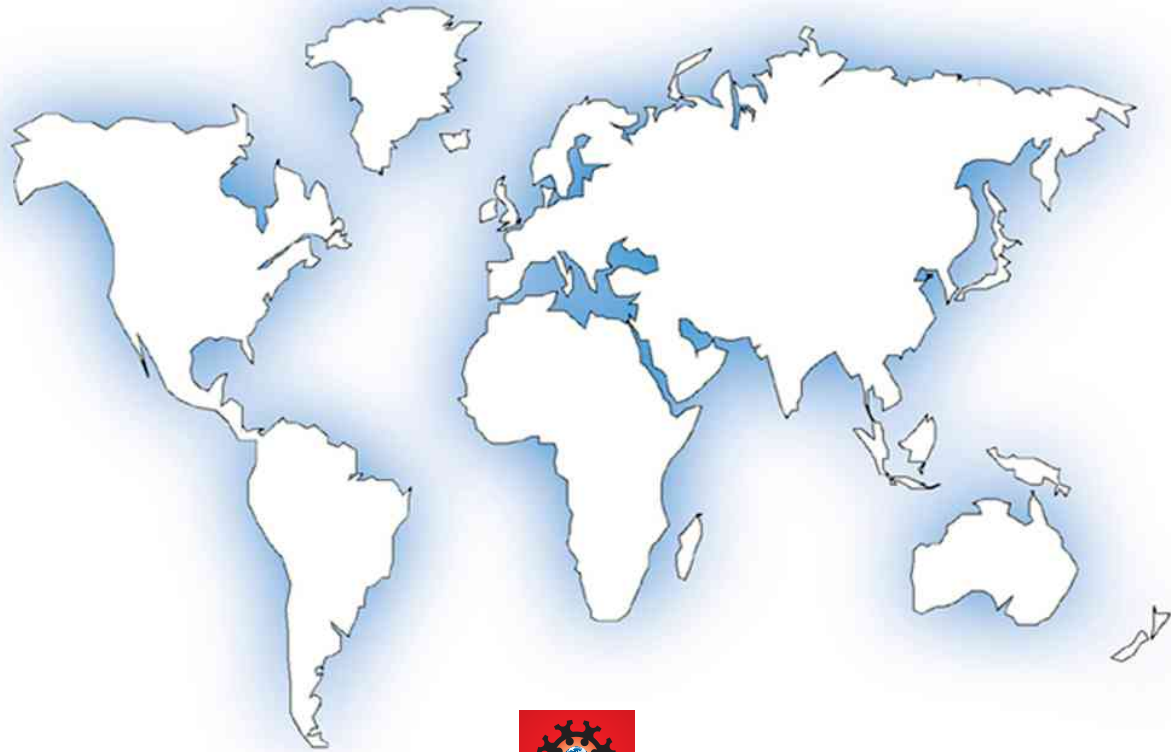




*“ If everyone is moving forward together,
then success takes care of itself ”*

- Henry Ford



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Factors Influencing Online Shopping Behaviour: A Study of Indian and Australian Customers

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ABSTRACT

Purpose: The increase of e-commerce transactions and online shopping has become a global trend. The development of the internet has accelerated this trend. Recent reports show that a majority of consumers now use the Internet to transact goods and services on a regular basis (Achille, 2008). While this rise in online purchasing worldwide is apparent, the research that investigates online consumer's behavior has not yet developed much. The global expansion of online purchases requires a more systematic understanding of the aspects of online and offline consumer behavior. Further, in the global settings, it becomes far more important to recognize the cross cultural aspects of online consumer behaviour.

Design: The present study titled — “*Factors Influencing Online Shopping Behaviour: A Study of Indian and Australian Customers*” aims to determine various factors that are most significant to in impacting the buyer's attitude towards online shopping. The cross culture aspect of this study aims to find out whether there is any difference between the attitude of Indian and Australian types of consumers with regard to online purchasing. The study consists of a survey conducted on 206 respondents to which a structured questionnaire was administered.

Findings: A significant difference was found in the attitude of Indian and Australian respondents towards online shopping. Where Australian buyers laid more emphasis to Customer service, Indian buyers were more concerned towards website security.

Key words: *E-Commerce, Consumer behaviour, online retailing, Cross–Culture*

INTRODUCTION

Online shopping is the process when products or services are purchased over the internet. According to UCLA Centre for Communication Policy (2001), online shopping has become the third most popular Internet activity, immediately following e-mail using, instant messaging and web browsing. The incredible growth of Internet shows that there exists a huge market where e-commerce can play an important role. . E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially in coming years.

To make e-commerce activities become more prominent companies need to understand various factors that drive consumers go online. Moreover, it is relevant to study about how these factors lead to attitude formation on each individual and in turn lead to affect online shopping intention. This paper attempts to find out various factors that influence online shopping behavior of Indian and Australian customers. Indian and Australia being two distinct countries in terms of macro-economic characteristics as well as cultures it was expected that the buying behavior of customers of these two countries would be different.

Online Shopping in India and Australia

According to the **Associated Chambers of Commerce and Industry of India (ASSOCHAM) 2011**, the online retail industry in India is likely to be worth Rs 7,000-crore by 2015 due to easy availability of broadband services and increasing internet penetration, according to industry body ASSOCHAM. India is set to become the third largest nation of internet users in the next two years with a large chunk of youngsters eager to adopt new technologies with rapidly changing lifestyles. According to **Asia Pacific digital marketing yearbook 2009**, E-commerce has now become a prevalent activity amongst Australian online users - 80% of them now shop online. When Australians shop online 37% of them choose online payment system PayPal rather than Visa (22%) as their preferred payment method. When it comes to the online retailer who attracts the most Australian shoppers, there is one "clear market leader" - eBay, with 56% of online shoppers having bought something from the site. India currently has 28.1 million online shoppers in its country, which is forecast to

mushroom to 203.1 million people in the coming year.

Review of Literature

Shergill and Chen (2005) examined the consumer attitude towards online shopping in New Zealand and found that website design, website security/privacy, customer service and website reliability/fulfilment are the four dominant factors which influence consumer perceptions of online purchasing. **Narges Delafrooz, Laily H. Paim, Sharifah Azizah Haron, Samsinar M. Sidin and Ali Khatibi (2009)** examined the significance of attitude of 370 post graduate students toward online shopping and found that utilitarian orientations, convenience, price and wider selection influenced consumers' attitudes towards online shopping. **Shih (2004)** developed a model to predict consumer acceptance of e-shopping based on the theory of reasoned action and the technology acceptance model. They used data collected from 212 questionnaires and showed that individual attitudes toward e-shopping are strongly and positively correlated with user acceptance. Perceived ease of use and perceived usefulness significantly determine individual attitudes toward e-shopping. A research conducted by **Ma Mengli** explores the factors that affect consumers' attitude towards online shopping and online shopping intention in Bangkok. The researcher found that there are three factors for explaining attitude towards online shopping, which are perceived ease of use, perceived usefulness and trust; and there is no difference in consumers' attitude towards online shopping based on gender, age and education level; however, there is a relationship between attitude toward online shopping and online shopping intention. **John B. Horrigan (2008)** studied internet users' attitudes about online shopping are not entirely consistent. They are willing to shop online because it is convenient and a time-saver, but they also do not like sending personal or credit card information over the internet. The analysis suggests that if concerns about the safety of the online shopping environment were eased and if shoppers felt that online shopping saved them time and was convenient, the number of online shoppers would be higher. **Vellido et al. (2000)** conducted a research and in their research nine factors associated with users' perception of online shopping were extracted. Among those factors the risk perception of users was demonstrated to be the main discriminator between people buying online and people not buying online. Other discriminating factors were; control over, and convenience of, the shopping process, affordability of merchandise, customer service and ease of use of the shopping site.

Need of the study

This paper attempts to know the significant difference between the attitude of Indian and Australian customers towards online shopping and major factors affecting the customer's attitudes. Several scholars have shown growing similarities and differences in cross-national customer demand preferences and shopping behaviour. However, very few researches have been conducted to know the difference with regard to online shopping behaviour. In this light this study attempts to serve following objectives:

1. To study the attitude of Indian and Australian consumers towards online shopping.
2. To explore the factors that affect Indian and Australian consumers' attitude towards online shopping.
3. To study the impact of demographic variables on the attitude of Indians and Australians towards online shopping.

RESEARCH METHODOLOGY

This study basically covers Indian and Australian consumers and a sample size of 206 respondents is studied which contains 104 respondents from Australia and 102 respondents from India. The Study population consisted of individuals who had made at least one on-line purchase for any product of service recently i.e. within 6 months. A 19 item scale was constructed based on previous relevant studies comprising of all major factors.

Impact of demographic variables on Indian attitude towards online shopping:

Age: In Australia it was found that the respondents of age group of below 18 and 18 to 24 years are least frequent in online shopping, while respondents in the age group of 25 to 29 years and 30 to 39 years are most frequent in online shopping, Indian respondents showed similar results.

