) management styles. Organizational Processes depicted significant positive relationship with Problem solving (r = 0.1912, P < 0.01) & Bohemian (r = 0.1825, P < 0.01) whereas a negative relationship with Rescuing (r = -0.3111, p < 0.01), Prescriptive (r = -0.1745, P < 0.01). Task- obsessive (r = -0.1832, P < 0.01), Confronting (r = - 0.1773, P < 0.01) and Resilient (r = - 0.1373, P < 0.05) styles. Last variable of Organizational climate, Altruistic Behaviour revealed a positive relationship with Resilient (r = 0.1795, p < 0.01) and negative with Rescuing (r = -0.2797, P < 0.01), Normative (r = -0.1577, P < 0.05), Prescriptive (1' = -0.3930, P < 0.01), Task-obsessive (r = -0.1822, p < 0.01), Aggressive (r = -0.2518, P < 0.01) and Sulking (r = -0.2269, P < 0.01) styles.

**Exhibit 1:- Correlation Matrix of Management style and Organizational Climate in organization 1.**

| | | Organizational Climate (n=1 00) | | | |
|---|---|---|---|---|---|
| SN | Management Style | Results, Rewards & Interpersonal Relations | Organizational Processes | Clarity of Roles & Sharing of Information | Altruistic Behaviour |
| 1 | Supportive | 0.1269 | -0.0179 | 0.2248* | 0.0077 |
| 2 | Rescuing | -0.2052* | -0.4121 ** | -0.1237 | -0.3319** |
| 3 | Normative | -0.0346 | -0.0677 | 0.1324 | -0.2052* |
| 4 | Prescri pti ve | -0.2471 ** | -0.2888** | 0.0172 | -0.4227** |
| 5 | Problem-solving | I 0.1736 | 0.161 | 0.2008* | -0.0286 |
| 6 | Task-obsessive | -0.088 | -0.1486 | 0.1441 | -0.2027* |
| 7 | Innovative | -0.0411 | -0.0658 | 0.1315 | I -0.1262 |
| 8 | Bohemian | 0.0863 | 0.1469 | I 0.2034* | 0.0011 |
| 9 | Confronting | 0.0778 | -0.1356 | 0.2521 ** | -0.0343 |
| 10 | Aggressive | -0.0585 | 0.0199 | 0.3074** | -0.2776**1 |
| 11 | Resilient | 0.1275 | -0.0431 | 0.2253* | 0.1408 |
| 12 | Sulking | -0.0695 | -0.0397 | 0.2197* | -0.2384** |

* Significant at the level of .05
** Significant at the level of .01

**Exhibit 2:- Correlation Matrix of Management style and Organizational Climate in organization 2.**

| | | Organizational Climate (n= I 00) | | | |
|---|---|---|---|---|---|
| SN | Management Style | Results, Rewards & Interpersonal Relations | Organ izational Processes | Clarity of Roles & Sharing of Information | Altruistic Behaviour |
| 1 | Supportive | 0.0367 | 0.1748 | 0.0228 | 0.0772 |
| 2 | Rescuing | 0.0299 | 0.0443 | -0.0035 | -0.2085* |
| 3 | Normative | -0.0634 | 0.0401 | -0.1194 | -0.81 |
| 4 | Prescriptive | 0.0449 | 0.0977 | 0.0657 | -0.3479** |
| 5 | Problem-solving | 0.1547 | I 0.2867** | 0.0473 | 0.0368 |
| 6 | Task-obsessive | -0.1419 | -0.1022 | 0.0012 | -0.1465 |
| 7 | Innovative | 0.1285 | -0.0112 | -0.2332* | 0.0042 |
| 8 | Bohemian | -0.0375 | 0.2137* | -0.0633 | 0.0209 |
| 9 | Confronting | -0.0262 | -0.1354 | -0.2815** | 0.0609 |
| 10 | Aggressive | -0.0256 | 0.170 I | -0.1272 | -0.2215* |
| 11 | Resilient | 0.1393 | -0.1719 | -0.1651 | 0.2483** |
| 12 | Sulking | -0.0949 | 0.0985 | -0.0516 | -0.2045* |

* Significant at the level of .05
** Significant at the level of .01

**Exhibit 3: - Correlation Matrix of Management style and Organizational Climate for Total (organization 1 + organization 2) respondents. (n = 200)**

| | | Organizational Climate (n=200) | | | |
|---|---|---|---|---|---|
| SN | Management Style | Results, Rewards & Interpersonal Relations | Organizational Processes | Clarity of Roles & Sharing of Information | Altruistic Behaviour |
| 1 | Supportive | 0.0522 | 0.0372 | 0.1196 | 0.0359 |
| 2 | Rescuing | -0.1867** | -0.311 J ** | -0.0815 | -0.2797** |
| 3 | Normative | -0.0598 | -0.440 | 0.0315 | -0.1577* |
| 4 | Prescriptive | -0.1680** | -0.1745** | 0.0315 | -0.3930** |
| 5 | Problem-solving | 0.1499* | 0.1912** | 0.1340 | -0.0027 |
| 6 | Task-obsessive | -0.1554* | -0.1832** | 0.0713 | -0.1822""* |
| 7 | Innovative | 0.0296 | -0.0300 | -0.0042 | -0.0733 |
| 8 | Bohemian | 0.0371 | 0.1825** | 0.0749 | 0.0127 |
| 9 | Confronting | -0.0064 | -0.1773** | 0.0118 | 0.0002 |
| 10 | Aggressive | -0.0869 | 0.0274 | 0.0881 | -0.2518** |
| 11 | Resilient | 0.0938 | -0.1373* | 0.0487 | 0.1795** |
| 12 | Sulking | -0.1019 | -0.0120 | 0.0989 | -0.2269** |

* Significant at the level of .05
** Significant at the level of .01

**DISCUSSION:**

Rescuing & Prescriptive dimensions of management style were negatively related with Results, Rewards & Interpersonal Relations and Organizational Processes, dimensions of Organizational climate. Findings suggest that managers with rescuer tendencies develop proper rules and regulations, are less concerned with Results, Rewards and Interpersonal Relations and procedures of job profile & superior-subordinates relations. Clarity of Roles & Sharing of Information depicted positive relationship with Supportive, Problem- solving, Bohemian, Confronting, Aggressive, Resilient and Sulking dimension of management style. Implies that supportive, sulking, problem solution provider, creative child, protect subordinates & their ideas, depict creative adaptability & accept ideas and change his approach when required, managers vith these styles are more concerned with clarity of roles and sharing of information. Altruistic Behaviour of Organizational cli mate showed negative relationship with Rescuing, Normative, Prescriptive, Task - obsessive, Aggressive and Sulking styles for manufacturing unit of public sector organization. In other words, managers who are rescuer, sulking, task concerned framed norms of behaviour and proper rules and regulations are less concerned with social behaviour (Exhibit 1).

In corporate office environment, Management style dimensions - Problem solving & Bohemian depicted positive relationship with Organizational Processes, dimension of Organizational climate. Implies that problem-solving and creative child style managers are more concerned with methods of completion of tasks, procedures of job profile and superior-subordinates relations. Clarity of Roles &. Sharing ofInformation was negatively related with Innovative & Confronting dimension of Management style. Findings suggest that an innovative style manager is less concerned with clarity of roles and sharing of information. Organizational climate dimension Altruistic Behaviour was positively related with Resilient and negatively related with Rescuing, Prescriptive, Aggressive and Sulking dimensions of Management style. It indicated that managers with a creative and adaptable behaviour are more concerned with social behaviour less concerned with protecting their subordinates and developing proper rules and regulations (Exhibit 2).

For the Total (organization 1 and organization 2), a positive relationship of problem solving was observed with Results, Rewards & Interpersonal Relations, whereas negative relationship of Rescuing, Prescriptive & Task Obsessive Style with Results, Rewards & Interpersonal Relations. Implies that a manager with problem solving style is more concerned with results, rewards and interpersonal relations. Organizational processes depicted positive relationship with problem solving & Bohemian Style, and negatively relationship with Rescuing, Prescriptive, Task Obsessive, Confronting & Resilient Style. It indicates that managers with problem solving and creative child style are more concerned with procedures of job profile and superior-subordinates relations and less concerned of rescuing, creative adaptability, developing rules and regulations and exploration of problems for subordinates. The dimension of Organizational Climate, Altruistic Behaviour was positively related with Resilient and negatively related with Rescuing, Normative, Prescriptive, Task obsessive, Aggressive and Sulking dimension of Management Style. Findings showed that managers who have high concerned for social behaviour are creative adaptable, accept ideas and change their ideas when required. Whereas managers with low concern for social behaviour depict less concerned for norms of behaviour, rules and regulations, task, and protection subordinates. (Exhibit 3)

The above findings substantiate that leadership styles do have relationship with the organizational climate and are in line with earlier studies. For instance, Sinha and Sinha (1983) found that the participative leaders valued dependency (cooperation, trusting). Agarwal and Krishnan (2000), in their study of relationship between leadership style and values, found that the values such as benevolence (similar to humanity) is positively correlated to relationship oriented leadership (similar to participative) and values like self direction, power (similar to adherence to convention) were positively correlated to task-oriented leadership style (authoritarian). Similar results were seen in the studies by Mendel, Watson & MacGregor (2002) and Oyentunji (2006) where the head teacher leadership style and School climate were observed. The type of climate in schools was related to the head teacher’s leadership style.

## CONCLUSION AND IMPLICATIONS

In line with the other studies the present one also indicates the reactions to particular factors of organizational climate with management style. In the present work, twelve management style Supportive, Rescuing, Normative, Prescriptive, Problem-solving, Task-obsessive, Innovative, Bohemian, Confronting, Aggressive, Resilient and Sulking Style of the managers have been assessed. Organizational climate factors such as Results, Rewards and Interpersonal Relations, Organizational Processes, Clarity of Roles and Sharing of Information and Altruistic Behaviour have been studied in the present research work.

In Organization 1 (Manufacturing unit of public sector organization) Rescuing and Prescriptive dimensions of management style were negatively related with Results. Rewards & Interpersonal Relations and Organizational Processes dimensions of organizational climate. Clarity of Roles & Sharing of Information depicted positive relationship with Supportive, Problem solving, Bohemian, Confronting, Aggressive, Resilient and Sulking dimensions of management style. Altruistic Behaviour of organizational climate showed negative relationship with Rescuing, Nonnative, Prescriptive, Task obsessive, Aggressing and Sulking Styles. In Organization 2 (Corporate office of public sector organization) Problem solving and Bohemian depicted positive relationship with Organizational Processes. Innovative and Confronting style related negatively with Clarity of Roles and Sharing of Information. Organizational Climate dimension, Altruistic Behaviour related positively with Resilient and negatively with Rescuing, Prescriptive, Aggressive and Sulking dimension of management style. For total group, Problem solving depicted positively and Rescuing, Prescriptive and Task obsessive were negatively related with Results, Rewards & Interpersonal Relations. Organizational Processes showed positive relationship with Problem-solving & Bohemian and negative relationship with Rescuing, Prescriptive, Task-obsessive, Confronting and Resilient dimensions of management style. Altruistic Behaviour. organizational climate dimension showed positive relationship with Resilient and negative relationship with Rescuing, Normative, Prescriptive, Task-obsessive. Aggressive and Sulking dimensions of management style.

Though the study is conducted on only public sector organization, other organizations can be incorporated for future research. The finding of the study gave different picture for different organizations under study. Manufacturing unit of public sector organization had positive and significant relationship of management styles with Clarity of Roles & Sharing of Information, organizational climate dimension. The findings of the stud} do suggest that the organization should be concerned about how managers perceive the climate of the organization.

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# NEW PENSION SCHEME- A RAY OF HOPE FOR INFRASTRUCTURE DEVELOPMENT

**Ashu Khanna***
**Manish Kumar Bisht ****

## ABSTRACT

*New Pension Scheme will bring revolution in retirement planning resulting in expansion of pension funds . Pension reforms will do away with the problems of lower return to pension seekers, inadequate coverage of pension facility and ever increasing burden on government exchequer World is witnessing an increasing trend of investment of pension funds in infrastructure projects. After all the economic development of any country can be triggered through infrastructure development as it has a multiplier effect on the economy of the country. For this the Government has already taken proactive measures such as opening of various infrastructure projects to private players thus leading to a competitive market structure. Long-lasting assets such as roads , airports and electric utilities are good match for investment needs of such funds. The new pension schemes has geared the demand for pension products. There are 80 million workers who see the need for and value of voluntary contributory retirement saving system. The paper discusses the prospects of involving pension funds for infrastructure growth in India.*

## INTRODUCTION

Existing pension system is now getting a long awaited makeover. Pension reforms through New Pension Scheme is attractive to both government and pension seekers. Pension seekers can earn better returns and the pension burden on the state and the union will ease. In NPS system each employee contributes a portion of his monthly income to an account which then lead to market linked returns at the retirement .The logic is that fluctuations in market value would smooth out over the working life of the subscriber. In NPS system risk is totally borne by the employee, however he is not exposed to the default risk by the government . Every subscriber will have an individual pension account ,which will be portable across jobs . The subscriber will choose the fund managers and schemes to manage his pension wealth. He also has the option of switching schemes and fund manager. In NPS the final corpus on retirement depend upon the actual returns generated by the scheme chosen by the subscriber. Thus the NPS takes away the obligation to pay pension from the government and shift the responsibility of saving for old age to the individual.

A Committee comprising of IRDA Chairman, Joint Secretary Economic Affairs, LIC Chairman and Chairman of Association of Mutual Funds in India, AMFI, is chalking out implementation details of NPS. The committee has taken note of recommendations of the OASIS (Old Age Social and Income Security) report the main features of which are:

- Individual retirement accounts, IRA, will be created.
- He/she would make voluntary contributions into this account throughout his/her work life.
- Since the contributions are voluntary, distribution channels will play an important role.
- Contributions may be small amounts. Hence accounting will have to be safe and proper.
- A key feature of the system is points-of-presence or POPs - to ensure easy access. Post Offices and bank branches will be POPs to start with. All transactions of IRA will be done through these POPs anywhere in India.
- Individual accounts will have full portability - IRA can be carried across job changes and different locations.
- Record keeping will be centralized and there will be a central depository.
- Six pension fund managers have been recommended, who may bid for five years.
- Central depository will transfer blocks of funds to pension fund managers.
- Individuals could change funds managers if they are not satisfied with their performance.
- For premature withdrawals from the fund, disincentives have been recommended.

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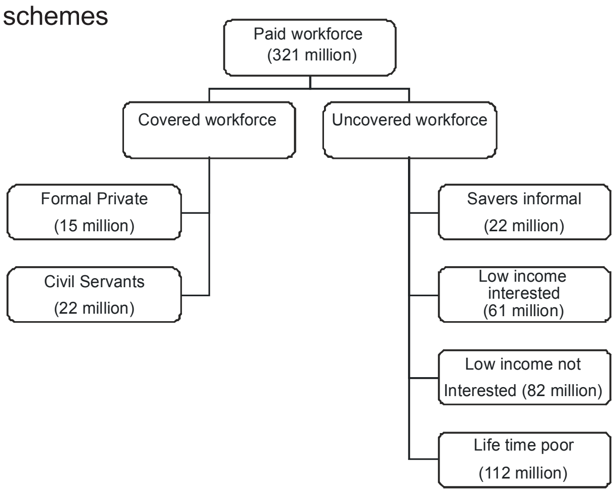
- Awareness programs through non-government organizations or NGOs and other welfare associations have to be in place as the targeted market may include literates and semi-literates.
- The pension fund manager will offer schemes of three styles - safe income, balanced income and growth.
- Favorable tax treatment for contributions, funds and annuity payments. The Pension Authority would regulate pension markets. The new system can only succeed if there is a efficient and strong regulator, business transparency and better professionalism in management of pension funds.

**THE PRESENT SCENARIO**

Presently only 12-13% of the total work force of 321 million is covered by any formal pension schemes




**WEAKNESS OF THE EXISTING SYSTEM**

Of the more than 321 million paid workers (in the age group of 18-59 years) in India only 37 are covered under any pension schemes High budget deficit have reduced the government ability to continue with the current pension system. A number of state government have reportedly delayed and default pension payments, as the benefits liable for pension scheme managers is high than the fund available leading to delays and defaults. Moreover the returns from the existing system are paltry and inadequate to take care of old age requirements.

**THE GROWING INDIAN PENSION MARKETS.**

The triggers of the growing pension market are the increasing population of senior citizens and widening of India's pension sector with the introduction of new pension schemes. Improvement in life expectancy and demographic changes has swayed in favor of graying population. Estimates of CII reveal that by 2016 population of senior citizens will rise sharply by almost 107% as against the growth of 49% in its general population. India's population of people above 60 years is expected to quadruple from 80 million in 2005 to 330 million by 2050.

**CAPITAL MOBILIZATION AND INVESTMENT OF PENSION FUNDS**

The new pension schemes covers all those employees of central government who joined services on or after January 1 2004.The annual addition to the pension Kitty under NPS will go up by Rs 3000 crores as sixth pay commission has also recommended to raise salaries by 20% to 40 % The drift from definite pension benefit to definite contribution has not only reduced the burden of Government exchequer but has also paved way to wider coverage of workforce under New Pension schemes. Government has asked Pension Fund regulatory and Development Authority to open the retirement scheme, which has been so far confined to Government employee to the self employed and those in the unorganised sector. If the latent demand for pensions from these groups is fully harnessed, Indian workers can contribute an estimated Rs 57,000 crore to NPS in the first year of operations and the number is estimated to increase to Rs 12,03,538 crore by 2019-2000( source: India data works income and saving survey)

**PENSION FUNDS AND ITS IMPACT ON COUNTRY'S ECONOMIC DEVELOPMENT**

It can be reasonably assumed that the entry of such huge pension fund will have a positive impact on the capital and debt market , as it will deepen the debt market and will provide stability to equity market too. It is of prime importance that the funds are utilized judicially. The money mobilized through pension scheme should be utilized in those areas that give inflation linked returns, so that pension seekers can aspire for better returns on their pension wealth depending on their risk appetite. Investment in infrastructure best suite the criteria stated above. Parliamentary research services estimates that under given market rates for annuity of Rs. 1000 per month subscribed to NPS for 35 years will result in life time annual pension for self of Rs. 47000- Rs 77000 under different scenario.

**THE INVESTMENT TREND OF PENSION FUNDS-THE GLOBAL PERSPECTIVE**

In recent times, the world has witnessed a significant movement of pension funds into infrastructure as a part of their alternative investment strategy. Australian funds were pioneer in this trend. Pension funds are the largest pool of capital and they play a key role in financing infrastructure. Banks are more keen in getting quicker returns on their investment and hence avoid long term investment involving high gestation period. That leaves pension funds as the next largest source of investment capital. Among the largest current pension fund investors in infrastructure are two Canadian public employee pension funds. The Ontario municipal Employee retirement System (OMERS) has $ 10 billion committed to this investment category while Canada Pension Plan Investment has committed about $ 7 billion in infrastructure . US's largest pension fund CALPERS has committed $ 2.5 billion to infrastructure investments . A large number of pension funds in U.K and Europe are gearing up to invest in infrastructure. The triggers for U.K pension funds looking at infrastructure is that many seek investments that can provide them with long dated inflation linked cash flows which are better match for their inflation linked liabilities.

## PENSION FUNDS AND INFRASTRUCTURE INVESTMENT - A GOOD MATCH

Infrastructure investment are suitable for pension funds of all sizes. Long lasting assets such as toll roads airports and public utilities are good match for investment needs of such funds as they provide a steady growth in revenue. The retirement security depends upon the long term profitability with minimal risk of investment made by pension funds. Investment in infrastructure are generally less risky given stable and growing demand for infrastructure services. The infrastructure investments provide relatively high and predictable returns in long term. The infrastructure investment has the characteristic of a desired diversifier for two fold reasons. Firstly its financial performance is not as sensitive as economic cycle as many other asset class . Secondly infrastructure returns generally have low correlation with those from traditional investments some business drivers are more closely related to GDP ( example ports) while others are more closely related to population growth(water utilities) , thus providing good diversification opportunity within the broad spectrum of infrastructure investment universe.

Though there has been a drastic fall in the stock prices of infrastructure from unrealistic level that has caused nervousness in the market, but the dream for infrastructure growth is still relevant. There is huge potential growth of this sector. Due to urbanization real estate is growing from 40-50% annually. As the standard of living in increases demand for infrastructure shoots up. The demand for per capita electricity consumption rises and as the number of cars increases the demand for roads also goes up. The demand for housing is also witnessing sharp increase year after year. Drivers of future growth include demographic trends and the increasing role of private capital. The factor that demonstrates the rationale of pension funds investing in infrastructure includes , long term profitability , minimal risk, desired characteristic of diversifier and inflation linked revenue.

## THE GROWTH POTENTIAL OF INVESTMENT IN INFRASTRUCTURE

Planning Commission, in its consultation paper has proposed a massive US $ 494 billion of investment for the Eleventh Plan period (2007- 12) CRISIL in its report has also projected that investment in infrastructure is expected to rise by 19% per annum. Creating infrastructure solely through budgetary resources is not feasible since it involves huge investment outlay and long gestation period, thus it calls for public-private participation. The government has taken a number of initiatives for the development of efficient infrastructure and towards creating an enabling environment for private participation thus enhancing competition. The public private participation will not only meet the requirement of funds but will also improve efficiency and productivity. It is expected that private participation would result in reducing the gestation period for setting up of new facilities , also bringing the latest technology and improved management techniques. Government has decided to take up many projects through private participation.

## CONCLUSION

A massive investment in infrastructure is urgently needed over the coming years in India. Meeting infrastructure requirements solely through budgetary resources and Government support is not possible. New Pension Scheme will help mobilize huge long term capital from abundant saving base of India. Pension funds are long term players and they are willing to remain invested for longer time. In India there is an immense potential of further growth in infrastructure . The overall economic gains will be substantial as the mobilization of pension assets would lead to effective investment in stock bonds and in government infrastructure. Matching of pension funds with that of infrastructure will lead to synergetic effect, it will not only give boom to the economy but will also ensure decent predictable returns to the pension seekers.

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# KNOWLEDGE MANAGEMENT & EMOTIONAL INTELLIGENCE AS PREDICTORS OF MANAGERIAL EFFECTIVENESS

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**Santosh N. Rangnekar****

## ABSTRACT

*In today's competitive global environment, the business units are finding very difficult to carry out the business effectively and efficiently due to fast changing environment. Various internal and external factors forced the development of knowledge and knowledge management. Contribution of knowledge management and emotional intelligence in improving overall effectiveness of the organization is strongly accepted. In performing these tasks management faced a lot of difficulties such as changing nature of knowledge, cultural factors, human behavior and practices. But through sincere and dedicated efforts these difficulties have been overcome. The study reveals that there exist a strong relationship between emotional intelligence, knowledge management and managerial effectiveness. This ultimately contributes in development of capability, effectiveness of the people and organization as a whole.*

## INTRODUCTION

In the good old days, learning was a holistic process. In the gurukul system, guru and shishya interacted closely and continuously and the individual was at the centre of learning process. Unfortunately, modern classrooms involve les of learning and more of cramming of information. Even at the workplace the focus is more on the daily grind than on learning. According to Peter Drucker-"Much of what we call management consists in making it difficult for people to work". The business environment is changing rapidly. The factors affecting the business are social, culture, economic, legal, political, and technological & competition. To carry the business effectively, it was required by the organization to work according to the changing environment or surrender the changes. [The Hindu, August17, 2000].

Knowledge Management performs the activities of acquiring or generating, codification, transmission and sharing of knowledge among others. Contribution of knowledge management in improving overall effectiveness of the organization is strongly accepted. Thus, Knowledge management is a process that continuously and systematically transfers knowledge from individuals and teams who generate them to the brain of the organization for the benefit of the organization as a whole. [Source: Salovey et.al; 1998]

More specifically [Mayer & Salovey, 1997] define emotional intelligence as "the ability to access and generate feelings when they facilitate thought, the ability to understand emotion and emotional knowledge, and the ability to regulate emotions to promote emotional & intellectual growth". [George, 2000] EI refers to having the ability to recognize and understand emotions and their behavior & attitudes. Those who have a high degree of emotional intelligence are in tune with both their own emotions and other people with whom they come in contact.

Five components of emotional intelligence have been identified:

1. **Self awareness -** The ability to recognize and understand one's own moods, emotions, desires and their effect on others.
2. **Self regulation -** The ability to control or redirect disruptive impulses or moods.
3. **Motivation -** A passion to work for reason beyond old calculations of money or power and the ability to pursue goals with energy and persistence.
4. **Empathy -** The ability to put oneself into another's shoes and think from their angle.
5. **Social Skill -** The ability to build rapport with various sections of society and create a network of people. [Mayer et al; 1990, Mayer & Salovey, 1997, Salovey & Mayer, 1989-1990]

"While improving the productivity of support staff is important, there is more to be gained by improving the effectiveness of managers and professionals". Goals of both KM and EI are similar i.e. development of knowledge of human resources. This ultimately contributes in development of capability, effectiveness of the people and organization as whole.

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## OBJECTIVE OF THE STUDY

1. To study the role of emotional intelligence in organization and its impact on managerial effectiveness.

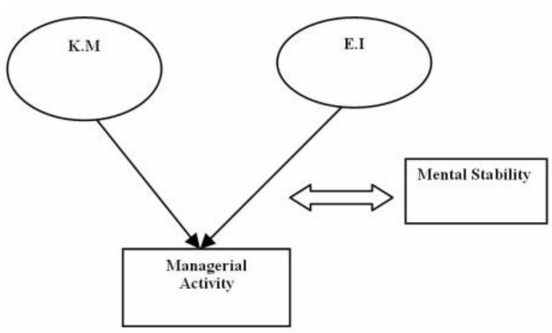


**Fig.1** [Source: Dr. R. K. Sharma, Management Trends Vol: 4 No.2, April-2007]

2 To study the role of knowledge management in organizations and its impact on managerial effectiveness.

3 To study the managerial effectiveness in Indian organizations.

4 To study the role of knowledge management and emotional intelligence as predictors of managerial effectiveness.

## LITERATURE REVIEW

The concept of emotional intelligence is proposed because it consist of competencies that enable people to use their knowledge effectively. In other words, this paper tries to understand does the development of emotional intelligence lead to a successful knowledge diffusion and thereby provide relevant input for future managerial development. The rise of knowledge work and the need for increased responsiveness make knowledge management essential. The emphasis on globalization is obvious in the information technology industry where knowledge management dominates. According to **Bair** 2001- "knowledge management is a discipline of identifying, capturing, retrieving, sharing and evaluating an enterprise's information assets."

Knowledge management involves both tactical & strategic process. The tactical process involves the **[P.V.Upadhya, "Bridging the gap between KM theory and practice", Indian Management, April 2003]**

- **Phase 1- Get**
- **Phase 2- Use**
- **Phase 3- Learn**
- **Phase 4- Contribute**
- **Phase 5- Assess**
- **Phase 6- Build and Sustain**
- **Phase 7- Divest**

## PROFILE OF THE SAMPLE ORGANIZATION

The organization where the study is undertaken is a BHEL, haridwar.The first plant of what is now known as BHEL,was established more than 50 years ago at Bhopal, and was the genesis of the heavy electrical equipment industry in India. BHEL is today, the largest engineering and manufacturing enterprise of its kind in India, with a well-recognized track record of performance, earning profits continuously since 1971-72.

BHEL caters to core sectors of the Indian economy viz. power generation, transmission, industry, transportation, telecommunication, renewable energy, defence etc. The wide network of BHEL's fourteen manufacturing divisions, four power sector regional centres,over hundred project sites, eight service centers and fourteen regional offices, enables the company to be closer to its customers and provide them with suitable products, systems and services-efficiently and at competitive prices. Having attained ISO 9000 certification, BHEL is now well on its journey towards Total Quality Management (TQM).On the environmental management front, the major units of BHEL have already acquired the ISO14001 certification. The company's inherent potential coupled with its strong performance over the years, has resulted in it being chosen as one of the "Navratna" PSEs.

## RESEARCH METHODOLOGY

| | | |
|---|---|---|
| **Research design** | : | Descriptive design |
| **Data source** | : | Primary & secondary data |
| **Primary data** | : | Primary data is in the form of factual information which has been collected from field through questionnaire |
| **Secondary data** | : | Secondary data is in written form which represents the published, unpublished matter. Secondary data for this paper has been collected from books, annual reports, magazines, newspapers, journals etc |
| **Sample** | : | Sample means the selection of a sub-set of elements of a large group of objects |

**Sample size** : The Sample size 50

**Contact method** : Personal

**Survey technology** : Questionnaire administration

**Types of questions** : Structured and close ended

**Data processing** : Suitable tables, graphs

The present paper is a combination of description as well as application. The study was conducted among executives of BHEL employees in Haridwar. Thus, the universe of this study comprises of the employees working in BHEL, Haridwar. Purposive sampling technique was adopted to study a portion of the universe. The size of the sample is 50, selected from various departments of BHEL Haridwar. The main source of data for the study was the primary sources i.e. the respondents themselves. The tool used for data collection was the questionnaire. The data collection were analyzed & interpretations thereof drawn. The findings and suggestions are presented as under. Univariate & bivariate analysis of variables were carried out for better understanding of the data using relevant and inferential statistics. Significant data have been portrayed in the form of diagrams.

**FINDINGS AND SUGGESTION**

**Findings**

**Profile of respondents**

This study was carried out among BHEL executives employed across different departments in Haridwar. The respondents were different departments like CDX, Commercial, STE, EME, HXE, FES, Quality/ BEX, EMT, TTX, GTE, MCX-T, CIE, WEX etc. The language of the questionnaire was English. Explanation of such terms as knowledge management, managerial effectiveness & emotional intelligence were provided at the start of the questionnaire. Managers interviewed in the pilot study were asked to complete the questionnaire and provides written feedback.

The following tables show the **responses** to the questionnaire. The questionnaire contained 3 parts i.e. managerial effectiveness, knowledge management & emotional intelligence and the responses are also tabulated in 3 parts as given below. The questionnaire is based on the 3-point scale (strongest/moderate/ weak).The questionnaire cover 34 variables/segments in total.

**Table-1. Questionnaire distribution & collection**

| S. no. | Category | Questionnaire Distributed | Questionnaire Responded | Collection Questionnaire |
|---|---|---|---|---|
| 1 | Executive | 65 | 50 | By person |

The following tables (2 to 4) show the responses:

**Table-2. Responses to the questionnaire**

(A) Knowledge management evaluation

| S.No. | Dimension/segment | S | M | W | Total |
|---|---|---|---|---|---|
| **A** | **GET** | | | | |
| 1 | People provide complete explanations when they make information requests | 17 (34) | 28 (56) | 5 (10) | 50 (100) |
| 2 | We have distinguished b/w knowledge management tools that are primarily administrative in nature & those that are more content focused | 15 (30) | 29 (58) | 6 (12) | 50 (100) |
| **B** | **USE** | | | | |
| 1 | Our workspace is designed to promote the flow of ideas between work groups | 16 (32) | 21 (42) | 13 (26) | 50 (100) |
| 2 | Anyone who has a good idea can get support to follow-up on it. | 13 (26) | 26 (52) | 11 (22) | 50 (100) |
| **C** | **LEARN** | | | | |
| 1 | People apply what they learn outside the organization to their work | 17 (34) | 22 (44) | 11 (22) | 50 (100) |
| 2 | When people finish projects, they generally take the time to meet with their team and analyze what could have been done better | 21 (42) | 22 (44) | 7 (14) | 50 (100) |
| **D** | **Contribute** | | | | |
| 1 | Dedicated roles, such as knowledge manager or knowledge coordinator, support the knowledge sharing process | 14 (28) | 17 (34) | 19 (38) | 50 (100) |
| 2 | Our organization looks for ways to remove barriers to knowledge sharing | 13 (26) | 19 (38) | 18 (36) | 50 (100) |
| **E** | **BUILD & SUSTAIN** | | | | |
| 1 | Members of the senior management team frequently talk about knowledge management when reporting on the state of the organization | 16 (32) | 23 (46) | 11 (22) | 50 (100) |
| 2 | We recognize that knowledge management is part of our asset base | 18 (36) | 27 (54) | 5 (10) | 50 (100) |
| **F** | **Assess** | | | | |
| 1 | It does not matter which group came up with an idea or technology, anyone in the company can use it | 13 (26) | 29 (58) | 8 (16) | 50 (100) |
| 2 | Our product or services deliver much higher value as a result of the knowledge they contain. | 14 (28) | 31 (62) | 5 (10) | 50 (100) |
| | **Grand total** | **187* (31.16)** | **294* (49)** | **119* (19.8)** | **600*** |

***Figures in parentheses represent percentages**

**Table-3. Responses to the questionnaire**
(B) Emotional Intelligence quotient evaluation

| S.No. | Dimension/segment | T | F | Total |
|---|---|---|---|---|
| 1 | I do not angry when verbally attacked | 28 (56) | 22 (44) | 50 (100) |
| 2 | I am comfortable with others grief, even those in close relationship to me. | 13 (26) | 37 (74) | 50 (100) |
| 3 | I get angry or fearful when physically threatened | 39 (78) | 11 (22) | 50 (100) |
| 4 | I worry regularly in some circumstances | 26 (52) | 24 (48) | 50 (100) |
| 5 | At times and in some circumstances I feel shame | 23 (46) | 27 (54) | 50 (100) |
| 6 | For something I have done in the past, I feel guilty. | 32 (64) | 18 (36) | 50 (100) |
| 7 | Sadness keeps recurring for me over specific issues. | 29 (58) | 21 (42) | 50 (100) |
| 8 | In my life is stress that never ends | 22 (44) | 28 (56) | 50 (100) |
| 9 | I am comfortable hugging other adults of either sex. | 29 (58) | 21 (42) | 50 (100) |
| 10 | I regularly allow my own wracking sobs & tears. | 22 (44) | 28 (56) | 50 (100) |
| 11 | Once my sobs & tears have been released, I feel great. | 24 (48) | 26 (52) | 50 (100) |
| 12 | I am comfortable saying the words " I love you" to men, women & children in a feeling way. | 37 (74) | 13 (26) | 50 (100) |
| | **Grand total** | 324* (54) | 276* (46) | 600* |

***Figures in parentheses represent percentages**

**Table-4. Responses to the questionnaire**

(C) Managerial effectiveness evaluation

| S.No. | Dimension/segment | S | M | W | Total |
|---|---|---|---|---|---|
| 1 | Create an organizational climate to help people maximize output with available resources. | 20 (40) | 26 (52) | 4 (8) | 50 (100) |
| 2 | Help subordinates develop into effective teams. | 16 (32) | 25 (50) | 9 (18) | 50 (100) |
| 3 | Can handle conflict effectively | 14 (28) | 28 (56) | 8 (16) | 50 (100) |
| 4 | Delegate tasks | 16 (32) | 27 (54) | 7 (14) | 50 (100) |
| 5 | Encourage subordinates to assume responsibility | 14 (28) | 29 (58) | 7 (14) | 50 (100) |
| 6 | Capable of recognizing key areas and issues. | 15 (30) | 22 (44) | 13 (26) | 50 (100) |
| 7 | Set definite goals before starting any work | 21 (42) | 24 (48) | 5 (10) | 50 (100) |
| 8 | Maintain a proper link between human resource planning & business planning | 18 (36) | 28 (56) | 4 (8) | 50 (100) |
| 9 | Co-ordinate various task groups to achieve results | 16 (32) | 23 (46) | 11 (22) | 50 (100) |
| 10 | Change old Procedures for new to improve departmental working. | 16 (32) | 28 (56) | 6 (12) | 50 (100) |
| | **Grand total** | 166* (33.2) | 260* (52) | 74* (14.8) | 500* |

***Figures in parentheses represent percentages**

- As regards the impact of the knowledge management and emotional intelligence as a key input for developing the employee ultimately leading to managerial excellence was duly conceived and all efforts were made to measure the effectiveness.
- The study reveals that majority of the respondents on most of the factors detailed in the questionnaire have responded positively by ranking strongest and moderate to many of the statements and variables. Hence, it is observed that the overall managerial effectiveness is role of knowledge management and emotional intelligence are found to be satisfactory.

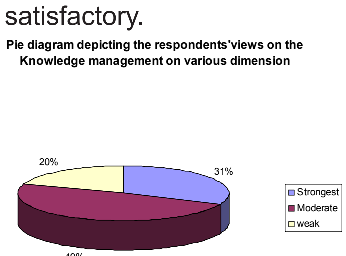


Diagram No.1

1. **Response to knowledge management outcomes:** The study further reflects that through this diagram no.1 that awareness of knowledge and understanding of work place regarding processes, methods, procedures, research and development activities and lists of customers through knowledge management process get, use, learn, contribute, build and sustain, assess helps to improve capability of individuals, system and organization as a whole to perform better and improved effectiveness of the organization. This provides competitive advantage over others. The respondents were enquired about knowledge management awareness in their organization, more than 31% are strongly using this system and 49% are moderate user in the organization. Business environment is changing rapidly so it has become compulsion for the organization to keep pace with changing environment for doing business effectively.

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# CORPORATE GOVERNANCE: AN EMPIRICAL STUDY OF INDIAN COMPANIES

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## ABSTRACT

*Corporate governance ensures proper functioning of the companies in terms of transparency of disclosing financial information and having the proper shape of the Board of Directors. Formulating rules and laws does not ensure its proper and timely execution. There is always some gap between the rules and implementation by the corporate. It is the corporate who takes people's money either directly or indirectly. Therefore it cannot be left unattended because of such high stakes. Corporate Governance is as good as insurance of the companies from any potential fraud. This gives sense of security to the existing as well as potential investors. Therefore the Corporate governance needs to be monitored or measured. This study develops a system for the measurement of the corporate governance initiatives. The developed system is then put in use and composite score of corporate governance initiatives is calculated and analyzed*[1].

## INTRODUCTION

Concerns about corporate governance and the decision-making capabilities of the management of the Companies is critical the way the company is being viewed by potential customers, investors, prospective and existing employees and all the other stakeholders. India's fourth largest software exporter faced a backlash from financial investors after it announced a decision to buy companies run by the sons of company's founder Chairman. Within a few hours, a chastened management of the company called the deal off. Satyam, the company, which ironically won Golden Peacock Award for corporate governance in the year 2007-08, has been posed with a big question mark. It is not that Satyam is the only problem in this regard. The failure of Enron Corporation in late 2001, apart from being the largest bankruptcy in the USA, has also thrown up myriad of questions about the effectiveness of the contemporary accounting, auditing and corporate governance practices. The list includes WorldCom Inc, Tyco International Ltd., Adelphia Communication Corporation, Credit Suisse First Boston to name a few where corporate governance was in the root cause for their untimely demise. The increasing number of corporate scandals have stained corporate governance reputation and questioned the effectiveness of its current structure. As a result corporate governance has received great attention from policymakers, investors, corporate boards and rating agencies alike.

The concept of corporate governance is quite old in the organizations. After World War-II it was seen that many large organizations came into being where management of many large corporations have dominant control over business affairs without sufficient accountability or monitoring by their Board of Directors. After the late 1970's corporate governance has been the subject of significant debate in the USA and all over the world. The driving force behind such initiative was shareholders concern regarding their involvement as the owner of the organizations. The concern was basically meant for how to increase the value of the shares and in turn their wealth. The issue of corporate governance was much fueled by the south East-Asian crisis in 1997. The separation of ownership and control, as posed by Berle and Means (1932), refers to the inherent conflicting interests of opportunistic managers and owners (Fama and Jensen, 1983; Grossman and Hart, 1986; Williamson 1985). Investors usually use their exit options if they disagree with the management or if they are disappointed by the company's performance. These signals, by way of share prices reduction, become the necessity for managers to improve firm performance (Hirschman, 1970). The agency problem of Corporate Governance is therefore posed as how to align the interests of strong majority shareholders along weak minority shareholders (Becht, 1997). Agency theory's dominance was highlighted by different researchers like Eisenhardt (1989). There were such instances also that state corporate law enhanced the rights of the corporate boards to govern without the consent of shareholders in exchange of statutory benefits (Becht et al, 2002).

Corporate Governance is relatively a subjective

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thing. We can control only those things which can be measured. To measure the corporate governance initiatives, it has to be made objective oriented. This could be done by developing some scale of the corporate governance. Different methods have been evolved by different entities.