Gender and Frequency of online shopping: No significant difference was found between the attitudes of Indian as well as Australian respondents on the basis of their gender. Both male and female illustrated similar outlook towards online shopping.

Education and frequency of online shopping: In Australia, findings show that the rise in education level directly impacts the attitude of respondents towards online shopping. However there does not exist any significant difference in the attitude of Indian respondents towards online shopping on the basis of their education qualification.

Occupation and frequency of online shopping: There exists a significant difference in the attitude of Australian customers towards online shopping on the basis of their occupation. Only students have less mean value than the overall mean for the frequency of online shopping. Teachers and self employed have the highest mean for the frequency of online shopping. In

India, there exists a significant difference in the attitude of Indian customers towards online shopping on the basis of their occupation and sales people and self employed have the highest mean for the frequency of online shopping.

Reasons for online shopping given by Australian and Indian respondents:

Australian buyers show that the most important reason for online shopping is convenience (87.5%) followed by time saving (73.07%), competitive prices (58.65%) and others. The least important reason for online shopping given by Australian respondents is Figure 1: Reasons for online shopping.family/friends' influence (7.69%) and security of payment (8.65%)

Figure 1: Reasons for online shopping

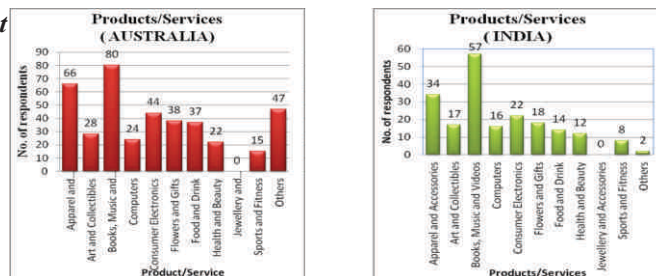


For Indian respondents the most important reason for online shopping is time saving (53.92%) followed by convenience (38.23%), update of information (31.37%) and others. The least important reason for online shopping given by Indian respondents is other (1%) and security of payment (6.86%). This shows the difference in the attitude of Indian and Australian buyers towards online shopping. Australian buyers prefer online shopping mainly because of convenience, while Indian respondents prefer online shopping because of time saving.

Products services bought by respondents:

By comparing the responses of the respondents of both countries, it was found that in terms of buying products and services the attitude of Australian and Indian respondents is more or less same. Australians mainly buy Books, Music and videos through online shopping (76.92%) followed by apparels (63.46%), others (45.19%), consumer electronics (42.3%) etc.

Figure 2: Products/Services bought



Indians also reported maximum purchase of Books, Music and videos through online shopping

(55.88%) followed by apparels (33.33%), consumer electronics (21.57%), flowers and gifts (17.64%) and other.

Frequency of online shopping:

The responses reveal that most of the Australian buyers do online shopping monthly (34%) and they can be categorized as occasional online buyers, followed by weekly (31%) categorized as frequent online buyers, daily (18%) categorized as regular online buyers and least of them do online shopping yearly (17%) and can be categorized as trial online buyers.

Figure 3: Frequency of online shopping



The responses reveal that most of the Indian buyers do online shopping monthly (40%) and they can be categorized as occasional online buyers, followed by Yearly (32%) categorized as trial online buyers, weekly (21%) categorized as frequent online buyers and least of them do online shopping daily (7%) categorized as regular online buyers. This shows that there is vast difference between the attitude of Indian and Australian online buyers when it comes to the frequency of online shopping.

Above results emphasize that there is a difference in the attitude of Indian and Australian respondents towards online shopping. The Australians are more frequent in online shopping as compared with Indians. Further, the main reason given by Australian respondents for online shopping is convenience, while for Indians the main reason for online shopping is time saving. However, the preference for products and services of both types of respondents is nearly same.

Factor affecting online shopping:

The study includes nineteen (19) variables to understand the importance of the various factors which could have an impact on customer's attitude towards online shopping. The factor analysis in this study is separately conducted for Australian and Indian customers to know the difference in the factors impacting their respective attitudes.

Reliability Coefficient:

Internal reliability of the scale was assessed using Cronbach's alpha. Results showed that alpha

value was 0.918 which is quiet satisfactory.

Factor Analysis:

Exploratory factor analysis was conducted for 19 items of the scale using Principal Component Analysis Method. Varimax Rotation method was adopted with Kaiser Normalization.

Table 1: Factors influencing Australian Customers:

Factors	Factor Loadings
1) Web Reliability:	
1. The website provides in-depth information	.847
2. The level of personalization at this site is about right	.631
3. It is quick and easy to complete a transaction at this website	.726
4. This website has good selection of products	.645
5. The product delivered was represented accurately	.606
6. I feel that my privacy is protected at this site	.583
2) Web Design:	
1. The site doesn't waste my time	.563
2. The site has competitive prices	.579
3. This website understands my needs	.479
4. I feel comfortable in surfing this site	.624
5. I feel surfing this site is a good way to spend time	.823
3) Customer Service:	
1. You get what you ordered from this website	.550
2. The product is delivered within promised time	.738
3. I feel safe in my transactions with this website	.601
4. This website has adequate security features	.576
5. The company is willing and ready to respond to customer needs	.701
6. The website shows a sincere interest in solving my problems	.776
7. Inquiries are answered promptly	.728
8. In case of non-delivery of goods, website guarantees refund of money.	.832

In case of Australian consumers, it extracted three factors having Eigen value more than 1 which explained 66.274% of the total variance. And in case of Indian customers first five factors had Eigen value more than 1, therefore only first five factors are retained. The cumulative percentage of rotation Sums of Squared Loadings of first five factors is 62.850 %,

Table 2: Factors influencing Indian Customers:

Factors	Factor Loadings
1) Easy Access:	
1. The level of personalization at this site is about right	.560
2. This website understands my needs	.786
3. I feel comfortable in surfing this site	.756
4. Inquiries are answered promptly	.657
2) Website comfort and reliability:	
1. This website has good selection of products	.592
2. The product delivered was represented accurately	.609
3. I feel comfortable in surfing this site	.409
4. I feel surfing this site is a good way to spend time	.672
5. You get what you ordered from this website	.719
3) Customer Service:	
1. The website provides in-depth information	.519
2. It is quick and easy to complete a transaction at this website	.472
3. The company is willing and ready to respond to customer needs	.658
4. The website shows a sincere interest in solving my problems	.711
5. In case of non-delivery of goods, website guarantees refund of money.	.732

4) Website security /Safety:	
1. I feel that my privacy is protected at this site	.769
2. The site doesn't waste my time	.492
3. I feel safe in my transactions with this website	.773
5) Website Promptness:	
1. The product is delivered within promised time	.592
2. Inquiries are answered promptly	.787

Overall mean score and above findings show that in case of Australian buyers website reliability factor was most important and they were most satisfied with this factor. Website design was second and customer services factor were other two factors that were found to influence Australian buyers.

In case of Indian buyers 5 major factors were found to influence their behaviour towards online shopping viz. Easy Access, Website comfort, customer service, website security and website promptness.

On the basis of above analysis, we can say that there exists a difference in the attitude of Indian and Australian buyers towards online shopping. The Australian buyers have three main factors: website design, website reliability and website customer service, affecting their attitude towards online shopping, while there are five factors: website Ease of Access, website comfort/reliability, website customer service, website security/safety and website promptness affecting the attitude of Indian respondents towards online shopping. Further, Australian buyers are overall satisfied with the performance of the websites, while Indian buyers are neutral about the overall performance of the websites.

FINDINGS & RECOMMENDATIONS

The main reason given by Australian respondents for online shopping is convenience (87.5%), while the main reason for online shopping given by Indian respondents is time saving (54%). The attitude of Australian and Indian buyers does not differ when it comes to products/services they buy through online shopping. Respondents from both countries have shown the buying preferences in the same order i.e. books, music and videos followed by other products like apparels, consumer electronics, flowers and gifts etc. The frequency of online shopping also differs among Australian and Indian buyers. Indian buyers are somewhat slow when it comes to the online shopping as compared to the Australian buyers. Australian buyers were found to be

more frequently shop online as compared to the Indian buyers. The Australian buyers have three main factors: website design, website reliability and website customer service, affecting their attitude towards online shopping, whereas there are five factors: website Ease of Access, website comfort/reliability, website customer service, website security/safety and website promptness affecting the attitude of Indian respondents towards online shopping. It shows that there are only two factors: website customer service and website reliability which are same in case of both types of respondents, while other factors affecting their attitude towards online shopping are different.