**RATING OF CORPORATE GOVERNANCE**

The concern of how to develop a corporate governance system equipped with effective mechanism to ensure economic efficiency was the subject for debate (McCahery and Renneboog, 2002). Ideally, a responsive corporate governance system would promote shareholder wealth, restrict managerial shirking, protect minority shareholders and minimize controlling shareholders' misappropriation of private benefits. Different professional agencies came up with corporate governance rating methodologies and rankings. Different organizations have given different rating systems in order to rank companies. To name a few:

- Governance Metrics International Rating (GMI)
- The Corporate Governance Quotient (CSQ)
- Corporate Governance Score (CGS) of Standard & Poor's
- Board Effectiveness Rating of Corporate Library (BER)

These corporate governance ratings concentrate on the following general categories.

a) Characteristics of the Board
b) Director Education
c) Compensation plans
d) Ownership Structure
e) Anti-takeover devices
f) Financial disclosure
g) Internal Controls

Deminor has developed a methodology based on more than 300 Corporate Governance indicators (Deminor, 2001). In some rating systems the structure follows a number of international codes, such as those developed by the OECD (Organization for Economic Co-operation and Development) and the Commonwealth Association for Corporate Governance. In the system developed by Sherman (2004), Companies are rated on a scale of 1-10 relative to one another. Standard & Poor's (S&P's), the world-leading rating company, launched in 2001 a new service named, Corporate Governance Scores. The S&P's evaluation system analyses four key components: 1) ownership structure and influence, 2) shareholder rights and stakeholder relations, 3) financial transparency and information disclosure and 4) board structure and process (Bradley, 2004). The Corporate Governance Authority, a Brussels based company founded in 2000, offers corporate governance ratings worldwide. Their rating system includes 225 questions which are integrated into ten broad categories. The indicators are based on the OECD Principles of Corporate Governance and incorporate both public and non-public information (Corporate Governance Authority, 2002). In 2000, the German Society of Financial Analysts (DVFA) developed a "Scorecard for German Corporate Governance" (DVFA, 2000), based on the German code of best practices. The scorecard is divided into seven criteria: corporate governance commitment, shareholders and the general meeting, cooperation between management board and supervisory board, transparency and reporting and audit of the annual financial statements. In the German scorecard, each indicator is weighted by a suggested "standard weighting" but also allows the reflection of individual weighting differences. The German approach is applied in many countries in East Asian (e.g. Indonesia and Philippines) and in Latin America (Strenger, 2004).In India after having years of deliberations in different forums the last committee which was constituted by SEBI (the regulatory body of stock market in India) for the cause of the corporate governance was the K M Birla Committee in 1999. Its recommendations in its very shape were implemented. The implementations were made part of Listing Agreement of the stock exchanges (Clause 49). Out of all the recommendations, some were made mandatory and other have been left non-mandatory and left to the discretion of the organization. Credit rating agencies have sensed this as a business opportunity. The services of corporate rating have been launched by the credit rating agencies some years ago but it did not have much takers. The potential of business of rating agencies has gone up following the Satyam fiasco in the late 2008. In this study, it has been attempted to define a system of rating and then rating the corporate India.

**Objective of the Study**

It has been found in research all over the world that there is no apparent relation between good governance and good performance. It is agreed upon by researchers and business professionals alike that good governance will only reduce fraud, save corporation money on director and office insurance and reduce business failures (Nam, 2004). But corporate failure and financial scandal around the world (e.g. Enron, Parmalat, Barings and Satyam etc.) have made it almost mandatory to have a proper mechanism of corporate governance in place to restore the investors confidence in the stock markets. This has led to many attempts to develop methods to evaluate the corporate governance of the corporate. In this study the objectives are

1. To develop a corporate governance rating mechanism
2. Evaluating the performance of Indian listed companies on the developed scale
3. Analysis of Indian listed companies on the basis of their composite score for corporate governance

**RESEARCH METHODOLOGY**

This study has been done in three stages. Every stage caters to the one objective of the study.

**Stage 1:** For the construction of the corporate governance rating scale following parameters have been used. Different weights have been given to these heads and as an output a composite score of every company regarding corporate governance can be calculated. Using the developed system the maximum score of a company could be 20.

- Composition of the Board of Directors
- Number of Executive Directors
- Number of Independent Directors
- Presence of Nominee Directors
- Audit Committee members and frequency of their meetings
- Holding of Promoters in the company
- Holding of Directors in the company
- Composition of the shareholding pattern

**Stage 2:** To serve the second objective, composite score of companies has been calculated. The sample size has been 100. The companies of BSE have been taken from the BSE 100 index of the BSE. The BSE 100 index is a good representation of all the companies listed on Indian Stock Exchanges. The source of data has been the companies' annual reports of the FY 2007-08 and Centre of Monitoring Indian Economy's (CMIE) database PROWESS. The companies' annual reports include the audited financial results of the last financial year and disclosures prescribed in the clause 49 of the listing agreement.

**Stage 3:** Following hypotheses have been made to analyze the scores being attained by companies using the developed mechanism of corporate governance. The above calculated scores have been used for this purpose.

**Hypothesis 1:** The level of Corporate Governance initiatives is different in different companies.

**Hypothesis 2:** The Corporate Governance initiative of the Indian listed companies is on the higher side than the average.

**ANALYSIS AND RESULTS**

The Corporate Governance Rating scale has been developed using following parameters and their respective weights. The maximum score of every parameter has been given in the Table-1.

| SN | Variable Name | Particular | Maximum Score |
|---|---|---|---|
| 1 | ENE-ID | Executive and Non Executive Chairman and percentage of Independent Directors | 1 |
| 2 | NED | Non Executive Directors | 3 |
| 3 | PID | Percentage of Independent Directors | 4 |
| 4 | ND | Nominee Director | 1 |
| 5 | MAC | Member of Audit Committee | 2 |
| 6 | FAC | Frequency of Meeting of Audit Committee | 2 |
| 7 | HPS | Holding of Promoters Share | 3 |
| 8 | HD | Holding of Director Shares | 1 |
| 9 | SC | Composition of the Shareholding in the Company | 3 |
| | | Total | 20 |

**Table-1** Parameters of the developed scale and maximum score of every parameter

All the 100 companies were evaluated on the developed scale of the corporate governance. Their distribution and respective frequency for every class interval is given in table-2. The minimum and maximum scores are found to be eight and nineteen respectively. The mean score has been 14.41 and the distribution of the composite scores is negatively skewed (Fig.-1). To analyze the composite score from the sample

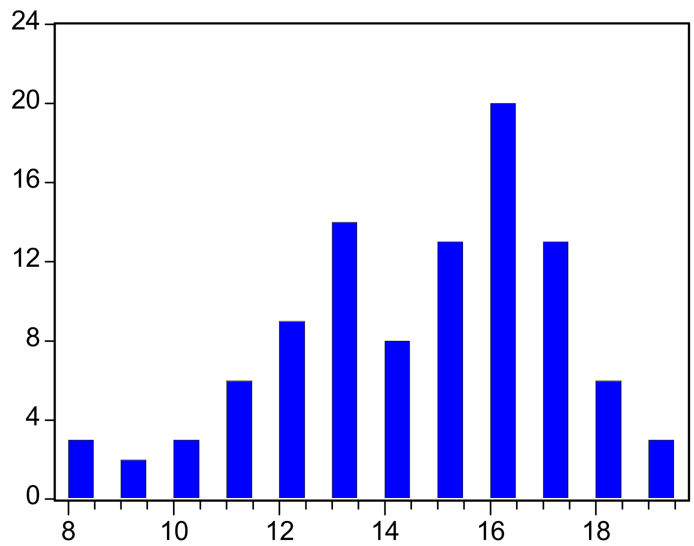
| Composite Score | Total | Percentage (%) | Cumulative (%) |
|---|---|---|---|
| 8-10 | 8 | 8% | 8% |
| 11-13 | 31 | 31% | 39% |
| 14-16 | 39 | 39% | 78% |
| 17-20 | 22 | 22% | 100% |
| Grand Total | 100 | 100% | 100% |

Table 2: Composite Scores of Companies

Companies the class intervals (of two points) have been made starting from eight, the minimum score attained by any company and ending at 20, the maximum score of corporate governance rating scale. It is found that maximum number of companies is in the bracket of 14 to 16 class interval (39% companies). The distribution is bell shaped and marginally normal (Jarque Bera Test has insignificant p-value (.091667); Fig-1). The normality of the distribution conveys this fact that different companies have different score on the scale of Corporate Governance. The distribution is marginally skewed to the left (negatively skewed) which also puts this point that the tilt is on the lower side from the mean score of 14.41.

corporate governance has so much subjectivity in itself that variation in the adherence to the concept of corporate governance cannot be uniform in companies. The method developed for measuring corporate governance can also not include all the features of the corporate governance due to the subjectivity element present in it. This is the limitation of the study. This study puts following points for conclusion.

- The system of corporate governance rating mechanism has been developed using the important and contemporary points into consideration.
- The composite scores of different companies have been calculated on the rating scale of corporate governance developed in the study. The mean score is 14.41 out of maximum score of 20.




| Series: COMPOSITE_SCORE | |
|---|---|
| Sample 1 100 | |
| Observations 100 | |
| Mean | 14.41000 |
| Median | 15.00000 |
| Maximum | 19.00000 |
| Minimum | 8.000000 |
| Std. Dev. | 2.609598 |
| Skewness | -0.509067 |
| Kurtosis | 2.667724 |
| Jarque-Bera | 4.779190 |
| Probability | 0.091667 |

Fig-1, Histogram and Descriptive Statistics

Performance of different companies has been found to be significantly different from each other. The distribution of the scores is marginally normal. The observation that the scores are normally distributed proves the point that the performance of different companies is significantly different (Hypothesis one is accepted)

The skewness of the marginally normal distribution is negative or on the lower side from the mean (Fig-1). If the distribution is negatively skewed, the performance of the companies on the front of corporate governance cannot be on the higher side (Hypothesis two is rejected)

## CONCLUSION

Corporate governance is asking companies to be honest which can not be entrusted upon them. Despite using all sorts of policy mechanisms and rules, corporate governance cannot be made effective in all the companies at the same level. The concept of

- Different companies have significantly different scores on the scale which reflects the diversity in the acceptance of the concept of corporate governance among different companies.
- The scores have been on an average more towards the lower side. This reflects the fact that the acceptance of corporate governance is yet to percolate properly in the psyche of Indian listed companies. This is a challenge to the policymakers and academia alike.

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# ATTRITION – A CHALLENGE FOR THE INDIAN BPOs

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## ABSTRACT

*Human Resources are the only source of long term competitive advantage for any business organization & therefore it is rightly known as real assets of organizations. Human Capital serves as the backbone on which the information technology & information technology enabled service industry in India depends. India's capabilities in software off shoring include low labour costs, adequate supply of English speaking programmers and system analysis, project management skills, good communication, strong flow of global venture capital, technological sophistication& other infrastructure. The disparity in time zone between India & some western countries make it suitable outsourcing destination. BPO employees are contributing about $5 billion to the country's GDP. Unfortunately, the boon of this burgeoning Industry which has the potential to transform the Indian economy is being scared by the problem of Attrition. Attrition may have many different attributes-however the reasons for attrition are not easily discovered within an organization until it is often too late to adequately address the problem. One company's loss is another company's gain & as there is a positive side to everything there is a positive side to attrition too but it is still important to know the reasons for attrition and to deal with this inexorable phenomenon. This article attempt to underpin the Business process outsourcing, scope of BPO ,services of BPO, issues & challenges for BPO, Attrition in BPO the techniques by which attrition can be curbed and managed & provide an insight that may alleviate future problems with this very elusive construct.*

## INTRODUCTION

"Our assets walk out of the door each evening. We have to make sure that they come back the next morning" **- Narayana Murthy Chief Mentor, Infosys**

The global HRM and HRD practitioners of today fast changing business world must be prepared to address the profound implications associated with attrition. The reasons for attrition may varies organizations to organizations but not very easy to discover the real issues and problems behind it. BPO companies have very different HR issues when it compared to those with other organizations. 24X7X365 working schedules, employment of women in work shifts, higher level of stress, personal and professional life in balance contribute vigor to the already high attrition levels in the software industry particularly IT, ITeS, BPOs and KPOs. An average Indian BPO employee associate with a company less than one year say only for 11 months or so where in UK and other developed countries having a retention span of 3- 4 years.

Indian services industry is growing at a high pace at 11% with emerging and promising careers in hospitality, airlines and banking industries. Indian BPOs, another component in service industry are facing chronic talented work force shortage. To address and control this situation and make India a very cost effective destination for IT services, innovative, value added and competitive measure have to be taken.

The biggest challenge what HR managers in any small, medium and large BPO companies in India face is that of attrition. How to tackle attrition? Which HR policies work best? There are no easy answers. Nor should we expect any standard policy package to work for all companies. Each company needs to work out the HR policy package that would work best given the company's specific character. A few general guidelines can, however, can be suggested.

BPOs all over India are reeling under high attrition rates. According to Nishchae Suri, consulting leader, Hewitt Associates, attrition rates in the industry vary from 24 per cent to 40 per cent. HR managers are under intense pressure from international clients to increase and maintain the count on the floor. Says C K Taneja, Managing Director, Green Field Online, a

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market research BPO: "Sometimes the executive hired and trained for process A, is shifted to process X, Y or Z at the end of his training. It's highly unethical and unfair to the employees. But reality is cruel."

Attrition has a tremendous impact on the DMoQs (Delivery Model of Quality) that require an agent to pick up a phone within three rings. DMoQs goes down sharply. The C-Sat (Customer Satisfaction) scores also deteriorate.

Employees leave due to monotony of the job and fear of stagnation. Social perceptions also matter. Most parents don't know what happens in a BPO. Some wrongly perceive it as a receptionist's job. Says Hewitt's Suri, "BPOs can curb attrition by offering a better work-life balance. They should concentrate on leadership and brand building as people prefer to be associated with a brand." Respect for the job should be created by BPOs. The youth should feel proud to be a part of the billion-dollar industry. Make the work challenging, provide opportunities for vertical and horizontal growth and hire right is the mantra. A strict 'No' to people with less than one-year experience should be the norm. Family members of employees should be involved in the induction process. They should be given a feel of what happens in a BPO.

Business Process Outsourcing, commonly known as BPO, is one of the most booming sectors in the Indian industry. Since its inception, the Indian BPO industry has grown at a constant annual rate of 40-50 per cent and within a couple of years, India managed to secure the position of the most preferred and low cost destination for business process outsourcing. Despite the recent concerns about the non-viability of BPO due to the increasing cost and the emerging security issues, the Indian BPO industry is expected to generate one million jobs by the year 2008. The sector has also increased its revenue manifolds to $8.5 billion in 2006-07 and is poised for higher growths.

Even though, in spite of the tremendous growth potential of the sector, attrition rate and the manpower shortage tampering the growth of the sector. The human resource professionals of the BPO industry are facing various challenges like the attrition rates and its implications, skill shortages, retaining the employees etc. The sources of recruitment used by the BPO companies are advertisements, employee referrals, outsourcing and walk-ins. The Indian BPO industry, which established itself as the low-cost destination for business process outsourcing in just a couple of years, is losing its position as the low-cost destination because of the rising people costs. According to the NASSCOM reports- The IT-ITeS industries are struggling with the critical issue of acquiring and sustaining manpower in the industry. The BPO industry – one of the most rapidly growing sectors in the Indian industry- is struggling with the issues of skill shortages, high attrition rates, performance management confidentiality and security concerns. All these issues are having a negative impact on the BPO industry.

In this context, the present study attempts to examine the reasons behind high rate of attrition in context with a metropolitan city and a cosmopolitan city. The study also focuses to understand the level of job satisfaction among these employees as well as what they are really looking for to devote themselves more span of service in the company.

**ATTRITION – WHAT IT IS?**

Employees are so called the citizen of an organization. They are considered as the most valuable asset of any small, medium or large organization. The term attrition is associated with employees in an organization which can be conceptualized in two prominent forms. One is attrition due to employees leaving the organization and employees retiring from an organization.

In an ideal situation, it is said that an employee would love and like his job. Co-workers, employer, organization, working conditions and everything related to his job. But in reality and practical world, this ideal situation is only with less that 30% of the employed population. In simple terms, attrition means the process of exiting of employees from a company for various reasons. It can also be defined as the reduction of employees in any organization by means of resignation, retirement or death. In Indian, the attrition rate (which is defined as the rate of shrinkage in size or number of employees) is high in case of software firms.

The cost of recruitment and training is a huge hidden cost for the companies. Further more, attrition affects not only the quality of the services but also leads to higher training and development cost too. As a result of attrition, a company incurs both direct and indirect costs. Direct cost is the cost incurred by a company at the time of attracting, recruiting, selecting and placing an employee in place of a vacancy. Indirect cost is the cost incurred by affecting the production and work process by means of incomplete work and loss of quality etc.

Other than "natural attrition" poaching of employees by competitors, employee burn out are also creating chaos in this sector. A study conducted by

Hewitt Associates in 2006 stated that Asia is experiencing all time high employee attrition with booming of economy as well as high rate of job opportunities for skilled, multi skilled and super skilled manpower.

## STUDIES IN BPO ATTRITION

Retention of excellent employees is one of the biggest challenges which most of the organizations are facing today. The general perception is that people leave organization for more money however, in one astonishing statistical comparison it was found that 89 % of employers think their people leave for more money while, its just 12 % of employees who actually do leave for more money .So what is that, which, makes employees to stay or quit their job. If carefully analyzed, the decision regarding staying or leaving the job is guided by various other factors.

Many HR managers in BPO firms believe that high rates of attrition in Indian BPOs are a phenomenon peculiar to India. It is not so. Various studies have shown that if the average rate of attrition in Indian BPOs is in the region of 30-35 per cent. The developed countries like UK and US also facing the problem of attrition. It is around 25-30 per cent. Moreover, in BPOs in other countries competing with India (for example Philippines) the attrition rate is again at least as high as it is in India. Thus, high rates of attrition is a kind of given in the call centre industry around the world.

Various studies show that Indian BPO firms which have been able to tackle the problem of attrition successfully adopt policies which can be grouped into two basic categories:

(a) Policies that are based on the basic strategy of "learning to live with it".

(b) Policies that are based on the basic strategy of "learning to tackle it". The emphasis in the first group of policies is on constant recruitment and training and not on retention while in the second group of policies the emphasis is on retention rather than on constant recruitment and training.

Studies also show that in BPOs, the basic strategy of "Learning to live with it" works best while the basic strategy of "Learning to tackle it" works best for non-voice operations and in firms engaged in high end processes. In BPOs, adopting a basic strategy that emphasizes retention can be suicidal because however much HR managers may try; there will have high attrition rates. Hence, spending too much on retention will only result in hiking costs and thereby eroding the very cost arbitrage that is the basis of the call centre business while it will not help in reducing the attrition rate appreciably. On the other hand, if the emphasis is on constant recruitment and training, costs can be kept down without affecting operations even if the attrition rate is in the region of 30-35 per cent.

Studies also show that one third of all attrition in BPOs are because of high stress levels and the desire to pursue higher education or alternative occupations while two thirds can be attributed to better job opportunities in the industry. In short, a large majority of people quitting go to another company. This is the reason why many BPO HR managers fall into the trap of putting emphasis on retention thinking that if they can implement good retention policies then the two thirds of the people going to other BPOs for better job prospects would not do so. These HR managers fail to realize that irrespective of the retention policies, two thirds of the people will still leave for better job prospects and that beyond a point spending more on retention would only eat into margins and erode the basic profitability of the business.

### BPO Industry in Global Scenario

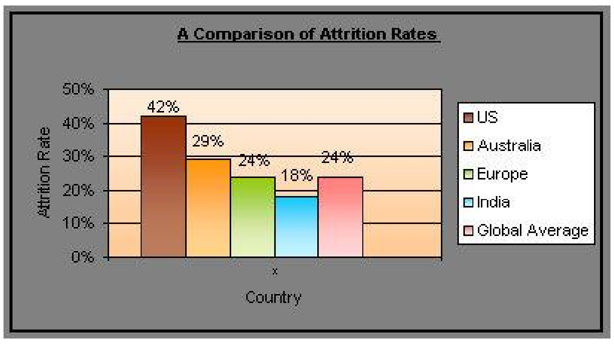
Table 1: Big Players in BPO Industry

Table 2 - Attrition Rate in Global Scenario

| Company | Workforce | Services | Revenue |
|---|---|---|---|
| GE | 11,000 | Network support, Risk management | $ 275 m |
| Citibank Employs | 2,500 | Trade finance, Loan processing | $ 75 m |
| British Airways | 2,400 | Accounting error handling, Miles Tracking | $ 42 m |
| Prudential plc. | 1,000 | Insurance | $7.5 m |
| Converges | 2,000 | Customer care | NA |
| Wipro | N A | Software & network support | $ 83 m |
| Infosys | 120 | Software & network support | $ 50 m |
| Daksh e- Services | 2,300 | Customer care | $ 30 m |
| Transwork | 1,200 | Trade processing | $ 12 m |
| Satyam | 200 | Customer care | N A |

| Attrition rates | % |
|---|---|
| **US** | 42% |
| **Australia** | 29% |
| **Europe** | 24% |
| **India** | 18% |
| **Global Average** | 24% |
| *Source-Times News New York (2003 | |

**Figure 1** Comparison of Attrtion Rates




(Source: Times News Network 2003)

**BPO Industry in India - A Glance**

Some Statistics of the BPO Industry in India

- Over 25,000 people are employed in the BPO sector
- Revenue of the sector touches $ 3.6 billion
- Burn out Stress Syndrome is common among BPO employees
- BPO industry lacks a regulatory framework from Foreign Direct Investment

**Table 3 :** Indian BPO's Global Race – A Comparison

| Basis of Comparison | India | Ireland | Philippines |
|---|---|---|---|
| Employee Base | 1,06,000 | 18,000 | 10,000 |
| Companies | 336 | 150 | 70 |
| Revenue ($ million) | 1,470 | N A | 240 |
| Phone/ call charges | High | Low | Average |
| HR Cost ( for graduates) | 2,400 | 19,500 | 2,900 |
| Talent pool | 2,100,000 | 43,200 | 3,80,000 |

(Source: Nasscom- McKinsey Report 2007)

A recent study by Hill and Associates, Security and Risk Management Consultants, on the attrition rate in the BPO sector, threw up some interesting insights. The study was conducted on targeted respondents that concluded the young population who are undergraduates, graduates and post graduates employed in the outsourcing business and who had changed their job at least once in the past three years.

Less than a decade- the old Indian BPO industry is at a point of inflexion, having grown by 30% for the past several years to $8.4 bn in 2006-2007. The global BPO industry is estimated to be worth $120-150 bn of which offshore BPO is estimated to be approximately US $ 11.4 bn. India has a share of 5-6% of total share in the global BPO industry. The sector witnessed considerable activity during last years, including a ramping up of operations by major Indian and MNC players and paced hiring of potential employees. The domestic BPO market, catalyses by demand from telecommunications and BFI (Banking, Finance and Insurance) segments, matched the growth of BPO exports.

Over a past decade, India has emerged as a preferred location and destination for organsations outsourcing a variety of services such as pay roll processing, legal transcription, medical transcription insurance claim processing to back office operations such as accounting, data processing and data mining. The high educated, talent young work force, tremendously provides knowledge based services such a processing, designing and analyzing. More over Government of India has allowed total tax exemptions on the exports of IT initiated enabled services under section 10A & 10 B of the Indian Tax Act.

**Attrition in BPOs - A Menace**

The global BPO industry currently valued at $ 540 billion is estimated to touch $ 750 billion by 2008 and cross $1.2 trillion by the end of the current decade. According to a study conducted by KPMG, India hopes to employ a million people by 2010 as call centre specialists and transaction processing executives. But the industry lacks projects managers and middle management personnel to realize this vision. The report says that attrition as well retaining skilled personnel at the junior level and middle level is a major road block for the growth of this sector.

Various challenges and issues related to HR are associated with Indian BPOs such as society perception about the sector, difficulties in attracting and retaining talents, compensation challenges, performance management issues, high level of attrition, stressful work, discipline and behavioral issues and other health issues.

As India is considered to the top-notch when it comes to BPO delivery models, the only thing that is stopping India from going the next level is the high attrition rate. The attrition rate in the industry has been hovering around 35-40%, which is quite height for any industry. It is revealed that an average Indian call centre employee works with a company for 11 months, wherever in UK it is for three years.

In India, the average attrition rate in the BPO sector is approximately 30-35 % . It is true that this is far less than the prevalent attrition rate in the US market (around 70 percent), but the challenge continues to be greater considering the recent growth of the industry in the country. If a person leaves after the training it costs the company about Rs 60,000. For a 300-seater call centre facing the normal 30 percent attrition, this translates into Rs 60 lakh per annum.

**Table 3** Problem of Retention in various industries

| Type of Industry | Very High | Quite High | Somewhat High | Not At all High |
|---|---|---|---|---|
| Traditional | 46% | 51% | -- | 3% |
| Marketing | 34% | 62% | -- | 3% |
| Services | 47.5% | 47.5% | 5% | -- |
| IT & Telecom | 73% | 23% | 4% | -- |

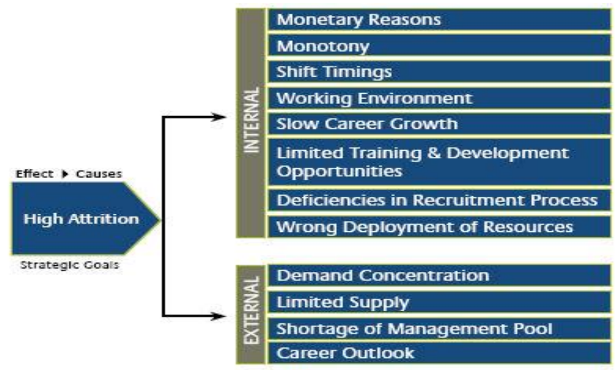
(Source: www.india-today.com)

Retaining employees is a Herculean task for any organization. If employees leave the organization frequently, its profitability, credibility will gets affected badly. Proper adequate strategic approaches and in-depth dealing is required to tackle the issue. Organizations should first identify the key reasons behind the high level of attrition and provide a conducive environment for arresting attrition.

Attrition can be categorized into two major classifications; drive attrition and drag attrition. The first one is caused due to the employer and the second type of attrition is caused by due to employee. The various reasons for drive attrition are due to employers' policy of terminating the employee services at the end of the contract period. And also a BPO company is 24x7x365 and many BPOs are not even have a particular day as weekly off for its employees. In some BPOs even national holidays are not entitled declared by Government of India. The reason behind this is the company works in accordance with the client schedule. The unauthorized absence leads to termination of the service.

Drag attrition is basically due to the host of insecurities and vulnerabilities associated with the taking up a career with a BPO company. The job is more or less compared to a telemarketing executive or a telephone operator. Only few get promoted to the cadre of team leader and others higher positions in spite of their job announcements regarding career advancements and enrichment. Soon after announcement of promotion list, a good chunk of frustrated employees quit. More over that these employees are working against the biological clock which disturbs the natural rhythm of human body by creating over burden and stress. The symptoms like chromic fatigue, insomnia peptic ulcer, digestion problems and even depression cases are reported from this promising emerging sector. These reasons facilitate drag attrition.

**Causes of Attrition in BPOs**




*(Source:http://www.tpi.net/pdf/papers TPI_whitepaper_India.pdf)*

**Retention Strategies**

Relevance of Retention Strategies in the Indian BPO Industry vis-à-vis other industries is very critical to its existence for the following reasons -

- To bring stability in business and increase customer service process.
- NASSCOM has estimated that the Indian ITES industry will gross over $5.7 billion by 2005 (based on a conservative year-on-year growth of 65 percent by NASSCOM).
- Staff/employee satisfaction translates directly into money quite quickly in the BPO industry compared to other industries.
- To reduce the pressure on the recruiting process.
- Recent acquisition deals both domestic & overseas by BPOs make it even more critical to stabilize their back end operations to service new customers.

**Innovative Employee Relation Initiatives**

A satisfied employee knows clearly what is expected from him every day at work. Changing expectations keeps people on the edge and creates unhealthy stress.

The quality of the supervision an employee receives is critical to employee retention.

The ability of the employee to speak his or her mind freely within the organization is another key factor.

Using psychometric tests to get people who can work at night and handle the monotony.

Talent and skill utilization is another environmental factor your key employees seek in your workplace. You just need to know their skills, talent and experience

The perception of fairness and equitable treatment is important.

Implement Competency Models which should be well integrated with HR processes like Selection & Recruitments, Training, Performance appraisal and potential Appraisal.

The Senior Managers to be involved in the recruitment process.

Involve the advisors or team leaders in the interviewing panels.

In Company presentations to potential candidates, encourage the employees to share their experiences.

Select the right people in the first place through behavior-based testing and competency screening.

Offer an attractive, competitive, benefits package.

Provide opportunities for people to share their knowledge via training sessions, presentations, mentoring others and team assignments.

Demonstrate respect for employees at all times. Treat the employees well & provide dignity of job; follow the maxim of Mr. Marriott that “Ladies & Gentlemen serve the Ladies & Gentlemen”.

BPOs should endeavor to implement work-life balance initiatives to reinforce the retention strategies. Innovative and practical employee policies pertaining to flexible working schemes, granting compassionate and urgency leave, providing healthcare for self, family and dependants, etc.

Exit Interviews: Outsource this process to external consultants to get a realistic and unbiased feedback. This can be a great source of information regarding the shortcomings in a management system. People want to enjoy their work. Make work fun. Engage; employ the special talents of each individual.

In Nut shell BPO companies have to concentrate on

- Attracting high caliber recruits
- Retaining skilled employees
- Reduce recruitment costs
- Improve employee morale
- Maintain a competitive edge
- Excellent Career Growth prospects
- Focused Training & Development Programs

## CONCLUSION

According to a Nasscom-Hewitt Survey carried out in 2004, the cost of attrition is 1.5 times the annual salary. If a person leaves after the training, it costs the company about Rs. 60,000. For a 300-seater call centre facing the normal 30% attrition, this translates into Rs. 60 lakhs per annum[2]. Many experts believe that all these challenges can turn out to be a real dampener in the growth of this industry as the costs associated with the attrition are so high that they can override the benefits of lower wage costs.

It is clear that there are massive costs associated with attrition or turnover and, while some of these are not visible to the management reporting or budget system, they are none the less real. The ‘rule of thumb’ appears to be very inaccurate indeed and, while it depends upon the category of staff, it is probably better to estimate around 80% of salary as a truer rule of thumb - and this will be on the conservative side. India has one of the largest pool of English speaking graduate workforce. The challenge for the industry is not in employment but employability. India is undoubtedly the leader in the global outsourcing industry today, and it is likely to remain so for the foreseeable future. However, service providers need to work at the micro and macro levels to manage attrition and other ills of the industry to ensure that the country retains its fair share of the total global outsourcing business. In Indian context, it was thought that throwing money before people was enough to keep them. But today organizations have realized that it is not enough and they need to go beyond this to retain people. So need of the hour is to expand the horizon and develop better strategies for multi-cultural workforce. Companies have to align their HR practices to suit the requirements of their global workforce. This is with the increased globalization, the creation and retention of global workforce posses’ new challenges for the ITES industry and companies need to undertake retention strategies to manage attrition.

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# SIGNIFICANCE OF HUMAN RESOURCE PRACTICES ON EMPLOYEE TURNOVER: CASE OF RELIANCE ENERGY LIMITED

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## ABSTRACT

The today's requirement in the Indian energy sector is of efficient, dedicated and productive human resources. The research paper throws light on the human resource challenges faced by Reliance Energy Limited and is aimed to give a clear picture of recruitment options the company may have, to attract skilled and talented professionals. The company under current study does the recruitment and selection on the basis of RAG analysis, using 'Organogram'. The research paper suggests the alternatives that the company should adopt to face the challenges of shortage of human resources due to high attrition rate. The schedule method of data collection has been used for collecting the primary data. The judgemental sampling technique is used to collect the information from the respondents. The data has been limited to the employees of Reliance Energy Limited and hence generalization for the whole energy sector or other sector as a whole has not been done.

## INTRODUCTION

There are a great deal of researches done on establishing the role of human resource on employee performance and organizational effectiveness. There has been a change regarding this in the mindset of the decision makers in the energy sector as well. This change in the mindset of executive decision-makers has spurred an increasing body of academic research attempting to reveal a relationship between a firm's HR practices and its performance. Much of this research has demonstrated statistically significant relationships between measures of HR practices and firm profitability (Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995).

These studies have been useful for demonstrating the potential value created through HR practices, they have revealed very little regarding the processes through which this value is created (Wright and Gardner, 2002). Some authors have referred this as the 'black box' problem, noting that the conceptual development of the mediating mechanisms through which HRM has an impact on profitability has thus far eluded empirical testing *(e.g.* Purcell *et at, 2003).*

In addition, the vast majority of studies examining the relationship between HR practices and firm performance have been entirely cross-sectional in their design. Again, while providing useful information, such designs are somewhat problematic. In essence, cross-sectional designs preclude making any causal inferences regarding the direction of the relationship. So, we may believe the HR practices are driving firm performance, we cannot rule out that the reverse is actually the case. Thus, the purpose is to examine the relationship between HR practices and firm performance that improves the causal inferences.

The research paper as a case study of Reliance Energy Limited goes beyond previous work in three ways. First, it examines the phenomenon at the business unit level, thus minimising the amount of potential 'noise' introduced when studying more heterogeneous HR systems across various businesses within the corporations. Secondly, it uses more proximal measures of business unit performance rather than only the distal profitability or stock price measures. Finally, it uses a predictive research design enabling more confident causal inferences. The RAG analysis is made to understand the problem.

### Review of Literature

The body of research exanunmg the relationship between HR practices and firm performance has grown exponentially over the past few years. The similar work in this area was done by Huselid (1995), who examined the relationship between HR practices and corporate turnover, profitability and market value. Huselid (1995) surveyed senior HR executives in a sample of 968 publicly traded corporations in US regarding the percentage of employees who were covered by a set of HR practices generally considered representative of a High Performance Work System (HPWS). After controlling for a number of variables, he found that his HR index was significantly related to the

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gross rate of return on assets (a measure of profitability) and Tobin's Q (the ratio of the market value of a firm to its book value). This study provided the foundation for more research work.

Delery and Doty (1996) examined the relationship between HR practices and profitability in a sample of banks in US. In testing universalistic, contingency and configurationally approaches to HRM, they found that, in general, HR practices were positively related to profitability. Guthrie (2001) examined the impact ofHR practices on turnover and firm productivity among a sample of firms in New Zealand. He notedthat HR practices had an impact on turnover, and that the relationship between retention and productivity was positive when firms implemented high- involvement HR practices, but negative when they did not. Two major studies at the plant level have been conducted examining the relationship between HR practices and firm performance.

MacDuffie (1995) found that the HR practice 'bundles' the measures were related to quality and productivity on auto assembly lines. Meanwhile, Youndt *et al* (1996) discovered that human capital enhancing HR practices were related to operational performance among a sample of manufacturing plants. While much of the research on the relationship between HR practices and performance has consistently revealed a significant relationship. Some recent debates have emerged regarding the value of different approaches to studying this phenomenon. Debates have arisen regarding the proper sources for gaining the most valid reports of HR practice measures, the proper level of analysis and proximity of performance measures, and the timing of measurement.

Regarding the use of single respondent designs, Gerhart *et al* (2000b) provided evidence calling into question the reliability of measures of HR practices stemming from single respondents. They found single-rater reliabilities to be frighteningly low. These results were largely replicated by Wright *et al (2001)*. Together, these two articles suggested that the reliability of single rater may be close to zero. Huselid and Becker (2000), in response to Gerhart *et al* (2000b) article, suggested that in many cases single respondent (i.e. senior HR executive) were the best placed, and perhaps the only ones qualified, to provide HR practice information across a number of jobs. This led to the debate regarding the most valid source ofHR practice information. Huselid and Becker (2000) defended their use of senior HR executives as the most valid source ofHR practice data. However, they also argued that the construct to be measured should be the HR practices actually implemented in the firm rather than HR policies that were not necessarily carried out. This led Gerhart *et al* (2000a) to suggest that, if one seeks to assess the actual practices, then using employees as the source of HR practice data would be a more logical approach.

## 3. Company Profile

The Company was renamed from Reliance Energy Limited to Reliance Infrastructure Limited with effect from 28th April 2008. Reliance Energy came into existence when it took over BSES in 2002 after the Government of Maharashtra decided to divest its stake in the company. Reliance Energy Limited is a company under the Anil Dhirubhai Ambani Group, one of India's largest conglomerates. The company is headed by Mr. Anil Ambani. Reliance Energy is India's largestintegrated private sector power utility company. The company is working in Generation, Transmission, Distribution and Trading of power.

Reliance Energy Limited is India's leading integrated power utility company in the private sector. The company is the sole distributor of electricity to consumers in the sub-urban areas of Mumbai. It also runs power generation, transmission and distribution business in other parts of Maharashtra, Goa and Andhra Pradesh. It distributes over 5,000 MW of power - the largest in the country. Reliance Energy and its affiliated companies supply power 2 out of 3 homes in Mumbai and lout of 2 in Delhi and have a consumer base of 5 million catering to an estimated population of 25 million in Mumbai, Delhi and Orissa. It is poised to become a nationwide power company, providing world class quality, reliable and competitively priced power to millions of customers. With the ushering in of the power sector reforms and in the new environment of opportunity for the power sector, REL is a key player in this transformation process. Reliance gas finds in KG-D6 block in Krishna Godavari basin which constitutes 60% of India's present total gas production, will provide an enormous opportunity to scale up power generation capacities in India. With the new gas area search, REL has the unique advantage of integration from 'well head to wall socket' i.e. 'backward integration to forward integration'. This will help the company position itself as a global integrated energy player under the Reliance banner.

## 4. Objective of the Research

To study the impact of HR Practices on energy sector. To fulfil the objective the following hypothesis were formulated:

Hypothesis 1

The HR Practices have a positive influence on organizational turnover.

Hypothesis 2

Imbalances in Requirement and Availability leads to widening of the Gap.

5. Conceptualization of the Terms

5.1 The Conceptual Model for Hypothesis 1

• Compensation ~
Practices

HR Promotion -Employee
Practices ~~ Practices Turnover

Performance
~ Evaluation
Practices

5.1.1 HR Practices

There are number of HR practices that could be tested in connection with employee performance. Teseema & Soeters (2006) have studied eight HR practices and their relationship with perceived employee performance. These eight practices include recruitment and selection, placement, training, compensation, employee performance evaluation, promotion, grievance procedure and pension or social security. Huselid (1995) used eleven HRM practices in his study which are personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labour management participation, recruitment efforts, employee training and promotion criteria. This research paper examines the relationship between three HR practices i.e. compensation, promotion and performance evaluation and perceived employee performance. India is a developing country with very low per capita income and above three practices which have a relatively direct impact on financial earning and social status of an individual may be considered the major determinants of employee's performance.

**5.1.2 Compensation Practices**

Frye (2004) examined the relationship between equity based compensation and firm performance and found positive relationship between the two. He argued that for human capital, intensive firm's compensation plays a crucial role in 'attracting and retaining highly skilled employees'. The energy sector is human capital intensive organization, compensation practices of this sector can be of great help in hiring and keeping hold of highly skilled and competent employees. Incentive pay plans positively and substantially affect performance of workers if combined with innovative work practices like 'flexible job design, employee participation in problem-solving teams, training to provide workers with multiple skills, extensive screening and communication and employment security' (Ichniowski et al., 1997).

**5.1.3 Promotion Practices**

Financially successful companies like HP (Hewlett-Packard) 'promote and develop from within' (Truss, 2001). Teseema & Soeters (2006) found significantly positive correlation between promotion practices and perceived employee performance, however HR outcomes was used as mediating variable. 5.1.4 Performance Evaluation Practices 'Performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of workers' (Brown and Heywood, 2005). Employee commitment and productivity can be improved with performance appraisal systems (Brown and Benson, 2003). Appropriate explaination and supervision of performance lead to higher job satisfaction and professional commitment among employees. This is also true when performance appraisal is low. Commitment towards job is a function of employee's attitude towards performance appraisal system. Possibility of performance appraisal is enhanced by complementary human resource management practices like formal training, incentivepay and performance appraisal leads to greater influence of productivity (Brown and Heywood, 2005).

### 5.1.5 Employee Turnover

The employee turnover means the number of employees leaving the organization in a specified period of time. Although different types of turnover can be observed - organizational members can become unemployed, retire or find employment in other industries. In evolutionary terms, its implications are most interesting when such members join competitors or found a new venture within the same industry. Organizational turnover represents one of the avenues through which skills and knowledge become transferred spatially.

Similarly, not only do individuals migrate from organization to organization, but also pre-existing relationship with clients often follow similar migratory patterns especially if within the same local market.

### 5.2 Hypothesis 2 is conceptualised as -

Gap = Employee Requirement - Available Manpower 5.2.1 Gap RAG means Requirement, Availability and Gap. RAG analysis is used to determine the gap between the requirement and availability of manpower. RAG analyses include different disciplines according to the requirement of the project including the different discipl ines and their cadres. Requirement and Availability are identified from the Organogram, designed by the HR Department of REL.

**The Gap is found by :**

Gap Employee Requirement - Available manpower 5.2.2 Employee Requirement The requirement of employees can be assess from the detailed analysis of the Organograrn which is prepared by the data collection and observation by the field specialist.

5.2.3 Available Manpower The manpower which is recently available in the organisation for the project is known as available manpower.

## 6. Sample size

The sample size for the current study is 50 employees of Reliance Energy Limited, Noida. The sample comprised of age group of employees between 25-60 years old. In which there were 43 males and 7 females. The sample consists of both white collar and blue collar employees.

## 7. Sampling design

The sample unit were selected for the current study is based on judgemental sampling technique and the information is collected with the help of schedule method of data collection.

## 8. Results and Discussion

Since objective of the research paper is to study the impact of HR practices on energy sector. To assess this impact the two hypotheses were formulated. The conceptual model for Hypothesis 1 and the continued literature and arguments, it can be safely assumed that compensation, promotion and performance evaluation practices are correlated with the performance of employees. The satisfied employees lead to less employee turnover. With the above analysis, the first hypothesis that HR practices have a positive impact on Employee Turnover was accepted. The Hypothesis 2 was tested through a RAG analysis in the Reliance energy Limited, Noida. The in-depth analysis of the data was done through RAG analysis and the results are shown in figure 1. It was concluded from the analysis of the data that the total requirement was 302 employees; there were only 93 employees available and this result in a deficit or a gap of 209 workers. The figure 1 has also been supported by figure 2 in which the department wise analysis of this deficit was done.

**Insert Figure 1 and 2 (Source: Appendix)**

The figures 1 and 2 compel us to think that the current employees are overloaded and might be facing burnout. An in-depth analysis of stress if done would throw light on the subject more clearly. The above findings were found to be in agreement of Hypothesis 2 and hence it was also accepted that widening of the gap is the result of imbalance of requirement and availability.

## 9. Conclusion

It can be concluded from the research paper that human resource practices are a very vital element in enhancing not only the employee turnover but also help reducing the gap between requirement and availability. It can be ensured that the employee is not overstressed; we are certainly going to get better results as the organizational performance would be enhanced and would lead to better job satisfaction among the employees of the organization.

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# AN INTEGRATED PRODUCTION MODEL WITH SHORTAGES AND VARIABLE DETERIORATION IN A SUPPLY CHAIN

**Megha Rani**
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**S.R. Singh**

## ABSTRACT

*In this paper, an integrated production inventory model with shortages and variable deterioration in a supply chain has been developed. The production rate and the demand rate are assumed to be constant and the deterioration rate has been considered function of time of power pattern form. Shortages are considered and they are fully backlogged. One producer and multi distributors and retailers are considered in the model. The total integrated cost has been obtained and cost minimization technique has been adopted.*

## INTRODUCTION

The effect of deterioration is very important in many inventory systems. Deterioration is defined as decay, damage or spoilage such that the item can not be used for its original purpose. Food items, drugs, photographic films, pharmaceuticals and radioactive substances ere the examples of items in which deterioration can take place during the normal storage period.

$\beta \geq 1$

**Ghare & Schrader** (1963) developed the inventory model for an item decaying exponentially. Since then the research in deteriorating inventory have become popular .**Covert & Philip** (1973) have developed the EOQ model for item with the Weibull distribution pattern of deterioration. **Shah** (1977) and **Mishra** (1975) also discussed the inventory models of deteriorating items. In a supply chain system, the coordination among the producers, the distributors and the retailers is the key to success. The integration approach for the study of supply chain management has been adopted for years. **Wee & Jong** (1995) developed the model for multi parts and finished product with multi lot size for deteriorating items. **Yang & Wee** (2000) discussed an integrated inventory model for deteriorating items for buyers and vendors. **Rau, et al** (2003) and **Wu, et al** (2003) extended this work by considering multi echelon inventory system of deteriorating items for different demand rates. Shortages of an item in an inventory system are also a natural and important phenomena. **Roy, Chaudhary and Chaudhary** (1983) developed inventory models with finite replenishment rates and shortages.

**Wu, Wee and Rau** (2005) developed an integrated inventory model with shortages for deteriorating items in a supply chain. They considered single producer, multiple distributors and retailers and derived the optimal number of deliveries by minimizing the integrated joint total cost globally. They assumed the production rate demand rate and the deterioration rate as constant.

In this paper, an integrated production inventory model with shortages and variable deterioration rate in a supply chain has been developed. Shortages are fully backlogged. The production rate and the demand rate are assumed to be constant and the deterioration rate has been considered of power pattern form. Cost minimization technique has been used to obtain the optimal values.

## ASSUMPTIONS

1) Single producer, multi-distributors and retailers are assumed.
2) The production rate *p* and the demand rate *d* are taken constant and *p>d*.
3) Shortage is allowed.
4) A single item with power pattern form of deterioration rate is considered, i.e. deterioration rate = $\theta\beta t^{\beta-1}$ where $\theta$ is small and
5) There is no replacement or repair of deteriorated units.

## NOTATIONS

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| Symbol | Denotation |
|---|---|
| $p$ | The production rate |
| $d$ | Consumers annual demand rate in the whole market |
| | Single-echelon inventory level of producer during period $T_1$ . |
| $I_{p2}(t)$ | Single-echelon inventory level of producer during period $T_2$. |
| $I_{p3}(t)$ | Single-echelon inventory level of producer during period $T_3$. |
| $I_{p4}(t)$ | Single-echelon inventory level of producer during period $T_4$. |
| $T$ | Cycle time interval, i.e. $T = T_1 + T_2 + T_3 + T_4$ |
| $T_1$ | Duration of production cycle when there is positive inventory. |
| $T_2$ | Duration of non-production cycle when there is positive inventory. |
| $T_3$ | Duration of non-production cycle when shortage occurs. |
| $T_4$ | Duration of production cycle when shortage occurs. |
| $\theta\beta t^{\beta-1}$ | Deterioration rate of the on hand inventory. |
| $n_d$ | Integer number of deliveries from the producer to each distributor during inventory cycle when there is positive inventory |
| $n^p$ | Integer number of deliveries from each distributor to his retailer during inventory cycle when there is positive inventory |
| $n_{pd}$ | Integer number of distributors supplied by the producer |
| $n_{dr}$ | Integer number of retailers supplied by his distributor |
| $I_d(t)$ | Single-echelon inventory level of distributor |
| $I_r(t)$ | Single-echelon inventory level of retailer |
| $Q_P$ | Producer's production lot size |
| $Q_d$ | Each distributor's lot size |
| $Q_r$ | Each retailer's lot size |
| $S$ | Maximum shortage level |
| $C_{1P}$ | Set up cost for the producer per production cycle |
| $C_{1d}$ | Ordering cost for each distributor per order |
| $C_{1r}$ | Ordering cost for each retailer per order |
| $C_{2P}$ | Inventory carrying cost for the producer per year and per unit |
| $C_{2d}$ | Inventory carrying cost for the distributor per year and per unit |
| $C_{2r}$ | Inventory carrying cost for the retailer per year and per unit |
| $C_p$ | Cost of deteriorated unit for the producer |
| $C_d$ | Cost of deteriorated unit for each distributor |
| $C_r$ | Cost of deteriorated unit for each retailer |
| $C_S$ | Shortage cost for the producer |
| $C_{S1}$ | Shortage cost for each distributor |
| $C_{S2}$ | Shortage cost for each retailer |
| $A$ | Fixed parameter of transportation chart |
| $B$ | Variable parameter of transportation chart |
| $TC_P$ | Total annual cost for the producer |
| $TC_d$ | Total annual cost for all distributors who buy the item from the producer |
| $TC_r$ | Total annual cost for all retailers who buy the item from all distributors |
| $TC$ | The integrated total annual cost including , and |

## INVENTORY MODEL AND ITS MATHEMATICAL ANALYSIS

In this model, one producer has been considered who processes the item and delivers in fixed quantities to each distributor during the fixed period. Each distributor delivers the item in fixed quantities to each retailer. Let $T_d$ be the time taken in the first delivery from producer to the distributors. Each distributor delivers the item in fixed quantities to each retailer during the fixed period. Let $T_r$ be the time taken in the first delivery from each distributor to the retailers. Thus the cycle of each distributor starts after time $T_d$ from the cycle of producer and that of retailers starts after time $T_d+T_r$ Now the following sub-models are considered:

### (a) The Producer Inventory Model:

Let the first production start with zero inventory at $t=0$. the inventory level increases during the period $T_1$ as the production rate is greater than the sum of the demand rate and the deterioration rate. The maximum inventory level reaches at the production stops and inventory level decreases due to demand rate and the deterioration rate during period $T_2$. At $t=T_1+T_2$, the inventory level reaches to zero. During period $T_3$ the shortages start. The shortage level is maximum at $t=T_3$ Then production starts to meet the backlog and inventory level reaches to zero at $t=T_4$. This has been presented in fig.1. The differential equations governing the model are as follows:

$$\frac{dI_{P1}(t_1)}{dt_1}=p-d-\theta\beta t_1^{\beta-1}I_{p1}(t_1) \qquad 0\le t_1\le T_1 \quad \ldots(1)$$

$$\frac{dI_{P2}(t_2)}{dt_2}=-d-\theta\beta t_2^{\beta-1}I_{p2}(t_2) \qquad 0\le t_2\le T_2 \quad \ldots(2)$$

$$\frac{dI_{P3}(t_3)}{dt_3}=-d \qquad 0\le t_3\le T_3 \quad \ldots(3)$$

$$\frac{dI_{P4}(t_4)}{dt_4}=p-d \qquad 0\le t_4\le T_4 \quad \ldots(4)$$

where $T=T_1+T_2+T_3+T_4$.

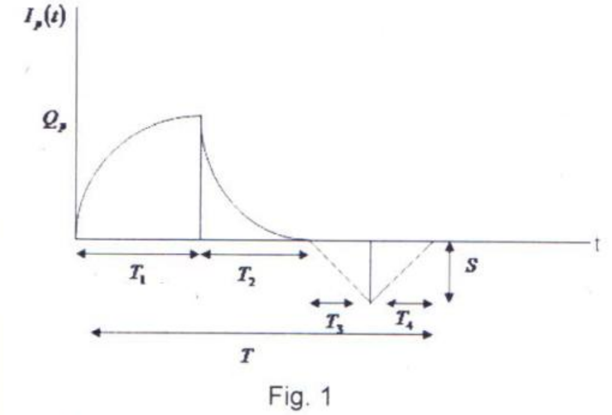


Fig. 1

Using the boundary conditions

$I_{p1}(0)=0$, $I_{p2}(0)=Q_P$, $I_{p3}(0)=0$, $I_{p4}(0)=-S$,

the producer's inventory level $I_p(t)$ are

$$I_{p1}(t_1)=(p-d)\left(t_1+\frac{\theta t_1^{\beta-1}}{\beta+1}\right)e^{\theta t_1^{\beta}} \qquad 0\le t_1\le T_1 \quad \ldots(5)$$

$$I_{p2}=d\left[(T_2-t_2)+\frac{\theta}{\beta+1}\left(T_2^{\beta-1}-t_2^{\beta-1}\right)\right]e^{\theta t_2^{\beta}} \qquad 0\le t_2\le T_2 \quad \ldots(6)$$

$$I_{p3}(t_3)=-dt_3 \qquad 0\le t_3\le T_3 \quad \ldots(7)$$

$$I_{p4}(t_4)=(p-d)t_4-S \qquad 0\le t_4\le T_4 \quad \ldots(8)$$

From $I_{P1}(T_1)=Q_p=I_{p2}(0)$ the following equation can be derived

$$(p-d)\left(T_1+\frac{\theta T_1^{\beta-1}}{\beta+1}\right)e^{-\theta T_1^{\beta}}=Q_p=d\left(T_2+\frac{\theta T_2^{\beta-1}}{\beta+1}\right) \quad \ldots(9)$$

By Taylor's series expansion and assuming small value of $\theta$, one has

$$T_1(p-d)\left(1+\frac{\theta T_1^{\beta}}{\beta+1}\right)=dT_2\left(1+\frac{\theta T_2^{\beta}}{\beta+1}\right) \quad \ldots(10)$$

After the value of $T_2$ is evaluated, $T_1$ can be expressed as,

$$T_1\approx\frac{d}{p-d}T_2\left(1+\frac{\theta T_2^{\beta}}{\beta+1}\right) \quad \ldots(11)$$

At $I_{P3}(T_3)=|-S|=I_{p4}(0)$ from equation (7) and (8), we have

$$|-S|=S=T_3*d=T_4(p-d) \quad \ldots(12)$$

From equation (12) and $(T-T_1-T_2)=(T_3+T_4)$ we can obtain

$$T_3=\frac{p-d}{p}(T-T_1-T_2) \quad \ldots(13)$$

$$T_4=\frac{d}{p}(T-T_1-T_2) \quad \ldots(14)$$

Substituting $T_1\approx\frac{d}{p-d}T_2\left(1+\frac{\theta T_2^{\beta}}{\beta+1}\right)$ in (13) and (14), we get

$$T_3=\frac{p-d}{p}\left(T-\frac{d}{p-d}T_2\left(1+\frac{\theta T_2^{\beta}}{\beta+1}\right)-T_2\right) \quad \ldots(15)$$

and
$$T_4=\frac{d}{p}\left(T-\frac{d}{p-d}T_2\left(1+\frac{\theta T_2^{\beta}}{\beta+1}\right)-T_2\right) \quad \ldots(16)$$

From equations (11), (15) and (16) and $(T—T_1—T_2)=(T_3+T_4)$ we can obtained the value of $T_1$, $T_3$, $T_4$ in terms of $T_2$

### (b) The Distributor Inventory Model:

The distributor inventory model has been presented in fig.2. Let be $n_d$ the delivery of the distributor during the positive inventory cycle.

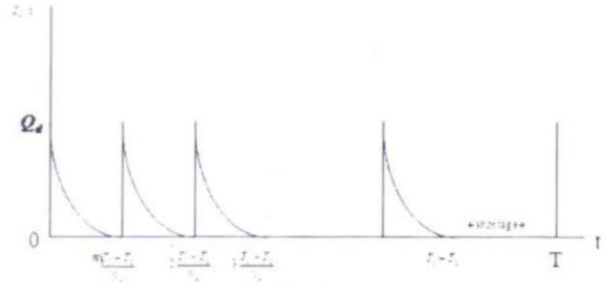


Fig. 2

The differential equation and the inventory function will be as follows:

$$\frac{dI_d}{dt} = -\frac{d}{n_{pd}} - \theta\beta t^{\beta-1} I_d(t). \qquad \dots(17)$$

$$I_d(t) = \frac{d}{n_{pd}} e^{-\theta t^{\beta}} \left[\left(\frac{T_1+T_2}{n_d} - t\right) + \frac{\theta}{\beta+1}\left(\left(\frac{T_1+T_2}{n_d}\right)^{\beta+1} - t^{\beta+1}\right)\right],\ 0 \le t \le \frac{T_1+T_2}{n_d} \qquad \dots(18)$$

The maximum inventory of the distributor can be expressed as

$$Q_d = I_d(0) = \frac{d}{n_{pd}}\left[\frac{T_1+T_2}{n_d} + \frac{\theta}{\beta+1}\left(\frac{T_1+T_2}{n_d}\right)^{\beta+1}\right]. \qquad \dots(19)$$

**(c) The Retailer Inventory Model:**

The retailer inventory model has been presented in fig.3. Let $n_r$ be the delivery of the retailer during the positive inventory of the inventory cycle.

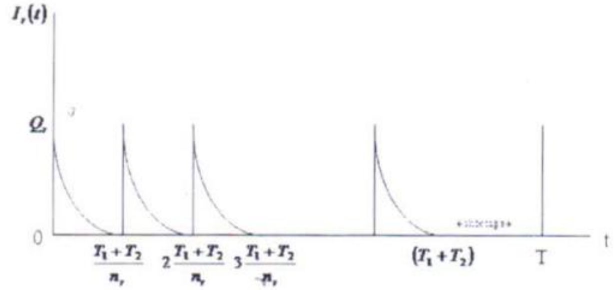


Fig. 3

The differential equation and the inventory function will be as follows:

$$\frac{dI_r}{dt} = -\frac{d}{n_{pd}n_{dr}} - \theta\beta t^{\beta-1} I_r(t). \qquad \dots(20)$$

This gives

$$I_r(t) = \frac{d}{n_{pd}n_{dr}} e^{-\theta t^{\beta}} \left[\left(\frac{T_1+T_2}{n_r} - t\right) + \frac{\theta}{\beta+1}\left(\left(\frac{T_1+T_2}{n_r}\right)^{\beta+1} - t^{\beta+1}\right)\right]$$

$$0 \le t \le \frac{T_1+T_2}{n_d} \qquad \dots(21)$$

The maximum inventory of the retailer can be expressed as

$$Q_d = I_r(0) = \frac{d}{n_{pd}n_{dr}}\left[\left(\frac{T_1+T_2}{n_r}\right) + \frac{\theta}{\beta+1}\left(\left(\frac{T_1+T_2}{n_r}\right)^{\beta+1}\right)\right]. \qquad \dots(22)$$

**(d) The Transportation Charge:**

Practically, it is obvious that the unit transportation cost decreases as the lot size increases. The transportation charge can be assumed as a linear function of lot size as given below:

Transportation charge= *a+bQ*,

where *Q* is lot size per shipment to each distributor or retailer, a is a fixed positive parameter and b is a positive variable parameter.

**(e) The Retailer's Total Cost:**

The total retailer's cost $TC_2$, is the sum of each retailer's annual ordering cost, annual transportation cost, carrying cost, deteriorated cost and shortage cost. This is given by

$$TC_r = n_{pd}n_{dr}\left[\begin{array}{c} \left(\frac{n_r C_{1r}}{T_1+T_2}\right) + \left(\frac{n_r(a+bQ_r)}{T_1+T_2}\right) \\ +C_{2r}\left[\frac{(\beta+1)}{\beta+2}Q_r - \frac{d\beta}{2(\beta+2)n_{pd}n_{dr}}\left(\frac{T_1+T_2}{n_r}\right)\right] \\ +C_r\theta\left[\frac{(\beta+1)}{\beta+2}Q_r - \frac{d\beta}{2(\beta+2)n_{pd}n_{dr}}\left(\frac{T_1+T_2}{n_r}\right)\right] \\ +\left(\frac{C_{S2}}{T_1+T_4} * S\right) \end{array}\right] \qquad \dots(23)$$

**(f) The Distributor's Total Cost:**

The total distributor's cost $TC_d$ is the sum of each distributor's which includes the annual ordering cost, annual transportation cost, carrying cost per distributor per year, deteriorated cost and shortage cost. This is given by $n_d$

$$TC_d = n_{pd}\left[\begin{array}{c} \left(\begin{array}{c} \left(\frac{n_d C_{1d}}{T_1+T_2}\right) + \left(\frac{n_d(a+bQ_d)}{T_1+T_2}\right) \\ +C_{2d}\left(\left(\frac{\beta+1}{\beta+2}\right)Q_d - \frac{d}{2n_{pd}}\left(\frac{\beta}{\beta+2}+\theta\left(\frac{T_1+T_2}{n_d}\right)\right)\right) \end{array}\right) \\ +C_d\theta C_{2d}\left(\left(\frac{\beta+1}{\beta+2}\right)Q_d - \frac{d}{2n_{pd}}\left(\frac{\beta}{\beta+2}+\theta\left(\frac{T_1+T_2}{n_d}\right)\right)\right) + \left(\frac{C_{S1}}{T_3+T_4} * S\right) \end{array}\right]$$

...(24)

**(g) The Producer's Total Cost:**

The producer's total cost function $TC_p$ is the sum of setup cost, carrying cost, deteriorated cost and shortage cost. This is given by

$$TC_p = \left[\begin{array}{c} \left(\frac{C_{1p}}{T}\right) + \frac{C_{2p}}{T}\left((p-d)\left[\frac{T_1^2}{2} - \frac{\theta\beta T_1^{\beta+2}}{(\beta+1)(\beta+2)}\right] + d\left[\frac{T_2^2}{2} - \frac{\theta\beta T_2^{\beta+2}}{(\beta+1)(\beta+2)}\right]\right) \\ +\frac{C_p}{T}\theta\left((p-d)\left[\frac{T_1^2}{2} - \frac{\theta\beta T_1^{\beta+2}}{(\beta+1)(\beta+2)}\right] + d\left[\frac{T_2^2}{2} - \frac{\theta\beta T_2^{\beta+2}}{(\beta+1)(\beta+2)}\right]\right) + \left(\frac{C_S}{T}\right) \end{array}\right]$$

...(25)

The integrated joint total cost is the sum of $TC_r$, $TC_d$ and $TC_p$. Thus the integrated joint total cost can be written as a function of $T, T_2, n_d$ *and* $n_r$

$$TC = TC_r + TC_d + TC_p. \qquad \ldots(26)$$

The integrated joint total cost is the function of seven variables $T, T_1, T_2, T_3, T_4, n_d$ and $n_r$ But ultimately these seven variables reduces to four variables, say, $T, T_2, n_d$ and $n_r$ The optimal values of various parameter and integrated joint total cost can be obtained with the help of matlab.

## CONCLUSIONS

This chapter deals with a deteriorating item production inventory system under variable deterioration rate with shortages. The model can be used in industries like food, chemical and pharmaceutical. This model can further be extended for multiple products with partial backlogging, deterioration with life time and production rate depending upon the demand rate. The cost sharing policy for the partners in the supply chain may also be considered in future work.

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# AN EMPIRICAL ANALYSIS OF PRODUCT POLICY IN LIFE INSURANCE INDUSTRY IN INDIA

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## ABSTRACT

*A product or service is the heart of marketing mix. Without a product there is no chance of satisfying the customer's need. At the same time it is essential to recall that what the company considers as its product is not necessarily what the customers buy. Peter F. Drucker summarized this in simple notion many years ego by saying: Until the customer has derived final utility, there is really no "Product", there are only "Raw Materials". A well designed product would answer most consumer's needs. The needs of different cultures, populations and regions may not be able to be homogenized into one product. Keeping this in mind, present study is designed to analyze the product policy in Life Insurance in India. The population for the research comprises all the employees of public life insurance company as well as private life insurance companies in India. A sample of 95 employees are drawn on the basis of convenient sampling. The data is collected using a well structured (3 point scale) questionnaire. The responses regarding the 9 dimensions of product policy are measured with the help of descriptive as well as statistical analysis. Nine dimensions are converting into four factors after applying Factor Analysis through Principal Component Analysis. Efforts are made to represent people from different age group, gender, qualification, hierarchy and type of the organization.*

## PROLOGUE

Looking at the product itself, an insurance product is nothing else but a bundle of utilities. It promises a service in the event of specified perils operating on a risk. This promise by way of an insurance contract becomes operational after a consideration is paid in the form of premium. This bundle of utilities can take the form of developing either standardized products or product customized to various market segmentations. Both have their own advantages and disadvantages. The Indian market till now has been characterized by availability of standardized products at standardized rates, terms and conditions. There have been products, which have been developed for niche consumer market but they have been far and few. The market constantly tries to balance the pros and cons of a standardized versus customized products. The present research paper is divided into four sections. Section I introduces about the topic, Section II represents review of literature and research methodology, Section III indicates descriptive and statistical inferences, and Section IV highlights the concluding remarks.

## REVIEW OF LITERATURE AND RESEARCH METHODOLOGY

Today, customer is the king of the market. The life insurance companies deals in intangible product. With the entry of private players, now the competition is becoming intense. In order to satisfy the customer well, every company is trying to implement marketing mix programmed very well. The marketing mix is one of the most fundamental concepts associated with the marketing process. It is well understood by most modern markets and is systematically applied in many industries, especially those that deal with physical products. In context to this, a brief account of reviews about the studies which have served a main base for the present study is given below:

Jha (1999) commented that improvement in life span and advancement in medical science had changed the customers' needs for insurance products worldwide. The focus of the insurers in matured market of the West had shifted to pension, health care and protection products. But the scenario was totally different in Indian market. There was a massive mismatch between consumers' need and their buying of insurance products. Chakravarty (1999) observed that the LIC had more than 80 products, but investors knew only about a handful. This was because of the fact that the LIC agents had pushed the policies with highest premium to pocket highest commissions.

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Kapse et. al. (2003) argued in their paper that in the changing scenario for the insurance sector there is going to be a good opportunity for insurance sector to expand its market base. For this purpose there is need to improve upon the features of insurance products to make more liquid or short-term schemes could be invested. Hasanbanu (2007) concluded that there is significant relationship between age, educational qualification, gender, occupation and income of respondents and their level of investment while taking LIC policies and further concluded that there is no significant relation between marital-status, family type and family size and their level of investment while taking LIC policies.

The prime objective of this research paper is to study the nature, pattern and process of product policy in the life insurance companies in India;

To achieve the aforesaid objective, the following hypothesis are set:

1. There is no significant difference between the respondents of various age groups regarding the variables of product policy of Life Insurance in India.
2. There is no significant difference between male and female respondents concerning the variables of product policy.
3. There is no significant difference between the respondents of various qualifications about the variables of product policy.
4. There is no significant difference between the respondents of various hierarchies as regards to the variables of product policy.
5. There is no significant difference between the public company and private companies respondents regarding the variables of product policy.

The study incorporates primary data and a total of 95 executives at various positions in private as well as public life insurance company are examined during the study. The sample included in the study is drawn from U. T. of Chandigarh, States of Delhi and Haryana. In order to fulfill the objective, demographic variables (age, sex, qualification, hierarchy level, type of organization and marital status) are included in the study. For primary data collection, structured questionnaire is prepared which is based on three-point scale (rarely, sometimes and regularly/always). A score of 1 for the response 'rarely', 2 for 'sometimes' and 3 for 'regularly/always' is assigned. Cronbach Alpha test is applied to test the reliability of the scale. Initially factor analysis is applied to raw data after checking the correlation between the variables of product policy in life insurance industry in India. Then for each factor a combined score is obtained. Finally, One-way ANOVA and T-test is applied to test the significance of the study. For Age-wise analysis, Qualification-wise analysis and Hierarchy-wise analysis, One-way ANOVA is used to test the significance whereas for Sex-wise analysis and Organization-wise analysis, T-test is used to test the significance.

In order to know the nature, process and pattern of product policy, nine dimensions (PP 1 to PP 9) are set to analyze product policy in life insurance industry. The descriptions of these variables are: -

PP 1 It tells about the marketing department of life insurance companies develop policies in relation to identified needs.

PP 2 It stated that life insurance companies ensure that firm's policy strategy is consistence with firm's objectives.

PP 3 It is defined as marketing personnel attempt to develop unique features and benefits for life insurance policy.

PP 4 It defined that the life insurance companies has policy to screen policy idea in a systematic way.

PP 5 It explains that companies have balanced policy portfolio and it has a mix of well established policy as well as new additions to range.

PP 6 It explore that each policy's investment recovery is monitored.

PP 7 It explains that notion of 'added value' recognized as the part of process of enriching life insurance policy.

PP 8 It states that allocation of funds towards developing and supporting brands.

PP 9 It tells that life insurance companies have policy about deletion policy.

## DESCRIPTIVE AND STATISTICAL INFERENCES

This section gives the descriptive and statistical inferences. Section III A indicates the result of descriptive inferences and Section III B yields statistical inferences.

### Descriptive Inferences

Table 1 shows that best part (38 respondents) of 95 respondents belong to age group of 20-30 years, 37 respondents belong to 30-40 years age group and rest (20 respondents) belongs to age group of 40 years and above. A large amount of respondents (80) is male and rest 15 respondents are female. Out of 95 respondents, 36 are graduate, 33 are postgraduates and 26 are M. Phil. / Ph. D. followed by 25 respondents are at junior level and 31 respondents are at middle level and the rest (39) are at senior level. Massiveness (57) of respondents belongs to LIC (public company) and rest (38 respondents) belongs to private companies.

**PP1** Majority (41) of respondents are of opinion that marketing department of insurance company sometimes develop life insurance policies in relation to identified needs and 25 respondents are of views that they do this on regular basis and rest (29) respondents are of views that they do not develop life insurance policy in such way. Out of 41 respondents, 19 belong to 30-40 years age group, 12 belong to 20-30 years age group and rest (10) belongs to 40 years and above age group. 33 are male respondents and rests (8) are female respondents. 13 respondents are graduates while an equal number (14) are postgraduate as well as M. Phil. / Ph. D. 7 are at junior level while 14 are at middle level and the rest (20) are seniors. 22 respondents belong to public company and rest (19 respondents) belongs to private insurance companies.

**PP2** Bulk (58) of respondents are of opinion that company sometimes ensures that firm's policy strategy is consistent with the firm's objectives and 23 respondents say that firms rarely ensures that firm's policy strategy is consistent with the firm's objectives. Rest (14) respondents express that firm always ensures that firm's policy strategy is consistent with the firm's objectives. Out of 58 respondents, 28 respondents belong to 20-30 years age group, 18 belongs to 30-40 years age group and rest (12) belongs to 40 years and above age group. 48 respondents are male respondents and rest (10) is female respondents. An equal number of respondents (19) are graduates as well as postgraduates respectively, and rest (20) of respondents are M. Phil. / Ph. D. 13 respondents are at junior level while 19 are at middle level and the rest (26) are seniors. 31 respondents belong to private companies and 27 belong to LIC.

**PP3** Greater part (79) of respondents are of opinion that marketing personnel attempts to develop unique features and benefits for its policy regularly. At the same time, 10 respondents stated that they sometimes develop such benefits and features and rest (6) respondents deny developing such benefits and features for its policy. Out of 79 respondents, 34 belong to 20-30 years age group, 29 belongs to 30-40 years age group and rest (16) belongs to 40 years and above age group. A big part (67) is male respondents and 12 are female respondents. 29 respondents are graduates while 26 are postgraduates and the rest (24) are M. Phil. / Ph. D. 17 respondents are of junior level while 27 are of middle level and the major part (35) is at senior position. 44 respondents are from public company and 35 are private company's respondents.

**PP4** Preeminent part (60) of respondents is of opinion that life insurance companies screen policy idea regularly in a systematic way where as 29 respondents think that company sometimes screen idea in a systematic way and only 6 respondents deny screening ideas in a systematic way. Out of 60 respondents, 24 belong to 20-30 years age group, 22 belongs to 30-40 years age group and rests (14) belong to 40 years and above age group. Big part (53) is male respondents and only 7 are female respondents. 21 respondents are graduates 23 are postgraduates and rest (16) is M. Phil. / Ph. D. 17 respondents are at junior level while 23 are at middle level and the rest (20) are at senior level. 36 respondents are from public company and 24 are private company's respondents.

**PP5** High portion (61) of respondents is of opinion that the policy portfolio is always considered as balanced and it has a mix of well-established policies as well as new addition to the range while 23 respondents are of view that it is sometimes considered as balanced policy portfolio. Only 11 respondents deny considering policy portfolio as balanced. Out of 61 respondents, 20 belong to 20-30 years age group, 23 belongs to 30-40 years age group and rest (18) belongs to 40 years and above age group. Maximum portion (53 respondents) is male and rest (8) is female respondents. 22 respondents are graduates while 23 are postgraduates and the rest (16) is M. Phil. /Ph. D. 17 respondents are at junior level while 19 are at middle level and the major part (25) are seniors. 36 respondents are from public company and rest (25) is private company's respondents.

**PP6** Predominance (52 respondents) are of opinion that each policy's investment recovery is sometimes monitored in life insurance companies and the rest (43 respondents) thinks that life insurance companies always monitor investment recovery of each policy. Out of 52 respondents, 24 belong to 20-30 years age group, 20 belongs to 30-40 years age group and rest (8) belongs to 40 years and above age group. Major part (42) is male respondents and 10 are female respondents. 21 respondents are graduates, 17 are postgraduates and the rest (14) is M. Phil. / Ph. D. 16

**Table 1: Summary Sheet For Respondents According to Demographic Factors**

| Demographic Variables | | PP1 | | | PP2 | | | PP3 | | | PP4 | | | PP5 | | | PP6 | | PP7 | | | PP8 | | | PP9 | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | S | R/A | R | S | R/A | R | S | R/A | S | R/A | |
| Age | 20-30 Years | 12 | 12 | 14 | 8 | 28 | 2 | 2 | 2 | 34 | 4 | 10 | 24 | 4 | 14 | 20 | 24 | 14 | 2 | 14 | 22 | 2 | 30 | 6 | 22 | 16 | **38** |
| | 30-40 Years | 9 | 19 | 9 | 11 | 18 | 8 | 4 | 4 | 29 | 2 | 13 | 22 | 7 | 7 | 23 | 20 | 17 | 4 | 6 | 27 | 3 | 22 | 12 | 15 | 22 | **37** |
| | 40 years and above | 8 | 10 | 2 | 4 | 12 | 4 | 0 | 4 | 16 | 0 | 6 | 14 | 0 | 2 | 18 | 8 | 12 | 0 | 4 | 16 | 0 | 8 | 12 | 10 | 10 | **20** |
| | **Total** | **29** | **41** | **25** | **23** | **58** | **14** | **6** | **10** | **79** | **6** | **29** | **60** | **11** | **23** | **61** | **52** | **43** | **6** | **24** | **65** | **5** | **60** | **30** | **47** | **48** | **95** |
| Sex | Male | 25 | 33 | 22 | 18 | 48 | 14 | 4 | 9 | 67 | 4 | 23 | 53 | 8 | 19 | 53 | 42 | 38 | 4 | 18 | 58 | 4 | 51 | 25 | 37 | 43 | **80** |
| | Female | 4 | 8 | 3 | 5 | 10 | 0 | 2 | 1 | 12 | 2 | 6 | 7 | 3 | 4 | 8 | 10 | 5 | 2 | 6 | 7 | 1 | 9 | 5 | 10 | 5 | **15** |
| | **Total** | **29** | **41** | **25** | **23** | **58** | **14** | **6** | **10** | **79** | **6** | **29** | **60** | **11** | **23** | **61** | **52** | **43** | **6** | **24** | **65** | **5** | **60** | **30** | **47** | **48** | **95** |
| Qualification | Graduate | 12 | 13 | 11 | 13 | 19 | 4 | 4 | 3 | 29 | 0 | 15 | 21 | 7 | 7 | 22 | 21 | 15 | 4 | 10 | 22 | 3 | 28 | 5 | 21 | 15 | **36** |
| | Postgraduate | 11 | 14 | 8 | 8 | 19 | 6 | 2 | 5 | 26 | 0 | 10 | 23 | 4 | 6 | 23 | 17 | 16 | 2 | 2 | 29 | 2 | 20 | 11 | 10 | 23 | **33** |
| | M. Phil. / Ph. D. | 6 | 14 | 6 | 2 | 20 | 4 | 0 | 2 | 24 | 6 | 4 | 16 | 0 | 10 | 16 | 14 | 12 | 0 | 12 | 14 | 0 | 12 | 14 | 16 | 10 | **26** |
| | **Total** | **29** | **41** | **25** | **23** | **58** | **14** | **6** | **10** | **79** | **6** | **29** | **60** | **11** | **23** | **61** | **52** | **43** | **6** | **24** | **65** | **5** | **60** | **30** | **47** | **48** | **95** |
| Hierarchy | Junior | 8 | 7 | 10 | 8 | 13 | 4 | 4 | 4 | 17 | 0 | 8 | 17 | 6 | 2 | 17 | 16 | 9 | 4 | 3 | 18 | 2 | 18 | 5 | 7 | 18 | **25** |
| | Middle | 12 | 14 | 5 | 4 | 19 | 8 | 2 | 2 | 27 | 2 | 6 | 23 | 2 | 10 | 19 | 13 | 18 | 2 | 9 | 20 | 0 | 17 | 14 | 13 | 18 | **31** |
| | Senior | 9 | 20 | 10 | 11 | 26 | 2 | 0 | 4 | 35 | 4 | 15 | 20 | 3 | 11 | 25 | 23 | 16 | 0 | 12 | 27 | 3 | 25 | 11 | 27 | 12 | **39** |
| | **Total** | **29** | **41** | **25** | **23** | **58** | **14** | **6** | **10** | **79** | **6** | **29** | **60** | **11** | **23** | **61** | **52** | **43** | **6** | **24** | **65** | **5** | **60** | **30** | **47** | **48** | **95** |
| Organization | Public | 25 | 22 | 10 | 18 | 27 | 12 | 4 | 9 | 44 | 4 | 17 | 36 | 8 | 13 | 36 | 26 | 31 | 4 | 7 | 46 | 4 | 33 | 20 | 20 | 37 | **57** |
| | Private | 4 | 19 | 15 | 5 | 31 | 2 | 2 | 1 | 35 | 2 | 12 | 24 | 3 | 10 | 25 | 26 | 12 | 2 | 17 | 19 | 1 | 27 | 10 | 27 | 11 | **38** |
| | **Total** | **29** | **41** | **25** | **23** | **58** | **14** | **6** | **10** | **79** | **6** | **29** | **60** | **11** | **23** | **61** | **52** | **43** | **6** | **24** | **65** | **5** | **60** | **30** | **47** | **48** | **95** |

Source: Field Survey
Where, R: Rarely, S: Sometimes, R/A: Regularly/Always

respondents are of junior's level while 13 are of middle level and the big part (23) is of senior's level. An equal part of respondents (26) are from public company as well as from private companies.

**PP7** Pervasiveness (65 respondents) are of opinion that the notion of "added value" is regularly recognized as the part of process of enriching policies, 24 respondents expresses that sometimes it is considered as part of process and only 6 respondents deny to consider this notion as the part of process of enriching policies. Out of 65 respondents, 22 belong to 30-40 years age group, 27 belong to 20-30 years age group and rest (16) belong to 40 years and above age group. A high portion (58) is male respondents and rest (7) is female respondents. 22 respondents are graduates while 29 are postgraduates and the rest (14) is M. Phil. / Ph. D. 18 respondents are of junior level while 20 are of middle level and the high portion (27) are seniors. 46 are public company's respondents and rest (19) is private companyies respondents.

**PP8** Superlative part (60 respondents) of respondents says that funds are sometimes allocated towards development and supporting brands, 30 respondents says that funds are regularly allocated towards development and supporting brands and only 5 respondents says that funds are rarely allocated to develop and support brands. Out of 60 respondents, 22 respondents belong to 30-40 years age group, 30 belongs to 20-30 years age group and rest (8) belongs to 40 years and above age group. A high part (51) is male respondents and 9 are female respondents. Major part (28) is graduates while 20 are postgraduates and 12 are M. Phil. / Ph. D. 18 respondents are juniors while 17 are of middle level and the maximum part (25) are seniors. 33 are public company's respondents and 27 are private companyies respondents.

**PP9** Superior part (48 respondents) believes that life insurance companies always have policy about deletion policy. Even as, 47 respondents believe that these kinds of policies are used sometimes to delete old policies. Out of 48 respondents, 22 respondents belong to 30-40 years age group, 16 belong to 20-30 years age group and rests (10) belong to 40 years and above age group. 43 are male respondents and rest (5) is female respondents. 15 respondents are graduates while major part (23) are postgraduates and only 10 are M. Phil. / Ph. D. an equal number (18) of respondents belong to junior as well as middle position while 12 are at senior level. High portion (37) is public company's respondents and rest (11) is private companyies respondents.

### Statistical Analysis

The statistical analysis constitutes Reliability test, Normality Test, Pearson Correlation, Factor Analysis, T-test and One-way ANOVA.

### Cronbach Alpha Reliability Statistics

To know the reliability of the scale Cronbach's alpha reliability test (Table 2) is performed on 95 cases by using SPSS software.

| Items | Cronbach's Alpha |
|---|---|
| PP 1 | 0.944 |
| PP 2 | 0.942 |
| PP 3 | 0.941 |
| PP 4 | 0.942 |
| PP 5 | 0.941 |
| PP 6 | 0.940 |
| PP 7 | 0.940 |
| PP 8 | 0.943 |
| PP 9 | 0.942 |

Test distribution is Normal.

The alpha reliability value for scale is ranging from 0.940 to 0.944, which is highly acceptable.

### Relationship between the Dimensions of Product Strategies

In order to understand the relationship between various dimensions of insurance products, correlation is calculated. Table 3 depicted the correlation between various dimensions of product strategy.