In nutshell, the findings of this study suggest that while the overall behavioural mechanism that guides choices are similar across countries, there is difference in relative importance of factors determining consumer's intention to adopt online purchasing. The results obtained from this study can provide valuable information to the various players in the E-Commerce industry regarding various factors impacting the attitude of Indian and Australian respondents and marketers about consumer's attitude towards online shopping. The results of this study can further help the existing and new players in the E-Commerce industry to focus on specific factors affecting the buyers' buying behaviour. Finally these results also hold a number of interesting implications for practitioners with online retail operations serving these two countries.

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Systematic approach to Value Engineering and Cost Reduction : A case study on Indian Automobile Industries

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ABSTRACT

The main purpose of this paper is to study the systematic approach to value engineering and cost reduction techniques applicable in Indian automobile industries. It is said that value engineering is a good means to an end and not an end in itself. It is the responsibility of the management to realize that value engineering is a powerful tool for furthering the goals of the organisation by reducing the cost, increasing the value and increasing the productivity. It requires the cooperation from all the functional departments in an enterprise. It is mainly applicable to the military equipments, import substitutes, machine tool industry, auto industries etc. It is a creative approach which emphasizes efficient identification of unnecessary costs. The findings of the study are based on the various cost efforts of a business to monitor, evaluate and reduce expenditures.

Key words: Engineering, automobile, productivity, functional, military, monitor, realize.

INTRODUCTION

'If you always do what you've done, you'll always get what you always got.'

Karl Albrecht

Value engineering is an effective cost reduction technique developed by Lawrence D. Miles, a Purchase Engineer of The General Electric Company (G.E.C.) of U.S.A. in the year 1947. It is a management technique that seeks the best functional balance between the cost, reliability and performance of a product, project and process. Value engineering consists of value discovery, value realization and value optimization. It involves an efficient method whereby the value of any product or service is improved by a significant extent by means of assessment of the

particular function. It can be altered by either reducing the cost or improving the function. There are two types of services in value engineering i.e., product development services and cost optimization solutions.

LITERATURE REVIEW

The main objective of every business is to maximise profits. It doesn't matter what business it is, i.e., retail, wholesale, manufacturing etc., but businesses make money by selling goods and/or services. Businesses that don't make any profit don't stay in the business for a long time. It is also said that profit is the driving force of a business and it is the difference between the income (revenue) and expenses (cost). Businessmen should not consider business as 'money making machine'; rather they should consider it as their contribution to the society.

10 Most Popular Automobile Companies in India

The automobile, as we know it was not discovered in a single day or by any sole inventor. The history of automobile itself speaks about the evolution that it brought into the world along itself. The histories of the automobile replicate an evolution that took place around the globe.

1. **Tata Motors:** Tata Motors is an Indian multinational automobile manufacturing company headquartered in Mumbai, Maharashtra. Tata Group is the mother company of Tata Motors which concentrates in manufacturing cars, trucks, vans, coaches, buses as well as military vehicles out of which the popular brands are Nano, Indigo, Starbus and Sumo etc. Over the years, Tata motors have acquired many of the automotive firms like Jaguar Land rover and Daewoo. In 2012, Tata Motors announced it will invest around \$6 billion on developing Futuristic Infantry Combat Vehicles in collaboration with DRDO.
2. **Maruti Suzuki India:** Maruti Suzuki India, popularly recognized as Maruti, is an auxiliary company of Japanese auto company Suzuki Motor Corporation. A complete range of car models are manufactured by Maruti starting from initial level Maruti 800, Maruti Esteem and Alto, to hatchback Ritz, A-Start, Maruti Omni, Multi Purpose vehicle Ertiga and Sports Utility vehicle Grand Vitara and many more. By 2012 market share reports, Maruti holds 37 percent of the Indian passenger car market. The Branch Trust Report published by Trust Research Advisory has ranked Maruti Suzuki in the seventh position in 2011 and the sixth

position in 2012 among the most searched brands in India.

3. **Nissan:** Nissan Motor India Private Limited is the Indian subsidiary of Nissan Motor Company of Japan. It started operating in India in the year 2005, head-quartered at Chennai. Nissan sells both locally manufactured and imported cars in India. Nissan Micra which is manufactured locally has been gaining market share at a good rate with a market share of 1.5%. Nissan stands at rank ten.
4. **Volkswagen:** Volkswagen India is a subsidiary of Volkswagen private limited which started operating in India in the year 2007. It has been registering huge growth rates and has a market share of 2.5 percent taking it to 9th rank in the Indian car market.
5. **Honda:** Honda started operating in India in the year 1995. Initially it was a Joint Venture between Honda Motor Company and Usha International of Siddharth Shriram Group. Headquartered at Greater Noida, Honda stands at 8th rank in Indian car market with a market share of about 2%. It operates mostly in Sedan segment with Honda City as one of its best selling cars.
6. **Ford:** Ford India is a wholly owned subsidiary of Ford motor company. Headquartered at Chengalpattu, Chennai, Tamil Nadu. It started operating in year 1996 with a market share of about 3.3% it stands at 7th rank in Indian car market.
7. **GM:** General Motors in India is a 50:50 partnership between General Motors and SIAC. It started operating in India in the year 1996. Initially it used to sell cars under brand OPEL which was discontinued and now it sells cars under Chevrolet, with a market share of 3.5% it stands at 6th position.
8. **Toyota:** Headquartered at Bangalore, Toyota in India works as Toyota Kirloskar Motor Private Limited is joint venture between Toyota Motor Corporation and the Kirloskar Group. The group has good presence in utility vehicles and compact cars with a market share of 6.7% Toyota stands at 5th position.

9. **Mahindra & Mahindra:** Always being known of its tractors and farm equipment M&M has made huge leaps in the Indian car market. This started happening with the launch of its iconic brand 'Scorpio'. M&M utility vehicle segment grew by almost 60% in past couple of years taking it to 4th rank with a total market share of 11.4%.

10. **Tata Motors:** It is one of the oldest car makers in India. It was founded in the year 1945. Headquartered at Mumbai with at headcount of about 6,000 people. Tata Motors stands at 3rd rank with a share of 13.3%.

These ten companies are analysed in terms of their market position as well as financial situation including the management strategy. Appropriate statistics have been incorporated into the analysis to compare the result about the market share, return on sales, net revenues etc.

Systematic approach of Value engineering:

i) Project selection phase: It is the most important step which identifies the application of value engineering techniques, when the cost of the product are not justified with the value, then attention is diverted towards the product. This analysis can be applicable to those industrial units where excessive complaint from the customers, wastage of materials and excessive timing of maintenance are regular features.

ii) Information phase: Relevant information is collected in connection with the product cost, procurement and manufacturing methods, etc. An industrial buyer is competent to earn profit which is purely based on information, analytical capacity and negotiating ability. Information includes what, where, when, how and why.

iii) Functional phase: This includes identifying the functions by putting the simple questions: 'What does it do?' and later, 'What else can it do?' It tries to find out the alternative ways to perform the function without sacrificing the value of the customer.

iv) Evaluation phase: This phase includes two things for analysis i.e., firstly the idea which was generated is elaborated and scanned and secondly it finds out the solution which will give maximum worth at minimum cost.

v) Recommendations and implementations: After going through the factors and figures, necessary recommendations are made in order to formulate the scheme.

Advantages:

- i) Constant search leads to a better all round efficiency.
- ii) Cost reduction is not based upon the expense of quality.
- iii) Easy to repair or replace any part of the product.
- iv) It reduces production costs.
- v) Measurement of efficiency based upon the saving in cost.
- vi) Production based on customers' requirements with lowest possible cost.

Thumb-rules of profitability

There are four main objectives of profitability. **They are:**

- i) **Keep sales high:** Decreasing selling price of the product and increase sales turnover.
- ii) **Keep cost low:** Reducing the cost of production for a given output.
- iii) **Keep customer high:** Increasing the demand of the product by sales promotion.
- iv) **Keep reputation high:** Increasing the selling price of the product.

From the above alternatives, it is clear that, profit can be increased by following any one of the above alternatives. To sustain in the business line, a business has to focus on three aspects i.e.,

- i) Cost control,
- ii) Cost reduction, and
- iii) Cost estimation.