The value of significance level for various dimensions of insurance product ranges between p<0.05 to p<0.01. From table 3, it can be concluded that PP 1 is positively correlated with PP 2, PP 3, PP 4 and PP 5. Correlation between PP 1 and PP 6 is found negatively significant. The value of significance level ranges to p<0.01. In general sense, it can be said that if development of insurance policy in response to identified need increases then other all positively related variable also increase. Where as in case of negative correlation, with the increase in development of insurance policy in relation to identified need each policy's investment recovery decreases. PP 2 is positively correlated with PP 1, PP 3, PP 4, PP 5, PP 6, PP 7, PP 8 and PP 9. The level of significance ranges between p< 0.05 to p< 0.01. Straightforwardly, it is said that if the consistency of life policy with company's objective increases the other positively correlated dimensions also increase. PP 3 is positively correlated with PP 1, PP 2, PP 5, PP 6, PP 7, and PP 8. The value of significance level ranges between p< 0.05 to p< 0.01. It means that as policy become enriched with unique features and benefits, the possibility for balanced policy portfolio will be increasing, the possibility for notion of "added value" as a part of process of enriching policy and policy to monitor performance and to delete old policy would increase. Further PP 4 is positively correlated with PP 1, PP 2, PP 5, PP 6, PP 7, and PP 9. The value of significant level ranges between p< 0.05 to p< 0.01. In other lexis, it can be said that as screening process is more systematic, all other positively correlated dimensions (aforesaid) would increase. PP 5 is positively correlated with PP 1, PP 2, PP 3, PP 4, PP6, PP 7, and PP 8. The value of significance level is p< 0.01. In general terms, it can be said that as possibility for balanced portfolio increases, all other positively correlated dimensions also increase. PP 6 is positively correlated with PP 2, PP 3, PP 4, PP 5, PP 7 and PP 8. The value of significance level ranges between p< 0.05 to p< 0.01. In simple connotation, it can be said that if investment recovery analysis is carried out properly then possibility for notion of added value as a part of process would increase and also possibility to allocate funds to develop and support

**Table 3: Correlation Analysis between the Variables of Product Policy**

| Variables | PP1 | PP2 | PP3 | PP4 | PP5 | PP6 | PP7 | PP8 | PP9 |
|---|---|---|---|---|---|---|---|---|---|
| PP1 | 1 | .535(**) | .407(**) | .373(**) | .325(**) | -.286(**) | -.058 | -.101 | -.083 |
| PP2 | .535(**) | 1 | .461(**) | .395(**) | .436(**) | .208(*) | .244(*) | .479(**) | .258(*) |
| PP3 | .407(**) | .461(**) | 1 | .078 | .649(**) | .382(**) | .497(**) | .202(*) | -.415(**) |
| PP4 | .373(**) | .395(**) | .078 | 1 | .388(**) | .227(*) | .243(*) | -.038 | .508(**) |
| PP5 | .325(**) | .436(**) | .649(**) | .388(**) | 1 | .438(**) | .327(**) | .440(**) | -.160 |
| PP6 | -.286(**) | .208(*) | .382(**) | .227(*) | .438(**) | 1 | .397(**) | .297(**) | .181 |
| PP7 | -.058 | .244(*) | .497(**) | .243(*) | .327(**) | .397(**) | 1 | -.049 | .217(*) |
| PP8 | -.101 | .479(**) | .202(*) | -.038 | .440(**) | .297(**) | -.049 | 1 | .053 |
| PP9 | -.083 | .258(*) | -.415(**) | .508(**) | -.160 | .181 | .217(*) | .053 | 1 |

** Correlation is significant at the 0.01 level (2-tailed)., * Correlation is significant at the 0.05 level (2-tailed).

brand would increase. PP 7 is positively correlated with PP 2, PP 3, PP 4, PP 5, PP 6 and PP 9. The level of significant ranges between p< 0.05 to p< 0.01. It means as notion of "added value" considers more as a part of process of enriching policy, possibility to monitor performance and to delete the old policy is more followed by PP 8 which is positively correlated with PP 2, PP 3, PP 5, and PP 6. The level of significant ranges between p< 0.05 to p< 0.01. Lastly, PP 9 is positively correlated with PP 2, PP 4 and PP 7 with significant level ranges between p< 0.05 to p< 0.01.

**Latent Factors Determining the Product Policy**

After calculating the high correlation among the variables of product policy the analysis will investigate linear combination of some latent factors (underlying factors) with the help of Factor Analysis. Table 4 comprises the results for this problem, the rotated factor matrix comprising all nine variables, and the Eigen values 1 or more than1 for all extracted factors, the per cent of variance and cumulative per cent of variance.

**Table 4: Rotated Factor Matrix**

| **Variables** | **Integrated Product Policy** | **Consistent and Compatible Policy** | **Monitoring Performance** | **Brand Developme nt** |
|---|---|---|---|---|
| PP1 | | **0.9621735** | | |
| PP2 | | **0.636035** | | |
| PP3 | **0.6892108** | | | |
| PP4 | | | **0.6994001** | |
| PP5 | **0.5700108** | | | |
| PP6 | **0.7325509** | | | |
| PP7 | **0.8470304** | | | |
| PP8 | | | | **0.96623** |
| PP9 | | | **0.9533679** | |
| Eigen Values | 3.1459565 | 1.7088998 | 1.5664331 | 1.1892066 |
| Percentage of Variance | 34.955072 | 18.987775 | 17.404812 | 13.213406 |
| Cumulative Per cent | 34.955072 | 53.942847 | 71.347659 | 84.561065 |

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 4 tells that total four factors are extracted out of nine original variables with Eigen values 3.1459565, 1.7088998, 1.5664331 and 1.1892066. These four extracted factors together account for 84.561065 per cent of cumulative variance. It means, information is able to economize, as only 15.44 per cent information is lost and 84.56 per cent is retained by four extracted factors. By table 4, it is noticed that variables PP 3, PP 5, PP 6 and PP 7 have loading of 0.6892108, 0.5700108, 0.7325509 and 0.8470304 on Factor 1 (Integrated Product Policy). This suggests that Factor 1 is combination of these four original variables (PP 3, PP 5, PP 6 and PP 7). Keeping in view the nature of these variables, the name for Factor 1 is Integrated Product policy.

Further, it can be noticed that variable PP 1 and PP 2 have loading of 0.9621735 and 0.636035 on Factor 2 (Consistent and Compatible Policy). This says that Factor 2 is combination of these two original variables (PP 1 and PP 2). For this reason, the name for this factor is Consistent and Compatible Policy. The Factor 3 is combination of PP 4 and PP 9 have loading of 0.6994001 and 0.9533679 on Factor 3 (Monitoring Performance). Based on nature of these variables, the name for this factor is Monitoring Performance. The Factor 4 comprises single original variable PP 8. The original variable PP8 has loading of 0.96623 on Factor 4 (Brand Development). This variable is funds allocated to develop and support brand (PP 8). Thus the name for this Factor is Brand Development. Integrated Product Policy is found as most important factor followed by rest of the factors.

Demographic variables age (20-30 years, 30-40 years and 40 years and above), qualification (Graduate, Postgraduate and M. Phil. / Ph. D.) and hierarchy level (Junior, Middle and Senior) are tested by one-way ANOVA. One-way ANOVA is used to study cause-effect relationship of one or more factors on single dependent variable while rest of demographic variables namely sex (Male and Female) and organization (Public and Private Companies) are tested by independent sample t-test. Because the two samples are independent of each other and this technique is used to study the relationship of one or more factors.

**One-way ANOVA for Age-wise Analysis**

Table 5 depicted that mean value for respondents of various age groups of Integrated Product Policy (Factor 2) is 1.947, 1.959 and 1.850 with value of S. D. 0.590, 0.650 and 0.564. The F value is 0.231 at 0.794 level of significance. It is extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the views of respondents belonging to various age groups regarding Factor 2.

**Table 5: One-way ANOVA for Age-wise Analysis of Executive Respondents**

| Factors | Age | N | Mean | Std. Deviation | F Value | Sig. Level |
|---|---|---|---|---|---|---|
| Integrated Product Policy | 20-30 Years | 38 | 2.539 | 0.413 | 2.120 | 0.126 |
| | 30-40 Years | 37 | 2.547 | 0.552 | | |
| | 40 years and above | 20 | 2.775 | 0.242 | | |
| Consistent and Compatible Policy | 20-30 Years | 38 | 1.947 | 0.590 | 0.231 | 0.794 |
| | 30-40 Years | 37 | 1.959 | 0.650 | | |
| | 40 years and above | 20 | 1.850 | 0.564 | | |
| Monitoring Performance | 20-30 Years | 38 | 2.474 | 0.506 | 0.560 | 0.573 |
| | 30-40 Years | 37 | 2.568 | 0.488 | | |
| | 40 years and above | 20 | 2.600 | 0.447 | | |
| Brand Development | 20-30 Years | 38 | 2.105 | 0.453 | 5.901 | 0.004 |
| | 30-40 Years | 37 | 2.243 | 0.597 | | |
| | 40 years and above | 20 | 2.600 | 0.503 | | |

Source: Field survey

1) are 2.539, 2.547 and 2.775 with value of S. D. 0.413, 0.552 and 0.242. The value of F is 2.120 at 0.126 significant level. To sum up, it is concluded that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various age groups regarding Factor 1. The mean value for the respondents of various age groups regarding Consistent and Compatible Policy

The mean value for the respondents of various age groups regarding Monitoring Performance (Factor 3) of product policy is 2.474, 2.568 and 2.600 with value of S. D. 0.506, 0.488 and 0.447. The F value is 0.560 at 0.573 level of significance. It is extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the views of respondents belong to various age groups regarding

**Table 6: T-test for Sex-wise Analysis of Executive Respondents**

| Factors | Sex | N | Mean | Std. Deviation | t value | Sig. (2-tailed) |
|---|---|---|---|---|---|---|
| Integrated Product Policy | Male | 80 | 2.625 | 0.428 | 1.651 | 0.102 |
| | Female | 15 | 2.417 | 0.548 | | |
| Consistent and Compatible Policy | Male | 80 | 1.956 | 0.612 | 0.918 | 0.361 |
| | Female | 15 | 1.800 | 0.561 | | |
| Monitoring Performance | Male | 80 | 2.575 | 0.478 | 1.791 | 0.077 |
| | Female | 15 | 2.333 | 0.488 | | |
| Brand Development | Male | 80 | 2.263 | 0.545 | -0.027 | 0.979 |
| | Female | 15 | 2.267 | 0.594 | | |

Source: Field survey

Factor 3. The mean value for the respondents of various age groups regarding Brand Development (Factor 4) of product policy is 2.105, 2.243 and 2.600 with value of S. D. 0.453, 0.597 and 0.503. The F value is 5.901 at 0.004 level of significance. It is extracted that there is significant difference (the value of significant level for F-test is less than 0.05) between the views of respondents belong to various age groups regarding Factor 4.

To fathom out, it is said that respondents of different age group have same opinion regarding Integrated Product Policy, Consistent and Compatible Policy and Monitoring Performance while they have different opinion regarding Brand Development of product policy.

**T-test for Sex-wise Analysis**

Table 6 depicts that mean value for male and female respondents regarding Integrated Product Policy (Factor 1) are 2.625 and 2.417 with value of S. D. 0.428 and 0.548. The value of t is 1.651 at 0.102 significant level.

In nut shell, it is concluded that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the opinions of male and female respondents regarding Factor 1. The mean value for the male and female respondents regarding Consistent and Compatible Policy (Factor 2) is 1.956 and 1.800 with value of S. D. 0.612 and 0.561. The t value is 0.918 at 0.361 level of significance. It is extracted that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the views of male and female respondents regarding Factor 2. The mean value for the male and female respondents regarding Monitoring Performance (Factor 3) of product policy is 2.575 and 2.333 with value of S. D. 0.478 and 0.488. The t value is 1.791 at 0.077 level of significance. It is extracted that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the views of male and female respondents regarding Factor 3. The mean value of male and female respondents regarding Brand development (Factor 4) of product policy is 2.263 and 2.267 with value of S. D. 0.545 and 0.594. The value of t is -0.027 at 0.979 level of significance. In simple words, it is said that the opinion of male and female respondents are not significantly different (the value of significant level for t-test is greater than 0.05) regarding Factor 4. To bring to a close, it is said that opinion of male and female respondents are same regarding Integrated Product Policy, Consistent and Compatible Policy and Monitoring Performance and Brand Development of product policy.

**One-way ANOVA for Qualification-wise Analysis**

Table 7 depicts that mean values (respondents on qualification-wise analysis) of Integrated Product Policy (Factor 1) are 2.507, 2.652 and 2.635 with value of S. D.

**Table 7: One-way ANOVA for Qualification-wise Analysis of Executive Respondents**

| Factors | Qualification | N | Mean | Std. Deviation | F Value | Sig. Level |
|---|---|---|---|---|---|---|
| Integrated Product Policy | Graduate | 36 | 2.507 | 0.533 | 1.037 | 0.359 |
| | Postgraduate | 33 | 2.652 | 0.459 | | |
| | M. Phil. / Ph. D. | 26 | 2.635 | 0.294 | | |
| Consistent and Compatible Policy | Graduate | 36 | 1.861 | 0.661 | 0.649 | 0.525 |
| | Postgraduate | 33 | 1.924 | 0.614 | | |
| | M. Phil. / Ph. D. | 26 | 2.038 | 0.508 | | |
| Monitoring Performance | Graduate | 36 | 2.500 | 0.396 | 3.340 | 0.040 |
| | Postgraduate | 33 | 2.697 | 0.432 | | |
| | M. Phil. / Ph. D. | 26 | 2.385 | 0.605 | | |
| Brand Development | Graduate | 36 | 2.056 | 0.475 | 6.513 | 0.002 |
| | Postgraduate | 33 | 2.273 | 0.574 | | |
| | M. Phil. / Ph. D. | 26 | 2.538 | 0.508 | | |

Source: Field survey

0.533, 0.459 and 0.294. The value of F is 1.037 at 0.359 significant level. To totting up, it is concluded that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents on qualification-wise regarding Factor 1.

The mean value for the respondents on qualification-wise regarding Consistent and Compatible Product Policy (Factor 2) is 1.861, 1.924 and 2.038 with value of S. D. 0.661, 0.614 and 0.508. The F value is 0.649 at 0.525 level of significance. It is extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the views of respondents on qualification-wise regarding Factor 2.

The mean value for the respondents on qualification-wise regarding Monitoring Performance (Factor 3) of product policy is 2.500, 2.697 and 2.385 with value of S. D. 0.396, 0.432 and 0.605. The F value is 3.340 at 0.040 level of significance. It is extracted that there is significant difference (the value of significant level for F-test is less than 0.05) between the views of respondents on qualification-wise regarding Factor 3. The mean value for the respondents on qualification-wise regarding Brand Development (Factor 4) of product policy is 2.056, 2.273 and 2.538 with value of S. D. 0.475, 0.574 and 0.508. The F value is 6.513 at 0.002 level of significance. It is extracted that there is significant difference (the value of significant level for F-test is less than 0.05) between the views of respondents on qualification-wise regarding Factor 4. At last, it is said that the opinion of respondents on qualification-wise are different regarding Integrated Product Policy and Consistent and Compatible Policy where as they have same opinion regarding Monitoring Performance and Brand Development of product policy.

**One-way ANOVA for Hierarchy-wise Analysis**

Table 8 depicts that mean value for respondents at different hierarchies regarding Integrated Product Policy (Factor 1) are 2.470, 2.629 and 2.641 with value of S. D.

0.614, 0.437 and 0.323. The value of F is 1.247 at 0.292 significant level. To sum up, it is concluded that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents at different hierarchies regarding Factor 1.

**Table 8: One-way ANOVA for Hierarchy-wise Analysis of Executive Respondents**

| Factors | Hierarchy | N | Mean | Std. Deviation | F Value | Sig. Level |
|---|---|---|---|---|---|---|
| Integrated Product Policy | Junior | 25 | 2.470 | 0.614 | 1.247 | 0.292 |
| | Middle | 31 | 2.629 | 0.437 | | |
| | Senior | 39 | 2.641 | 0.323 | | |
| Consistent and Compatible Policy | Junior | 25 | 1.960 | 0.721 | 0.105 | 0.900 |
| | Middle | 31 | 1.952 | 0.553 | | |
| | Senior | 39 | 1.897 | 0.576 | | |
| Monitoring Performance | Junior | 25 | 2.700 | 0.382 | 4.985 | 0.009 |
| | Middle | 31 | 2.629 | 0.465 | | |
| | Senior | 39 | 2.359 | 0.512 | | |
| Brand Development | Junior | 25 | 2.120 | 0.526 | 3.008 | 0.054 |
| | Middle | 31 | 2.452 | 0.506 | | |
| | Senior | 39 | 2.205 | 0.570 | | |

Source: Field survey

The mean value for the respondents at dissimilar hierarchies regarding Consistent and Compatible Product Policy (Factor 2) is 1.960, 1.952 and 1.897 with value of S. D. 0.721, 0.553 and 0.576. The F value is 0.105 at 0.900 level of significance. It is extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the views of respondents at diverse hierarchies regarding Factor 2.

The mean value for the respondents at different hierarchies regarding Monitoring Performance (Factor 3) of product policy is 2.700, 2.629 and 2.359 with value of S. D. 0.382, 0.465 and 0.512. The F value is 4.985 at 0.009 level of significance. It is extracted that there is significant difference (the value of significant level for F-test is less than 0.05) between the views of respondents belong to various hierarchies regarding Factor 3.

The mean value for the respondents of various hierarchies regarding Brand Development (Factor 4) of product policy is 2.120, 2.452 and 2.205 with value of S. D. 0.526, 0.506 and 0.570. The F value is 3.008 at 0.054 level of significance. It is extracted that there is significant difference (the value of significant level for F-test is slightly greater than 0.05, hence it is counted as significant) between the views of respondents belonging to various hierarchies regarding Factor 4.

At most recent, it is said that the opinion of respondents at various hierarchies are different regarding Integrated Product Policy and Consistent and Compatible Policy where as they have same opinion regarding Monitoring Performance and Brand Development of product policy.

**T-test for Organization-wise Analysis**

Table 9 depicts that mean value for public and private companies respondents regarding Integrated Product Policy (Factor 1) are 2.618 and 2.553 with value of S. D. 0.489 and 0.395. The value of t is 0.692 at 0.491 significant level.

To sum up, it is concluded that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the opinions of respondents of public and private insurance companies regarding Factor 1.

The mean value for the public and private companies' respondents regarding Consistent and Compatible Product Policy (Factor 2) is 1.816 and 2.105 with value of S. D. 0.645 and 0.495. The t value is -2.342 at 0.021 level of significance. It is extracted that there is significant difference (the value of significant level for t-test is less than 0.05) between the views of respondents of public and private life insurance companies regarding Factor 2.

The mean value for the public and private companies' respondents regarding Monitoring Performance (Factor 3) of product policy is 2.605 and 2.434 with value of S. D. 0.515 and 0.422. The t value is 1.701 at 0.092 level of significance. It is extracted that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the views of respondents of public and private insurance companies regarding Factor 3.

The mean value of the public and private companies' respondents regarding Brand Development (Factor 4) of product policy is 2.281 and 2.237 with value of S. D. 0.590 and 0.490. The value of t is 0.379 at 0.705 level of significance. In easy words, it is said that the opinion of public and private companies respondents are not significantly different (the value of significant level for t-test is greater than 0.05) regarding funds allocated towards developing and supporting brands. At very last, it is said that the opinion of respondents of public and private companies are different regarding Integrated Product Policy, Monitoring

**Table 9: T-test for Organization-wise Analysis of Executive Respondents**

| Factors | Organization | N | Mean | Std. Deviation | t Value | Sig. (2-tailed) |
|---|---|---|---|---|---|---|
| Integrated Product Policy | Public | 57 | 2.618 | 0.489 | 0.692 | 0.491 |
| | Private | 38 | 2.553 | 0.395 | | |
| Consistent and Compatible Policy | Public | 57 | 1.816 | 0.645 | -2.342 | 0.021 |
| | Private | 38 | 2.105 | 0.495 | | |
| Monitoring Performance | Public | 57 | 2.605 | 0.515 | 1.701 | 0.092 |
| | Private | 38 | 2.434 | 0.422 | | |
| Brand Development | Public | 57 | 2.281 | 0.590 | 0.379 | 0.705 |
| | Private | 38 | 2.237 | 0.490 | | |

Source: Field survey

Performance and Brand Development of product policy where as they have same opinion regarding Consistent and Compatible Policy.

**Epilogue**

Age-wise, Sex-wise, Qualification-wise, Hierarchy-wise and Organization-wise analysis depicted that majority of respondents are of opinion that marketing department of life insurance companies sometimes develop policies in relation to identified needs (PP 1), firm's policy is sometimes found consistent with firm's objectives (PP 2), each policy's recovery investment is sometimes monitored (PP 6) and funds are sometimes allocated towards development and supporting brands (PP 8) while preeminent part is of opinion that marketing personnel regularly attempt to develop unique features and benefits for its policies (PP 3), regularly screen policy idea in systematic way ( PP 4), policy portfolio is always considered as balanced one (PP 5), notion of added value is regularly recognize as a part of process of enriching policies (PP 7) and always life insurance companies have policy about deletion policy.

In order to understand the inter-relationships of variables of product policy (PP), a correlation matrix is obtained, which suggests high correlation between the variables of product policy. These inter-correlated variables show multivariate nature and influence product policy in combination of two or more variables. These variables are assumed to be the linear combination of some latent factors, which account inter-relationship with them. For this purpose, Factor analysis is carried out. From the table for Factor analysis, it can be seen that Integrated Product Policy is found most important factor followed by Consistent and Compatible Product Policy, Monitoring Performance, and Brand Development. Analysis reveals that the difference between the opinions of respondent of various age groups regarding Integrated Product Policy, Consistent and Compatible Product Policy and Monitoring Performance of Product Policy is not significant. The respondents have different opinion regarding Brand Development of Product Policy in life insurance companies. It can also be inferred that the male and female respondents have same opinion regarding various dimensions of product policy. From the analysis, it is also accomplished that the opinion of respondents of various qualifications regarding Integrated Product Policy and Consistent and Compatible Product Policy is same. But they have different opinion regarding Monitoring Performance of product policy and Brand Development of product policy. Further, it can be thought that the views of respondents of various hierarchies have different opinion regarding Brand Development product policy. To finish, it is concluded that opinion of respondents of public and private organization have same views regarding Integrated Product Policy, Monitoring Performance of product policy and Brand development of product policy while they have significantly different opinion regarding Consistency and Compatibility Policy.

On the basis of above analysis following suggestions could be made:

Insurance firms should realize that money spent on brand development constitutes an investment likely to strengthen the policy position in market place. Firms should explore new policy ideas in systematic way. It should have procedure to monitor their policy performance and they should have deletion policy for low performing policies. Marketing department should anticipate customers' need first and then develop mix. Insurance company should ensure that policy is consistent with objective of firms.

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# TFCI AND TOURISM INDUSTRY IN INDIA

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## ABSTRACT

*Tourism is recognized as a major global serviced industry governed by the economic laws of supply and demand. It is the sum of phenomena and relationships arising from the travel and stay of non-residents, in so far as they do not lead to permanent residence and are not connected with earning activity. It consists of all those trades which together satisfy the varied needs of travelers. India is a developing country with limited physical resources, a large manpower base an impressive heritage of culture, art and history is a potential ground for the growth of this industry - thanks also to the recent changes in her economic policies. The progress of tourism can yield the much-needed foreign exchange. At government level the development of tourist facilities was taken up in a planned manner in 1956. However it was only after 1980's that tourism activity gained momentum. Tourism is now a priority sector for foreign investment. The government has already taken several significant steps in this direction - the latest being the setting up of the India Tourism Development Corporation and the Tourism Finance Corporation of India Ltd. This paper is an attempt to analyse the working of TFCI Ltd towards the upliftment of tourism sector in India, which concludes that much remains yet to be done by TFCI Ltd in order to achieve viable results and suggested that the government should address the problems involved and plug the loopholes on priority basis.*

## INTRODUCTION

Tourism is recognised as a major global service industry governed by the laws of supply and demand. Tourism has advanced as commitment to general development. It touches not only the economic fabrics of the society but also has deep-rooted effects on social norms and moral values. The ramifications of tourism have reached out to many sectors of the economy .It plays an important role in the economic development of the nation. The economic importance of tourism in national economy can be appreciated with reference to its contribution in employment generation. Tourism as a source of employment is particularly important for areas with limited alternative sources of employment. Millions of people throughout the World now depend directly or indirectly for their employment on tourism. The word Tourism originated from Latin word "Tornos" which means a tool for describing a circle or turner's wheel. It is from this word that the concept of round or package tour was evolved. It was as late as 1643 that this term was first used in the sense of travelling from place to place. In other words tourism consists of all those trades, which together satisfy the varied needs of the travelers. In the words of Hunziker and Krapf "Tourism is the sum of phenomena and relationships arising from the travel and stay of non-residents, in so far as they do not lead to permanent residence and are not connected with earning activity."

## CLASSIFICATION OF TOURISM

**Domestic Tourism -** includes residents of a country visiting their own country.

**Inbound Tourism -** includes non-residents visiting a country other than their own.

**Outbound Tourism -** includes residents of a country visiting other countries.

**Internal Tourism -** comprises domestic tourism and outbound tourism.

**National Tourism -** comprises domestic tourism and outbound tourism.

**International Tourism -** comprises inbound and outbound tourism.

**Ecotourism-** is entirely a new approach in tourism. It is a preserving travel to natural areas to appreciate the cultural and natural history of the environment, taking care not to disturb the integrity of the ecosystem. It is generally perceived as 'high value low volume enterprise' depending on a few interested tourists with high willingness to pay. Developing countries are gradually realizing that ET can be a livelihood tool for rural communities and can also result in sustainable management of natural resources. India is about taking a break from the fast city life and leading a slow paced life in the midst of the greenery. In India nature-based

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tourism can be an important channel for redistributing resources from countries who demand higher nature based vacation to developing countries. India offers lots of places unexplored yet safe for ecotourism. The year 2002 has been declared as the International Year of Ecotourism.

**RESEARCH METHODOLOGY**

The paper is based on secondary data, collected through Annual Reports of TFCI Ltd and Report on Development Banking in India, published by IDBI. Newspapers comments views and reviews by noted economists apart from standard books on this topic have also been consulted to arrive at concrete conclusion. The objective of this study is to analyse the working of TFCI towards the development of tourism industry in India.

**NEED AND DEVELOPMENT OF TOURISM IN INDIA**

India is a developing country with limited physical resources, a large manpower base and an impressive heritage of culture, art and history. The country is at present undergoing a process of economic change, which has a bearing on the development of our economy. It needs to develop infrastructure in both agriculture and industrial fields so that the country prospers. In order to develop, India needs the help and assistance of developed countries and this is given in the form of money, technology, know-how and such assistance that would help to grow. India cannot and must not depend on doles and hence have to develop her own resources of foreign exchange. Though we are exporting a number of traditional items, yet balance of trade position is quite unsatisfactory. To earn more foreign exchange and build up reserves, a need has been felt to offer a foreign buyer, non-traditional items and services such as the ones tourism offers.

Tourism Development in India has passed through many phases. At Government level the development of tourist facilities was taken up in a planned manner in 1956 coinciding with the Second Five Year Plan. The approach has evolved from isolated planning of single unit facilities in the Second and Third Five Year Plans. The Sixth Plan marked the beginning of a new era when tourism began to be considered a major instrument for social integration and economic development. But it was only after the 80's that tourism activity gained momentum. India has been a late starter in tourism. Understandably, immediately after independence the focus was on key areas like agriculture, industry, irrigation, infrastructure and the social sector. The flow of overseas visitors to India is extremely elastic and events around the globe and in the subcontinent have an immediate impact on foreign traffic. However, domestic tourism has displayed greater buoyancy and resilience. A striking feature of Indian tourism is the average length of stay of foreign tourists in the country. The estimated average length of stay for tourists is 31 days, which is extraordinary when compared to international average. The long length of stay indicated the character of the average foreign visitor as serious minded and exploratory; vindicating the fact that India has a vast variety of offers to the tourist.

**TOURISM AND GOVERNMENT POLICY**

The endeavor of the Government is to achieve sustained growth of tourist facilities in the private sector and to ensure high standards of quality in their services. Several incentives have been made available both by the Central and State Governments. The Government took several significant steps. A National Policy on tourism was announced in 1982. Later in 1988, the National Committee on Tourism formulated a comprehensive plan for achieving a sustainable growth in tourism. In July 1991, tourism was also declared as a priority sector for foreign investment. In 1992, a National Action Plan was prepared and in 1996 the National Strategy for Promotion of Tourism was drafted. The New National Tourism Policy was announced in May 2002. The Policy rests upon the following basic principles:

- position tourism as a major engine of economic growth;
- harness the direct and multiplier effect of tourism for employment generation, economic development and providing impetus to rural tourism;
- focus on domestic tourism as a major driver of tourism growth;
- position India as a global brand to take advantage of the burgeoning global travel & trade and the vast untapped potential of India as a destination;
- acknowledge the critical role of private sector with Government working as a pro-active facilitator and catalyst;
- create and develop integrated tourism circuits based on India's unique civilization, heritage, and culture in partnership with states, private sector and other agencies;
- ensure that the tourists in India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and feel India from within.

The other major developments that took place were the setting up of India Tourism Development Corporation in 1966 to promote India as a tourist destination and the Tourism Finance Corporation of India in 1989 to finance tourism projects.

**TOURISM FINANCE CORPORATION OF INDIA LTD. (TFCI LTD.)**

Pursuant to the recommendations of National Committee on Tourism set up by Planning Commission in 1989, the government of India decided that IFCI, which had been appointed as the nodal agency for financing tourism and allied activities, promote a specialised all-India development financing institution to cater to the needs of the tourism industry by according requisite priority in funding tourism and related projects/activities. Accordingly, the Tourism Finance Corporation of India Ltd was promoted by IFCI along with other all India financial institutions, State Bank of India, Canara Bank and Bank of India as a public limited company in 1989 under the Companies Act 1956. TFCI provides assistance in the form of rupee loans, underwriting and direct subscription to shares/ debentures, and equipment leasing and foreign loan guarantee for setting up and /or development of tourism-related facilities, activities and services. Apart from conventional tourism projects in the accommodation and hospitality segments, TFCI also finances non-conventional tourism projects like restaurants, highway facilities, travel agencies, amusement parks, dolphinaria, multiplexes, ropeways, car rental services, ferries for inland water transport, airport facilitation centers, air taxis and training institutes for hotel personnel. The following table shows the year-wise break up of amount sanctioned and disbursed by TFCI Ltd upto 31-03-07.

Source: Report on Development Banking in India (various issue) Published by IDBI Ltd. and Annual Report of

**TFCI (VARIOUS ISSUE).**

Table shows that the total amount sanctioned by TFCI Ltd up to 31-03-07 is Rs 2821.9 crore, out of which Rs 1757.5 has been disbursed during the same period, which works out to 62.28% of the total amount sanctioned. The pattern of amount sanctioned shows an increasing trend up to 1997-98 and after that it shows a decreasing trend except in the year of 2000-01 and again from 2003-004 it shows an increasing trend. The amount sanctioned increased from Rs 52.8 crore in

Table 1 Year-wise Break up of Amount Sanctioned and Disbursed upto 31-03-07

| Year | Sanctioned | Growth rate (%) | Disbursed | Growth rate (%) |
|---|---|---|---|---|
| 1989-90 | 52.8 | — | 12.8 | — |
| 1990-91 | 85.0 | 61.0 | 39.2 | 206.3 |
| 1991-92 | 103.5 | 21.8 | 48.3 | 23.2 |
| 1992-93 | 125.0 | 20.8 | 59.8 | 23.8 |
| 1993-94 | 159.5 | 27.6 | 78.8 | 31.8 |
| 1994-95 | 229.3 | 43.8 | 137.2 | 74.1 |
| 1995-96 | 271.6 | 18.4 | 167.0 | 21.7 |
| 1996-97 | 303.5 | 11.8 | 182.9 | 9.5 |
| 1997-98 | 320.1 | 5.5 | 186.8 | 2.1 |
| 1998-99 | 211.2 | -30.0 | 132.3 | -29.2 |
| 1999-00 | 82.4 | -61.0 | 111.7 | -15.6 |
| 2000-01 | 105.6 | 28.2 | 60.6 | -45.6 |
| 2001-02 | 95.4 | -9.7 | 86.5 | 42.7 |
| 2002-03 | 84.1 | -11.8 | 94.7 | 9.5 |
| 2003-04 | 104.5 | 24.3 | 79.4 | -16.2 |
| 2004-05 | 110.60 | 5.83 | 71.9 | -9.45 |
| 2005-06 | 132.96 | 20.21 | 88.0 | 22.39 |
| 2006-07 | 245.42 | 84.58 | 120.2 | 36.56 |
| Cum.06-07 | 2821.9 | | 1757.5 | |

1989-90 to 320.1 crore in the year 1997-98 i.e. more than 6 times. The amount sanctioned in the year1999-00 and 2002-03 was Rs 82.4 crore (the lowest one up to 31-03-07) and Rs 84.1 crore respectively, which is even less than the amount sanctioned in the year 1990-91. The compound annual growth rate (CAGR) for sanctioned amount in 1990-91 to 1993-94 was 31.6%, which decreased to 19.1% during 1994-95 to 1997-

1998 and 20.8% during 2002 to 2006-07. During 1998-99 to 2001-02 this %age came down and became negative to 25.17%, which shows that during this period the total amount sanctioned by TFCI was comparatively very low. CAGR for amount disbursed during these period were also showing decreasing trend i.e. 57.5% (1990-91 to 1993-94), 24.1% (1994-95 to 97-98), 6.5% (02-03 to 06-07). Again during 98-99 to 01-02 this percentage was in negative form i.e. 17.5.

**INDUSTRY-WISE BREAK UP**

TFCI provides its assistance to almost all the tourism and tourism related industries but its emphasis remained on Hotel industry, which is nowadays the backbone of the tourism industry. The following table shows the year-wise break up of amount sanctioned by TFCI up to 31-03-07.

Out of the total amount sanctioned up to 2006-07 i.e. 2821.9 crore, the maximum amount was sanctioned to Hotel industry followed by others. Amount sanctioned to these industries was Rs 2272.4 crore and Rs 477.1 crore respectively which works out to 80.53% and 16.91% respectively of the total amount sanctioned up to 31-03-07. Amount disbursed remained more than 60% in both the cases. The other industries like amusement parks, water parks, restaurants, entertainment centers, multiplexes have to rest content with a meager amount of less than 2.6% of the total amount sanctioned up to 31-03-07.

Table 2 : Industry-wise Break up of Amount Sanctioned up to 31-03-07

(Rs crore)

| Industry | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 | Cum.07 |
|---|---|---|---|---|---|---|---|---|
| Hotels | 96.2 | 78.3 | 75.4 | 53.0 | 55.7 | 92.5 | 152.0 | 2272.4 |
| Amusement/Water Parks | 0.6 | - | - | 1.5 | 12.6 | 6.9 | 12.0 | 33.0 |
| Entertainment Centres/Multiplexs | - | 15.1 | - | 4.0 | 20.4 | - | 15.0 | 39.4 |
| Others | 8.8 | 2.0 | 8.7 | 45.9 | 21.9 | 33.5 | 66.4 | 477.1 |
| Total | 105.6 | 95.4 | 84.1 | 104.4 | 110.60 | 132.9 | 245.4 | 2821.9 |

Source: Report on Development Banking in India (various issue) Published by IDBI Ltd. and Annual Report of TFCI (Various Issue).

**STATE-WISE BREAK UP**

TFCI provides its assistance to almost all the states of the country but its penchant remained on some states like- Maharastra, Gujart, Tamil Nadu, Delhi etc. The following table shows the state- wise break up of amount sanctioned by TFCI upto 31-03-07.

Table shows that Maharastra remained the first rank holder state to receive the maximum assistance ie. Rs 488.6 crore which is 17.31% of the total amount sanctioned up to 31-03-07. The next rank holder states are Tamil Nadu, Delhi, Rajasthan, Gujarat, Andra Pradesh, Goa and Karnataka, which received Rs 413.5 crore, Rs 287.2 crore, Rs 224.4 crore, Rs 219.9 crore, Rs 169.3 crore, Rs 137.6 crore and Rs 137.0 crore respectively which works out to 14.65%, 10.18%, 7.96%, 7.79%, 6.00%, 4.88% and 4.85% respectively. Jammu & Kashmir which is one of the leading states that provide handsome tourism revenue to the country got only Rs 7.3 crore. Himanchal Pradesh and Utranchal which are the potential states regarding the tourism got only Rs 9.3 crore and Rs 24.6 crore respectively.

**PURPOSE-WISE BREAK UP**

TFCI provides its assistance for all purposes such as new projects, expansion diversification, modernization, and working capital etc. but the maximum amount was sanctioned for the new projects followed by expansion / diversification / acquisition. The ensuing table shows the purpose-wise break up of amount sanctioned by TFCI up to 31-03-07.

The exhibit shows that upto 31-3-07 the maximum amount was sanctioned to new project i.e. Rs 2078.1 crore which is 73.64% of the total. Amount sanctioned for expansion/diversification, modernization and working capital was Rs 292.1 crore, Rs 95.2 crore, and Rs 34.1 crore respectively, which indicates that TFCI remained interested to establish new projects rather than expansion /diversification and almost discourage to working capital.

**CONCLUSION**

It is clear from the above discussion that since its inception TFCI has been trying to strengthen the foundation of the tourism industry in India. Much remains yet to be done. The government should

Table 3 : State-wise break up of Amount Sanctioned upto 31-03-07

(Rs crore)

| States | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 | Cum07 |
|---|---|---|---|---|---|---|---|---|
| Andra Pradesh | 33.9 | 16.7 | 0.5 | 6.5 | 13.5 | 6.5 | - | 169.3 |
| Bihar | - | 3.0 | 2.5 | - | - | - | - | 11.3 |
| Delhi | 9.8 | 2.0 | 1.7 | 1.6 | 20.0 | 9.0 | 20.0 | 287.2 |
| Goa | - | 7.9 | 1.1 | 6.3 | - | - | 22.0 | 137.6 |
| Gujrat | 16.6 | 10.0 | 9.7 | 2.3 | 3.8 | 5.7 | 25.0 | 219.9 |
| Harayana | 13.0 | - | - | 13.4 | - | - | 15.0 | 66.3 |
| Himachal Pradesh | - | - | - | - | - | - | - | 9.3 |
| Jammu & Kashmir | - | 1.5 | - | - | - | - | - | 7.3 |
| Karnataka | - | 0.5 | - | - | 8.0 | 12.9 | - | 137.0 |
| Kerela | - | - | - | - | 1.4 | - | - | 93.8 |
| Madhya Pradesh | - | 2.3 | 5.2 | 3.4 | 8.8 | - | - | 87.5 |
| Maharastra | 5.7 | 22.3 | 24.3 | 18.7 | 14.9 | 28.3 | 58.7 | 488.6 |
| Orissa | - | - | 5.9 | 1.2 | - | - | - | 38.6 |
| Punjab | - | - | 4.5 | - | - | - | 20.0 | 48.7 |
| Rajasthan | 7.5 | 8.1 | 6.0 | 0.5 | 4.0 | 7.0 | 15.3 | 224.4 |
| Sikkim | - | - | - | - | - | - | - | 6.5 |
| Tamil Nadu | 18.5 | 7.9 | 9.3 | 4.0 | 8.8 | 21.0 | - | 413.5 |
| Uttaranchal | - | 7.8 | 1.4 | - | - | - | - | 24.6 |
| Uttar Pradesh | - | - | 2.5 | - | 7.0 | - | - | 107.5 |
| West Bangal | 0.6 | 4.8 | 3.3 | - | 6.0 | - | 1.0 | 50.0 |
| Union Territories | - | 0.6 | - | 2.0 | 1.5 | - | 2.0 | 20.5 |
| Multistates/Others | - | - | 6.2 | 44.5 | 12.9 | 42.5 | 66.4 | 172.5 |
| Total | 105.6 | 95.4 | 84.1 | 104.4 | 110.6 | 132.9 | 245.4 | 2821.9 |

Source : Report on Development Banking in India (various issue) Published by IDBI Ltd. and Annual Report of TFCI (Various Issue).

Table 4 : Purpose-wise break up of Amount Sanctioned upto 31-03-07

(Rs crore)

| Purpose | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 | Cum07 |
|---|---|---|---|---|---|---|---|---|
| New | 78.1 | 71.8 | 69.9 | 44.3 | 51.8 | 71.6 | 127.7 | 2078.1 |
| Expan./Diversi./Acqui. | 5.1 | 0.5 | - | - | 28.2 | 14.7 | 15.0 | 292.1 |
| Modernisation/Balancing Equipments | - | - | - | - | 15.6 | 13.6 | 5.3 | 95.2 |
| Working Capital | - | - | 0.5 | 0.5 | 2.1 | - | 31.0 | 34.1 |
| Others | 22.4 | 23.1 | 13.7 | 59.6 | 12.9 | 33.0 | 66.4 | 327.4 |
| Total | 105.6 | 95.4 | 84.1 | 104.4 | 110.6 | 132.9 | 245.4 | 2821.9 |

Source: Report on Development Banking in India (various issue) Published by IDBI Ltd. and Annual Report of TFCI(Various Issue).

formulate and implement an effective and multipronged policy addressed to the various aspects of tourism - security, efficiency, amenities and so on. Earning presupposes investment. Enough funds should be earmarked for the promotion of the industry so as to yield viable results. The potential is there. It is waiting to fully exploit.

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# LANGUAGE DIVERSITY AND ITS MANAGEMENT IN MNCs

**Dr. Surekha Rana***
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## ABSTRACT

*The importance of language management in multinational companies has never been greater than today. Multinationals are becoming ever more conscious of the importance of global coordination as a source of competitive advantage, and language remains the ultimate barrier to aspirations of international harmonization. In this paper, we will review the solutions open to multinational companies in terms of language management. Before doing so, however, we will discuss the aforementioned trend to globalization; outline the dimensions of the language barrier and strategies for managing languages challenges.*

## INTRODUCTION

Globalisation in its literal sense is the process of transformation of local or regional things or phenomena into global ones. It can also be used to describe a process by which the people of the world are unified into a single society and function together. This process is a combination of economic, technological, sociocultural and political forces. Globalisation is often used to refer to economic globalisation, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, culture, and the spread of technology and differences of languages. This process has effects on the environment, culture, political systems, economic development and prosperity, and on human physical well-being in societies around the world.

## THE TREND TO GLOBAL CO-ORDINATION

Evidence suggests that as many as three out of four multinational companies now manage networks of ten or more operations in overseas (John et al., 1997). The coordination burden of managing such geographically, culturally and linguistically diverse networks is freighting. Nevertheless, many multinational companies spurred on by the twin goals of the transnational model have accepted the challenge and have sought to strengthen their global coordination. The organization seeks a balance between the pressures for global integration and the pressures for local responsiveness.

The issue of global coordination is important but to attain such a situation one has to identify those factors which to date have hindered the achievement of global coordination. One of such factors is the global power relations where by powerful states, like the USA, do not feel bound obliged to abide by such coordination if their national interest is at stake.

The performance benefits of these systems are indisputable. Most companies now include global sourcing as part of their procurement strategy. Common examples of globally-sourced products or services include: labour intensive manufactured products produced using low-cost Chinese labour, call centres staffed with low-cost English speaking workers in India, and IT work performed by low-cost programmers in India and Eastern Europe. Kaizen focuses on “Continuous Process Improvement”, to make processes visible, repeatable and measurable. TQM places strong focus on process measurement and controls as means of continuous improvement. And Concurrent Engineering focuses on the optimization and distribution of a firm’s resources in the design and development process to ensure effective and efficient product development process.

## DIMENSIONS OF LANGUAGE BARRIER

**Language Diversity**: The people of the world speak between 3,000 and 6,000 languages. Of these, 80 to 90 percent are spoken by indigenous peoples, representing almost all linguistic diversity today. A few native-language communities, like the Aymara and the Tswana, are large and robust, but most are small and fragile. Only 276 languages are spoken by a million or more people. Languages seem to be disappearing faster than ever before. This is alarming in itself, but, just as important, the consequent reduction of cultural diversity may threaten humanity’s survival. Although linguistic diversity can make life interesting, there are times when we need help to communicate across accent and language barriers.

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**Language Penetration**: The level of language penetration will depend on the number of functional areas within a MNC that have to operate across linguistic boundaries. There may have been a time when cross-lingual communications could have been channelled through a small and exclusive band of language specialists.

**Language Sophistication**: The complexity, refinement and type of the language skills required will vary from one position holder to position holder, within an organization. For example, a receptionist will require essentially speaking-listening proficiency. A logistics clerk will need to have a greater foreign language capability including reading and writing, but will at least have the benefit of being able to operate with a limited vocabulary. At all levels managers need excellent language proficiency embracing the full range of rhetorical skills such as negotiation, persuasion, motivation and humour.

**INFLUENCE OF LANGUAGE BARRIER**

The impact of the language barrier cannot be evaluated using simple measures such as money spent on interpreters or days lost in translating documents. Instead the true cost has to be seen in terms of the way it distorts and damages relationships. These in turn then impose pressures and constraints on the strategies pursued by the company and the organizations and systems they consequentially adopt (Feely & Harzing, 2002). In summary however, it is worth noting that the language barrier triggers a whole range of negative consequences. Following is the list of impacts of language barrier:

**Communication:** Typically, little communication occurs unless one or both parties learn a new language, which requires an investment of time and effort. People travelling abroad often encounter a language barrier. English speakers, in particular, sometimes visit European countries with insufficient preparation and are surprised to find that most local residents have little knowledge of English.

People who come to a new country at an adult age, when language learning is a cumbersome process, can have particular difficulty “overcoming the language barrier”. Similar difficulties occur at multinational meetings, where translation services can be costly, hard to obtain, and prone to error.

**Migration**: Language barrier also influences migration. Emigrants from a country are far more likely to move to a destination country which speaks the same language as the emigrant’s country. Thus, most British emigration has been to Australia, Canada, or New Zealand, most Spanish emigration has been to Latin America, and Portuguese emigration to Brazil. And even if the destination country does not speak the emigrant’s language, it is still more likely to receive immigration if it speaks a language related to that of the emigrant.

**Buyer/ Seller Relationships**: Companies facing the prospect of globalising will sense a greater cultural distance and will be aware of greater uncertainty about markets that don’t share their language and salespersons working in their second language will appear less able, less credible, less likeable and ultimately less persuasive. As a consequence, companies will in general have more success selling to countries that share their language.

**Joint Ventures**: Whenever the host country and the parent country do not share the same language, the parent will inevitably feel an increased sense of uncertainty and will prefer an entry method where risk can be shared. Thus joint ventures will be likely where there is language difference.

**HQ-subsidiary Relationship**: Wherever language is a barrier to the development of close personal relationships the level of suspicion, mistrust and conflict between a parent company and its international subsidiaries will be heightened. Such mistrust will cause the parent company to be more formal and less subjective in its evaluation of subsidiary performance, and may also hinder collaborative processes such as knowledge and technology transfer.

**Staffing Policies**: International management encounters many problems above those faced by a domestic organization. Geographic distance and a lack of close, day-to-day relationships with headquarters represent a major challenge to multinationals. “It is essential, therefore, that special attention is given to the staffing practices of overseas units”. (Harzing, 1999).

**Strategies for managing Language Challenges**

Having examined the relationship problems and their consequences that might becaused by language issues, there is a range of options from which MNC can formulate their language strategy.

**Lingua Franca: -** The term lingua franca is applied to international auxiliary languages meant specifically for communication between speakers of different native languages. Examples include Esperanto, Ido, Interlingua, Latino Sine Flexione, and Novial. This is a prescriptive rather than descriptive definition of a lingua franca, and therefore whilst the term lingua franca may be applied to such languages, this does not necessarily mean that the language is commonly used as a lingua franca in the sense of communication between speakers of different native languages. (World Lingo, 2001).

**Training: -** In a study conducted across four European countries (Hagen, 1999), nearly twice as many companies said they needed language training in coming years as had conducted training in past years. One notable and committed leader in the field of language training has been the Volkswagen Group. They have developed a language strategy over many years and in many respects can be regarded as a model of how to manage language professionally. (Marschan-Piekkari et al., 1999).

**Corporate Languages:-** An alternative to training is corporate languages. Corporate language offers tailor-made translation, interpreting, language and cross-cultural training solutions in all languages for corporate and government clients. The comprehensive range of professional services are delivered via a global network of language and training specialists from a variety of commercial, legal, technical and academic backgrounds to ensure high quality execution of all multilingual assignments.

**Expatriation:-** One immediate solution to any multinational company facing a language barrier with its subsidiaries is to assign expatriates to work within each subsidiary to act as a language node linking back to corporate headquarters. In dealing with expatriates, an international company reckons the value of them and has experienced staff to deal with them, and often has a company-wide policy and coaching system that includes spouses at an earlier stage in the decision-making process, giving spouses an official voice.

**Inpatriation:-** The transfer of foreign employees to work in the home country of an international organization on a temporary or permanent basis is known by the name inpatriation. Inpatriation often involves the relocation of employees of a foreign subsidiary company in a developing country to the home base or headquarters of a multinational business in the developed world.

**Machine Translation: -** Machine translation is a sub-field of computational linguistics that investigates the use of computer software to translate text or speech from one natural language to another. At its basic level, machine translation performs simple substitution of words in one natural language for words in another (Kay, 2001). In recent years, work on machine translation has been most vigorously pursued in Japan and it is also there that the greatest diversity of approaches is to be found.

## CONCLUSION

This paper has demonstrated that there are sound strategic reasons why multinational companies should seek to enhance their global co-ordination. The achievement of such an enhancement is by no means a simple task however, and will be made that much harder whenever language is a barrier to international communication. And given the demographic, social and business trends predicted for the future it is difficult to see how any company can contemplate going multinational without going multilingual at the same time. The secret therefore, would seem to understand the language barrier well and to mix and match the solutions into a blend that is right for the company context.

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# CUSTOMER SERVICES AND PREFERENCES: A STUDY OF THE CUSTOMERS OF THE PUBLIC SECTOR AND PRIVATE SECTOR BANKS

**S.P. Singh***
**Sunayna Khurana****

## ABSTRACT

*The Objectives of the study are to study the customer preferences with regard various services provided by private sector banks & public sector banks and to compare the customer service with regard to the time taken for transaction in private sector banks & public sector banks .To achieve these objectives three null hypothesis were formulated. Primary data was collected from 200 customers of six selected banks (3 from each sector) with the help of questionnaire. Cross tabulation & chi-square testing was used for data analysis and hypothesis testing.*

## INTRODUCTION

In today's cut throat competition, best customer service is only tool to compete & differentiate. Every service provider tries hard to give better customer service to retain & satisfy their customers. This study was an attempt to analyse customer's preferences & also to compare the customer services provided by banks in small cities. Although various research have been conducted on this issue but no one was conducted in small areas.

## OBJECTIVES OF THE STUDY

The Objectives of the study are:

- To study the customer preferences with regard various services provided by private sector banks & public sector banks: and
- To compare the customer service with regard to the time taken for transaction in private sector banks & public sector banks.

## HYPOTHESES

Following hypotheses were formulated:

**H1**: There is no significant difference among private sector banks & public sector banks with regard to the time customer have to spend to transact a business.

**H2:** There is no significant difference among private sector banks & public sector banks with regard to the charges customer have to pay for services.

**H3**: There is no significant difference among choices of customers of private sector banks & public sector banks with regard to the extra services customers look for.

## Research Methodology

This study is based on the survey conducted in Hissar, Haryana in January, 2009.The universe of the study was various private sector & public sector banks operating in Hissar district. The study covers bank branches of 6 top banks (3 each) in private sector & public sector. Banks covered in private sectors are HDFC, ICICI & Axis and in public sector are PNB, SBI & Canara Bank is selected on basis of profit in year 2007-08(according to Indian Banking Association reports).

**Table 1: Research Methodology**

| **Types of Research Used** | **Descriptive research** |
|---|---|
| Research Approach | Survey |
| Research Instrument | Questionnaire |
| Scale for Measurement | Five point Likert Scale (1 for higher degree of satisfaction) |
| **Sample design** | |
| 1. Sample Size | 200 (having saving account in any Bank) |
| 2. Sample Scope | Hissar District in Haryana state |
| 3. Sampling Technique | Non-Probability Convenience Sampling |
| **Locale of the study** | Hissar district in Haryana state during January,2009 |
| **Data Analytical Tools** | Percentage, frequencies, Cross Tabulation |
| **Hypotheses Testing Tool** | Chi-Square Test |

## Profile of Respondents

As shown in Table 2, mostly respondents (56.5%) belong to the age group 26-35 years, 54% were females, 47.5 % respondent belong to annual income category upto 100000/- and equal number (29.5%) of respondents belong to service & business class.

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| Table 2: Demographic Profile of The Respondents | | | |
|---|---|---|---|
| | | Frequency | Percent |
| Age | Upto25 | 58 | 29.0 |
| | 26 to 30 | 57 | 28.5 |
| | 31 to 35 | 56 | 28.0 |
| | 36 to 40 | 13 | 6.5 |
| | Above 40 | 16 | 8.0 |
| Gender | Male | 92 | 46.0 |
| | Female | 108 | 54.0 |
| Annual Income | Upto 100000 | 95 | 47.5 |
| | Between 100001 to 200000 | 75 | 37.5 |
| | Above 200001 | 30 | 15.0 |
| Occupation | Business | 59 | 29.5 |
| | Service | 59 | 29.5 |
| | Others(retired, students & non working) | 82 | 41.0 |

## RESULTS & DISCUSSION

### Customer preferences

As shown in Table 3, 82.5 % respondents mostly preferred ATM for various banking transaction. Only 23.5 % respondent prefer Personal visit to bank, 43.5 % prefer online banking system & 42.5 % prefer Tele banking for various banking transaction

**Table 3: Customer Preferences**

| Facility/ Preference | Most preferred | Less preferred | Neutral | Not preferred | Not at all preferred |
|---|---|---|---|---|---|
| Personal visit | 8(4.0) | 39(19.5) | 60(30.0) | 73(36.5) | 20(10.0) |
| ATM | 165(82.5) | 18(9.0) | 9(4.5) | 6(3.0) | 2(1.0) |
| Online Banking | 16(8.0) | 71(35.5) | 78(39.0) | 27(13.5) | 8(4.0) |
| Tele Banking | 15(7.5) | 70(35.0) | 43(21.5) | 60(30.0) | 12(6.0) |

### Frequency of Banking Transaction (per month)

After doing the cross tabulation, we found that out of total 200 respondent, 93 have account in private sector banks & 107 respondents have account in public sector banks.44 respondents in private sector banks & 60 respondents in public sector bank do the cash deposit transactions once in month, 36 respondents in private sector banks & 45 respondents in public sector bank visit the banks for DD issue once in month.

**Table 4: Frequency * Type of Bank Cross tabulation Count**

| Transactions | Frequency (Per month) | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Cash Deposit | Once | 44 | 60 | 104 |
| | Two times | 18 | 25 | 43 |
| | Three times | 16 | 20 | 36 |
| | Four times | 7 | 0 | 7 |
| | Five times | 8 | 2 | 10 |
| | Total | 93 | 107 | 200 |
| DD Issue | Not in 1 month | 44 | 49 | 93 |
| | Once | 36 | 45 | 81 |
| | Two times | 7 | 6 | 13 |
| | Three times | 6 | 6 | 12 |
| | Four times | | 1 | 1 |
| | Total | 93 | 107 | 200 |
| Cash Withdrawal | Once | 29 | 46 | 75 |
| | Two times | 33 | 21 | 54 |
| | Three times | 10 | 14 | 24 |
| | Four times | 14 | 24 | 38 |
| | Five times | 7 | 2 | 9 |
| | Total | 93 | 107 | 200 |
| Purchasing Extra Cheque Book in One quarter | Not | 41 | 71 | 112 |
| | Once | 44 | 21 | 65 |
| | Two times | 7 | 14 | 21 |
| | Three times | 1 | 1 | 2 |
| | Total | 93 | 107 | 200 |

For cash withdrawal, 33 respondents out of 93 in private sector banks visit bank or ATM twice in month & 46 respondents out of 107 in public sector banks visit bank or ATM one time in month.

### Testing of Hypothesis

**H1**: There is no significant difference among private sector banks & public sector banks with regard to the time customer have to spend to transact a business.

### Time Taken To Deposit Cash

**Table5 :Time Taken To Deposit Cash * Type Of Bank Cross Tab**

(in numbers)

| Duration | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Less than 15 min | Count | 7 | 9 | 16 |
| | Expected Count | 7.4 | 8.6 | 16.0 |
| 15-30 min | Count | 80 | 90 | 170 |
| | Expected Count | 79.1 | 91.0 | 170.0 |
| More than 30 min | Count | 6 | 8 | 14 |
| | Expected Count | 6.5 | 7.5 | 14.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | .145 | 2 | .930 |
| Likelihood Ratio | .145 | 2 | .930 |
| Linear-by-Linear Association | .001 | 1 | .980 |
| N of Valid Cases | 200 | | |

**a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.51.**

It is evident from table 5 that 15-30minutes required to deposit the cash in any bank. In private sector banks & 80 respondents out of 93 & in public sector banks 90 respondent out of 107 said that they have to spend 15-30min to deposit cash. This mean that there is no difference in time spend to deposit cash in private & public sector banks. Further Chi-square testing also shows that difference is not statistically significant at 5 percent level of significance. ( ÷ 2 = 0.146 , df =2 , p=0.930 )

### Time Taken To Get New Cheque book

It can be seen from table 6 that in private sector banks 42 respondents out of 93 & in public sector banks & 74 respondents out of 107 said that they can get the new Cheque book in less than 10min. While 41 respondents out of 93 in private sector banks & 23 respondents out of 107 in public sector banks said that they have to spend 16-30min to get new Cheque book. Further Chi-square testing also shows that difference is statistically significant at 5 percent level of significance. (÷ 2 = 11.793 , df =2 , p=0.003)

**Table 6:Time Taken To Get New Cheque book * Type Of Bank Cross Tab** (in numbers)

| Duration | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Less than 15 min | Count | 42 | 74 | 116 |
| | Expected Count | 53.9 | 62.1 | 116.0 |
| 16-30 min | Count | 41 | 26 | 67 |
| | Expected Count | 31.2 | 35.8 | 67.0 |
| More than 31 min | Count | 10 | 7 | 17 |
| | Expected Count | 7.9 | 9.1 | 17.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 11.793 | 2 | **.003** |
| Likelihood Ratio | 11.881 | 2 | .003 |
| Linear-by-Linear Association | 9.380 | 1 | .002 |
| N of Valid Cases | 200 | | |

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.91.

### Time Taken To Purchase Demand Draft

It is observed from table 7 that in private sector banks 51 respondents out of 93 & in public sector banks & 57 respondents out of 107 said that they can purchase the demand draft in less than 15 min. While 27 respondents out of 93 in private sector banks & 34 respondents out of 107 in public sector banks said that they have to spend more than 30 min to purchase demand draft. Chi-square testing also shows that difference is not statistically significant at 5 percent level of significance. ( ÷ 2 = 0.190 , df =2 , p=0.909 )

**Table 7 :Time Taken To Purchase Demand Draft * Type of Bank Cross Tab** (in numbers)

| | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Less than 15 min | Count | 51 | 57 | 108 |
| | Expected Count | 50.2 | 57.8 | 108.0 |
| 16-30 min | Count | 15 | 16 | 31 |
| | Expected Count | 14.4 | 16.6 | 31.0 |
| More than 31 min | Count | 27 | 34 | 61 |
| | Expected Count | 28.4 | 32.6 | 61.0 |
| | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | .190 | 2 | .909 |
| Likelihood Ratio | .190 | 2 | .909 |
| Linear-by-Linear Association | .117 | 1 | .733 |
| N of Valid Cases | 200 | | |

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.42.

### TIME TAKEN TO GET DEBIT CARD

Table 8 shows the time taken to get debit card from banks. Among the private sector banks,48 respondent(50 %) & 47 respondents out of 107 in public sector banks said that they can get the debit card with in 6-10 days. While 13 respondents out of 93 in public sector banks & 30 respondents out of 107 in public sector banks said that it will take more than 11 days to get new debit card. Moreover chi-square testing also reveals that there is significant difference among private sector banks & public sector banks with regard to the time customer have to spend to get new debit card. (÷ 2 = 5.854, df =2, p=0.05)

| Table 8:Time Taken To Get Debit Card * Type of Bank Cross Tab (in numbers) | | | | |
|---|---|---|---|---|
| Duration | | Private sector bank | Public sector bank | Total |
| Upto 5 days | Count | 32 | 30 | 62 |
| | Expected Count | 28.8 | 33.2 | 62.0 |
| 6 to 10 days | Count | 48 | 47 | 95 |
| | Expected Count | 44.2 | 50.8 | 95.0 |
| More than 11 days | Count | 13 | 30 | 43 |
| | Expected Count | 20.0 | 23.0 | 43.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 5.845 | 2 | .05 |
| Likelihood Ratio | 6.002 | 2 | .05 |
| Linear-by-Linear Association | 4.005 | 1 | .04 |
| N of Valid Cases | 200 | | |

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 20.00.

## TIME TAKEN TO WITHDRAW CASH

After doing cross tabulation it was found that almost equal numbers of respondents of both sectors were in favor of statement that time required to withdraw cash is less than 15 min. Chi-square testing also reveal the same result that there is no significant difference among private sector banks & public sector banks with regard to the time customer have to spend to withdraw cash. (÷ 2 = 0.496, df =1, p=0.481)

| Table 9:Time Taken To Withdraw Cash * Type of Bank Cross Tabulation (in numbers) | | | | |
|---|---|---|---|---|
| | | Private sector bank | Public sector bank | Total |
| Less than 15 min | Count | 71 | 77 | 148 |
| | Expected Count | 68.8 | 79.2 | 148.0 |
| 16-30 min | Count | 22 | 30 | 52 |
| | Expected Count | 24.2 | 27.8 | 52.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | .496 | 1 | .481 | | |
| Continuity Correction | .295 | 1 | .587 | | |
| Likelihood Ratio | .498 | 1 | .480 | | |
| Fisher's Exact Test | | | | .521 | .294 |
| Linear-by-Linear Association | .494 | 1 | .482 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table
b 0 cells (.0%) have expected count less than 5. The minimum expected count is 24.18.

**H2:** There is no significant difference among private sector banks & public sector banks with regard to the charges customer have to pay for services.

### Charges for Purchasing Demand Draft

It can be seen from table 10 that in private sector banks 72 respondents out of 93 & in public sector banks 93 respondents out of 107 said that they have to pay minimum 35 Rs to purchase the demand draft of any amount. While 21 respondents in private sector & 14 in public sector said that they have to pay more than 35 Rs for purchasing demand draft of any amount. But chi-square testing does not support the difference significantly & it shows that there is no difference among private sector banks & public sector banks with regard to the charges customer have to pay for purchasing demand draft. ( ÷ 2 = 3.108 , df =1, p=0.078 )

| Table 10: Charges DD Issue * Type of bank (in numbers) | | | | |
|---|---|---|---|---|
| | | Private sector bank | Public sector bank | Total |
| Min. 35 Rs | Count | 72 | 93 | 165 |
| | Expected Count | 76.7 | 88.3 | 165.0 |
| More than 35 /- | Count | 21 | 14 | 35 |
| | Expected Count | 16.3 | 18.7 | 35.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | 3.108 | 1 | .078 | | |
| Continuity Correction | 2.485 | 1 | .115 | | |
| Likelihood Ratio | 3.109 | 1 | .078 | | |
| Fisher's Exact Test | | | | .094 | .058 |
| Linear-by-Linear Association | 3.092 | 1 | .079 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table
b 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.27.

## CHARGES FOR PURCHASING EXTRA CHEQUE BOOK

Although each bank provide one Cheque book per quarter free to every customer of saving account but they charge for extra Cheque book in same quarter. It can be observed from table 11 that 100 respondents (62 from private sector banks & 38 from public sector banks) said that they have to Rs 15 to get extra Cheque book in same quarter. While 25 respondents in private sector banks & 35 in public sector banks said that bank will charge more that 25 Rs for giving extra Cheque book. Chi-square testing also supports this statement that there is significant difference among private sector banks & public sector banks with regard to charges for extra Cheque book (÷ 2 = 24.474, df =2, p<.001)

**Table 11:Charges for Purchasing Extra Cheque Book * Type of Bank Cross Tabulation Count**

(in numbers)

| Charges | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| 15/- | Count | 62 | 38 | 100 |
| | Expected Count | 46.5 | 53.5 | 100.0 |
| 16-25/- | Count | 6 | 31 | 37 |
| | Expected Count | 17.2 | 19.8 | 37.0 |
| More than 25/- | Count | 25 | 38 | 63 |
| | Expected Count | 29.3 | 33.7 | 63.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 24.474 | 2 | **.000** |
| Likelihood Ratio | 26.031 | 2 | .000 |
| Linear-by-Linear Association | 10.036 | 1 | .002 |
| N of Valid Cases | 200 | | |

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.20.

**H3**: There is no significant difference among choices of customers of private sector banks & public sector banks with regard to the extra services that they looking for.

## More ATM

After doing cross tabulation (table 12) it has been observed that all the customers whether they belong to public sector banks or private sector banks require more ATM. Chi-square testing also support this statement that there is no difference among choices of customers of private sector banks & public sector banks with regard to the extra services that they looking for. (÷ 2 = 0.874, df =1, p=0.350)

**Table12:More ATM * Type Of Bank Cross Tabulation Count**

(in numbers)

| | | Private Sector Bank | Public Sector Bank | Total |
|---|---|---|---|---|
| Yes | Count | 93 | 106 | 199 |
| | Expected count | 92.5 | 106.5 | 199.0 |
| No | Count | 0 | 1 | 1 |
| | Expected count | .5 | .5 | 1.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected count | 93.0 | 107.0 | 200.0 |

**Chi square test**

| | Value | Df | Asymp. Sig. (2-sided) | Exact sig. (2-sided) | Exact sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | .874 | 1 | .350 | | |
| Continuity Correction | .000 | 1 | 1.000 | | |
| Likelihood Ratio | 1.255 | 1 | .263 | | |
| Fisher's Exact Test | | | | 1.000 | .535 |
| Linear-By-Linear Association | .869 | 1 | .351 | | |
| N Of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table

b 2 cells (50.0%) have expected count less than 5. The minimum expected count is .47.

## PHONE BANKING SERVICE

As explained earlier that customers give least preference to phone banking services, so when asked them that whether there is need of more phone banking services then mostly replied that there is no need and chi-square testing also reveal the same result.(÷ 2 = 1.626, df =1, p=0.202)

**Table 13:Extra Service (Phone Banking) * Type Of Bank Cross Tabulation Count**

(in numbers)

| | | Private Sector Bank | Public Sector Bank | Total |
|---|---|---|---|---|
| Yes | Count | 5 | 11 | 16 |
| | Expected Count | 7.4 | 8.6 | 16.0 |
| No | Count | 88 | 96 | 184 |
| | Expected Count | 85.6 | 98.4 | 184.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | 1.626 | 1 | .202 | | |
| Continuity Correction | 1.028 | 1 | .311 | | |
| Likelihood Ratio | 1.673 | 1 | .196 | | |
| Fisher's Exact Test | | | | .296 | .155 |
| Linear-by-Linear Association | 1.618 | 1 | .203 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.44.

### Central Banking Services

It has been observed from table 14 that in private sector banks 87 respondents out of 93 & in public sector banks 94 respondents out of 107 said there is no need of Central Banking Services. This might be due to that customer are not more aware about the advantages of this service. Further chi-square testing also reveals that there is no significant difference among the choices of customers of private sector banks & public sector banks with regard to the Central Banking Services. .( ÷ 2 = 1.879, df =1, p=0.170)

Table 14:Extra Service ( Central Banking Services) * Type of bank Cross Tabulation Count

(in numbers)

| | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Yes | Count | 6 | 13 | 19 |
| | Expected Count | 8.8 | 10.2 | 19.0 |
| No | Count | 87 | 94 | 181 |
| | Expected Count | 84.2 | 96.8 | 181.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

Chi-Square Tests

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | 1.879 | 1 | .170 | | |
| Continuity Correction | 1.275 | 1 | .259 | | |
| Likelihood Ratio | 1.931 | 1 | .165 | | |
| Fisher's Exact Test | | | | .228 | .129 |
| Linear-by-Linear Association | 1.869 | 1 | .172 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.84.

### Mobile Banking Service

As shown in table 15 that mostly customers are not in favor of Mobile Banking Service as they give least preference to mobile banking and this might due to less knowledge about how to use. After doing cross tabulation it was found that 23 respondent in private sector banks and 14 in public sector banks were in favor of mobile banking services. While 70 in private sector & 93 in public sector were not in favor. Null hypothesis is rejected in this case. & there is no significant difference among the choices of customers of private sector banks & public sector banks with regard to the Mobile Banking Service (÷ 2 = 4.477, df =1, p=0.034)

Table 15: Extra Service ( Mobile Banking)* Type of bank Cross Tabulation Count

(in numbers)

| | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Yes | Count | 23 | 14 | 37 |
| | Expected Count | 17.2 | 19.8 | 37.0 |
| No | Count | 70 | 93 | 163 |
| | Expected Count | 75.8 | 87.2 | 163.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

Chi-Square Tests

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | 4.477 | 1 | .034 | | |
| Continuity Correction | 3.737 | 1 | .053 | | |
| Likelihood Ratio | 4.487 | 1 | .034 | | |
| Fisher's Exact Test | | | | .044 | .027 |
| Linear-by-Linear Association | 4.454 | 1 | .035 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.20.

## More Credit Cards

At Hissar, few banks provide the service of credit cards and after cross tabulation it has been found that 21 respondents in private sector & 25 in public sector banks said that banks should provide more credit cards. While 72 respondents in private sector and 82 in public sector were not in favor. Chi-square testing shows that null hypothesis is accepted. ( ÷ 2 = 0.017, df =1, p=0.895)

### CONCLUSION

Analysis of demographic variables shows that mostly respondents (56.5%) belong to the age group 26-35 years, 54% were females, 47.5 % respondent belong to annual income category upto 100000/- and equal number (29.5%) of respondents belong to service & business class .

The first objective of this study was to analyze the customer preferences with regard various services provided by private sector banks & public sector banks.

**Table 16: Extra service (More Credit Cards)* Type of bank Cross Tabulation Count**

(in numbers)

| | | Private sector bank | Public sector bank | Total |
|---|---|---|---|---|
| Yes | Count | 21 | 25 | 46 |
| | Expected Count | 21.4 | 24.6 | 46.0 |
| No | Count | 72 | 82 | 154 |
| | Expected Count | 71.6 | 82.4 | 154.0 |
| Total | Count | 93 | 107 | 200 |
| | Expected Count | 93.0 | 107.0 | 200.0 |

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|---|---|---|---|---|---|
| Pearson Chi-Square | .017 | 1 | .895 | | |
| Continuity Correction | .000 | 1 | 1.000 | | |
| Likelihood Ratio | .017 | 1 | .895 | | |
| Fisher's Exact Test | | | | 1.000 | .516 |
| Linear-by-Linear Association | .017 | 1 | .896 | | |
| N of Valid Cases | 200 | | | | |

a Computed only for a 2x2 table
b 0 cells (.0%) have expected count less than 5. The minimum expected count is 21.39.

In this regard we found that 82.5 % respondents mostly preferred ATM for various banking transaction. Only 23.5 % respondent prefer Personal visit to bank, 43.5 % prefer online banking system & 42.5 % prefer Tele banking for various banking transaction. We also found that out of total 200 respondent, 93 have account in private sector banks & 107 respondents have account in public sector banks.44 respondents in private sector banks & 60 respondents in public sector bank do the cash deposit transactions once in month, 36 respondents in private sector banks & 45 respondents in public sector bank visit the banks for DD issue once in month. For cash withdrawal, 33 respondents out of 93 in private sector banks visit bank or ATM twice in month & 46 respondents out of 107 in public sector banks visit bank or ATM one time in month.

Our second research objective was to compare the customer service with regard to the time taken for transaction in private sector banks & public sector banks. To achieve this objective we developed three null hypotheses. We have used cross tabulation and chi-square test for hypotheses testing. The first null hypothesis was that there is no significant difference among private sector banks & public sector banks with regard to the time customer have to spend to transact a business. Chi-square testing revealed that there is no significant difference among private sector banks & public sector banks with regard to the time customer have to spend to withdraw cash, purchase demand draft and to deposit cash. This means that all the banks whether belong to private sector or public sector normally take same time for these transactions. While null hypotheses rejected in case of purchasing Cheque book and getting debit card. Public sector banks take more time as compared to private sector banks for issuing Cheque book and debit card.

Second hypothesis was that there is no significant difference among private sector banks & public sector banks with regard to the charges customer have to pay for purchasing demand draft and Cheque book .After doing cross tabulation we found that there is difference among private sector banks & public sector banks with regard to charges for extra Cheque book and for purchasing demand draft. But chi-square testing does not support the difference significantly in case of purchasing demand draft.

Third hypothesis was that there is no significant difference among choices of customers of private sector banks & public sector banks with regard to the extra services that they looking for. In this regard we found that null was accepted in case of extra ATM, phone banking services, central banking services and also in case of extra credit card services from banks. This means that customers of any bank whether of public sector or private sector wishes to have more services.

## SUGGESTIONS

Various banks whether of public sector or private sector should open more ATM to give better service as mostly customers prefer ATM for banking transactions. They should adopt more promotional campaign and awareness program to give more information to customer regarding phone banking and online banking services. Public sector banks should adopt various measures to give fast & better service to customers. All the banks can delight and retain their customers by providing more and fast services above the customers' expectation level.

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# E-GOVERNANCE: AN EFFECTIVE ADMINISTRATIVE TOOL

**Dr. L. Mothilal**

## ABSTRACT

*E. Governance is a technologically driven administrative tool to enhance efficiency and effectiveness of administrative mechanisms. Many countries have initiated e-governance projects with a sole objective of ensuring citizen-centric administration and offer several other benefits such as cutting cost and transparency in administration. It is irony that many initiatives have not been effective as it was expected at the beginning. Often the reason for this failure is attributed to an administrator-centric focus rather than a stakeholder-centric focus. In the light of the above facts, this paper explores as to how e-governance is unproductive in the technological era and makes an attempt to analyze the underlying reasons and offers constructive suggestions to be adopted to bring about significant change in the structure of E-governance. Having reviewed substantial contemporary literatures, the paper has identified some relevant impediments such as lack interest due to lack incentives and lack of political will in achieving substantial progress in the design and implantation of e- Governance. Finally the paper has unfolded some corrective measures to revamp the implementation of e- Governance. The purpose is to offer a set of informed and forward-looking perspectives, based on an inter-disciplinary literature review.*

## INTRODUCTION

Adequate flexibility in any systems is vital to sustain the radical innovations of technologies that are rendering the existing processes outdated. Fast growing commercial organizations have been responding to the changes in political, social and economic spheres by addressing their processes and thus sustaining the pace of speed. India has liberalized its economic policy in 1991 and since then there has been huge irreversible change in the country with unstoppable economic activity. To name a few, companies such as Google and Airtel are able to customize their services as per the requirements of millions of their customers. However, the government administration has not changed much. There has been huge corruption and bureaucracy sweeping across the nation, rendering very poor and inadequate services to its citizens. Good and responsive governance is an imperative for the survival of the nation. It is possible only through information technology which can address the growing needs. If electronic governance is designed with vision and mission, it will result in improved transparency, speedy information dissemination, higher administrative efficiency and responsibility, improved public services in all sectors including transportation, education, health, water, security and the state administration, ultimately paving the way for inclusive growth.

The paper focuses on six sections, opening with the definition of e-governance and its importance. Second section discusses the necessity of e-governance. Issues relating to implementation of e-governance are discussed in the third part. Fourth section brings out the present position of e-governance in India followed by planning steps for e-governance in the fifth section. The sixth section discusses the benefits of e-governance and ends with conclusion.

## E-GOVERNANCE

E-governance as per the World Bank (Xiang Zhou, 2004) refers to the governments' usage of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. However, these technologies are not for merely having government website, email, service delivery over the Internet, digital access to information from the government or electronic payments and receipts. The resulting benefits can be less corruption, increased transparency (Padmapriya and Thimmaya 2007), greater convenience, revenue growth, and/or cost reductions, allowing citizens to communicate with government, accountability (Economic Times, 2007) making individuals participate in policymaking, helping citizens to communicate each other which reflect citizens' true needs and welfare by utilizing e-governance as a medium of information exchange without information being lost.

Good e-governance creates unbroken relationship with its citizens and switching over to the

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same is unavoidable substitute to the traditional processing of files and administration of the country. This will make IT relevant to ordinary citizens, where a large numbers of population are poor and access to modern life is a significant problem. It allows ordinary people to constantly interface with the government in both local and central level on all matters. Good governance has to be Simple, Moral Accountable, Responsive and Transparent (SMART) and user friendly. It can be seen as an exercise of economic, political, legal and administrative authority to better manage affairs of a country at all levels.

**NEED FOR E-GOVERNANCE**

Administration of public systems is a complex task and the needs and aspirations of people are changing along with developments in science and technology. Moreover, population of many countries is increasing which further burdens government to provide services. Therefore, well thought and conceived e-governance project will address most of the issues in time. It fundamentally changes how government functions with identifiable set of responsibilities for bureaucrats, businesses, citizens and other stakeholders.

**VITAL FACTORS THAT PROMOTE E-GOVERNANCE:**

There are numerous factors that promote the countries to be electronically governed. Some are:

- Firstly, the enormous advantages that Information and Communication Technology can offer and makes the life of citizens easier with simple government administration (Matthias, 2005) and It is becoming the next wave of technology applications in the public sector (Ephrem, 2004). Despite the limited degree of development observed, online access has advantages that are impossible to replicate offline (Lourdes et al, 2005). E-government has potential to reshape the public sector and build relationships between citizens and the government (Zhang, 2001 and Xiang Zhou, 2004).
- Secondly, e-governance is unavoidable process for the faster transformation of economy and to maintain a lead in the race for globalization.
- Thirdly, the countries which do not go for e-governance will be left behind in terms of productivity as the cost of government services will be expensive and time delays in such countries, which ultimately add cost to the products and services, rendering country uncompetitive in international market.
- Fourthly, international leaders, foreign donors, and lending agencies are integrating Information and Communication Technology into development and aid programs.
- Fifthly, it will lead to inclusive growth: Socially inclusive governance promotes "access for all" and "is as much about the government providing opportunities as willingness on the part of society to become involved in participation. It is a partnership between the government, the private sector and civil society in pursuit of opportunity-for-all." (Francesco, 2007)
- Sixthly, government can personalize services.
- Seventhly, beneficiaries of various government schemes can be identified easily at any point of time.
- Eighthly, globalization is also placing governments under greater scrutiny to be more responsible, transparent, simple, responsive, effective and efficient. The government's responsibility is to find a balance between taking advantages of globalization, which is irreversible and providing a secure, stable socio-economic and sustainable environment for the development of the country. Otherwise, only few well connected and influential individuals will receive government services and the majority will live in despair without any hope of improving their lives which makes people join and support militant outfits and take the law in their own hands.
- Ninthly, the role of government has been changing in transition economies from reactive to proactive in making the society more information and knowledge based. In this process the role of government has to be both the service provider and policy maker.

Currently there are so many loopholes in the administrative systems of many countries. If only few people are honest in doing work, the rest can create problems for the sincere employees or to the applicants whose files need to be processed. In some cases files are not at all processed, while in other cases priorities of files are altered.

**FILE PROCESSING:**

Many administrative processes can be modeled on the sample of hi-tech modern industrial production processes, leading to significant cost-cuttings and quality improvements (Gesellschaft für Informatik, 2000). However, more complex processes consist of case-based decision-making and are often limited to individuals. Due to their knowledge intensity, these processes cannot simply be formalized - they must contain a margin for informal behavior. Lenk (1997) claims that a certain amount of ambiguity is functional for the survival of large organizations: "If opportunities for informal action are reduced too much, this ambiguity will be reduced at the expense of organizational innovation and flexibility".

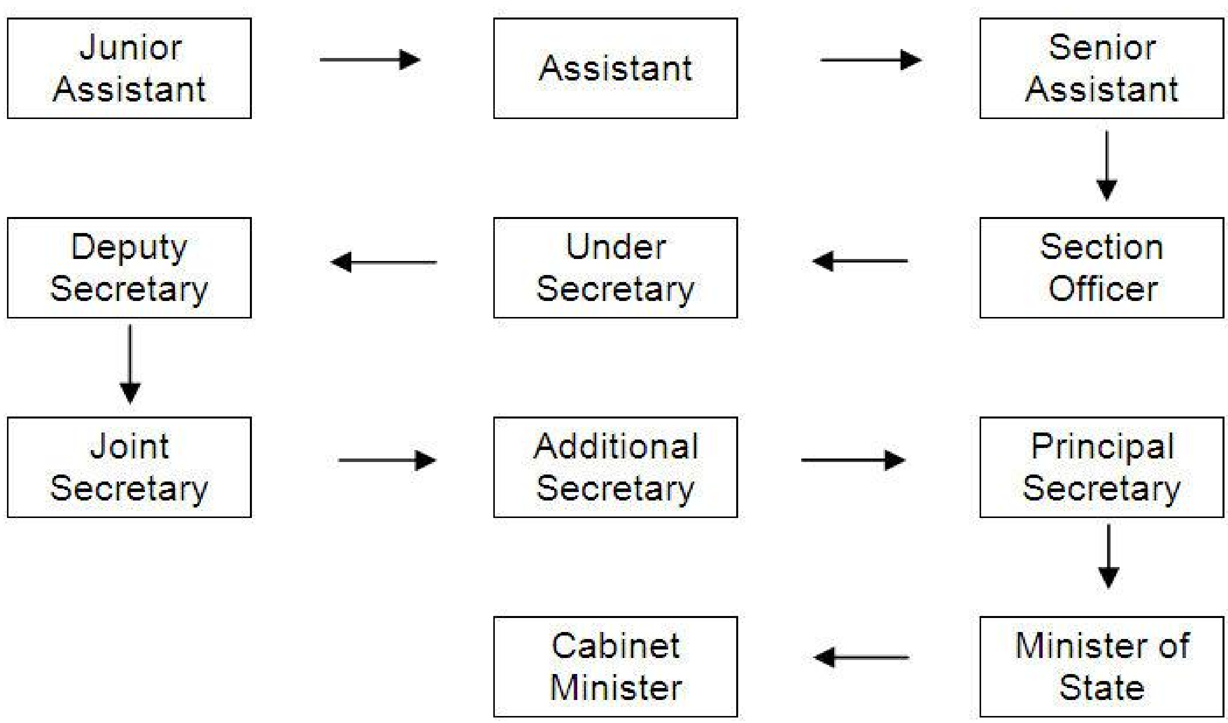
Processing of file is the most important task in the government administration. Under the manual office procedure the file movement can be observed from the figure given in the next page.

Time taken to process the file: There is no time limit for processing files. However, in the best case situation it will take not less than a month, if each one of these hierarchical layers takes only two working days to clear a file. This hardly ever happens. If the file has to go to multiple departments, and if there are multiple queries, it can back and forth indefinitely.

To avoid red tape in the movement of file, intelligent software can be used which can track the movement of file and makes personnel responsible for his/her work. This enables finding of productivity of every person using the system for processing the files. The features of intelligent software are given below in the sequential order: The journey of government file in India is exhibited in figure-1.

- Customer entry in the government office must be recorded and Inquiry No. / Application Serial No. must be issued by a Junior Assistant.
- Once the above entry is made, the concerned Junior Assistant must call the applicant and feed the data in the application. For this, all the files should come in the sequential order based on time of customer entry in the office. After filing the application form the customer must be issued a receipt of his/her application stating the nature of work with particulars like time and date of application and approximate time for the delivery of the service / product.
- Software should track the file movement - each terminal must record time of entry and the exit of file so as to enable to know the time of processing a file.
- It should not allow deletion of file by anybody - superior or subordinate.