The details of the above are mentioned below:

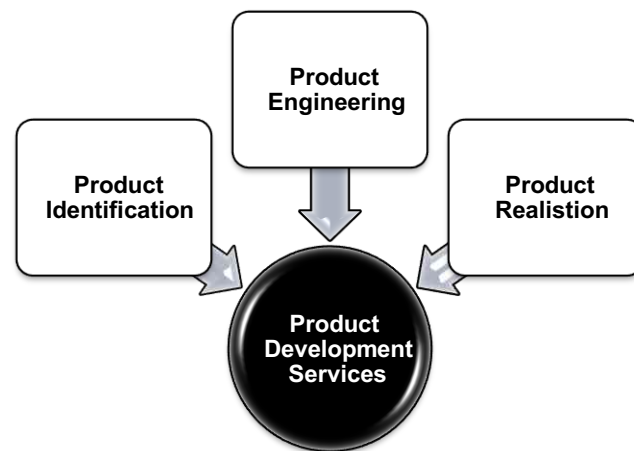
a) Cost control: Cost control is the process of controlling the cost of a product or service within a predetermined sum throughout its various stages from inception to completion. The various benefits of cost controls are (i) It helps the firm to improve its profitability and competitiveness; (ii) It helps the firm to reduce the cost and thus reduce its prices.

b) Cost reduction: Cost reduction may be defined as the achievement of conducting some innovations in the way of working in a new style, so that the excess costs of production and operation could be eliminated. Cost reduction should not be confused with the cost savings or cost control. Cost savings is a temporary affair and may be at the cost of quality, but cost control

is a preventive function and acts within the framework of some target or standard.

c) Cost estimation: Cost estimation is a well-formulated prediction of the probable construction cost of a specific project. It is a tool for determining required funding and to gauge the needs of a project. According to Aristotle, *'It is the mark of an instructed mind to rest satisfied with the degree of precision which the nature of the subject admits and not to seek exactness when only an approximation of the truth is possible.'* For any cost-estimating exercise the achievable level of accuracy will be dependent on the level of understanding of the problem, the completeness and the correctness of the information relating to the cost-driving parameters, and the quality of the cost model itself.

The various product development services and cost optimization solutions are mentioned below:



i) PRODUCT DEVELOPMENT SERVICES:

a) Product definition

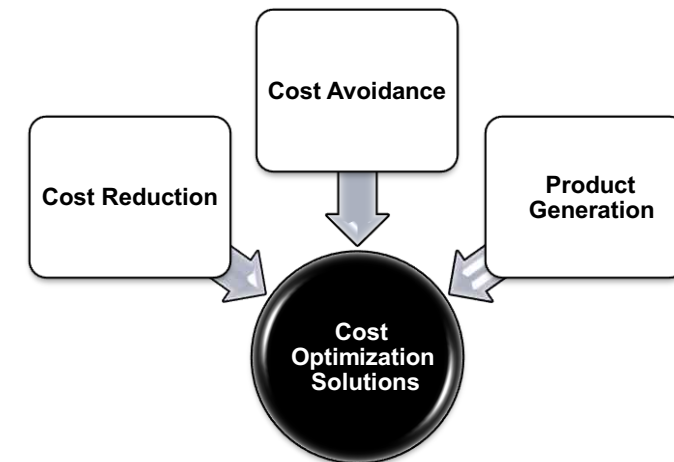
- ◆ Product architecture
- ◆ Cost and performance analysis
- ◆ Competitive bench marking

b) Product Engineering

- ◆ Current product engineering
- ◆ Continuous product improvements

c) Product realisation

- ◆ Product test planning



ii) COST OPTIMIZATION SOLUTIONS:

a) Cost reduction

- ◆ Direct material cost reduction
- ◆ Re-engineering / re-design
- ◆ Product test strategy
- ◆ Economy of scale
- ◆ Standardization

b) Cost avoidance

- ◆ Field support cost optimization
- ◆ Field performance enhancements
- ◆ Proactive product enhancements

c) Product generation

- ◆ Cycle optimization

Major developments in Automobile Industries

Following are the various developments of automobile industries in India.

1. Nissan Motor India Private Limited is expecting to sell over 60 per cent more units this

year on the back of the launch of its upgraded small car-Nissan Micra.

2. Daimler India Commercial Vehicles (DICV) exported its first lot of 64 Fuso trucks manufactured at its Oragadam plant in Chennai.
3. Mahindra USA, a subsidiary of Mahindra and Mahindra (M&M) will set up an assembly and distribution centre, expanding one of the four tractor facilities in North America, by January 2014.
4. The Japan-based automobile manufacturer Isuzu Motors local subsidiary Isuzu Motors India has entered into an agreement with Hindustan Motors (HM) for contract manufacturing of Isuzu SUVs and pickup trucks.
5. A year after introducing the popular 'MINI' range of cars in India, luxury car maker BMW has started local production of 'MINI Countryman' at its facility in Chennai.
6. New Holland Fiat India plans to invest 1,100 (US\$ 184.56 million) to set up a new Greenfield plant in Maharashtra and also to increase its tractor manufacturing capacity by 50 per cent in the next three years.
7. Hero MotoCorp has bought a 49.2 per cent stake in its US-based technology partner Erik Buell Racing (EBR) for US\$ 25 million. This is Hero MotoCorp's first-ever equity purchase in an overseas company. Also Hero MotoCorp has entered into the African continent with launch of its brand and products in Kenya, where it has also set up an assembly unit. The company has also partnered with Ryce East Africa to sell its two-wheelers in the country.
8. Daimler is developing its Indian commercial vehicle operations as an export hub. Daimler India Commercial Vehicles (DICV) will export locally assembled trucks from the conglomerate's Mitsubishi Fuso range in 15 markets in Asia and Africa.

METHODOLOGY

The automobile industry in India happens to be the ninth largest in the world. India has emerged as the fourth largest exporter of automobiles and several Indian automobile manufacturers have spread their operations globally as well. The study is based on the secondary data. The data were collected from the published annual reports of the selected companies from respective websites and journals.

FINDINGS

Indian automobile industries produced 1.74 million vehicles in May 2013. The export of passenger vehicles and three-wheelers grew by 7.34 percent and 26.53 percent respectively during the April-May 2013 as per the data released by Society of Indian Automobile Manufacturers (SIAM). Passenger car sales stood at 1.89 million units in 2012-13. Additionally, share of luxury cars to the total passenger car market of India is expected to increase to four per cent by 2020. The total number of passenger cars in India is likely to touch around 8 million units by 2020, as per Mr. Boris Fitz, Director, Sales and Network Development, Mercedes-Benz India. The production of passenger vehicles in India was recorded at 3.23 million in 2012-13 and is expected to grow at a Compound Annual Growth Rate (CAGR) of 13 percent during 2012-2021, as per data published by Automotive Component Manufacturers Association of India (ACMA). Furthermore, the amount of cumulative FDI inflow into the Indian automobile industry during April 2000 to April 2013 was worth US\$ 8.32 million, amounting to 4 percent of the total FDI inflows (in terms of US\$), as per data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce.

DISCUSSION

Cost control or cost reduction refers to the efforts of a business to monitor, evaluate and reduce expenditures. Cost control is often used for the rough and rapid sizing of an activity in terms of cost. According to Karl Albrecht, 'If you always do what you've done, you'll always get what you always got.' Following are the various tools and techniques of cost control and reductions.

1. Automation:

It refers to the phenomenon where a job is performed without the help of any human interference. The word automation refers to a method of using a wide range of computer- and machine-aided tasks to help improve productivity and create easier ways to do business. Automation is often applied primarily to increase quality in the manufacturing process and is a key to cost control and reduction.

2. Budgetary Control:

It is a technique of managerial control through budgets. It is designed to assist management in the allocation of various responsibilities. A budget may be defined as a comprehensive and coordinated plan of action quantified in monetary terms and prepared and approved

prior to a defined period of time. It shows income, expenditure and capital to be employed to attain the objective. According to **Rowland and William**, *'Budgets are the individual objectives of a department, etc, whereas budgeting may be said to be the act of building budgets. Budgetary control embraces all this and in addition includes the science of planning the budgets themselves and the utilization of such budgets to effect on overall management tool for the business planning and control.'*

3. Cost Benefit Analysis

It is a technique used for assessing the monetary social cost benefit of a capital investment project over a given period of time. The cost benefit analysis finds, quantifies and adds all the positives factors i.e., benefits. Later, it identifies quantities and subtracts all the negatives i.e., cost. It is an appraisal technique which provides monetary values of all benefits arising from a project and then compares the total value with project's total cost. The difference between the two indicates whether the planned action is advisable or not. For example, before erecting a new plant or taking up a new project, a manager must conduct a cost-benefit analysis of the project, as a means of evaluating all of the potential costs and revenues which may be generated if the project is completed.

4. Cybernetics:

It is one of the most common types of control system. The main feature of cybernetic control is its automatic operation. It is a scientific discipline which has been named by Norbert Wiener (1894-1964). Cybernetics comes from a Greek word meaning 'the art of steering'. It is a system which is operating with inputs being subjected to a process that transforms them into outputs. Control is the act of reducing the difference between plan and reality and is focused on the three elements of projects i.e., performance, cost and time. The project manager is constantly concerned with these three aspects of the project.

5. Economic Ordering Quantity:

It is the quantity of materials to be purchased at one time where the ordering and carrying costs are at a minimum. Ordering cost includes the cost of staff posted for ordering of goods, expenses incurred on transportation of goods purchased, inspection cost of incoming materials, cost of stationery, typing, postage, telephone charges etc. On the other

hand carrying cost includes costs for storage space, cost of capital invested in inventories, the loss of material, insurance cost, cost of spoilage etc. Formula of $EOQ = \sqrt{(2CO/I)}$ where C = Annual Consumption, O = Ordering Cost per order and I = Inventory or Stock Holding Cost (as % of average stock value).