Figure-1: Journey of Government File in India



- Software should track the file movement - each terminal must record time of entry and the exit of file so as to enable to know the time of processing a file.
- It should not allow deletion of file by anybody - superior or subordinate.
- Files of very important nature must be allowed under the emergency file processing status.
- Unless all the entries are filled, the file should not go the other level of processing and cursor should point only at the relevant entries. Deletion of unauthorized entries should not be allowed.
- For editing the file, special note / warning must be given to the concerned person and the same should be recorded in the file processing particulars of the concerned file.

Therefore, the entire gamut of processing files has to be radically reengineered apart from addressing the following:

- Termination of bureaucracy and corruption
- Redesigning the manual of office procedures
- Effective cyber laws and their implementation
- Efficient delivery of government services to the employees, citizens and businesses.
- Better dissemination of government information
- Improve revenue collection and budgetary controls
- One-stop service for all needs of citizens
- Coverage of entire nation for services with round-the-clock service
- Cutting down bureaucratic layers of administration and value less activities

Therefore, it is essential for the country to hasten the process of e-governance.

**E-GOVERNMENT ISSUES**

E-government presents a number of challenges for public administrators (Karen Layne and Jungwoo Lee, 2001) some of them are:

- **Leadership**

Leadership with highest integrity and clear vision are essential for any successful government initiative and it is more so in case of development and implementation of new systems. All stakeholders need to work together to promote a new business model that is based on electronic commerce and organizational flexibility; a culture that supports information sharing and knowledge management; and resources to create the information systems necessary to enable electronic information transactions (Fletcher, 2002). Leadership will continue to remain a challenge as most of heads of institutions and government departments are incapable of conceiving radically new administrative processes using ICT. The political agendas and elected leadership can derail the visions and plans of one administration as a new one is set in place (Fletcher, 2002).

In general, senior officials are being given charge of e-governance like innovative projects to satisfy their ego rather than their capability and positive contribution. However, agencies and organizations must shed traditional reactive, bureaucratic and "play-it-safe" habits and encourage with unconditional support to knowledgeable people irrespective of their age and experience from both the public and private sector to lead innovative projects.

Citizens' input is vital and government leaders need to encourage all stakeholders to make their demands and preferences known. Without these, e-government will miss the opportunity to rebuild government from the people's point of view (Andrew, 2003).

- **Legal:**

In most jurisdictions, laws and regulations need to be adapted, remove statutory and regulatory barriers that undermine the rapid adoption of e-governance. Currently most of the e-government projects that are under way are created in a policy vacuum and without taking the need of all stakeholders. In fact some e-governance projects are merely keeping file numbers in the systems so that the file can be located easily. However, if file is not processed at all, e-governance software will not remind or report to higher authorities, nor it will result in disincentives for the specific person who is supposed to process the file. A number of critical laws must frame good e-governance structure and contribute to the robustness of the legislations. The legal and procedural framework should precede the implementation of e-governance projects (Fletcher 2002, p.8)

- **Electronics Record Management:**

Data should be transferable and scalable to new technologies that evolve in future.

- **Privacy and Security Concerns:**

Security has always been an important

foundational precursor to sustained online growth of commerce, trade and service delivery online (Jeffrey, 2005). With no simple answers in sight, privacy will remain a critical issue for e-governance and this concern over personal privacy could be a major obstacle in early implementation of e-governance. However, if working staff with highest integrity are recruited and accessing files is limited to only what each staff needs to work on file, this problem can be minimized to a great extent.

- **Coverage:**

There has to be a master a plan for central and state governments covering the entire range of activities or else it will lead to each department leader's wish and whim in designing the e-governance system. Such independent e-governance projects will not be possible to integrate apart from incurring heavy investment. e-governance should not only reduce the cost of service and enhance transparency but also productivity of each staff processing the files in e-governed system must be identified on the background as to what time the file has come for processing and what time it is being processed, the time taken to process, etc. This file processing data can be used for the promotional incentives as this gives substantial amount of productivity related information.

- **Technology Issues:**

A number of organizations both in center and the states have taken commendable initiatives to develop hardware and software platforms to address the challenges of e-governance. However, these initiatives would have to address the following objectives:

- Technology has to be scalable and adaptable according to the changing requirements and advances in hardware.
- Identification of functional areas in every government organization, which need to be taken up for e-governance initiatives.
- Initially basketful of models to the states, departments both in center and states could be developed, which could be suitably customized as per location and work specific requirements. These models have to percolate down to villages.

- **Management of Change Issues:**

Focused organization development interventions and effective training programs can bring the change in the mindset which should trickle down right through the spectrum of government. These issues of management of change among employees are one of the basic and critical and would involve:

- Vital changes in government decision management.
- Changes in decision-making procedures, in terms of the decision-making levels and delegation of authority. This includes de-layering of the decision-making levels leading to re-engineering and right-sizing the decision-making machinery.
- Compulsory training and familiarization of the personnel at all levels more so at the lower rung of government organizations.
- Link staff training and skill enhancement to the promotions.
- Recruiting and retaining skilled information technology professionals for the provision of electronic government activities and processes (Fletcher, 2002, p.10-11)

- **Funding Issues:**

Ambitious e-governance initiatives would require huge investments for the purchase of the hardware and software. Provision of hardware and software could be leased with provision for up gradation by periodic replacement, which would not only reduce the cost but also have an additional benefit of keeping up with the changes in technology apart from reducing the initial heavy capital investment.

- **Infrastructure Issues:**

The government must act, as a catalyst in many information technology projects to meet the information needs of societies. Some of the areas where government can invest initially are:

- **Delivering working model for e-governance:**

model where all branches and levels of government converge to a single source for the benefit of the citizenry; a "one account" version where currency is digitized creating a universal credit/debit account for all transactions, including government ones; and a "one customer" model, whereby the government aggregates individual and business data it collects to better determine preferences, set policy, and develop programs to carry out policy. The information technologies and tools necessary to create these models are already available, e.g., data warehouses, Enterprise Resource Planning, but the policies to guide the safe development of the models are not yet in place. (Fletcher, 2002, p.5)

- **Internet and intranet for government portals:**

Successful portals are dependent on good search engines and sound indexing practices. All government can contain the information in millions of web pages. The addition of transaction-based information activities will further require use of a consistent and reliable search engine and index so that citizens can reliably and quickly find needed information and services. (Fletcher, 2002)

- Necessary bandwidth - non availability of necessary bandwidth to carry huge amount of traffic is essential. Usage of internet is very low in India because of non availability of high speed broad band.

- Information Kiosks - These have to be located conveniently and the prices of services that are available from kiosks should be uniform and well informed so that private kiosk operators do not charge excessively.

- Use of local languages - Vital information from government sources could be provided in local languages apart from English.

- Cyber laws: stringent cyber laws with hefty punishments and fines must be in place. These, in first place will deter perpetrators.

- Education: Good education is more than anything else that determines a country's prospects for human development and competitiveness. Hence, government should focus on offering very good education right from KG to PG throughout the country.

- **Barriers to E-governance:**

Technological barriers are less than the human barriers. Time and efforts are required to change the habits and work culture. Reforming governance is more difficult but not impossible. Some of the powerful barriers are

- Lack of visionary leadership: headship in Indian government departments is assumed on the basis of seniority and experience but not capability of an individual. This has to change if nation has to progress.

- Vested interests: Though the Internet improved the ability for e-citizens to interact with government, political leaders (Pankaj Sharma 2006) and bureaucrats with vested interests do not proactively promote e-governance, instead shifting street-level bureaucracy to system-level bureaucracies. (Christopher, 2005).

- Lack of citizen centricity: e-governments' primary focus should be its users and not just associating it with serving the internal use of government operations (Sung-Don et al, 1999).

- Lack of co-ordination among various ministries and within departments.

- Lack of incentives apart from salary to achievers.

The successful implementation of e-governance will depend on strong attention to and understanding of the above-mentioned framework of laws, guidance, directives and memoranda which will be issued to inform the effective, efficient and secure use of government information resources (Fletcher 2002, p.10-11)

**THE PRESENT STATUS OF E-GOVERNANCE IN INDIA**

The extent to which e-governance develops in a country is a function of the collective national and local capital supplying IT services and of informal social and human capital creating a demand for e-governance (Richard, 2005). In the last few years many governments across the world have implemented e-governance projects and India is the one of the countries where number of e-governance initiatives are in place (Sadagopan 2006). However, none have provided all the services to the public. The National e-Governance Plan (NeGP) 2002-2007 had chalked out various initiatives of e-governance and the department of e-Governance was set up to operationalise and monitor various projects. NeGPs vision: "Make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency & reliability of such services at affordable costs to realise the basic needs of the common man". NeGP has various components which would require infrastructure of (1) 1 lakh common service centers (CSCs) connecting more than 6 lakh villages at a cost of Rs.54,000 Crores, (2) State Wide Area Network (SWAN), (3) State Data Centers (CDC). The other cost of NeGP would be Rs.23,000 crores(Economic Times, 2007a). All this statistics looks rosy. However, most of the stakeholders in e-governance are not even aware of e-governance.

The World Bank is assisting $500 million for e-governance projects in India and the Rs.23,000 crore is being planned as private -public partnership. CSCs involving Rs.54,000 crore would be through private parties.

The central, state and local governments account for 11% of ICT spending in India. In real terms, it was $2.8 billion in 2006 which is expected to reach $4.8 billion by 2010. This sector is forecast to achieve CAGR of 15.5% from 2005 through 2010 (padmapriya & thimmaya 2007)

Institutions such as National Institute of Smart Governance and Centre for Good Governance apart from ISB, Hyderabad are working on several e-governance projects. There are also number of companies including Microsoft, Intel, HP, IBM, Oracle are partnering with state governments on e-governance.

Indian government as part of major e-governance initiatives in various Ministries / Departments of Central and State governments have approved the policy of allocation of 2 to 3 per cent of the budget for Information Technology and prepared the minimum agenda of e-governance in the ministries / departments of the central government a under:

- Each Ministry/Department must set up LANs and provide PCs with necessary software up to the Section Officer level.
- 100 % training of all staff who have access to and need to use computers for their office work should be ensured.
- Each Ministry/Department would start using the Office Procedure Automation software developed by NIC with a view to keeping a record of receipt dak, issues of letters, as well as movement of files in the department.
- Pay roll accounting and other housekeeping software should be put to use in day-to-day operations.
- Each Ministry/Department should use the web-enabled grievances and can use redressal software developed by department of AR & PG
- Each Ministry/Department should have its own website.
- All Acts, Rules, Circulars should be converted into electronic form and, along with other published material of interest or relevance to the public, should be made available on the internet and be accessible from the information and facilitation counter.
- The websites of Ministries / Departments / Organizations should specifically contain a section in which various forms to be used by citizens / customers are available. The forms should be available for being printed out or for being completed on the computer itself and then printed out for submission. Attempts should also be made to enable completion and submission of forms online.
- The Hindi version of the content of the websites should developed simultaneously, as far as possible.
- Each Ministry/Department would also make efforts to develop packages so as to begin electronic delivery of services to the public.
- Each Ministry/Department should have an overall IT version or strategy for a five year period, within which it could do detail specific action plans and targets (including the minimum agenda) to be implemented within one year.

Very few stakeholders know very little about the above steps of e-governance. In the initial phase of e-governance itself, information is not trickling down even to officers cadre in government departments.

**PLANNING STEPS FOR E-GOVERNANCE**

Planning is vital for the success any project. Many departments / ministries are going online and may claim that they have implemented e-governance. Simply using personal computers on a network, sending and receiving documents electronically is also an e-governance. However, visionary leadership, ethics, knowledge, creativity and wisdom are most important in planning for very effective e-governance. The following are some of the steps to be taken in designing a good e-governance project apart from being mentioned in earlier sections of this paper.

**a) Stages in E-governance Development:**

Build the website in phases. In the first phase publish all documents and information of public interest. Next upload all government forms for download. Finally integrate the website with the department workflow and deliver online citizen services (Christopher, 2005).

**b) Principles of website design:**

The crucial element of an effective presence on the Internet is good content. Government like commercial organizations needs to strive for a web presence that is attractive, consistent, reliable, and effective in presentation. Ministries/departments should develop websites, which are rich, up to date content, well written, caters the needs of wide range of audiences and is easily accessible. Considering the fact that the E-governance will be the wave in the new millennium, websites are going to be the key delivery channels and hence must contain as many online services as possible.

The key issues to be addressed while designing and implementing a website are: Web sites are becoming essential elements of modern public administration, however, little is known about their effectiveness (Lourdes, et al, 2005)

- Objective - what is the purpose of the website?
- Responsibility - who is the owner and who is the responsible?
- Site Management - how is the service be acquired and provided?
- Content - how will material be provided and oriented online?
- Reliable and Authentic: A government website is an official source of government information. Hence it is very critical that whatever is hosted on the site is authentic and duly verified before publishing.

● **User friendly:**

● Accountable: All citizen interactions in the form of queries, suggestions, grievances must be timely and carefully attended to.

● Update Information: It is extremely important to keep the contents updated.

● Access Issues: Provide the user with the information they want in the fewest possible steps and in the shortest time and it must be one-stop-shop for citizen needs.

● Bandwidth and Interaction: Provide the necessary bandwidth, as the time is very precious and users will lose interest for long delays.

● Site and Page Design: Users access the government sites look for timely and accurate work-related information. Hence interface should be simple, familiar and logical to the audience.

● Feedback and Dialog: Feedback also means being prepared to respond to your users' inquiries and comments. Website should direct links to the "webmaster" responsible for running the site so as to effect the changes in website at the earliest. Feedback on citizen commentary on legislative issues should also be included in web design.

● Standardization of Software: It is important to standardize on the use of database and the information access so that government services provided by various departments within the state and between the states can inter-work and we can achieve the real single window on stop citizen service portal in future.

● Local Search Engine: As the site becomes complex, it is desirable that a search facility is made available in the website.

● E-governance through Regional Languages: Out of billion population, there are only 5% people in India who know or speak English, with balance 95% (950 million) people speaking or practicing in at least 18 different officially recognized languages. This poses both a challenge and an opportunity.

The Center for Advanced Computing (C-DAC) has made pioneering contributions in developing Indian language tools with natural language processing, and in evolving script and font standards, to enable and spread use of computers in various languages. These tools can be used for e-governance.

● Others:
● Choice of colors
● Printing considerations
● Page size, page headers and footers
● Large documents
● Fonts
● Local language support
● Web Graphics
● File Naming Conventions

In a large, geographically dispersed, multilingual country India, the common thread in implementing and achieving the basic objectives of e-governance has been the development and adoption of language computing tools and methodologies. The government official in various states, the non-government functionaries across the country and the people, mostly use their own language in day-to-day work, be it in government administration at various levels, in business, in profession, in services or in school education. Thus, if the fruits if Information Technology revolution has to spread to all these participating members, in government and public, it is best done through the use of computers in their own languages.

## DISCUSSION

There are numerous advantages of e-governance. Some of them are:

- A more informed citizenry is in a better position to exercise its rights, and better able to carry out its responsibilities within the community.
- Overall efficiency in government administration leads to faster development of the economy.
- Data warehousing benefits: Information is one of the key assets to any government, when used properly; it will help planners and decision makers in making informed decisions leading to appositive impact on targeted group of citizens. However to use information to its fullest potential the planners and decision makers need instant access to relevant data. An information warehouse can deliver

a strategic intelligence to the decision makers.

Only the intelligence or the person using the data warehouse and the data fed to it limits the various types and number of queries that can be handled by the data warehouse. Some of the simple queries that can be handled by the system are:

1. What is the percentage of people in different occupations - qualification-wise, religion-wise, and age-group-wise?
2. How much is the unemployment in men or women versus age area, and religion?
3. What is the growth rate of population region-wise, versus resources food, shelter and education?
4. What is crop-wise area and cultivation trend?

The data can be sold to corporate houses for a fee, which will help them provide the needs of the society without much wastage of resources.

## CONCLUSION

While e-governance initiatives are emanating from various directions, they are often at cross-purposes and so repetitive and wasteful. The central government has approved the policy of allocation of 2 to 3 per cent of the budget for IT and various state governments have framed their IT policies and started implementing the same. Without e-governance, governments will not only lag behind, but also they will lose whatever power they have. In this digital era "It is not the strongest, nor the most intelligent who will outpace the slow but the one who is the most responsive to the change" (Charles Darwin).

E-governance will pave the way for electronic democracy in sharing information and government policy making. Privileged access to information is anti-democratic, anti-humanity and anti-knowledge society. E-government should be socially inclusive and not considers e-inclusion as a further and mechanical stage of the e-government stage model (Sofiane, 2007). Those who have adopted first and seen its power have driven the change in e-governance. It is up to the citizens to demand and experience the power of e-governance.

The reason the reason for failure can be a techno-centric focus rather than a governance-centric focus (Saxena, 2005). If e-government usage is limited in certain segments of society, it is not achieving its egalitarian potential. Understanding reasons why people do not use e-government will facilitate the development of a more inclusive e-government that better fulfils its potential to deliver information to all citizens and increase participation in the democratic processes (Paul, T. Jaeger and Kim M. T. (2004).

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# SUSTAINABILITY AS A MAJOR SOURCE OF COMPETITIVE ADVANTAGE

**Surinder Pal Singh**

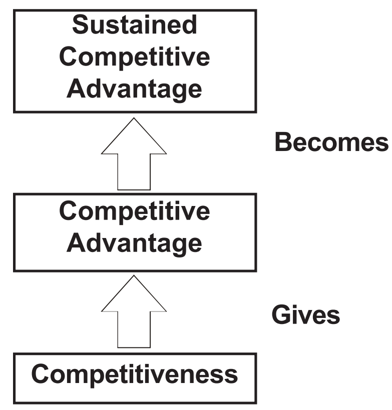
## INTRODUCTION

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage (hereafter SCA). Indeed, understanding which resources and firm behaviors lead to SCA is considered to be the fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999). A competitive advantage (hereafter CA) can result either from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj, Varadarajan, and Fahy 1993). The CA is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991). Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content of SCA as well as its sources and different types of strategies that may be used to achieve it.

The purpose of this paper is to trace the origins of the SCA concept, provide a conceptual definition of SCA, and discuss how it has been applied to theories and ideas related to marketing strategy. This paper is organized in the following manner: First, a review of the literature pertaining to the concept of "SCA" is presented. Early contributors to the topic are cited, and a conceptual definition and potential sources of SCA are presented. Then, the construct is linked to other concepts that exist in the strategy field, including market. orientation, customer value, relationship marketing, and business networks. A theoretical model of how SCA may be achieved in a network setting is provided, along with a brief discussion of problems related to both theory and measurement of SCA. The paper concludes with directions for future research.

## FORMAL CONCEPTUAL DEFINATION OF "SUSTAINABLE COMPETITIVE ADVANTAGE"

The construct, *"Sustainable Competitive Advantage"* can be seen as an outcome of *"Competitiveness"* leading to *"Competitive Advantage"* and firms attempting to make it *"Sustainable Competitive Advantage".* ( See Figure below)




Being *"Competitive"* means cultivating unique strengths and capabilities, and defending them against imitation by other firms. These strengths and capabilities are a firm's *"Competitive Advantage".*

Coming to sustainability of a competitive advantage, we may say that by *"Sustainability"* we mean lasting beyond any competitor's attempt at circumventing the advantage by imitating the cultivated unique strength and capability or attempting to substitute it through any other resource application.

Historically, the idea of a sustainable CA surfaced in 1984, when Day suggested types of strategies that may help to "sustain the competitive advantage" (p. 32). The actual term "SCA" emerged in 1985, when Porter discussed the basic types of competitive strategies that a firm can possess (low-cost or differentiation) in order to achieve a long-run SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Day and Wensley (1988) admit that there exists "no common meaning for 'CA' in practice or in the marketing strategy literature" (p. 2). Barney (1991) has probably come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (italics in original)" (p. 102).

Although lacking a formal definition, Coyne (1986) contributed to the construct by proposing that in order to possess an SCA, consumers must perceive some difference between a firm's product offering and the competitors' offering. This difference must be due to some resource capability that the firm possesses and competitors do not possess. Also, this difference must be some product/delivery attribute that is a positive key buying criterion for the market (Coyne 1986). The key is being able to predict the actions of others in the industry over time; by matching the firm's resources to the gaps and voids that exist in the industry, a CA can be created. This advantage is sustained if competitors either can not or will not take action to close the gap (Coyne 1986).

In order to offer a formal conceptual definition of the term, it may be helpful to consider the meaning and implications of all three terms. Webster's Dictionary defines the term "advantage" as the superiority of position or condition, or a benefit resulting from some course of action. "Competitive" is defined in Webster's as relating to, characterized by, or based on competition (rivalry). Finally, Webster's shows the term "sustain" to mean to keep up or prolong.

Therefore, the following formal conceptual definition is offered: "SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy."

## EARLY CONTRIBUTIONS TO THE" SUSTAINABLE COMPETITIVE ADVANTAGE" CONCEPT

Early literature on the subject of competition serves as a precursor to the development of the SCA construct. For example, Alderson (1937) hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Later, Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals, and/or product improvements and innovations. While these concepts lay the core foundation for firms in moving toward an SCA, we now know that given the intense nature of competition today, firms must be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. In following decades, authors such as Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to be willing to learn how to create new advantages that will keep them one step ahead of competitors.

Alderson was considered to be "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, authors such as Hall (1980) and Henderson solidified the need for firms to possess a unique advantage in relation to competitors if it is to survive and continue to exist. These arguments form the basis for achieving an SCA.

## SOURCES OF "SUSTAINABLE COMPETITIVE ADVANTAGE"

Recognizing the importance of an effective strategy to firms (creating tomorrow's CA faster than competitors copy the ones possessed today), Day and Wensley (1988) focused on the elements involved in CA. Specifically, they identified two categorical sources of CA: superior skills, which are "the distinctive capabilities of personnel that set them apart from the personnel of competing firms" (p. 2), and superior resources, which are "the more tangible requirements for advantage that enable a firm to exercise its capabilities".

Other authors have elaborated on the specific skills and resources that can contribute to an SCA. For example, Barney (1991) contributed to the discussion by exploring the link between a firm's resources and SCA. He stated that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Peteraf's (1993) resource-based view of the firm designates four conditions that underlie SCA, including superior resources, ex-poste limits to competition (including imperfect imitability and imperfect substitutability), imperfect mobility, and ex-ante limits to competition. Dierickx and Cool (1989) discuss inimitable resources such as nontradeable assets which are immobile and thus bound to the firm.

Other researchers have contributed to the SCA construct by more carefully delineating the specific resources and skills that aid in the development of an SCA. For example, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational" (p. 6-7).

They go on to state that a comparative advantage in resources can translate into a position of competitive advantage in the marketplace, but only if the criteria proposed by Barney (1991) are satisfied and the offering has some perceived value in the marketplace (Conner 1991). Prahalad and Hamel (1990) suggest that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. CAs are realized only when the firm combines assortments of resources in such a way that they achieve a unique competency or capability that is valued in the marketplace (Morgan and Hunt 1996).

Bharadwaj, Varadarajan, and Fahy (1993) discuss the specific combinations of skills and resources that are unique to service industries. For example, they propose that the greater the complexity and cospecialization of assets needed to market a service, the greater the importance of innovation as a source of CA will become. They also propose that brand equity becomes an important source of CA in service industries as the level of service offered becomes more intangible and when consumers have a great need to overcome perceptions of risk.

Intangible resources may indeed be better suited than tangible ones to achieve SCA. Given that the achievement of SCA is based on an external focus, it is interesting to note that those intangible assets that are external to the firm may contribute the most to value generation and subsequently SCA. Srivastava et. al. (1998) delineate market-based assets into two types: relational and intellectual. Relational market based assets are those that reflect bonds between a firm and its customers and/or channel members. Examples of such assets would be brand equity or a business-intimate relationship that allows a firm to work with a customer to produce a highly customized product. An example of an intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers' needs, tastes, and preferences. Both types are intangible and employ an outward focus on firm customers and/or channel members. To the extent that they are rare, unique, valuable, and difficult to imitate, market-based assets provide an excellent potential source of SCA for a firm.

Therefore, no matter what type of business, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies.

## RELATIONSHIP OF "SUSTAINABLE COMPETITIVE ADVANTAGE" TO OTHER STRATEGIC CONCEPTS

Many ideas in strategy research have been linked to helping in the process of creating and maintaining an SCA. Four of these topics will be more fully discussed here: market orientation, customer value, relationship marketing, and business networks.

### Market Orientation

The marketing literature provides different conceptualizations of the term "market orientation," yet they share similar components. Kohli and Jaworski (1990) see market orientation as the implementation of the marketing concept by activities such as generating information (analyzing changing customer needs and wants), disseminating information (sharing information with all departments in an organization), and actually responding to customers' needs. Other definitions of market orientation revolve around competitor-centered versus customer-centered firms. Day (1994), for example, views market orientation as a balance between being customer-centered and being competitor-centered, and that information technology can be used to help the firm to learn to act on available information faster than the competition.

Narver and Slater (1990) share a similar perspective of market orientation. They view market orientation as an organizational culture that contains three behavioral components: 1) a customer orientation (understanding the target market), 2) competitor orientation (understanding the strengths, weaknesses, capabilities, and strategies of key competitors, and 3) interfunctional coordination, which means using resources of all departments in a firm in order to create value for target customers. An example of this latter component is provided by Ghoshal and Westney (1991), who find that a corporate culture of willingness to share information with all departments (interfunctional coordination) facilitates the learning process. Fiol and Lyles (1985) agree that a corporate culture in which all departments are flexible and are willing to accept change increases the probability that learning will occur. And the ability to learn (acquiring, disseminating, and interpreting new knowledge) is essential in a market-oriented firm.

Market orientation, then, presumes an outward focus on customers and competitors. For example, through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Also, through interfunctional coordination, teams may be formed and empowered to respond to specific customer requests and solve complicated problems that span across functional areas (Tansik 1990). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA (Hunt and Morgan 1995).

**Customer Value**

Wodruff (1997) also sees the next major source of CA coming from a more outward orientation, specifically toward customers. He suggests a customer value hierarchy in which firms should strive to match their core competencies with customers' desired value from the product or service. Slater (1997) aids Woodruff s call by suggesting a new theory of the firm that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as an SCA. Therefore, the idea of customer value extends the resource-theory of the firm to take a more outward perspective (a market orientation) as one way in which a CA can be achieved and sustained.

**Relationship Marketing**

Morgan and Hunt (1996) examine the role of relationship building as a means of obtaining resources in order to create an SCA. They propose that resources can be combined in order to form higher-order resources, or competencies, from which the firm can eventually achieve a CA. For example, it is difficult for outsiders to replicate the process of building a long term relationship. Resources such as loyalty, trust, and reputation are immobile and cannot be purchased. Therefore, Morgan and Hunt (1996) state that relationships formed to acquire organizational, relational, or informational resources will commonly result insustainable resource-based CAs.

**Business Networks**

Webster (1992) offers a continuum of marketing relationships which moves from discrete transactions towards network organizations and just in-time exchanges. As the continuum moves further from discrete transactions, more administrative and less market control occurs, as well as a shift toward elements such as trust that are key to building relationships meant to last over the long term. Similarly, Iacobucci and Hopkins (1992) and Anderson, Hakansson, and Johanson (1994) view networks as a 'step beyond' dyadic relationships, or partnerships, just as Webster (1992) does in his "continuum of marketing relationships" (p. 5). Networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain an SCA.

According to Jarillo (1988), the establishment of trust and perceived goal congruence are two factors that assist in the development of organizational networks. Jarillo states that trust is an essential element to maintaining both effectiveness and efficiency in a network relationship. Similar to Frazier, Spekman, and 0 'N eal' s (1988) view of opportunistic behavior within the Just-In- Time exchange relationship, Jarillo (1988) sees the presence of trust as an indicator that the relationship is one of value; therefore, opportunistic behavior is less likely. If parties participating in this network exchange realize the opportunity for joint value creation, then the network can act to emphasize the individual firm's CA by allowing that firm to specialize in the activities it performs best.

Porter (1985) also discusses the formation of "coalitions" that allow the sharing of activities in order to support a firm's CA. However, Porter's "value chain" approach focuses on activities within a single firm. A new model is needed which adapts his approach in order to understand the value-added processes comprised of dyadic and network interfirm activities which foster each firm's SCA. This is discussed in further detail in the following section.

## DIRECTIONS FOR FUTURE RESEARCH ON THE "SUSTAINABLE COMPETITIVE ADVANTAGE" CONCEPT

There are many obstacles to further theory development for the SCA construct. First, researchers lack a solid operational definition for SCA. Without this,we cannot measure it, nor can we begin to empirically understand its antecedents and consequences. Current theory also has no agreed upon method of assessing whether an SCA has been achieved by a firm. For example, should performance indicators such as market share or profitability be used to determine if an SCA has been achieved? If such performance indictors are used, how can they be empirically linked as the result of an SCA rather than other factors? These are just a few measurement issues that need to be addressed if we want to successfully develop further theory related to SCA. The first step would be to create an operational definition of SCA, possibly one based on the conceptual definition offered here. Perhaps a formative scale could be developed to assess whether a particular firm resource is a source of SCA. Scaled questions such as "Does it add value?," "Do current competitors possess it?," "How difficult is it to duplicate?," and "Can it be sustained over time?" could be summated to arrive at some numerical value. The higher the numerical value, the more likely the resource is an SCA.

We are also faced with the task of further understanding how a network environment can enhance the core competencies of a firm which lead to an SCA. We must strive to understand how relationship marketing and networks can aid in delivering value to both channel members and the final customer. Given the number of businesses involved in networks as well as Achrol's (1997) call for a paradigm shift to network relationships, the importance of understanding how networks operate as well as the advantages firms can gain from network relationships cannot be ignored. Strategy researchers have been presented with a great opportunity to fill the "holes" in our understanding of how networks contribute to a firm's SCA.

Although many empirical problems are associated with attempting to explore all of the relationships that exist within a network, these challenges can be overcome. One challenge exists in the mere fact that the number of firms which must be surveyed is larger for a network than for a dyad. In addition, if one firm was unwilling to participate in the study, complications could arise in trying to assess how the network relationships "fit" together. Finally, firms are continually interacting within a network environment. The fact that the context shifts each time two firms within a network interact poses serious measurement problems as well, since our current research tools are not able to capture dynamic relationships.

**CONCLUSION**

Significant progress has been made over the years with respect to construct definition, operationalization, and measurement of concepts in the marketing strategy field. However, there is still a lack of research that maps how a particular strategy can influence performance by providing firms with an SCA (Varadarajan and Jayachandran 1999). This paper has traced the origins of the SCA concept and has linked it to other concepts in the strategy field, including market orientation, customer value, relationship marketing, and networks. A conceptual definition has been provided, suggestions as to how it might be achieved in network relationships. By developing a multi-item measure of the SCA construct, we would be able to empirically examine theoretical models of SCA such as the one presented here. If researchers are able to examine networks in this manner, our knowledge of how a CA is achieved and sustained can only be enhanced.

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# AN INTERNATIONAL PERSPECTIVE FOR TECHNOLOGY AND HUMAN RESOURCE INTERFACE

**Bhavana Sindhu***

## ABSTRACT

*Internet revolution has speeded up the process of globalization leading to opening up of the boundaries for multinationals. Expansions, acquisitions, mergers and rapid technological changes have become the order of the day. But the fundamental measuring rod of the growth of any organization is still 'profit'. This necessitates judicious use of all the factors of production. All the other factors are inanimate but the human factor is at the interface of all the factors. Since human is a psychic being, its impact on various levels of organization is tremendous. The agility of the manufacturing operations demands radical response to the changing market demands and expectations of customers, who are also human beings. This paper discusses the various dimensions of the intricate relationship between the technology and the human resource. It also highlights the fact that the future of business world lies in the proper fusion of technology and human resource avoiding any possible tint of resistance in-between these two factors.*

## INTRODUCTION

Shrinking global boundaries whilst on the one hand opened up new vistas for manufacturing and service sector on the other hand opened them to cut throat competition through the multinational companies to grab the market. If they want to stay in the business, in the present scenario it is inevitable for the entrepreneurs to play this part very efficiently by correlating all the inputs.

## ASSUMPTIONS

- It is assumed that in the coming years, with the entire technological and internet breakthrough, perfect competitive conditions will prevail in the global market.
- At the click of mouse worldwide, the buyers will be able to select the best option and the sellers will be able to select the best opportunity. The forces of demand and supply will set the price for the firms.

In any manufacturing/service (productive system) set up, the management has to tackle the crucial interface of two dimensions, i.e., Technology (Mechanical/ Information) & Human resource. With the use of information technology, it is now possible to buy the best technology/equipment available in the world. In a scenario where any two given firms are using the same material and mechanical technology, the intelligence/ knowledge of human factor, which is at the interface, makes a big difference. Modern trend in any organization is to keep their customers fully satisfied through its quality products or services. This can be achieved only if human beings interfacing all functions of the organization are themselves satisfied and motivated to achieve the objectives of the organization.

## NEED OF HOUR - RADICAL RESPONSES

The success of the firm depends on the agility of the manufacturing operations. Radical responses are required to meet out the fast changing market demands, and skyrocketing expectations of the customers regarding quality and delivery strictly in accordance with the stipulations besides foolproof after sale service. While the 20th century was the era of machines, mechanical advancement and professional managers, the 21st century can be called the 'Cyber Age' governed by the 'Human Capital'. On the onset, it is the human knowledge, talent and the relentless efforts, which are behind the advent of any invention or innovation of any type of technology. Further, latest technology can be garnered with the help of outsourcing agencies. It requires human prudence to select right type of technology keeping in purview the organizational set-up, infrastructure available, arrangement of capital and finally the knowledge/skill quotient of the available workforce. Human involvement, right from the planning to the procurement of required inputs goes up till the process does not end up. A continuous cautious human involvement is a must for the retention, maintenance and continuity of the process. One wrong step can spoil the whole technological system. Fig - 1 gives the insight of the human resource interfacing all the elements of a productive system.

*Faculty IBS Dehradun

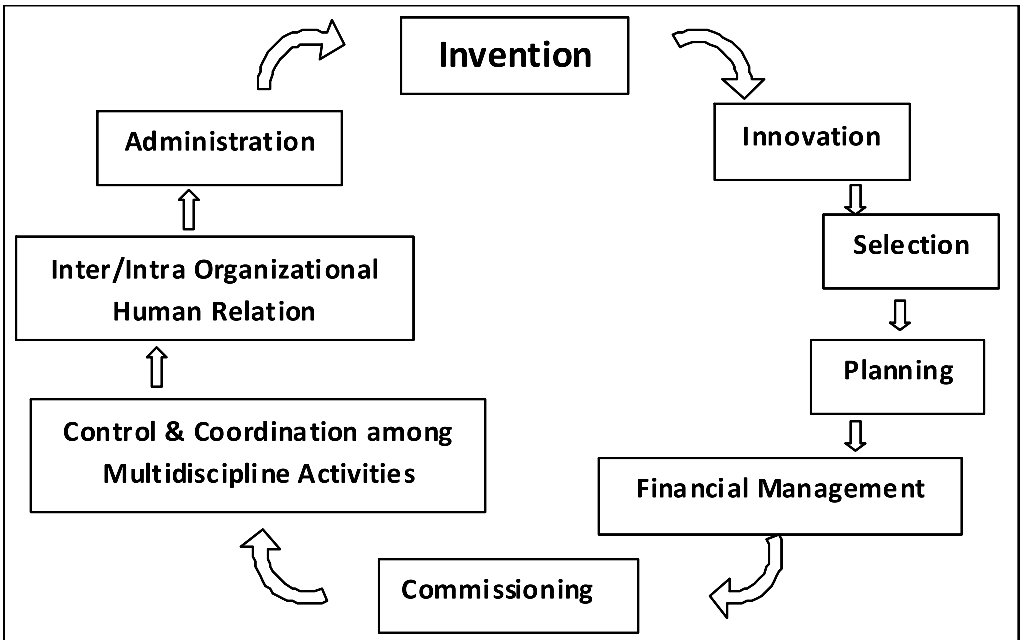


Fig. 1 – Technology and Human Resource

## HOW TO WIN TOMORROW'S BATTLE TODAY?

In any productive system, the management has to tackle the crucial interface of two dimensions, i.e., Technology (Mechanical/Information) and Human resource. Technology and human resource have an intricate relationship and there should not be any tint of resistance in between these two factors of production for the growth of any organization. Efficient utilization of any technology, up to its maximum installed capacity depends on the knowledge/skills of the workforce. Procurement and installation of a technology is not an end in itself. It is the genesis of the productive system. The success of any endeavor lies in its end use, i.e., maximum production, profit and above all the satisfaction of the consumer, who is also a human being. Fig - 2 explains the end use of any technology introduced in the economic system.

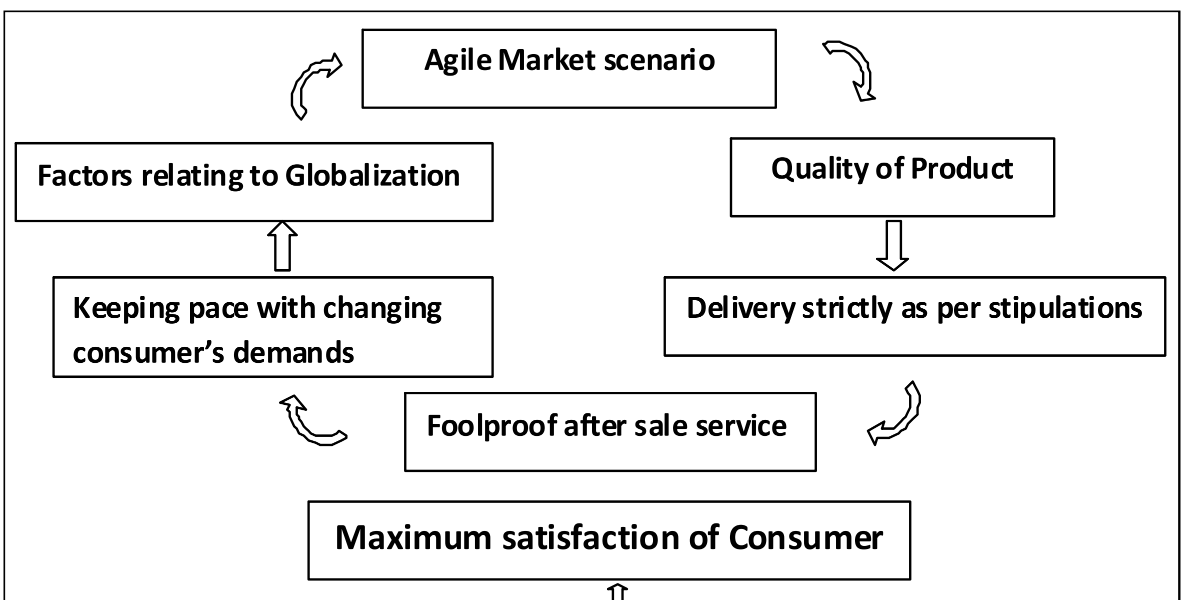


Fig. 2 End use of any Technology

To reap the benefits of the growing trend of consumerism, it has become inevitable for any organization to keep its customers fully satisfied. This can be achieved only if the human beings interfacing all the functions of the organization are themselves satisfied and highly motivated to achieve the objectives of the organization. If any organization wants to win tomorrow's battle today through effective use of the fast changing technology and innovations, it will be bound to acknowledge that human resource is the real key contributor towards the generation of wealth. All the spheres of business management today, are people-technology combination is some form. Neither problem can be dealt with, nor can solutions be charted in isolation. An integrated approach is the need of hour besides having corporate vision and mission.

## VICIOUS CIRCLE

At present, business world is experiencing two altogether distinct phenomena and witnessing a real paradox (Fig - 3). On the one hand emphasis on cutting down the costs have resulted in worldwide retrenchments policies. On the other they are ready to shed their mental block regarding remunerations. Today business world is ready to cough up hefty amounts for procuring extra-ordinary skilled workforce, capable of handling multi-tasks.