6. Ergonomics:

The term 'ergonomics' is a combination of two words i.e., 'ergon' means work and 'nomos' means natural laws. It is otherwise known as the science of work. Ergonomics is a study of human capabilities in relationship to work demands. It is also known as human factors, which seeks to understand and improve human interactions with products, equipments, environments and systems. It is commonly thought of in terms of products. But it can be equally useful in the design of services or processes. It is used in design in many complex ways.

7. Method Study:

It is also known as methods engineering. It is the systematic recording and critical examination of production, service and business processes in order to make improvements. The aim of method study is to analyse a situation, examine the objectives of the situation and then to synthesize an improved, more efficient and effective method or system. It also includes the improvement and standardization of methods, equipment, and working conditions.

8. Operational Research and Statistical Techniques:

It is an analytical method of problem-solving and decision-making that is useful in the management of organizations. It is one of the popular managerial decision science tools used by profit and nonprofit organizations. It analyses the complex situations, and gives executives the power to make more effective decisions and build more productive systems. It's powerful, using advanced tools and technologies to provide analytical power that no ordinary software or spreadsheet can deliver out of the box.

9. PERT/CPM:

The Program (or Project) Evaluation and Review Technique, commonly abbreviated as PERT, is a model for project management designed to analyze and represent the tasks involved in completing a given project. This model was invented by Booz Allen Hamilton, Inc. under contract to the United States Department of Defense's US Navy Special Projects Office in 1958 as part of the Polaris mobile submarine-launched ballistic missile project. It is a technique used for scheduling and controlling the projects where activities are subject to considerable degree of uncertainty in the performance time in 1957, DuPont developed a project management method designed to address the challenge of shutting down chemical plants for maintenance and then restarting the plants once the maintenance had been completed. CPM was developed by Du Pont and the emphasis was on the trade-off between the cost of the project and its overall completion time.

10. Production Planning and Control:

Production planning and control is a very important activity in any business. It is a process that comprises the performance of some critical functions of any business i.e., planning and control, which are two most basic, integral and interdependent functions. No doubt with the aid of computers and applicable software, it has made controlling every aspect of the business much easier, still the system can be made to work efficiently provided the people understand it and make it work.

11. Quality Control:

There are four aspects of the quality control. They are (i) Zero defects (ii) Continuous improvement (Kaizen) (iii) Waste removal (lean management) and (iv) Customer satisfaction. The main objective of zero defects is to reduce and minimize the number of defects and errors in a process and to do things right the first time. The ultimate aim will be to reduce the level of defects to zero. Continuous improvement or Kaizen (change for better) is central to delivering lean operations. Lean waste elimination is an effective method that so many organizations are using to increase their productivity as well as their profits. Customer satisfaction is one of the most important aspects of any organization.

12. Standard Costing:

The standard costing is a technique of cost reduction and cost control. It is a management tool used to estimate the overall cost of production, assuming normal operations. It is an effective instrument, which provides yardsticks against which the actual costs are compared to ascertain efficiency of the actual performance. It is considered as the best technique which can help management in their decision making process. The concept of standard costing evolved because of the limitations of historical costing.

13. Standardization and Simplification:

Both standardization and simplification used as a tool for cost reduction and control. They are used interchangeably. Simplification refers to the lines of products and methods of manufacturing procedures, whereas standardization is concerned with a particular product or process. The standardization can be defined as the development and implementation of concepts, doctrines, procedures and designs to achieve and maintain the required levels of compatibility, interchangeability or commonality in the operational, procedural, material, technical and administrative fields to attain interoperability.

14. Value Analysis:

It is an effective tool and systematic effort to improve upon cost and/or performance of products or services). It is otherwise known as a tool for cost reduction and control. Lawrence D. Miles has developed Value Analysis (VA) at General Electric in 1947. The technique simultaneously pursues two complimentary objectives i.e., maximizing the utility provided by the product or service and minimizing or eliminating waste. It mainly improves the value of a product or process by understanding its constituent components and their associated costs.

15. Work Study:

It is a systematic examination of the methods of carrying out activities to improve the effective use of resources and to set up standards of performance for the activities carried out. It helps to improve the higher productivity of the organisation as well as improves the planning. It consists of two parts i.e., method study and time study.

16. Activity Based Costing:

It is a powerful tool for measuring performance. It is a method used for cost estimates in which the project is subdivided into discrete, quantifiable activities. The activity based costing (ABC) is a two stage costing method that assigns costs first to activities and then to the products based on each product's use of activities.

CONCLUSION

The Indian automobile sector was liberalized since the year 1991 and later allowing 100% FDI through automatic route has shown remarkable pace in its annual growth with all the global major auto companies made significant investment in India. The auto component industry has made significant developments in domestic as well as in international markets. The challenges are mainly to overcome the various hindrances and sustain into International competition with other low cost countries.

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A Critical Review of Initiatives Taken by IT and Electronics Companies in India to Control E-Waste

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ABSTRACT

The Indian economy has witnessed a significant growth over the last two decades. The Information Technology (IT) and electrical devices have contributed significantly to this overall economic growth and has been responsible for a major shift in the consumption patterns of the Indian middle class, especially for consumer durables and household goods.

The digital revolution, which commenced in 1980, continues to the present day and has transformed the way we live, work and communicate. The unprecedented growth of the consumer electronics market is revolutionary, as it has brought knowledge and information at every one's doorstep. The electrical and electronics manufacturing industry, one of the largest and fastest growing in the world is also one of the most innovative, constantly creating and utilizing new technologies and thereby inbuilt product obsolescence. The result is that an ever increasing quantity of electronics and electrical appliances being discarded, as it is often cheaper to buy new than to repair or to upgrade a broken or obsolete product. This has given rise to a new environmental challenge: Waste from electrical and electronic equipment or "e-waste." This huge generation of highly toxic waste poses serious concerns as India is still struggling to find sustainable solution to this complex issue.

The present research paper is an attempt to study various sustainable marketing initiatives by electrical and electronics companies in India to control e waste.

Keywords E-waste, digital revolution, sustainable initiatives, India, IT, electrical and electronics industry

Introduction

Consumerism has dominated India in the last couple of decades. Many of the trends in consumption and production are unsustainable and pose serious concerns about environmental

and human health. Optimal use of natural resources, cleaner products, minimization of waste and toxicity and a lifecycle approach are some of the issues that need to be addressed while ensuring economic growth and enhancing the quality of life. Electronic (E-) waste is a rapidly growing environmental problem across the globe. According to a new report from the United Nations, large amounts of e-waste would end up in developing countries by 2015. The report estimates a 500% growth over the next few years in computer waste in India alone. E-waste is a name commonly used for electronic products that get damaged or redundant, and cannot be used. It is considered dangerous as most components of electronic products contain materials that are hazardous and even toxic to the environment and to us. Discarded computers, televisions, CD players, copiers, fax machines, electric lamps, mobile phones, and batteries if improperly disposed leak lead and other toxic chemicals – such as chlorinated and 'brominated' substances, toxic gases, toxic metals, biologically active materials, acids, plastics and plastic additives into the soil and groundwater. Many of these products can be recycled or refurbished so that they are less harmful to the ecosystem. However, most companies ignore the e-waste they produce, and with the IT and electronics industry growing rapidly, controlling and managing e waste would be a great problem.

The present research paper is an attempt to study various sustainable marketing initiatives by IT and electronics companies in India to control e waste.

E-Waste: Downside of Economic Growth and Digital Revolution

The twentieth century marked with the use of equipments like radio, television and a ground breaking discovery the first “computer”. Innovation and development in the field of science and technology and an open global market resulted in availability of a range of products at affordable prices, changing the very lifestyle of Indians. New electronic appliances have infiltrated every aspect of our daily lives, providing society with more comfort, health and security, with easy and faster information acquisition and exchange. The sheer amount of IT and electronic equipment used poses a growing challenge. Increased consumption on account of rapid obsolescence of these products and wide choices have been responsible for generation of huge quantities of waste termed as E-waste, both post consumption and in the production processes. E-waste mainly comprises waste from electrical and electronic gadgets such as computers, mobile phones, television, photocopiers DVD players, washing machines,

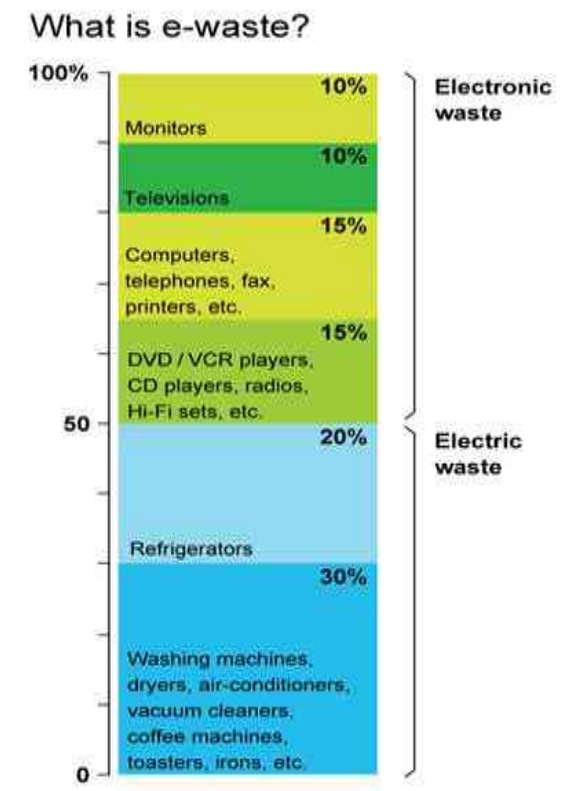
refrigerators and other household consumer durables, many of which contain toxic materials.