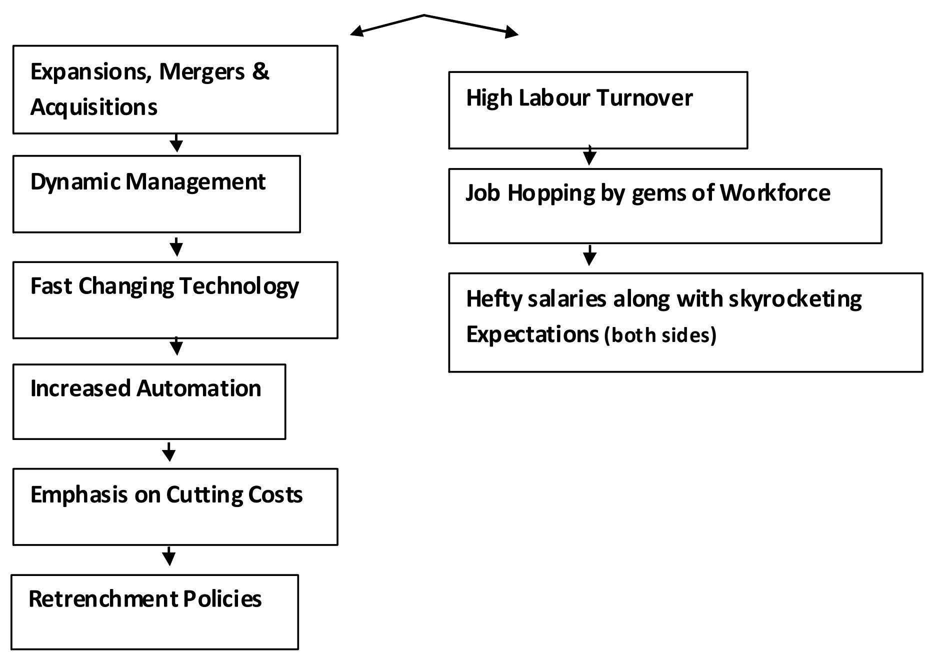


Fig – 3 Business World's Real paradox

Today, when expansions, acquisitions, mergers and rapid technological changes have become the order of the day, the stability equations between employer and employee is witnessing a sea change. Downsizing the workforce has resulted in more responsibilities and extra burdens of additional working hours without ample compensatory rewards. Multi-tasking and continuous extra burdens have already started taking its toll on the physical and mental strength of the employees, resulting in negative impact on productivity. Human resource is struggling very hard to maintain the work/life balance owing to the increasingly hectic working schedule. Policy of hire and fire has added to injury casting a negative effect on the survivors, who see their future shrouded in mystery. Anxiety and tension owing to the uncertain future result in lack of confidence and shattering up of psychological set-up. Lean growth prospects, lack of fascinating assignments, a feeling of underemployment in terms of emoluments and lack of trust act as triggers for exodus of the skilled/talented workforce in search of green pastures for stability. The situation has a ripple effect distorting the whole set-up beyond repair and at times the organization may not find any way to come out of this vicious circle.

As such instead of discarding the human resource ruthlessly, like a trash, during a slump period the human resource manager should try to devise some mechanism to minimize the after effects. The management could think over on the option of allowing long leave for personal reasons on non-payment basis. This will show sensitivity to human equations and employee's cause besides solving the downsizing problem. On the one hand this can prove to be a good retention mechanism of high/skilled performers. On the other hand organization gain, in return, more dedicated, motivated, fully charged and updated trained professionals.

**BALL IS IN THE MANAGEMENT'S COURT**

In fact, it is not the organization but the management, which leads to exodus of human capital. Now-a-days business world is facing another critical problem of job-hopping by highly skilled human capital. The stark fact is that brilliant brains, rich in tacit knowledge, have started reaping the commercial benefits of this very personal trait by transforming themselves from human resource- to human capital - to human asset. Higher pay packages are no longer the only motivational factor for them. The gems of the knowledge/skills avoid working in an organization with poor working conditions, below dignity treatment, dirty politics prevalent in the working place and where higher-ups usually tend to escape their responsibility and accountability by throwing the ball in other's court. Thus, human resource management should leave no stone unturned to create a congenial atmosphere conducive to creative ideas. The exodus of an employee playing a key role in a cohesive team can prove costly because apart from payment of high price for replacements, serious disruptions can follow in the future prospects of the company's performance. In present scenario a company can recover from the loss of technology but cannot survive without human capital.

Human resource adds value to the company and navigates it through volatile business scenario. There is a necessity to see this factor of production as a partner aligned to business strategy. Induction and retention of technocrats, skilled workforce and intellectual capital besides managerial workforce are the basic determinants of success of any organization. While recruiting any technical professional, may he be part of the bottom line in the hierarchy of executives or of technical workforce, due consideration should be given to his outstanding technical skills, positive attitude, dedication to company's goal and his ability to keep pace with the fast changing technology and innovations. Labour supply is too ensured quantitatively as well as qualitatively by imparting them the best knowledge through modern gadgets like computer etc.

**RELEVANCE OF FAST TRACK COURSES**

For reaping the benefits of advancement of technology, the training program should be structured in the form of modules covering the whole of production process, stepwise. The theoretical knowledge should be integrated with on the job training, on the same day to enable them to enhance the understanding level through application. Again it should not be taken as one task. Updation of knowledge can be done by imparting fast-track courses involving changes in technical know-how, latest techniques in vogue and methodologies besides substantial training for higher skills. The whole exercise will not only boost up their moral but also make them better prepared to handle the demanding situations efficiently. Facilities for carrying out research work should also be provided to extra ordinary human capital. Keeping in view the highly complex production process, properly trained human capital with increased efficiency levels, increases organization's stability and flexibility, reduces labour turnover and mitigates resentment among employees.

To nullify the negative after effects, created by the exodus of a skilled worker, a system of rotation can be implemented. No machine can match the human competence to deal with the unpredictable situations and eventualities. It will be a wise step for the management to create an environment and culture, which make their organization one of the most desirable organization to work with like Tata, Infosys, Microsoft, to name a few. This can only be achieved by having a keen sensitivity towards human relations. This is one of the most important key determinants, besides money, making the human capital work enthusiastically and dedicatedly and willingly meshing their personal aspirations with organizational goals. Combined synergies of technology and human resource can take any organization to the zenith of its success.

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# RETAIL BANKING IN INDIA – AN ANALYSIS

**R. Ramachandran**

## ABSTRACT

*In India the retail banking segments are expected to witness a tremendous growth owing to the pattern of borrowing, changing customer attitudes towards borrowing and optimism regarding economic growth. Given this macro economic scenario the retail banking will grow dramatically and it is expected that about 35% of the incremental growth in net income from retail banking. In this light, the paper analyses the role of Indian Banks in retail banking operations on growth of retail deposits, retail lending, housing loan, auto loan, ancillary retail banking services were compared with public versus private banks. The result reflect that the banks are required to reorient themselves with the changing environment in order to extend better service to all kinds of customers as per the changing requirements coping with all kinds of changes that are happening in the banking scenario.*

## INTRODUCTION

Commercial banks play an important role in the Indian economy. They constitute the most useful intermediary in the stock markets, which have a significant role in developing the fiscal measures. In the era of 'electronic globalisation of the economy', the liberalization begins and there has been a vibrant shift in the technological development. The come-up of foreign banks into the country and more private sectors banks have made a stiff benchmark in the banking business.

Technology is more significant for a positive growth of business and to combat the competition with others. In order to develop and survive, they have to involve more on different products through retailing. If Indian banks want to go global and grow global some drastic changes have to be made so that banking service industry may cater to the needs of growing economy like others.

Diversification of commercial banks business activities is necessary. Venture capital financing, personal finance, auto loans, mutual funds, sale of gold, leasing, housing finance, insurance, for ex dealings, educational loans, portfolio management, investment in securities as per certain restrictions and retail banking are some of the areas where the banks can enlarge their baking activities. But if banks remain just as mobiliser of funds no longer exist in market.

With India's GDP hovering at 9% per annum, the income levels of people has also bean improving. There is tremendous demand for availing bank loans and acquiring retail assets. Predominantly, the middle class is taking importance of this retail boom. For example, HDFC Bank and ICICI Bank have witnessed 70% growth in their retail loan assets. As per Mckinsey, the global consultancy firm, the retail banking sector in India will grow from the present level of US $ 6 billion to 16 billion by 2010. But, this amount of US $ 6 billion is only 8% of our GDP at present, as compared to Korea's 55%, and Taiwan's 41%. Hence, there is a vast potential growth for this sector.

Besides, the annual growth in bank credit to the commercial sector is at 25.4% as on March 31, 2007 and was lower than 27.2% against previous year. Till 2010, retail banking is expected to grow at a GAGR of 28% to touch a figure of INR 9,700 billion. This requires expansion and diversification of retail product portfolio, better penetration and faster service mechanism. The Report on Retail Banking Industry in India gives that total 22 major retail banks in India are covered in terms of their performance, strategy and outlook, especially during 2006-07, gross credit extended by Indian commercial banks grew by 34.83% to touch INR 19,495 billion and retail credit constitutes about 25% of the total credit and has grown by 28.0% to INR 4,218.3 billion. Thus, the retail banking system as at present is the outcome of the process of expansion, diversification, reorganization and consolidation which skill has to go on for many more years.

All round the globe retail lending has been an established market, however its rise in emerging economies like India has been of recent origin. It recent statistics on consumer finance are any indication, the last few years have been trend setting. The conventional debt-averse, middle-class Indians who lived within their thrifty means never to venture beyond their means,

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seem to have given way to a new middle-class that is free from all inhibitions regarding conspicuous consumption. Unlike its predecessors, the middle-class of today has donned a new attitude, it attaches no social-stigma in taking loans for spending.

Indian retail banking is up and kicking. During 2004-05 retail contributed 42% of overall credit growth, growing at the CAGR of 35% over last 5 years the retail asset touched Rs. 1,89,000 crore. Major product segments of retail credit particularly to home loans, personal loans, auto finance, consumer durable loan and credit/debit cards to a name a few. Housing constitutes the biggest segment of 48% of the entire retail credit; followed by the auto loans segment which constitutes almost 27.8% while the balance retail credit is used by consumer durables at 7.2%, educational and other personal loans take the remaining 16%.

Banks are increasing their dominance is housing finance and capturing the market share of the housing finance companies. During 2004-05, the market share of banks stood at 62%, against the 33% by housing finance companies, Rs 2-5 lakh margins constitutes almost a third of the loan size. All the players in this market are adopting an aggressive attitude and the housing loan availability is playing into the players hands. Despite this phenomenal growth in India, the housing loan as a percentage of GDP at 4.91% indicates low penetration when compared to other countries like Malaysia (17%) and Thailand (9%). But again this coupled with the population growth indicates good future prospects.

The operations of any banking unit is divided into two broad categories, viz., wholesale banking or corporate banking and retail banking. The wholesale banking covers the financial needs of corporate houses, financial institutions, trusts etc. and the size of the account is quite large. Retail banking, on the other hand, is not a new phenomenon, it has always been prevalence in various forms. But for the last few years, it has become synonymous with mainstream banking for many banks. Typically, it refers to dealing with individual consumers both on the liabilities and asset side of the balance sheet. On the liabilities side, in the form of deposits such as fixed, current, saving account. Whereas on the asset side in the form of various loans such as personal loans, housing loan, auto loan, educational loans, etc. Beside this, the retail banking also provides various ancillary services such as mobile-banking, phone-banking, internet-banking, depository services, etc.

**GROWTH OF RETAIL DEPOSITS**

The Indian Bank have witnessed a quantum jump in their retail deposits, as presented in Table 1.

**Table 1 :** Retail Deposit of Banks in India (As on 31st March 2005

(Rs.inBn)

| Bank's Name | Amount | Growth Rate |
|---|---|---|
| PNB | 224.00 | 17.0 |
| SBI (All Associate) | 1112.40 | 19.4 |
| ICICI | 998.00 | 29.0 |
| HDFC | 380.00 | 22.1 |
| IDBI | 70.00 | 11.2 |

**Source:** Complied from the respective banks website.

**GROWTH OF RETAIL LENDING IN INDIA**

The emergence of retail lending has more to do with economic prosperity (after 1992, Indian economy grew at an average rate of 6.8 per cent), improving consumer purchasing power coupled with more liberal attitude towards personal debt, increasing penetration of middle to high income households, changing consumer demographics (India is one of the country having 70% of the population below 35 years of the age), technology advancements, developments of the software industry, increase in treasury income of the banks, change in interest rates, etc. A report released by **A.K. Kearney,** a global management consultant firm, which recently identified that, "India as the second most attractive retail banking destination of 30 emerging markets", and in reality, India has witnessed a shift from wholesale lending to retail lending especially private sector banks.

**Table 2** Size of Retail Loan Portfolio of Indian Banks (as on 31st March 2005)

(Rs.inBn)

| Bank's Name | Retail Loan | % of the total loan port folio |
|---|---|---|
| ICICI | 561 | 68 |
| SBI (All Associate) | 492 | 22 |
| HDFC | 394 | 55 |
| PND | 102 | 19 |
| IDBI | 19 | 11 |
| All India (Excluding Foreign Banks) | 1890.41 | 60.02 |

**Source:** www.banknet.India.com/506
www.indiainfolin.com/index/retailbanking

There is still much scope for retail lending in India, after all, retail loan constitutes less than 6-7 per cent of the GDP in India vis-à-vis 18% to 60% for other Asian economies.

**Table 3** Retail loan (as a percentage of GDP) of Asian Economies (as on 31st March 2005)

| Name of the Country | Retail loan as a % of GDP |
|---|---|
| India | 6-7 |
| Thailand | 18 |
| Singapore | 49 |
| Korea | 50 |
| Taiwan | 52 |
| Malaysia | 55 |
| Hongkong | 60 |

**Source:** www.rbi.org.script/speeches/htm

Further, the RBI Report on trends and progress of India, has shown that the loan value of these retail lending typically range between Rs. 20000 to Rs. 100 lakh. The loans are generally for duration of five to seven years, with housing loan granted for a longer duration of fifteen years. The following details presents the growth of various retail products offered by Indian Banking Industry.

**(a) Housing Loan:**

The market for home loans is on upward swing with every bank ready to grap a pie of the market share. During the period 1993-2004, the outstanding housing loan of the scheduled commercial banks has increased from Rs. 23.1 crores in 1993 to Rs.74000 crores as on February 15,2005. (RBI, mid-term review 2004-2005). In fact, housing loans occupy a very prominent place and it accounts for more than 50% to 60% of the total retail credit of almost all the banks. (Table 4). This is because of these loans are comparatively safer, supported by mortgage of property finance, and default rate on an average is less than one per cent annually. Furthermore, attractive marketing and advertising strategies being adopted by the banks such as free insurance cover, free credit card etc. enable to attract more and more customers especially young people towards the housing loan.

A variety of home loans are available from the banks now to the retail customers. There is a loan for purchase of a new home, repairs and renovations of the existing house, expansion of the existing house, second loan to repay the first loans and top-ups to acquire extra funds, etc. There are also loans for purchasing plot of land to build independent houses. Bridge loans are given to person who want to sell their existing homes and purchase another. This loan helps to fiancé the purchase a new home until the old one is sold. Refinance loans are also eligible to repay the debts incurred from relatives and friends, etc, which were taken to purchase the house. Stamp duty loans help the customers to meet the stamp duty expenses on the purchases of a home. Loans are also earmarked to NRIs as it earns foreign exchange.

**Table 4** Size of Housing Loan of Various Banks in India

| Bank' s Name | Housing Loan Disbursed (2004-05) | Size of total Housing Loan (As on 31st March 2005) | % of Total Retail Loan Port folio |
|---|---|---|---|
| SBI | 19.00 | 47.00 | 20.02 |
| PNB | 10.02 | 21.09 | 13.19 |
| ICICI | 79.06 | 223.81 | 55.22 |
| HDFC | 143.45 | 314.22 | 57.98 |
| All India | 295.06 | 750.49 | 45.22 |

**Source:** www.bis.org.review.com www.pubindia.com

However, the ratio of outstanding home loan, as a percentage of GDP in India is low as compared to other nations especially developed nations, where it ranges from 25% to 60% as presented in the Table 5. This is because, the retail banking in India has not reached in its full potential. However, there is much scope for its progress and growth, since India has a population of over one billion.

**Table 5** Housing Loan (as a percentage of GDP) of Different Nations

| Name of the Nation | Housing Loan (as a percentage of GDP) |
|---|---|
| India | 2.5 |
| China | 7.0 |
| Thailand | 14.0 |
| Korea | 21.0 |
| EU | 40.0 |
| USA | 54.0 |
| UK | 57.0 |

**Source:**www.ficci/com/generalnews/additionshousing/htm

**(b) Auto Loan:**

In the market for auto loans, banks and auto mobile companies have formed alliances to offer customers a variety of auto mobile loans on attractive terms and various incentives such as zero per cent surcharge on petrol, free insurance cover for auto mobiles, free accessories, etc. According to the press note, delivered by the chairman of RBI that, “82 per cent of all new cars, 50 per cent bikes and 90 per cent trucks are financed through various banks”. Table 6 presents the details of automobile loans disbursed by the banks.

Auto loans have been equally attractive for the past decade. These loans are in the form of new car loan, used car loan and auto refinance. The eligibility for auto loans is normally for borrowers between the ages of 21 to 58 years. The size of the loan amount depend on the cost of the vehicle, and the type of the car. While new cars can get up to 90% of the financing, the old cars get lower amount of financing. The documents required are salary certificate, and TDS certificate of the borrower, copy of bank statements of last 6 months, copy of latest credit card statement, passport size photo, and proof of residence.

At the post-approval stage, the borrower submits registration certificate, insurance policy, road tax, etc. Normally, the loan is repaid within 7 years. However, some banks give a lower EMI in the beginning years, and higher EMI at a later stage. The registration certificate is endorsed to the bank as hypothecation of the vehicle to the bank. The interest rate is charged upfront, on a reducing balance basis which could be daily, monthly, quarterly or annually. There are processing fees, stamp charges, and insurance before the transaction is completed. Two wheeler loans are premium given for purchase of mopeds, scooters, and motor cycles on similar lines.

**Table 6** Car loans disbursed by Banks (during 2004-05)

(Rs. in Bn)

| Name of the Bank | Car Loan Disbursed | Growth Rate |
|---|---|---|
| PNB | 3.0 | 19 |
| SBI | 20.9 | 25 |
| HDFC | 25.0 | 23 |
| ICICI | 115.0 | 30 |

**Source:** Complied from the respective bank's web site.

**(c) Educational Loan:**

Presently, 16000 students travel to go UK every year to join 200000 other international students. A report released by FAU (Florida Atlantic University), which identified that 81500 Indian students in US enrolled Universities during 2004-05, and in New Zealand this figure was 3400. The increasing number of students opting higher education in developed countries such as USA, UK, Australia, Switzerland, etc. has given rise to the increasing demand for educational loans to finance their higher education in other countries.

Educational loans have become very attractive in India in view of the large number of students taking up professional courses in India and abroad. Banks give loans up to Rs. 12 lakhs for studied in India and up to Rs. 15 lakhs for studies abroad. No margin money is required by the banks for loans up to Rs. 4 lakhs. However, the parents income is considered by most of the banks apart from a confirmed admission letter from the educational institution. The loans are allowed to be repaid 6 months after the completion of the course or commencement of the job, whichever is earlier. In view of the income tax benefit available in respect of the interest on loan taken for educational purposes, these educational loans have become popular among students pursuing higher education.

**(d) Consumer Durable Loans:**

Consumer durable loans are also usually given for smaller amounts depending on the nature of durable goods. However, the loans are repayable between 12 to 36 months. There are no collateral securities called for in respect of consumer durable loans. The interest rates are varied depending on the seasonality and there is also a flat processing fee. These loans help customers to buy consumer durables like fridges, TVs, microwave-ovens, etc.

**(e) Personal Loans:**

Personal loans are eligible for people in the age group of 21 to 58 years, depending on their current income. The bank calculates the EMI, which does not exceed 40% of the net take-home pay. The maximum amount of loan sanctioned is 11 times the net take-home pay., which is arrived at by deducting normal household expenses and EMI on other loans. Most of the banks give loans ranging from Rs.15,000 to Rs.10 lakhs towards personal loans. The documents required are bank account statements, proof of residence and transfer of shares, etc. Personal loans are usually repayable within 3 years. However the interest currently range from 15% to 30%.

**(f) Credit/Debit Cards:**

While usage of cards by customers of banks in India has been in vague since the mid 1980's, it is only since the early 1990's that the market has witnessed a quantum jump. The total number of cards issued by 42 banks have been increased from 2.69 crore from December 2003 to 4.33 crore in December 2004, and further 4.38 in July 2005. Almost, all the categories of banks issue debit/credit cards. State Bank of India has more than 12 million card base users and it has established 57000 POS (point of sale) throughout the country. The ICICI banks has 3 million credit card users whereas HDFC Bank has 1.3 million credit card users and growing at a rate of 5000 p.m. However, when comparison is made internationally, the consumer expenditure through plastic bags is less than 1% in India where as in the USA, this figure standing at 69%. Further, in Korea there is 3.1 credit card per bankable population whereas in the India this figure stands only

0.02. The various factors responsible for this trend are:

i. Lack of awareness.

ii. Most of the POS are located at big Super-markets, shopping Malls, such as Ansal Plaza, Spencer etc.

iii. Most of merchants insist on minimum amount of buying in order to use the credit card.

iv. People have also unaccounted money, that why they prefer to do shopping on cash basis.

It is very important to mention here that the debit cards are more popular than the credit cards because the money drawn from the ATMs or used at merchants outlets is limited to the balance held in their account. On the other hand, credit cards are issued on case to case basis based on the credit worthiness age, job, annual income of the account holders.

**Public Vs Private Bank-A Comparative Analysis of Retail Banking**

As we have seen from the previous fact, that both the public and private sector banks have been trying their best to create a niche in this regard, but the private sector banks are much better than their counterparts (Table 7). This is because of the private sector has laid more stress on virtual banking and very keen in applying IT in their banks. But now the public sector has also realized the potential of IT, and also moving towards the state of the art virtual banking system.

**Table 7 :** Retail Banking Growth Rate: Public Vs Private Sector Banks

| Area | Private Sector (ICICI, HDFC, UTI and IDBI) | Public Sector (SBI, PNB, Canara Bank, Bank of Baroda and Bank of India) |
|---|---|---|
| Home Loan | 58.00 | 50.44 |
| Consumer Durables | 7.72 | (-15.00) |
| Personal Loan | 67.00 | 26.84 |
| Overall Retail Loans | 62.00 | 36.00 |

**Source:** www.knowledgertailloans/ksin/search/htm05

## GROWTH OF ANCILLARY RETAIL BANKING SERVICES

The growth of related ancillary services are given below:

**(a) ATMs:**

The entry of foreign and private sector banks such as HDFC Bank, ICICI Bank, City Bank, Standard Chartered Bank, etc. led to the growth of ATMs not with their own networks but their partners bank's network also whom they have got mutual understanding for sharing ATMs. By this, customers can utilize the services of ATMs of other banks where they have no account.

**Table 8** Numbers of ATMs of Different Banks in India

| Name | Number of ATMs |
|---|---|
| Dena Bank | 119 |
| HSBC | 133 |
| Bank of India | 382 |
| IDBI | 297 |
| Syndicate Bank | 147 |
| Andhra Bank | 339 |
| Corporation Bank | 669 |
| Axis Bank | 1250 |
| HDFC Bank | 1147 |
| ICICI | 2039 |
| SBI and Associates | 5130 |

**Source:** Complied From the respective bank's website.

**(b) Mobile banking:**

All over the world, mobile phones have become one of the convenient means of carrying out banking transactions. In Korea, there are 3.3 million mobile phones users. But in India, very few people use mobile even for simple banking queries inspite of having 47million mobile users base with nearly two million being added every month. This was due to low level of awareness, frauds and security problems, complex process etc. However, the various banks have entered into strategies tie-ups with mobile companies so that customers can avail banking services. For e.g. ICICI has signed memorandum of understanding (MOU) with Reliance India Mobile to provide services of mobile banking free of cost to those clients who have reliance hand sets.

**(c) Internet Banking:**

ICICI Bank was the pioneer to introduce internet banking. Later on, HDFC Bank, Citi Bank, IDBI and other banks followed the suit. As per the industry estimates, there is just 0.1 per cent of the total banking population who use the internet banking where as in Korea and Singapore nearly 10-15 per cent of their population is banking over the internet. The biggest drawback for the use of Internet banking in India is the lack of Infrastructure facilities. But now the IT Ministry is keen on expanding the internet penetration, the day is not too far when greater part of our population would be using the internet banking. Further, the banks are also in the process of setting up strategic alliances with other groups for improving the banking scenes. Recently on November 14, 2005, SBI and Tata Consultancy Services (TCS), have formed a joint venture called C-Edge Technology Ltd. which will offer technology and consultancy services in the field of banking industry (FFY, 2005).

**(d) RTGS System:**

Payment and settlement systems constitute the back bone of any financial economy with the objective of ensuring efficient faster flow of funds among different constituents of the financial sector, Reserve Bank of India has taken up the work of reform in the payment and settlement systems for the country. In this situation, real time gross settlement is one step in that direction, and it's important in retail banking sector. RTGS facilities, is one in which payment instructions between banks are processed and settled individually and continuously throughout the day. Real time: settlement process is executed as soon as request is received and responses are sent to the participants instantly throughout the day. Gross settlement: request is processed i.e. transfer of funds and settlement is done on transactions basis not on net basis. Such type of facilities have been provided in almost all the branches are rolled out in CBS, SFMS. In today's financial sector reforms, RTGS system is more successful in the banking scenario.

**(e) Universal Banking:**

Universal banking is evolving and numerous examples such as Citigroup, ICICI Bank and HDFC Bank are rapidly moving to integrate and automate their diverse operations and processes. Automation of end-to-end business processes was outlined as the key driver for the growth of major financial markets globally; automation is also the key driver for all major initiatives such as straight through processing and the integration of various exchanges, and settlement and clearing organizations.

DFIs can turn themselves into banks, but have to adhere to the SLR and CRR requirements meant for banks. Even then, some groups like the HDFC (Commercial banking and Insurance joint venture with Standard Assurance), ICICI (commercial banking), SBI (investment banking), etc., have already started diversifying from their traditional activities through setting up subsidiaries and joint ventures. In a recent move, the LIC increased its stakes in Corporation Bank and is planning to sell insurance to the customers of the bank. Both conceptually and in reality, there are clear points indicating that the era of Universal Banking in India has begun.

With a jump in the Indian economy from a manufacturing sector, that never really took off, to a nascent service sector, Banking as a whole is undergoing a change. A larger option for the consumer is getting translated into a larger demand for financial products and customization of services is fast becoming the norm than a competitive advantage. With the Retail banking sector expected to grow at a rate of 30% (Chanda Kochhar, ED, ICICI Bank) players are focusing more and more on the Retail and are waking up to the potential of this sector of banking. At the same time, the banking sector as a whole is seeing structural changes in regulatory frameworks and securitisation and stringent NPA norms to be in place by 2004 means the faster one adapts to these changing dynamics, the faster is one expected to gain the advantage.

**Potential for Retail Banking in India**

The Indian players are bullish on the Retail business and this is not totally unfounded. There are two main reasons behind this. Firstly, it is now undeniable that the face of the Indian consumer is changing. This is reflected in change in the urban household income pattern. The direct fallout of such a change will be the consumption patterns and hence the banking habits of Indians, which will now be skewed towards retail products. At the same time, India compares pretty poorly with the other economies of the world that are now becoming comparable in terms of spending patterns with the opening up of our economy, for instance, while the total outstanding Retail loans in Taiwan is around 41% of GDP, the figure in India stands at less than 5%. The comparison with the West is even more staggering. Another comparison that is natural when comparing Retail sectors is the use of credit cards. Here also, the potential lies in the fact that of all the consumer expenditure in India in 2001, less than 1% was through plastic, the corresponding US figure standing at 18%.

The fact that the statistics reveal a huge potential also brings with it a threat that is true for any sector of a country that opening up. Just how competitive are our banks? Is the threat of getting drubbed by foreign competition real? To analyze this, one needs to get into the shoes of the foreign banks. In other words, how do they see us? Are we good takeover targets?

Going by International standards, a large portion of the Indian population is simply not "Bankable"-taking profitability into consideration. On the other hand, the financial services market is highly over-leveraged in India. Competition is fierce, particularly from local private banks such as HDFC and ICIC, in the business of home, car and consumer loans. There, precisely lie the pitfalls of such explosive growth. All banks are targeting the fluffiest segment i.e. the upwardly mobile urban salaried class. Although the players are spreading their operations into segments like self-employed and the semi-urban rich, it is an open secret that the big city Indian yuppies from the most profitable segment. Over dependence on this segment is bound to bring in inflexibility in the business.

**CONCLUSION**

Liberalisation and de-regulation process begins in 1991-92 has made a drastic change in the banking scenario. From a totally regulated environment, we have gradually moved into a market driven competitive system. Our move towards global benchmarks has been by and large, calibrated and regulator driven. The pace of changes gained momentum in the last few years. Globalization would gain greater speed in the coming years especially on account of expected opening up of financial services under International financial bodies.

The new economic policy have forced the banks to provide quality based service to customer. Innovative products offered by private sector banks have forced the other banks to follow suit. With the boom in housing loans, the RBI has naturally been alarming. The success of tomorrow's leading retail bank will come from changes that are made to customers, due to the impact of changing technology, that exists more efficiently than ever before and cheaper than before, and from competitors who also change with environment. The greatest challenge for large retail banks will be the need to provide 3 A'S any time, any place and any how banking services for all their customers. This is to be mixed with other contents like financial and identity.

The entry of Deutsche Bank today is a major boom in retail banking system. The boom has modified the complexion of banking in India, right from the fund financing to customized retail services such as home loans, auto loans, educational loans, Debit/credit cards, etc. It enables them to increase their retail loan assets through internet, mobile and tele banking methods. No doubt, there is vast demand for availing such services by middle class, which takes advantage for the retail banking in India. Hence there is a vast potential growth for in this sector in India.

In India the retail banking segments are expected to witness a tremendous growth owing to the borrowing, changing customer attitudes towards borrowing and optimism regarding economic growth. The lending constitutes just 12.36% of the Indian banking system. Given this macroeconomic scenario, the retail banking will grow dramatically and it is expected that about 35% of the incremental growth in net income from retail banking. In the next few years i.e., till 2010, retail banking is expected to grow by touching the figure of Rs.575,000 crore. This requires expansion and diversification of retail banking portfolio, better penetration and faster service mechanism. Hitherto, the growth had come from metros and cities. While the loan requirement from larger cities will continue to grow, explosive growth in credit is register in tier II cites, semi-urban and rural areas.

However, there are some areas of concern like rising NPA in consumer loans particularly, the delinquer credit cards, and frauds in home loans. Housing prices have grown rapidly. Deflation of asset value is an example. Aggressive credit growth in retail has increased the requirement for measuring and managing. These require extremely skilled workforce and highly evolved credit delivery and monitoring process concern is suicidal pricing by the aggressive banks. This is bringing the margins under pressure. Though pricing is critical, the competitive market shall continue to see the pricing pressure. There is also a need database and management information system to identify the right type of borrowers.

Keeping pace with explosive changes will pose challenge to regulatory bodies. This will not limit of increase in risk weight of consumer loan by 25 basis points which the regulator announced in mid-term review 2004-05. Revision of credit cards issue regulations, and recent draft guidelines on outsourcing in the right way. Lack of consensus on definition of retail and transparency in declaration by the place coverage of retail by the central banker in its reports, all of this requires some change. Thus, banks are required to reorient themselves with the changing environment in order to extend better service to all kinds of customers as per the changing requirements coping with all kinds of changes that are taking place in the economic scenario.

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# STRATEGIC LEADERSHIP: A ROADMAP TOWARDS SUCCESS

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## ABSTRACT

*The world is experiencing an unprecedented economic slowdown. The uncertainty that comes with such an economic environment is compounded with accelerated and profound changes in today's business world- technological, cultural, social, economic, and personal. The net effect is increasing anxiety, insecurity, and more pressure than ever before on today's employees, managers, leaders and organizations. The CEO's are intensely driven to achieve and they operate in a marketplace that measures achievement almost wholly in the short term. They confront a world that moves faster than ever before, and really, there is little about their unwieldy organizations that they easily control". In 1993, the CEOs of American Express, IBM, and Westinghouse were all forced to resign in the same week. Their companies were performing poorly. Today, a number of companies are performing poorly and a good number of CEOs have resigned because of their company's performance (or because of unethical practices that have come to light).*

*The premise of this research paper is to highlight some of the principles that can help individuals, at any level of the organisation, inculcate and express leadership qualities that enable them to be an inspiration to all around, contributing to positive growth for the company, Strategic Leaders, formal and informal, know what to do in turbulent times. They manage change, communicate a vision and serve in the role of a coach and supporter for those around.*

## INTRODUCTION

Effectiveness results from tapping the potential of human being in a useful way. As pointed out by Terry "Leadership triggers a person will to do and transforms lukewarm desires for achievements into burning passions for successful accomplishment."

Keith Davis rightly pointed out thus "Without leadership an organization is but a muddle of men and machines. Management activities such as planning, organizing and decision making are dormant cocoons until the leader triggers the power of motivation in people and guides the towards the goal."

Strategic Leadership may be defined as the ability to anticipate, envision, maintain flexibility and empower other to bring about Strategic changes as necessary. The crux of strategic leadership is the ability to manage a firm's operation effectively (using resources prudently and delivering results) and sustain a high level of performance over time. Strategic leaders face challenges head on, set stretch goals for themselves and for other, remain proactive, exhibit dedication and integrity, communicate their ideas well, take timely decisions., demonstrate caring, motivate people and enjoy teamwork. The list of traits that one wants to see in strategic leaders is fairly long and very difficult to be framed into a fixed photograph. But one single characteristic that needs to be highlighted here pertains to their decision making skills. Effective strategic leaders are known for their unique, courageous yet pragmatic decisions- that may be difficult to arrive at but necessary in the light of internal and external conditions faced by a firm.

Take the example of either N. R. Murthy of Infosys or Dhirubhai Ambani of Reliance Industries or of others like Tata's, Birla's, Oberoi's etc.

**N R Narayana Murthy:** Founder of Infosys Technologies Ltd, the software company. He is currently rated as the best employer in India. The 50 acre Infosys campus in Bangalore is considered to be India's Mecca of knowledge. Murthy had the creative imagination, foresight and guts to exploit knowledge opportunity that came his way and set up the body shopping outfit with a seed capital of Rs. 10,000 in 1981. Murthy had visualized the existence of a big market for Indian techies- with their skills, knowledge of English and cheap salaries. Murthy did not look back and was perhaps the first Indian middle class entrepreneurs to share his wealth with his employees, including drivers and office boys.

**Dhirubhai Ambani:** In less than 4 decades time, Dhirubhai Ambani of Reliance Industries has built up a massive empire with assets adding up to over Rs.

*Reader Jaipuria Institute of Management, Ghaziabad
**Director Jaipuria Institute of Management Studies, Ghaziabad

50,000 crore. Ambanis rags to riches story are legend in corporate India of how a small time village school teacher's son from Gujarat became India's best known entrepreneur. Backward and forward integration became the cornerstone of the Ambanies (including his two sons Mukesh and Anil) strategy to grow. Beginning with oil and gas production to refining to making intermediates and finished products like fabrics. Enroot to this phenomenal success, Ambanis have bent many rules in the book, bulldozed opponents through their awesome political clout and always remained in. the news during and even after the license Raj. Ambani is often credited with being one man whose ingenious effort helped create equity cult in the Indian capital market.

Another successful strategic leader is James Morgan, recently retired CEO of Applied materials. Before his retirement, Morgan had the distinction of being the longest serving CEOs in Silicon Valley, having held the position for 25 years. Morgan was thought of as a forward thinker, but action leading to this description causes some analysts to question his strategies. Morgan took bold actions in slow economic times, a strategy that often produced revenue and market share growth when the economic turnaround began. In the 1980s, he moved into Asian markets before most U.S firms perceived the opportunities there. Although Morgan's action was heavily criticized, he was active in china 10 years before his competitors, and his firms recently received a $200 million contract there. In fact, Morgan's goal was to have 5 percent of the firm's revenue from China by 2005. The company's stock has appreciated in value by 5600 percent during the previous 20 years, compared to a 500 percent increase in the standard & Poor's Stock Index for the same time period.

A number of other successful strategic leaders exist as Lindsay Owen Jones, CEO of L'Oreal , claims part of his success comes from allowing employees to make mistakes and to learn from those mistakes. He also believes if no one makes mistakes, the firm is taking no risks and likely is overlooking opportunities. Fujio Cho, CEO of Toyota, has been highly successful in changing the firm's to become a global automaker by expanding into Eastern Europe and China.

According to Drucker, "Leadership is the lifting of a man's sights to higher vision, the raising of a man's standard to higher performance, the building of man's personality beyond its normal limitation." The unique ability of a leader is a social talent- that of getting the best efforts of the organizations members. Without leadership, a group disintegrates, destroy its team spirit and fritter away its energy on unnecessary activities. Leadership is, therefore, essential if organizations are to be more than "warehouses for machines". It is necessary in order to create work environment in which human being can live part of their day in productive and satisfying manner. Leaders play a critical role in helping groups, organizations, or societies achieve their goals.

**STRATEGIC LEADERSHIP; THE ROLE PLAY**

Strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. Multifunctional in nature, strategic leadership involves managing through others, managing an entire enterprise rather than a functional subunit, and coping with change that continues to increase in the 21st century competitive landscape. Because of this landscape's complexity and global nature, strategic leader must learn how to effectively influence human behavior, often in uncertain environments. By word or by personal example, and through their ability to envision in future, effective strategic leader meaningfully influence the behaviors, thoughts, and feelings of those with whom they work.

The ability to manage human capital may be the most critical of the strategic leader's skills. In the 21st century, intellectual capital, including the ability to manage knowledge and create and commercialize innovation, affects a strategic leader's success. Competent strategic leaders also establish the context through which stakeholders (such as employees, customers and suppliers) can perform at peak efficiency. "When a public company is left with a void in leadership, for whatever reasons, the ripple effects are widely felt both within and outside the organization. Internally a company is likely to suffer a crisis of morale , confidence and productivity among and worry about the safety and future of their investment. "The crux of strategic leadership is the ability to manage the firm's operations effectively and sustain high performance over times.

A firm ability to achieve strategic competitiveness and earn above average return is compromised when strategic leaders fails to respond appropriately and quickly to change in the complex global competitive environment. The inability to responds or to identify the need to respond is one of the reasons what the CEO's believe. Firms "long term competitiveness depends on the manager's willingness to challenge continually their managerial frames". Strategic leaders must learn how to deal with diverse and complex competitive situations.

Strategic Leadership transforms potential into reality. In the process of transforming the potential of subordinates, a leader is required to carry out many functions.

**Strategic Leader develops teamwork:** He inculcates a sense of collectivism in the employees and forces them to work as a team. Individuals, within the groups may possess varied interest and multiple goals. A strategic leader has to reconcile these conflicting goals and restore equilibrium. On the best strategic leaders, when their task is accomplished, their work done, the people remark, 'we have done it ourselves'. Dynamic strategic leader provide a satisfying work climate where the individual and organizational goals are well integrated and find meaningful expression.

**Strategic Leader is a representative of subordinates:** Employees often suffer from emotional disequilibrium in organizations. For instances, an employee may be frustrated over his inability to climb up the organizational leader and subsequently gets derailed off the work track. : Strategic Leader comes in here, renders wise counsel and tries to remove barriers, real or imaginary, and instill confidence in the employees. Strategic Leadership creates a cooperative and wholesome attitude among employees for successful work accomplishment.

**Strategic Leader uses power properly:** Strategic Leadership is the ability of a person to arouse a group's compliance and co-operation to his initiative beyond the normal call of duty. Strategic Leader holds power over his followers and this helps him in guiding, inspiring and directing group members achieve a unity of purpose and efforts. He exercises the power in such a fashion that the subordinates obey the orders of the leader willingly and come forward with commitment.

**Strategic Leader manages time well:** Unsatisfactory human performance in any organization can be primarily attributed to poor utilization of time. Mobilization and utilization people in the service of organization demands judicious use of time and money. A good strategic leader manages his time well by proper planning based on information and facts, and by arriving at decisions at an appropriate moment. He visualizes problems before they turn into emergences.

"…And so, the razor's edge. You are a CEO. You have the title, the visibility and the responsibility. You're also isolated. You're under extraordinary pressure to deliver results. And, you're deathly afraid of failing." Being CEO is a very difficult job; as said by Sam Waksal. All CEO's encounter significant risk, but they also can make a significant difference in how a firm performs. If a strategic leader can create a strategic vision for the firm using the forward thinking that was evident during James Morgan's leadership of Applied Materials, and then energize the firm's human capital, positive outcomes can be achieved. Although the challenge of strategic leadership is significant. However, it is difficult to build and maintain success over a sustained period of time. Some of the CEOs who failed miserably, had been recognized for their previous success. (e.g. Dennis Kozlowski of Tyco). So, the strategic leaders must facilitate the development of appropriate strategic actions and determine how to implement them. These actions on the part of strategic leaders culminate in strategic competitiveness and above average returns.

Effective strategic leaders are willing to make candid and courageous, yet pragmatic decisions-decisions that may be difficult, but necessary-through foresight as they reflect on external conditions facing the firm. They also need to understand how such decisions will affect the internal systems currently in use in the firm. Effective strategic leader use visioning to motivate employees. They often solicit corrective feedback from peers, superiors, and employees about the value of their difficult decisions and vision. Ultimately, they develop strong partner internally and externally to facilitate execution of their strategic vision.

The primary responsibility for effective strategic leadership rests at the top, in particular , with the CEO. Other commonly recognized strategic leaders include members of the board of directors, the top management tem, and divisional general managers. Regardless of their title and organizational function, strategic leader have substantial decision making responsibilities that cannot be delegated. Strategic leadership is an extremely complex, but critical , form of leadership. Strategies cannot be formulated and implemented to achieve above average return without effective strategic leaders. Because strategic leadership is a requirement of strategic success, and because organizations may be poorly led and over managed, firms competing in the 21$^{st}$ century competitive landscape are challenged to develop effective strategic leaders.

**TEN RULES OF TIME MANAGEMENT FOR EFFECTIVE STRATEGIC LEADERS**

1. Carry s "to do" list with you; jot down notes on those things you have to do and cross out those that you have finished.
2. When reading memos, mails, or reports, do so

standing up. You read faster in this position.

3. As you read memos and letters that call for a reply, answer each as you go along. Otherwise, you will have to read each again when you get around to formulating a response.
4. Concentrate your efforts on one thing at a time.
5. Give your primary attention to those tasks which are most important and work delegating minor job to your subordinates.
6. If you have an appointment to visit someone, bring work with you so that if you are forced to wait you can put them the time to good use.
7. When you finish a particularly important or difficult task, give yourself time off as a special reward.
8. Try not to work on weekends.
9. Examine your work habits for ways of streamlining your current procedures and saving time.

If you do not get all you wanted accomplished in a given day, tell yourself you will get to it the next day. Do not feel guilty over any failure to meet your daily work plan. As long as you are doing your best, tell yourself that this is good enough.

**Strategic Leader strives for effectiveness:**

Present day managers, as true workaholics, are too busy doing 'fire fighting' operations, and as result, face a chronic shortage of time to address themselves to crucial problems in an organization. A strategic leader throws in himself to fill this gap, which a concerted effort to bring order out of chaos and confusion and improve organizational effectiveness. He provides an adequate reward structure to improve the performance of employees. He delegates authority whenever needed and invites participation from the employees to achieve better results. He tries to infuse such will to do the group as to secure the best contribution of human energy. He provides imagination for sight, enthusiasm and initiative to group members and forces them to have an identity of interest, outlook and action.

Thus, a strategic leader represents the organization, initiates the action necessary to keep the organization dynamic and progressive , administers the organization and arranges for planning , organizing, directing and coordinating; and interprets the organizational philosophy to internal and external groups in a satisfying manner.

**Inspires employees :**

A strategic leader creates a strong urge in employees for higher performance. He lifts a man's vision to higher sights. By showing the proper way to do a job, a strategic leader helps employees to give their best to the organization. As pointed out by Terry, "Leadership triggers a person's will to do and transforms lukewarm desires for achievement into burning passions for successful accomplishment.

**Secures cooperation :**

A dynamic strategic leader breathes life into the group. He influences the behavior of employees in such a way that they readily work for organizational objectives. He makes them realize that by translating plans into action, they can earn adequate rewards. He thus, inculcates a sense of collectivism in the employees and forces them to work as a team. Strategic Leadership is essential to group action. Without sound strategic leadership, cooperative action is impossible. Strategic Leadership provides character to the group and paves the way for integrated efforts at various levels.

**Creates confidence :**

Employees often suffer from emotional disequilibrium in organization. They get frustrated because of their inability to do certain jobs to secure promotions, to sharpen their skills, to get along with people etc. A strategic leader comes in here, renders wise counsel and tries to remove barriers (real or imaginary) and instill confidence in employees. He creates a wholesome attitude among employees for successful work accomplishment. He transforms potential into reality. He makes them realize their potential by showing the right way, by clearing the hurdles.

**Provides good working climate :**

A good leader provides a healthy work climate where individuals can work towards group goals happily. He initiates necessary changes, unifies efforts of employees. By making a judicious use of time and money, he mobilizes and utilizes the resources in the service of an organization. He addresses himself to the important problems, initiated timely action and brings order out of chaos. He provides an adequate reward structure to improve the performance of employees. He gives them enough authority to do things well, and invites their participation in organizational matter. He provides imagination, for sight, enthusiasm and initiative to employees.

**Traits of Effective Strategic Leaders**

It is well established fact that only a few managers are able to lead the organizations successfully. A large majority of them, often, fail to deliver the goods. What accounts for this difference Historians have come out with interesting explanations. Some believe the answer can be traced to the inner characteristics of a leader. If you possess these qualities in adequate measure you will be able to lead others quite successfully. If you lack them, you may fail to perform the assigned leadership role.

Others argue in favor of certain physical traits such as mental ability, emotional maturity and problem solving skills. They forcefully state that there is no universally agreed list of leadership characteristic, so we must look into certain personal features that interact with one another to produce the desired outcomes. Only through a proper understanding of how such physical features influence managerial effectiveness can we really understand the nature of leadership.

Commenting on psychological assessments he conducted over a fifteen year period, Williams suggested that:

"IQ from 120 to 135 is the ideal range for managerial success. This ranges from the 91st to the 99th centiles of the general population on the best adult intelligence test … Individuals with IQs from 115-119 are acceptable in some managerial positions but seldom in top companies with strong competition for promotion. Managers with IQs below 115 are at a distinct disadvantage when competing with other managers, except at the first line supervisory level. Those with unusually high IQs ( say , over 135) sometimes become undesirably theoretical and/ or become bored with the routine that exist in many line position."

***Personality Traits, Abilities, and Social Skills Frequently Associated with Effective Strategic Leadership***

| **Personality Traits** | **Abilities** | **Social Skills** |
|---|---|---|
| Adaptability | Intelligence | Ability to enlist cooperation |
| Adjustment ( normally) | Judgment and decisiveness | Administrative ability |
| Aggressiveness and assertiveness | Knowledge | Cooperativeness |
| Dominance | Fluency of speech | Popularity and prestige |
| Emotional ( Non conformity) | | Social ability ( Interpersonal skills) |
| Originally and creativity | | Social Participation |
| Personal integrity ( ethical conduct) | | Tact and diplomacy |
| Self Confidence | | |
| Source : Stogdil, R.M handbook of Leadership, A survey of theory and research , Macmillan Publishing Co. ,1974 | | |

Some of the important qualities that are commonly associated with effective strategic leadership stated below

**Superior Intelligence:** Effective strategic leaders tend to possess superior intelligence than those of their followers. They have the necessary mental skills to formulate and communicate information; process input from subordinates, examines work related problems and arrives at decisions quickly. This, in a way suggests that there is a minimum level of mental ability below which we unlikely to find successful leaders. It also means that above a particular point (intelligence quotient ir IQ), we may find it difficult to trace effective leaders.

**Emotional maturity:** *P* a leader must hold his emotions, well in control especially in situations of a crisis nature. He should be neither crushed by defeat nor over elated by victory. He should have high frustration tolerance. He should be free from bias, logical in his actions and refrain from any demonstration of emotions such as impatience, anger or contempt for any of his followers. Effective strategic leaders do not lose balance when subordinate commit mistakes. Instead of taking the subordinates to task, they use the opportunity to change and improve the behavior of the person by focusing attention on the problem rather than the person. If the person crops up again, that's the time to reprimand or dismiss the subordinate. But for the present, the focus is on reaching the importance of doing things right. Consider the following example (Hodgetts)

"Paul Winslow was supposed to deliver a package to the president of the bellow Corp. by 11 a.m. yesterday. The latter was catching a plane to the East Coast and needed to take the material with him. However, Paul delivered the package to the President of the Rawlitt Co. by mistake. The reason for the error was that Paul had delivered two packages to Rawlitt the day before and when he was given the latest package the head of the mail room said "This one goes to the president, personally". Without looking at the name and address on the package, Paul signed for it and drove over to Rawlitt. The head of the administration department called Paul into office to talk about the error. "I got a call from the President Bellow. He's upset over not getting the package before he left for the coast. However, let's not start worrying about why the mistake was made. Read the name and address on the package before you leave the building. Okay?" Paul agreed.

**Motivation/Inner Drive:** An effective leader should be a self starter. The desire to become a leader should come from within the individual. He should have an intense urge to keep accomplishing and scaling new heights. He should work in a focused way and set an example for others. He need not be complimented, praised and rewarded at every turn to stay motivated. As he reaches one goal, he sets eyes on another. One success becomes a base for taking up tougher and more challenging ventures in future. They actively pursue the self actualization goals suggested by Maslow.

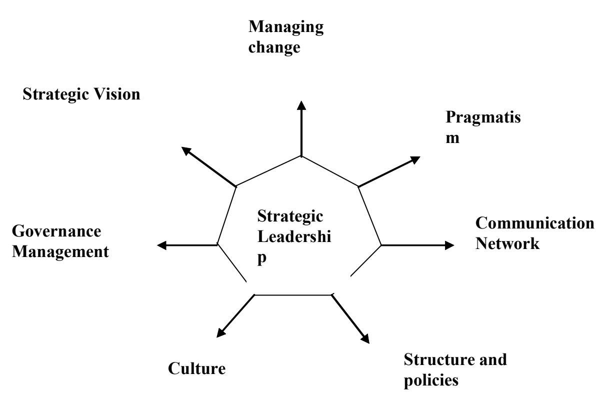
Effective strategic leaders try to measure their progress in quantitative terms also i.e, how much money they are earning, how far they have scaled the career ladder, how many subordinates they control etc. Interestingly, highly motivated superior tend to attract or develop highly motivated subordinates also.

**Energy:** *Good* strategic leaders possess mental and physical energy in ample measure. They often work long hours at difficult tasks and so must have the stamina to withstand such vigor's. Perhaps the wish to be and to remain a strategic leader motivates a person to put energy into his role as a leader. At this stage it may be interesting to find what L. Sayles had to state regarding the work done by managers in actual practice.

## STRATEGIC LEADERSHIP; TAPPING AN UNLEASHED POTENTIAL

The term strategic leader is used here to describe the managers who head the organization and who are primarily responsible for creating and implementing strategic change. He gives proper direction to the organization, the communications system and the structure. He ensures that the long term objectives are translated into concrete plans of actions and understood and supported by people working at various levels. These strategic plans are ultimately implemented through organization structure. The third major responsibility of the strategic Leader is a system of communications which firstly enables managers throughout the organization to be strategically aware, and secondly ensures that the strategic leader stays informed of the changes that are taking place. Following figure extends these three contributions into seven themes which are explained below.

**Strategic Leadership**




J L Thomson, Strategic Management, ITBP, Kent, 1997

**Strategic vision:** A well crafted, appreciated and supported mission is at the heart of a leader's strategic vision. It may reflect his own current assessment of where the firm should go or he may continue to carry out the long term plans established by his predecessors. Subhash Chandra of Zee Tele films for example created a powerful empire by spotting opportunities early and exploiting the same till the end, exhibiting an unflagging determination to succeed against all odds. His vision to build mega ventures in packaging, amusement parks and satellite telephony took him to commanding heights when he chased his 'outlandish' dreams with exemplary courage, grit and determination. Again, there is the shining example of Azim Hashim Premji who turned the small time oil mill – Western India Vegetable Products Ltd. Into a software powerhouse by dreaming big and translating his ideas into concrete action plans-all within a short span of 35 years.

Even the tech dry worldwide has not affected Wipro's fortunes in a major way. Revenues have crossed Rs 3000 crore and growth over the next two years is expected to vary between 30-40 percent. To cite another example, when every pharmaceutical company worth the name was focusing attention on formulations, generics and bulk drugs, Dr. Anji Reddy visualized the threats in the post patent regime after 2005 early, concentrated on original research and is celebrating now as the molecules in the R&D pipeline of Dr. Reddy's labs are being rewarded in world markets.

**Pragmatism:** Pragmatism is the ability to make things happen and achieve positive results. This can happen only when leaders utilize resources in an efficient and effective way. Three years back, analyst had switched off the company (TVS motor company) from their radar screens when Suzuki parted ways with CEO , Venu Srinivasan ( October 2001). He had to quickly beef up the company' design, engineering and product development skills. He delegated a lot of authority to his team of professionals- who ultimately gave a winning product (TVS Victor). Instead of selling the stake in the company to Suzuki when the offer came he initiated a series of cost effective measures using native skills and capabilities and finally brought the company back on rails. Years back Venu says "I only know how to give orders and get things done "(Business Today 2002).

**VISIONARY LEADERSHIP**

Visionary leadership implies a strategic leader with a personal vision for the future of the organization and at least a concrete view of the strategies for pursuing the vision. The following factor are visionary leadership:

- Articulates vision and philosophy constantly.
- Contacts people at all levels regularly and persuade them to do their best;
- Builds enduring relationship with internal as well as external groups.
- Creates and fosters a particular culture.
- Pay particular attention on strength.
- Relies on charisma and personal power.
- In visible, accessible, supportive and good listener.

[ source : (a) B Richardson , " Towards a profile of the visionary leader", small Business Enterprise and Development, 1994 (b) P B Crosby , " The Leadership ands Quantity Nexus", Journal of Quality and participation, June 1996]

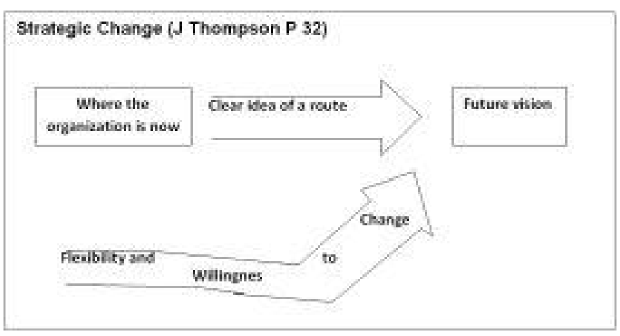
**Structure and Policies:** A visionary strategic leader, as an agent of change, should lay down the rules of the game in concrete terms and resolve all contentious issues in a proper way. The important issues include:

- Should the organization be relatively flat and informal or have several layers of decision making and more formality?
- Should it be split into independent businesses, each headed by a responsible executive?
- How to distribute power and authority?
- What role the head office should pay?
- What kind of empowerment is needed for people working at various levels?
- How to integrate effort; what policies should govern decision making at various places and levels etc.

**The communication Network:** Both formal and informal network should be used by the leader to inform people about priorities and strategies and ensure that these are implemented expeditiously. Lateral communication should be encouraged, in addition to upward and downward communication channel, between various departments and divisions so that managers learn from other part of business and profit from each other's best practices. The strategic leaders must champion the relationships between the company and its major stakeholders (internal as well as external groups including government agencies.). "To be effective, leadership has to be seen, and it is best seen in action. Leadership[ must be communicated in words, but even more importantly in deeds, by example Leader must be seen to be up front, up to date, up to their jobs and up early in the morning" ( Lord Sieff).

**Culture:** Culture is a system of shared values and beliefs that produces norms of behavior. Values (what is important) and beliefs ( how things work) interact to cause norms ( how we should do things ) . Culture gives people a sense of how to behave and what they ought to be doing. Culture thus, is shared assumption about practices, beliefs and traditions governing behavior. A strategic leader can influence the culture of a company significantly. In fact every company reflects the character and personality of its leader. If he has majored in finance, he might be fascinated by financial analyst, targets and put emphasis on improving financial ratio. If he has marketing background, he may propagate street smart tactics in place of traditional ways of improving results. His focus on consumption patterns, style changes, and competitive strategies may compel people to be more vigilant and aggressive. Thus, the beliefs and values of a leader have a strong bearing on how employees behave and react to situation on a daily basis (of course, these generalization may not always hold good).

**Managing Change:** Effective leader are responsible for initiating necessary changes that ensure continued organization success. These are both external and internal forces that create the head for manager's t initiate change. These include factors such competition, new government regulations, labour market fluctuations, technological changes, modification in the organizational strategy etc. The environment has become so turbulent and fast paced, a manger should always remember that someone, somewhere is making a product that will make his own product (or service) obsolete. To manage change effectively, therefore, he needs to have a clear vision of the future- where the organization is heading together with the means for creating and reaching this future. There must be clear vision of a route, and this demands planning; on the way, managers should stay alert for dangers and opportunities. Well designed routes (strategic that have yielded good results in the past) and experience can both be useful, but in a dynamic environment, there will always be an element of the unknown.




Effective leaders must look for opportunities in the environment continually and try to encash these opportunities before other competitors enter the arena. They must try to visualize problems before they turn into emergencies. As change agents, they must proactively introduce changes in products, technology, market practices etc inviting participation from as many number of employees as possible, and thus, secure their cooperation and commitment. Effective leaders try to introduce strategic changes gradually taking the team members along with them; build on their core strengths, show remarkable flexibility in approach and commit themselves to what they firmly believe would be in the best interest of the organization.

**STRATEGIC LEADERSHIP AND COMPETITIVE ADVANTAGES**

Anticipating events, envisioning possibilities, maintaining flexibility, and empowering others to bring about strategic change are the ability of a strategic leader. Their decisions and actions influence the destinies of millions of people in and around their companies. If they are able to deliver results consistently and earn above average returns, they are treated as invaluable corporate assets and branded often as important sources of competitive advantage. A firm's success, in real terms, is nothing but a CEO's dream turned into a concrete reality. He decides the strategic direction of the firm, pick up the right people, explain the core ideas clearly and empower them to do things on their own. For e.g. Azim Premji of Wipro is known for such an empowerment strategy. Usually head of divisions and companies- Wipro Ltd. Wipro Infotech, Wipro Systems, Wipro GE and Wipro Financial – prepare their own business plans. Premji has always looked for people who can pick up the ball and run with it (Turnover of Wipro rose from Rs 4 crore in 1966 to over Rs. 4000 crore in 2003). Apart from developing and motivating people, effective CEOs are charged with the responsibility of shaping the culture of a firm. Strategic leaders, thus, play a crucial role in the formulations as well as implementation of strategy. Their leadership style, personal values and visionary ideas are all part and parcel of the strategic management process. To survive and flourish in a corporate jungle, we need leaders who are willing to take risks, experiment with their ideas and convince people that their dreams can be converted into results successfully.

**INFOSYS MODEL**

The vision of the few companies that is transforming the image of India as a country of talent. The vision of Infosys is to create an organisation that is 'built to last'. Narayana Murthy saw the need of establish a place to develop leadership on a large scale. The Infosys Leadership Institute (ILI) was established to fulfill this need. The institute was created in early 2001 to assist Infosys in responding to specific challenges of the present and future and to create higher customer value through 'thought leadership'.

**The vision statement of Infosys reads:** We will be a globally respected corporation that provides best of breed business solutions, leveraging technology, delivered by best in class people.' To achieve this vision, leadership competencies have been defined along four broad dimensions: work, people, technology, and business. The following nine pillars are the operational elements for leadership development in Infosys.

**$360^0$ degree feedback;**

A structured method of systematically collecting and processing data about a person's performance and capabilities from a wide range of coworkers through there feedbacks.

**Development assignments;**

High-potential employees are given experience in diverse functions through internal job rotations and cross-functional assignments. Development assignments enable employees to gather practical leadership skills outside his or her zone of experience.

**Infosys culture workshop;**

These workshops help participants understand the core values, purpose, and processes followed in the context of leadership development.

**Development relationships**

One-on-one relationships in work settings that facilitates the sharing and transfer of knowledge and experience between individuals. This development model views mentoring as a developmental relationship in context of leadership development.

**Leadership skills training**

Senior management is fully involved and committed to the development of future leaders. Based on the belief that 'the company is the campus, the business is the curriculum, leaders shall teach', Leaders *Teach Series* workshops are conducted by the board of directors with help from the ILI faculty. This series includes workshops by Narayana Murthy , chairman and chief mentor , and Nandan Nilkani, the managing director and chief executive officer, and others members of the board.

**Feedback intensive programmes**

Structured behavioral interventions are made to help the participants receive and give feedback in a non- threatening environment and yield a workable plan for setting goals for continued personnel and professional development and strategies for attaining them.

**Systemic process learning**

This is an intervention that enables participants to view an organization as a whole system comprising innumerable interacting subsystems. It yields plans for continuous improvements in systemic processes and details how an individuals will initiate such improvements.

**Action Learning**

This is a team –based real time experience used to solve real, systematic, and unresolved organizational problems. it is a pragmatic process aimed at yielding a resolution to the problem or issue that has been identified , and a workable plan for setting goals for continued developments, with strategies for attaining them.

**Community empathy**

The institutes aspires to create, on a regular and structured basis, opportunities for high potential candidates to volunteers' to work on causes outside Infosys that contribute to the greater good of the less fortunate. The importance of community empathy in overall leadership development is in lined with the fundamental belief of the organisation that social consciences needs to be nurtured and enhanced in each one of its present and potential leaders.

**Leadership journey**

The Leadership journey commences with the selection high potential employees of the organisation. The top management of Infosys identifies a pool of candidates based on their past performance and an assessment of leadership potential. The formal duration of the leadership journey is 3 yrs. These identified individuals are classified as 'high potentials'

**WIPRO MODEL**

**Background**

Wipro, which was formally known as western India vegetable product, begin its operations in the yr 1946. In the late 70 's, it begin to manufactures many computers and followed attempts to make its own software. By the yr 2000, it listed itself on the New York stock exchange. Today the company has 61,000 employees, of which close to 7,000 are spread over 45 nations across the global. Close to 25 yrs after it entered IT markets, Wipro crossed one billion US $ in revenues. It took just 18 months thereafter to reach the 2 billion US $ marks. It has received several accolades, the recent one being the world's 1st company in IT services and software's to be assessed for people CMM version 2, and in 2003 being rated the No. 1 company across Asia pacific for leadership by Hewitt. In 2004, it also receives recognitions from the American Societies for Training and Developments (ASTD).

**Leadership Development**

The leadership development programme in

Wipro concentrates on development and promoting talent from within the company.

**Leadership qualities**

After extensive research into literature, understanding best practices, and checking with the thought leaders, Wipro identifies the following eight leadership qualities;

- Strategic thinking: Anticipating the future through an articulated vision.
- Customer orientation: Customer at the center of the vision.
- Aggressive Commitment: Pursuing stretched commitments with determination and focus.
- Self confidence: Belief in the abilities of self and team.
- Commitment to excellence: Commitment to surpass the best with respect to global standards.
- Working in teams: Encouraging harmony and synergy for getting multiplier effect for team.
- Building future leaders: Spending time with team; coaching and pursuing developmental needs of team.

The impact of global thinking and acting runs across all of these qualities.

Wipro has suitably modified people processes so that employee behaviors are seen as consistent with the leadership vision.

**Developing leadership talent from within**

The processes adopted for leadership development follows a life cycle pattern. There are five programs that focus on sharpening leadership skills of individual leaders.

**Entry-level programme** This is the first programme a fresh recruit goes through. Country specific cross-cultural training and the opportunities to work in different nations has made the workforce adaptable and resilient.

**New Leaders' Programme** This programme is designed for the first time manager. In the NLP, leaders are particularly trained on aspects of managing virtual teams.

**Wipro leaders' Programme** This programme is addressed to the manager or managers who still want to manage the teams directly. From here on, it is a corporation wide programme. At the WLP, leaders are sensitized on the diversity principle and mingle with leaders from all parts of the world.

**Business Leaders' Programme** This programme is for managers in waiting who need to look at businesss as a whole and understand bottom-line implications. It covers relevant elements of finance and environmental scanning.

**Strategic Leaders' Programme** This Strategic leaders' Programme (SLP) is the highest programme and is aimed at the top management. It helps the company's leaders to design and develop strategies in a global environment.

**Advanced experiential learning**

Wipro has collaborated a global learning alliance (GLA) with the learning and development divisions of large global organizations, such as, Schieider, L'Oreal, Nissan, and Alcan. Each organization sponsors approximately six senior leaders (at the level of vice presidents in Wipro) from within its multiple lines of business to represent learning and development challenge in a common forum, where facilitation is done by eminent faculty from institutions such as the London Business School and by legends such as Prof. Ikujiro Nonaka. Wipro's corporate HR development team has the custodianship for leadership development in the company. The emerging emphasis of this group has been on facilitated interventions in top management groups across the corporation. Their interventions have facilitated interactions in strategy development between clients and delivery teams, strategic business units, and top management.

**CHALLENGES**

The various challenges in leadership development are as follows:

- Fostering a climate in which a younger workforce rises to challenges of leadership faster than their predecessors, given the rate at which business opportunities present themselves across diverse business sectors in multiple geographies.
- Ensuring a more comprehensive learning to embrace the diversity of cultures and business sector models in different markets and geographies.
- Helping teams discover their purpose and follow through in performing service operations in lesser time.
- Managing the scale and speed of business growth with a sense of realism and requisite humility.
- Sharpening leadership response to changes in clients' business models for enablement of future business.

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# CARBO FOOTPRINTS: *AN ECOLOGICAL INDICATOR FOR CORPORA TE SECTOR*

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## ABSTRACT

*Carbon element has a very significant contribution in different pathway of living and non-living environment. Carbon makes so many by-products during the different cyclic pathway. these by-products have beneficial to living organisms in biosphere as well as atmosphere but when carbon emitted in the forms of carbon dioxide & methane as green house gases .which directly or indirectly effect the human welfare. Nowaday, carbon foot prints means a ratio of utilization and deposition of carbon in different forms in the environment, widely publicized across the media, the Government and in the business word. In the present study, the definitions of carbon foot print have elaborated and interrelated with carbon dioxide's storage and carbon sequestration path ways. The corporate sectors are the backbone of economy of any nation so they should know their contribution in positive and negative ways in ecological balance. The corporate sectors have being taken initiative steps to tackle carbon emissions and adopt the low carbon technology. At last, corporate sector should analyze their carbon credit and identified as an ecological indicator for the health of sustainable environment.*

## INTRODUCTION

Carbon footprint has become a widely used term and concept in the corporate sector on responsibility and minimizes actions against the threat of global climate change. It stands for a certain amount of gaseous emissions that are relevant to climate change and associated with human production or consumption activities (Wackernagel, 1996). The carbon foot print is a measure of the exclusive total amount of carbon dioxide emissions that is directly and indirectly caused by an activity or is accumulate over the life stages of a product. This includes activities of individuals populations. Governments companies. organization, processes, industrial sectors etc.

Carbon Trust (2007) described a methodology to estimate the total emission of greenhouse gases (GHG) in carbon equivalents from a product across its life cycle from the production of raw material used in its manufacture, to disposal of the finished product excluding in-use emissions. ETAP (2007) defined the 'Carbon Footprint' is a measure of the impact human activities have on the environment in terms of the amount of greenhouse gases produced, measured in tones of carbon dioxide. Lastly. Grub & Ellis (2007) elaborated the carbon footprint is a measure of the amount of carbon dioxide emitted through the combustion of fossil fuels. In the case of a business organization, it is the amount of $CO_2$ emitted either directly or indirectly as a result of its everyday operations. It also might reflect the fossil energy represented in a product or commodity reaching market.

The carbon footprint is expressed as a measurement of ecological indicator for industrial or corporate sectors, however has even more far reaching implications as it goes down to the very decision whether the carbon foot print should be a more pressure indicator expressing the amount of carbon emissions or whether it should indicate a impact, quantified in tones of $CO_2$, If the carbon impact exhibit global warming potential (climate change), may effect adversely on biological productivity and diversity in all ecosystem of the biosphere.

## CARBON TRADING AND ECONOMICAL ASPECTS

The carbon trade came about in response to the Kyoto Protocol signed in Kyoto, Japan, by some 180 countries in December 1997. The Kyoto Protocol calls for 38 industrialized countries to reduce their greenhouse gas emissions between the years 2008 to 2012 to levels that are 5.2% lower than those of 1990. The term 'Green House Effect' was first coined by J. Fourier and such effect is also known as atmospheric effect, Global warming or carbon dioxide problem. The four major green house gases, which causes adverse effects are carbon dioxide ($C0_2$), methane ($CH_4$), nitrous oxide ($N_20$) and chlorofluorocarbons (CFCs), are increasing at a rapid rate due to high level of industrialization and other domestic & anthropogenic sources. Methane has

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approached a level of 1.85 ppm from a pre industrial value of 0.7 ppm.Nitrous oxide and CFCs are increasing at the rate of 0.27% and 5.4% respectively. It is expected that the $CO_2$ effect is enormously going to be on and half time larger up to the year 2020 **(Table I &** 2). A comparative study has been conducted by a group of research scientists on the emission quantity of green house gases in developed countries in relation to India. India is least contributor for green house gases among developed countries (Fig. I ).

A market would be created to facilitate the buying and selling of the rights to emit greenhouse gases. The industrialized nations for which reducing emissions is a daunting task could buy the emission rights from another nation whose industries do not produce as much of these gases. India is considered as the largest beneficiary, claiming about 31 per cent of the total world carbon trade through the Clean Development Mechanism (COM). The multi-commodity exchange of India may soon become the third exchange in the world with a license to trade in carbon credits.

**CLEAN DEVELOPMENT MECHANISM (COM):**

Clean Development Mechanism (COM), one of the measures under the Kyoto Protocol designed to promote "clean air" energy projects in the developing world. The mechanism would allow industrialized nations to gain special "credits" for pursuing projects that would control, limit or avoid greenhouse gas emissions in less developed countries. All technology options may be required and should remain available and countries have the sovereign right to determine their own development paths and their energy decisions should not be restricted by international policy as requirements for sustainable development can only be determined at national level, where domestic needs are best understood. 78% of the rural people and 30% of the urban population of India are still dependent on fuel wood and chips as their main fuel source. The dependence on fuel wood in rural areas implies that carbon sequestration or conservation cannot be achieved in isolation without fuel wood or integrated land use management or energy substitution policies. In COM projects, if the use of common property resources is curtailed so as to ensure carbon conservation, it can have negative implications on the rural communities. Analyzing two COM projects undertaken in India. Down to Earth (2005) commented that 'sustainable development was not an important goal' to such projects. The COM Auditors put a high importance on proper 'documentation of benefits' rather than on the 'actual benefit to the environment achieved through such projects'

**CARBON SEQUESTRATION**

Carbon sequestration term defined as the uptake and storage of carbon by vegetation or oceans. The green biomass as vegetations absorbs carbon dioxide and releases oxygen during photosynthesis. Fossil fuels were at one time biomass and continue to store the carbon until burned. Following the capture process. COJ. *needs to be stored, so that it will not be emitted into the atmosphere. Several key criteria must be applied to the storage method: (a) the storage period should be prolonged. preferably hundreds to thousands of years. (b) the cost of storage, including the cost of transportation from the source to the storage site. should be minimized, (c) the risk of accidents should be eliminated. (d) the environmental Impact should be minimal, ami (e) the storage method should not violate any national or international laws and regulations. Storage media include geologic sinks the deep ocean and forest covers. The latter approaches refer to the uptake of* $CO_2$ *from the atmosphere, not including* $CO_2$ *that has been captured from emission sources. Finally. captured* $CO_2$ *can be used as a raw material by the chern ical industry. However the prospective amounts of* $CO_2$ *that can be utilized are but a very small fraction of* $CO_2$ *emissions from anthropogenic sources. In human society, each step of life has an equal and opposite carbon reaction through air conditioner, microwave, geyser, automobile, computer, music system, television, radio set. ipods, hair drayer, washing machine, refrigerators and list is long lasting and contributed to enhance the carbon in the environment (Fig. 2).*

***Table** 3 demonstrated the estimated worldwide capacities for* $CO_2$ *storage in the various mediums. Results reveal a dynamic picture of changes in land-use and carbon sequestration for India during the period 2000-50 for all the three scenarios. The carbon sequestered here through vegetation has more than doubled by the year 2050.The total carbon sequestered in all the three systems during 2000 was recorded 15.81 bt/year,* which *would be 34.63 bt/year during the year 2050 according to the model prediction.*

*This is due to the fact that the area under protected forests has been increasing with a step towards managing of forests in a sustainable manner. Stress on forests for fuelwood is also declining due to changes in existing resource use (fuelwood) by resource substitution (energy-efficient chulhas). Apart from* conservation in the domestic sector, use of improved cooking stoves plays an important role in the reduction of emissions of greenhouse gases. In

India, the share of total fuelwood consumption has declined from 30% in 1980 to 20% in 1994. Traditional energy consumption has also declined from 32 to 23% during the same period. Initial degradation of land has also shifted towards restoration and conservation, resulting in increases in the amount of carbon stored in the vegetation. Carbon trading may have its merits, debate over this type of market is inevitable, since it involves finding a compromise between profit. equality and ecological concerns.

**CARBO ECONOMY**

Levels of carbon dioxide ($C0_2$) in the atmosphere, one of the main causes of climate change, have risen by more than a third since the industrial revolution and are now rising faster than ever before. This has led to rising temperatures over the 20th century, the earth warmed up by about 0.6°C largely due to increased greenhouse gas emissions from human activities. But the worst effects can be avoided if greenhouse gases in the atmosphere are stabilized instead of being allowed to go on increasing. The UNFCCC[3] and its Kyoto Protocol demonstrate that it is possible to reach global agreement on action, but far more needs to be done.

Enhancing carbon sequestration in nature is of critical value for resolving vital issues of our times, viz., and the state of ecological paucity, natural resource management, global warming, and climate change. It is the free carbon in nature, particularly in the form of $CO_2$, that is responsible for the ill effects of our environment and that makes future of life on earth bleak and unsustainable. Increasing carbon level in the environment in essence is one of the major challenges our contemporary society faces. A comparative estimate of land-use and carbon sequestration potential of different forestry options has been done for India by the Tata Energy Research Institute, New Delhi.

**CARBON CREDIT AND CARBON TAX**

A way to account for reductions in greenhouse gas emissions that are independently verified urgently required for each nations. The carbon credit registry can be extended to include all' greenhouse gasses by converting to a single unit of Metric Tons of Carbon Equivalent (MTCE) that allows comparison of different gasses. This allows entities to take credit for reductions against possible future greenhouse gas emissions regulations. It is possible to cap emissions indirectly using a tax as opposed to doing so directly by emissions trading. Under certain theoretical assumptions and for a given emissions reduction, the revenue raised from a tax should be equivalent to that raised by an auction, and hence lump-sum recycling of carbon tax can be regarded the theoretical equivalent of the Sky Trust proposal. The Swiss Federal Law on the reduction of CO emissions (“CO Law”) passed in 1999 makes provision for the implementation of a carbon tax under which revenue is recycled on a lump-sum basis. The CO Law is being implemented in a two-stage process. Only if voluntary and other CO-related measures turn out to be insufficient to achieve the reduction targets will a CO 2 tax be introduced (SAEFL, 2005a). Article 10 of the CO Law states that, if the tax is introduced 10(2) the tax revenue shall be redistributed to the general population and the business community in proportion to their regular payments and article 10(3) described the proportion returned to the general population shall be distributed uniformly to all natural persons. The Federal Council shall regulate the distribution procedure. It may commission the cantons, public corporations or private individuals to carry out the distribution for appropriate remuneration (SAEFL, 2005b).

**LOW CARBON TECHNOLOGICAL INNOVATION**

A cornerstone of sustainability is the development of clean, zero and low-emitting technologies. Panel members identified the need for R&D support in areas ranging from fuel cells to ethanol from biomass, bio-fuels, and biomass gasification. The Province needs to work with research institutions, industry, and the federal government on strategies and fund-ing mechanisms for encouraging innovation. Developed countries should consider setting an aggressive R&D target and adopting a technological approach similar to the Finnish sector clusters, in which a government-enabled and industry-led R&D program is carried out as a cooperative effort among government, industry, academic, and service organizations. The cluster model could be sector-based (e.g. forestry, energy) or broadened to include all sustainability technologies. Energy efficiency, capital stock replacement, and recycling. For most sectors, energy efficiency improvement is expected to remain a key source of emission reductions for the future. Likewise, the replacement of old, inefficient buildings and equipment with less GHG-intensive stock is an important long-term reduction strategy.

Energy performance standards for appliances, equipment, and buildings are a key measure for securing GHG reductions as capital is replaced. Incentives such as tax credits, accelerated depreciation. and Power Smart assistance are also needed across sectors to encourage efficient energy use and capital stock turnover, as are other incentives to promote recycling. Education on cl imate change, G HG reduction. and sustainability can have a role in influencing behavior. The Panel has identified policy actions ranging from truck driver training programs to innovative tools for involving the public in sustainability decisions. The Province should work with the universities, NGOs, the federal government, and others to develop a long-term initiative for public education and involvement in sustainable development. In contrast to fossil fuelled power generation, the common feature of renewable and nuclear energy systems is that em issions of greenhouse gases and other atmospheric pollutants are 'indirect', that is, they arise from stages of the life cycle other than power generation such as Biomass, Photovoltaic (PV), Wave and tidal, Hydropower and wind etc.

**INITIATIVE TACKLING THE CORPORATE CARBON DIVERS**

On the basis that corporate sector can only manage and measure. organizations have recently turned their attention to assessing. reporting and reducing their corporate carbon footprint. Many are also looking at the footprint of their key products and services throughout their entire life-cycle. Due to the profile that carbon footprints are assuming, they need to stand up to external scrutiny as following some basic initiative points:

- Demonstrating to stakeholders a commitment to cut carbon emissions.
- Dri ving down energy consumption as a means of reducing carbon emissions.
- Using these activities to minimize production costs and the effect of energy price volatility .
- Making increased use of waste minimization techniques to reduce carbon impacts.
- Making new carbon-based legislation work for you wherever possible.
- Strengthening your brand and reputation by becoming a low carbon business.

**REGULATION AND PLANNING**

The corporate sectors should be taken initiative steps to tackle carbon emissions and adopt the low carbon technology on the basis offollowing guide lines.

- Substantially disallow or eliminate new green field development to control urban sprawl.
- Eliminate large-scale single use zoning (move to more efficient, multi-use land development).
- Establish pre-servicing guidelines for industrial areas based on principles of ceo-efficiency.
- Promote/require incorporation of building solar energy devices.
- Encourage local governments to develop urban forestry plans to increase carbon sequestration capacity.
- Require regional servicing plans and municipal development regulations to comply with GHG reduction targets in OCPs by 2012.
- Encourage local governments to prepare and implement community energy plans that deliver greenhouse gas reductions.
- Remove regulatory barriers to co-location of uses, a key prerequisite for waste heat exchange and shared energy systems.

In Indian context, the government has cleared more than 1000 projects for carbon trading, the highest in the world and check the growth of its green house gas emissions more than 5 million tones of carbon dioxide will be avoided by 2012. Under the convention, rich countries are expended to reduce the green house gas emission by a fixed percentage. The treaty allows rich counties to instead fund green transitions in developing countries and claim credit of the reduced emissions. India has demanded rich countries take on more ambitious targets and thus world benefit India by way of funds to go green will also helping developed nations meet their 'clean' commitment. At last, In Indian corporate sector should analyze their carbon credit and identified as an ecological indicator for the health of sustainable industrial and domestic environment.

Table-1: Effects of Green House Gases in Global Warming (2000)

| Green House Gas | Capacity to produce warming in 100 years | Present Concentration (ppm V) | Annual Increase % |
|---|---|---|---|
| Carbon-di-oxide | 1 | 353 | 0.5 |
| Methane | 21 | 1.72 | 0.9 |
| Nitrous oxide | 290 | 0.31 | 0.25 |
| CFC-11 | 3500 | 0.000281 | 4 |
| CFC-12 | 7300 | 0.000484 | 4 |

Table-2: Green House Gases and their emissions

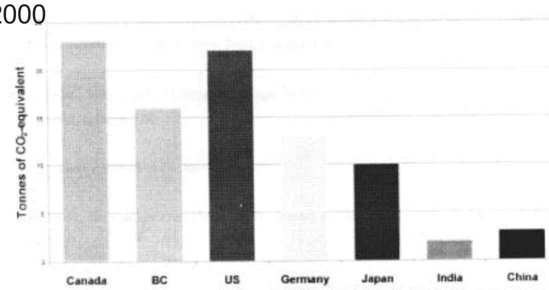
| | |
|---|---|
| GHG (CO2 equivalent) 1994 | 1,228,540 Giga gram per year (Gg) |
| Per Capita GHG (1994) | 1.3 tones |
| Main Constituent of GHG (1994) | CO2 (65%), CH4 (31%), N2O(4%) |
| Main Contributors of GHG | Energy Sector 61%, Agriculture 28%, Industrial Process 8%, Waste 2%, Land use and Land use change and Forestry (LULUCF) 1% |

Source : MoEF, (june 2004), India's Initial National Commitments to the United Nations framework convention on climate change, Govt. of India.

Table-3: The world wide capacity of potential CO2 Storage Reservoirs

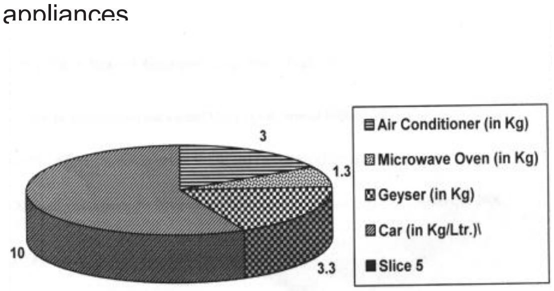
| Sequestration option | world wide capacity (GtC) |
|---|---|
| Ocean | 1000-10,000+ |
| Deep saline formations | 100-10,000 |
| Coal seams | 100-1000 |
| Terrestrial | 10-100 |
| Utilization | currently <0.1 Gtc/year |

Figure 1: Greenhouse Gas Emissions Per Captia, 2000




Source : To put this sink estimate in perspective BC's total GHG emissions were 65.5 MT 1*n 2000. The data are taken from Environment Canada (2002)

Figure 2: Carbon dioxide emission from domestic appliances




Source : The Times of India, August 15 (2008).

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