Electronic Waste Defined

Alternatively known Electronic waste, e-scrap, or Waste Electrical and Electronic

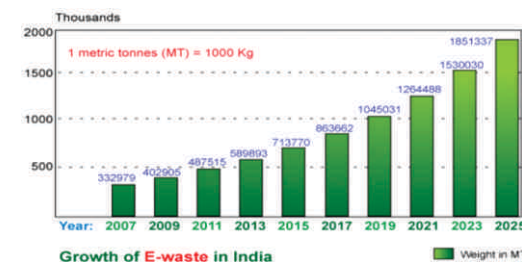
Equipment (WEEE) Describes discarded electrical or electronic devices, including discarded computers, office electronic equipment, entertainment device electronics, mobile phones, television sets and refrigerators as explained in Figure 1. It Contains minerals that are both toxic and valuable to the industry and most of them are not biodegradable, posing a threat to the occupational health and the environment. These things, when dumped, are hazardous to our health and the environment.

Figure 1: What Comprises E- Waste?



Mounting Quantities of E-waste

According to a recent report from Center for Science and Environment (CSE), India is guilty of generating 350,000 tonnes of electronic waste (e-waste) every year. Out of this mammoth e-waste pile, only 19,000 tonnes are recycled. Some of the top generators of e-waste in India are Maharashtra, Tamil Nadu, Andhra Pradesh and Uttar Pradesh. Figure 2 represent the growth of E-waste in India by year 2025 as predicted by Center for Science and Environment (CSE).



(Source: Center for Science and Environment (CSE))

Figure 2: The Growth of E-Waste in India by Year 2025

Why is E-Waste Dangerous?

The problem associated with E-waste is that it is highly complex to handle due to its composition. A computer contains highly toxic chemicals like lead, cadmium, mercury, beryllium, Brominated Flame Retardants (BFRs), PVC and phosphorus compounds. A television or a mobile phone is also loaded with many toxic chemicals such as chromium, zinc, mercury and nickel. Once the electronic devices are sitting in the landfill, these harmful metals can leach into the ground. The metals that are absorbed by the ground have known ill health effects such as Lead can cause damage to the nervous system, and contribute to kidney and endocrine problems, Cadmium can also affect the kidneys, Mercury can affect proper brain functioning, Hexavalent chromium can lead to tumors and cancer development in humans. Due to the ill effects on health of these E waste metals, it is important that the issue of e-waste is taken very seriously.

Ways to Minimize E-Waste: Upstream & Downstream Solutions

The various approaches to minimize e-waste can be classified under upstream innovation as downstream solution. While upstream solutions deal with innovation in product and process, the downstream solutions deal with taking care of existing e-waste.

1. Upstream Innovation and Solutions

Up stream solutions basically deal with innovation in products, manufacturing process so that either the product is green or the harmful material used is reduced in amount etc. these solutions are explain below.

◆ Inventory Management

It means proper control over the materials used in the manufacturing process by reducing both stock. This is adopted by LG as they try to manage the use of hazardous substances in the products, it is called “LG Electronics Green Program”. LG Electronics is operating an LGEGP for about 4,400 1st vendors Since September 2006. LG Electronics monitors its supply chain by requesting its 1st vendors to check and support their 2nd and 3rd vendors. Through the program, hazardous substance management, import inspection and monitoring inspection on 1st vendors are being carried out.

◆ Production-Process Modification

In this solution changes can be made in the production process by changing the materials used to make the product or by the more efficient use of input materials in the production process or both. This practice is adopted by HCL Technologies as per their “Go Green” program HCL has taken steps in solving the problem of toxics and e-waste in the electronics industry. HCL is planning to phase out the hazardous Vinyl Plastic and Brominated Flame Retardants from its products and also called for a Restriction on Hazardous Substances (RoHS) legislation in India.

◆ Volume Reduction

Volume reduction includes those techniques that remove the hazardous portion of a waste from a non-hazardous portion, and can cut the cost of disposing of a waste material as adopted by P & G. P & G have significantly reduced consumption of raw and packaging material by redesigning packaging of product named Ariel, Tide and Olay; which they claim is 25% lighter and saves plastic consumption over 400 tons of packaging a year (the weight of a Boeing 747) in India alone. Same is done by Coca-cola when the redesigned their glass bottle which used to weigh 380 gm earlier to ultra which weigh just 305gm and reducing the cap size of their PET have saved lot of resources in India. Further they have successfully reduced the weight of other glass bottles used for packaging sparkling beverages ranging from 10% to 33% for different pack sizes.

◆ Recovery and Reuse

It means recovering and reusing the industrial waste. This technique could eliminate waste disposal costs and reduce raw material costs as waste can be recovered on-site, or at an off-site recovery facility, or through inter industry exchange. For example Electrolux has launched a new initiative to raise awareness about the awful amount of plastic in oceans and sent off teams to five oceans around the world to collect plastic. That trash was then used to create a limited edition of vacuum cleaners called “*Vacs from the Sea*”.

Another example of recovering natural resources is from coca cola. It's most of the production units in India comply with “Zero Discharge” norm of the Pollution Control Board (PCB). According to which all waste water should be the treated and utilized within the plant premises for on-land discharge. In bottling operation plants, wastewater is a result of production processes, such as container-washing systems, line lubrication and equipment cleaning. In

coca cola this wastewater is treated at the on-site Effluent Treatment Plant (ETP) and treated wastewater is then used within plants for many utility purposes in boilers, evaporators, chillers and outside for landscape irrigation, maintaining green belt inside and outside plant and dust control, some other activities such as toilet cleaning, floor wash etc. thus reducing use of external water resources. So is Wipro; met its 32% of water requirement through water recycling and harvesting.

◆ **Refurbishment and Reuse**

Another solution for e-waste minimization in India would be reuse and refurbishment. While recovery means recreation Refurbishment stands for renovation. IT products are rendered surplus and waste as they become obsolete. These products though obsolete and old for a particular consumer base have the potential of being used by another set of consumers. Most of the IT giants such as Wipro, Infosys, and HCL etc often donate old computers to schools and NGOs in rural areas as part of their social responsibility program. Further these products can be sold in the markets existed in India in semi-urban settings. However refurbishment and reuse need to be thought through as a market strategy and implemented with due care so that the conflict with trade of new products is minimized while achieving the goal of sustainability and waste minimization.

◆ **Sustainable Product Design**

Minimization of hazardous e-wastes should be at the product design stage itself by re-thinking the product design, using renewable materials and energy, and using safer non-renewable materials. This initiative to reduce e-waste has been taken by Wipro which has introduced 100% recyclable toxin-free PCs called as “Greenware” this attempt is first in India and amongst a few all over the world. These green PCs are based on Intel Core 2 Duo processors and are free from deadly chemicals and carcinogenic materials such as PVC and BFRs. Its Intel Core 2 Duo processor is also designed to provide energy efficient performance.

2.Downstream Solutions

Down stream solution essentially attempt to address technological issues of e-waste such as recycling, a frame work of responsibility of stakeholders and setting up of a reverse supply chain process.

◆ **Extended Producers Responsibility (EPR)**

Extended Producers Responsibility is the most accepted and recognized framework for finding solutions to the complex issue of e-product disposal and e-waste prevention. It implies that the responsibility of the producer extends beyond the post consumer stage of the product. Considering its importance to incorporate EPR in legal framework The Ministry of Environment and Forests (MoEF) has crafted a new e-waste legislation that has laid out mandatory procedures for manufacturers under the Extended Producer's Responsibility (EPR). This legislation has been effective from May 1st, 2012. According to this legislation, the manufacturers are held responsible for Recycling, Reduction of levels in hazardous substances in electronics and setting up of collection centers. These rules will be applicable to every producer, consumer and bulk consumer involved in the manufacture, sale and purchase, processing of electronic equipment or components. The Central Pollution Control Board (PCB) will be an active participant in the whole process in the capacity of a monitoring and watchdog agency and will be required to submit an annual report (state wise) with regards to the implementation of these rules.

◆ **Reverse Supply Chain**

In the Indian context setting up of a robust and viable reverse supply chain for the E-waste stream is currently the biggest challenge. The existing informal sector with very low investment in infrastructure and ability for deep penetration provides a skeletal reverse supply chain process in India. The sheer expanse and size of the country demands and justifies a well-organized and regulated system to ensure that the material flows to the best technology centers for disposal. Wipro is working on green reverse supply chain.

◆ **Recycling Infrastructure**

So far in India most of the e-waste is recycled in informal sector. Contradictory to contribution only a few big IT companies provide proper e-waste management system by either having own recycle center or having tie up with other recycle centers. One of the major initiatives taken in this direction is by Wipro as they give opportunity to their Customers to register on its website or choose to deliver the computers/ parts through Wipro's 19 authorized collection centers across the country. Customer can also call Wipro representatives in respective locations for pickup.

◆ Resource recovery

The production process of electrical and electronic products consume large volumes of materials some of them precious and many rare. Excessive mining and consumption of some of these elements leads to faster depletion of natural resources, also increasing the environmental burden. Unsustainable production consumption processes could seriously impact the reserves, hence the need to recycle these materials and plough them back into the supply chain process. Improving the recycling potential of these products coupled with technology up-gradation for recycling will enhance the material recovery and also result in conservation of energy. For example Infosys, LG, Wipro, Electrolux etc have taken various initiatives to conserve water, electricity, plant tree and maintaining green belt in surrounding area. However these initiatives are voluntary in nature no legal status has been given to the same.

Concluding Remarks

The Indian economy is one of the fastest growing economies of the world. The sheer size of the market and large consumer base is expected to boost consumption patterns and further generation of huge quantities of e-waste. While this throws up a serious new challenge; it also brings in new set of opportunities not only to manage this waste but also for innovation of cleaner and more sustainable products and practices by IT and electronic companies in India. Most of the sustainable practices adopted by companies are voluntary in nature so there is no uniformity in their implementation and practices. So this present possibilities not only for a solution to local problems, but are also applicable to global issues on E-waste. There is urgency for a larger policy and an enabling regulation to manage e-waste, which would provide important drivers for a safe and sustainable E-waste management practices same across the board and the concept of Extended Producer Responsibility is the most appropriate framework to be discussed and slowly practiced. However, the challenge lies in the implementation of this framework and the regulatory process. The issues of governance have always been a limiting factor in effective implementation of rules and it would be utmost importance to embed necessary drivers for accountability, transparency and sustainability into any regulation or policies on e-waste.

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Status Of Rural Female Work Force Participation Rates In India

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Introduction

A greater percentage of rural women are employed compared to their urban counterparts even as the number of women workers in the country has shown an increase of about 3 per cent. According to the labour surveys conducted by the National Sample Survey Organization, the percentage of women workers in rural areas has increased from 29.9 per cent in 1999-2000 to 32.7 per cent in 2004-05. In the case of urban women, the percentage of women employed in jobs went up by just 2.7 percent, up from 13.9 per cent in 1999-2000 to 16.6 per cent in 2004-05, according to an official release. Nagaland had the highest percentage of working women in rural areas at 50.4 per cent while Mizoram had the largest percentage of women workers in urban areas. While Delhi has the lowest proportion of women workers in rural areas at 4.7 percent.

Definition Of Work

Work may be defined as participation in economically productive activity. Such participation may be physical or mental in nature. Work involves not only actual work but also effective supervision and direction of work. It also includes unpaid work as farm or in family enterprises.

It must be noted that work defined in Census does not include non-market economic activities. For example, processing of primary commodities for own consumption is excluded from the purview of economic activities as work.

Concept Of Work Force At Different Censuses

- ◆ In 1961 Census, mainly examined what work the person enumerated was doing during the 15 days preceding the day of enumeration.
- ◆ In 1971 Census, the reference period of one year preceding the data of enumeration for

considering a person as worker was introduced. Further, the term 'Secondary Work' was also introduced, though information was collected on 'Secondary Work' both from workers and non-workers. Tabulation was done only on the persons reporting their main activity as non-workers and doing secondary work too.

- ◆ In 1981, the terms main activity and worker as used in 1971 Census were clubbed and a new term 'main worker' emerged. Therefore, there were three categories viz., Main worker, Marginal Worker and Non-worker. The term secondary work was also continued. Here the period of work was 183 days or more for main workers and less than 183 days for marginal workers during the reference period. In 1981 Census, the information on secondary work was restricted to main workers excluding the non-workers.
- ◆ In 1991 Census all questions on workers and non-workers remained same as in 1981 Census, including collection of information on 'Seeking/Available' for work from non-workers to net the number of entrants to the labour force.
- ◆ In 2001 Census the information was collected not only from non-workers but from marginal workers too.

Work Force Participation Concept and Definition According to Census of India

Work force 'Participation rate' w/p, the ratio of the 'economically active' (i.e. of 'members of the workforce') (w) to the Population of potential members (p) (i.e., equal in working-age). In other words work participation rate is defined as the percentage of total workers (main and marginal) to total population (census 2001).

$$\text{Work participation rate} = \frac{\text{Total Workers (Main + Marginal)}}{\text{Total Population}} \times 100$$

Classification of Work Force In India

The Census has divided the workers into ten major categories (since 1971). By clubbing together of 1 and 2, we get agricultural worker (farm workers) third category belonging to the allied activities and by adding up 4 to 9 categories, we will get non-agricultural workforce (non-farm workers). The classification of the workforce as follows:

1. Cultivators
2. Agricultural Labourers
3. Animal Husbandry, Plantation, fishing, forestry, etc.
4. Mining and Quarrying
5. (a) Household Industries (HHI)
(b) Non-household industries
6. Construction
7. Trade and Commerce
8. Transport, Storage and communication, and
9. Other services.

Work Participation Of Women In India

According to Maitureji Krishnaraj the type of work done by women in India may be classified into the following categories:

1. Wage and salaried employment.
2. Self-employment outside the household for profit.
3. Self-employment in cultivation and household industry for profit.
4. Self-employment in cultivation for own consumption.
5. Other subsistence activities in all allied sectors like dairying, other livestock rearing such as poultry, goats, pigs, etc., and fishing, hunting and cultivation of fruit and Vegetable gardens.
6. Activities related to domestic work such as fetching fuel, fodder, water, forest Produce, repairing of dwellings, making cow-dung cakes, food preservation etc.
7. Domestic work such as cooking, cleaning, care of children, the aged and the sick

Activity Wise Distribution Of Female Workers In India

Agriculture is the most important activity of the female workforce (84%) in the rural areas, with the highest number of women workers engaged as agricultural labourers (Table-1). However, the percentage of female workforce in agriculture is declining. Manufacturing and services are the other two sectors where women are employed in large numbers. are (a) Tobacco, (b) Cotton textiles, (c) Cashew nut processing, (d) Machine tools and parts, (e) Matches, explosives and fireworks, (f) Clay, glass, cement, iron and steel, (g) Drugs and medicines, (h) Grain mill and bakery, (i) Garments.

Table-1: Percentage Of Workers In Various Industrial Categories (1999-2000)

Activity	% of Female Workers	
	Rural	Urban
Agriculture	84.0	14.5
Mining and Quarrying	0.4	0.4
Manufacturing	7.7	23.2
Electricity, Water et.	-	0.2
Construction	1.2	5.5
Trade, Hotels and Restaurant	2.3	16.4
Transport, storage	0.1	2.0
Services	4.3	37.8
Total	100.0	100.0

Source: NSSO, 55th round, 1999-2000, Report No.455.

Proportion Of Total Workers In India, 2001

The 2001 Census reveals that the total number of workers had gone up during the 1990s. Table-2 shows that 39.3 per cent of India's population in 2001 comprised of workers as against 37.6 per cent in 1991. Of these 78 per cent were main workers and about 22 per cent were marginal workers, as against 90.6 per cent and 9.4 per cent respectively in 1991. This shows that the number of casual (marginal) workers has increased quite sharply during the nineties. In 1991, 35.8 per cent of rural population consisted of main workers and 4.3 per cent as marginal workers. In 2001, the share of main workers increased to 31 per cent and that of marginal workers rose to about 11 per cent. The proportion of marginal workers in urban population has also risen over the period. But the situation is better in urban areas because the proportion of main workers had remained almost steady at 29.3 per cent of the total urban population in 2001. But the proportion of urban marginal workers increased from 1 per cent in 1991 to 3 per cent in 2001.

In 2001, India had a working population of 402.5 million, both main and marginal workers. Over 58 per cent were working either as cultivators or agricultural workers, and 4.1 per cent as household industry workers and 37.9 per cent as 'other workers'.

Table-2: Proportion Of Total Workers In India, 2001

(In percentage)

Type of Workers	Persons	Males	Females
Total			
Total Workers	39.3	51.9	25.7
Main Workers	30.6	45.3	14.7
Marginal Workers	8.7	6.6	11.0
Rural			
Total Workers	42.0	52.4	31.0
Main Workers	31.1	44.5	16.8
Marginal Workers	10.9	7.9	14.2
Urban			
Total Workers	32.2	50.8	11.5
Main Workers	29.3	47.4	9.1
Marginal Workers	2.9	3.4	2.4

Source: Census Report, 2001.

Gender-Wise Rural And Urban Work Participation Rates In India

The gender-wise rural and urban work participation rates in India during 1971-2001 are shown in Table-3. The work participation rate is higher in rural areas than in urban areas. This is true both in the case of males and females. In 2001, work participation rate for rural males was 52.4 per cent and that for rural females 31 per cent. On the other hand, it has 50.9 per cent for urban males and 11.6 per cent for urban females. Since 1971, the work participation rate for rural males has been on the decline. It declined from 53.8 per cent in 1971 to 52.5 per cent in 1991. But it increased for rural females from 15.9 per cent to 27.2 per cent over the period. So far as urban males are concerned, their work participation rate was almost stationary at 49 per cent.

But for urban females, it increase from 7.2 per cent to 9.7 per cent over the period due to the spread of education. The reason for higher work participation rate of both males and females in rural areas than in urban areas are larger concentration of population in rural areas and diversification of agriculture related activities like horticulture, pisciculture, dairy and poultry farming, etc. Moreover, both men and women are engaged in productive activities in rural areas. Where as only men work and the majority of women remain at home in urban areas.

Table-3: Gender-Wise Work Participation Rate In Rural And Urban Areas: 1971-2001

Year	Total/Rural/Urban	Persons	Males	Females
1971	Total	34.17	52.75	14.22
	Rural	35.33	53.78	15.92
	Urban	29.61	48.88	7.18
1981	Total	36.70	52.62	19.67
	Rural	38.79	53.77	23.06
	Urban	29.99	49.06	8.31
1991	Total	37.68	51.56	22.73
	Rural	40.24	52.50	27.20
	Urban	30.44	48.95	9.74
2001	Total	39.26	51.93	25.68
	Rural	41.95	52.36	30.98
	Urban	32.23	50.85	11.55

Source: Registrar General of India.

Sector Wise Inter State Variations In Female Work Participation Rates In India

There are wide variations in work participation rate among the States of India by sex and by sector wise. Table-4 reveals that the total work force participation rate in 2001 census at the all India level is 39.26 per cent. Further the male work force participation rate (51.93%) is almost double the female work force participation rate (25.68%). Mizoram has the highest female work participation rate (47.63%) in India followed by, Himachal Pradesh (43.69%), Manipur (40.51%), Chhattisgarh (40.04%) and Dadra and Nagar Haveli (38.68%). Yet it would be noted that more than 50 per cent of its women are not counted as workers. Lakshadweep stands at the other end of the state with lowest female work participation rate of 7.19 per cent followed by Delhi (9.15%), Chandigarh (13.72), Kerala (15.28%) and Uttar Pradesh (16.28%).

In the case of rural sector, the total work participation rate of females in Rural India was recorded at 30.98 per cent as per 2001 census. The highest work participation rate of females in rural areas was recorded (54.73%) in the state of Mizoram followed by Chhattisgarh (46.59%), Maharashtra (46.52%), Himachal Pradesh (46.47%) and Dadra and Nagar Haveli (45.10%), while the lowest work participation rate of women in rural areas was recorded at 6.07 per cent in Lakshadweep followed by Delhi (10.12%), Chandigarh (10.32%), Kerala (15.88%) and Andaman and Nicobar Islands (18.50%). The highest work participation rate of males in Rural India was recorded at 52.36 per cent. The highest male work participation rate of rural areas was recorded at 70.89 per cent in Daman & Diu followed by Chandigarh (63.96%), Dadra and Nagar Haveli (61.29%), Mizoram (59.52%) and Tamil Nadu (59.38%), where as the lowest work participation rate of males in rural areas was recorded at 40.70 per cent in Lakshadweep followed by Uttaranchal (45.99%), Nagaland (47.08%), Uttar Pradesh (47.84%) and Bihar (48.43%).

In the case of urban sector, the total work participation rate of women in Urban India was recorded at 11.55 per cent and the highest participation rate of females was recorded at 40.50 per cent in Mizoram followed by Manipur (32.28%), Sikkim (21.42%), Meghalaya (19.15%) and Tamil Nadu (18.42%) and lowest was recorded in Uttar Pradesh with 6.19 per cent followed by Jharkhand (6.29%), Bihar (6.86%), Uttaranchal (7.28%) and Lakshadweep (8.61%). In the case of males in urban sector the total work participation rate was recorded at 50.85 per cent. The highest participation rate of males was recorded at 65.74 per cent in Dadra and Nagar Haveli followed by Tamil Nadu (56.37%), Sikkim (56.27%), Andaman & Nicobar (56.09%) and Mizoram (55.32%) and the lowest participation rate was 38.19 per cent in Meghalaya followed by Bihar (41.93%), Jharkhand (42.57%), Lakshadweep (44.75%) and Uttar Pradesh (45.08%).

Table - 4: Work Force Participation Rate According To Sex And By Sector For States / Union Territories: 2001

(In Percentage)

S.No.	State/Union Territory	Rural					Urban					Combined							
		Female	Rank	Male	Rank	Total	Rank	Female	Rank	Male	Rank	Total	Rank	Female	Rank	Male	Rank	Total	Rank
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Andhra Pradesh	43.24	6	58.48	6	50.92	4	12.62	18	51.10	19	32.22	21	34.93	10	56.44	8	45.81	7
2	Arunachal Pradesh	41.33	9	51.13	20	46.47	14	16.69	7	48.99	24	34.16	12	36.45	8	50.69	22	43.97	11
3	Assam	22.28	26	49.77	28	36.45	30	10.29	23	51.03	20	31.98	22	20.80	24	49.93	26	35.88	29
4	Bihar	20.19	28	48.43	31	34.85	31	6.86	33	41.93	34	25.62	35	18.84	25	47.73	31	33.88	31
5	Chhattisgarh	46.59	2	54.28	16	50.43	6	12.96	16	47.95	25	31.09	26	40.04	4	52.97	17	46.54	5
6	Goa	26.37	21	54.85	11	40.70	21	17.96	6	54.86	7	37.05	6	22.24	21	54.86	11	38.88	19
7	Gujarat	39.04	15	55.59	10	47.55	11	9.11	29	54.12	9	33.07	17	28.03	16	55.02	10	42.10	16
8	Haryana	34.18	17	50.88	21	43.13	19	10.27	24	49.52	22	31.52	25	27.31	17	50.49	23	39.76	18
9	Himachal Pradesh	46.47	4	54.74	12	50.63	5	14.96	10	54.38	8	36.89	8	43.69	2	54.70	12	49.28	3
10	Jammu & Kashmir	25.84	22	49.14	30	37.93	28	9.50	27	51.80	17	32.71	19	21.96	22	49.83	27	36.63	27
11	Jharkhand	31.86	19	49.91	27	41.06	20	6.29	34	42.57	33	25.69	34	26.40	19	48.21	29	37.64	22
12	Karnataka	39.86	14	58.32	7	49.20	10	16.06	9	54.11	10	35.67	10	31.88	14	56.87	6	44.60	10
13	Kerala	15.88	32	50.22	24	32.56	33	13.55	15	50.78	21	31.65	24	15.28	32	50.36	24	32.32	34
14	Madhya Pradesh	40.68	12	53.08	19	47.11	12	11.70	21	47.64	27	30.64	28	33.10	12	51.62	20	42.75	13
15	Maharashtra	46.52	3	54.18	17	50.43	7	12.72	17	52.60	15	34.00	13	32.59	13	53.49	15	43.46	12
16	Manipur	43.20	7	50.07	26	46.72	13	32.28	2	45.17	30	38.71	4	40.51	3	48.91	28	44.79	8
17	Meghalaya	38.92	16	50.09	25	44.58	17	19.15	4	38.19	35	28.74	31	35.02	9	47.76	30	41.47	17
18	Mizoram	54.73	1	59.52	4	57.22	1	40.50	1	55.32	5	48.09	1	47.63	1	57.45	5	52.70	1
19	Nagaland	42.92	8	47.08	33	45.08	16	14.87	11	45.70	29	31.91	23	38.25	7	46.82	33	42.74	14
20	Orissa	27.10	20	53.38	18	40.33	22	9.76	25	49.37	23	30.66	27	24.62	20	52.75	18	38.88	20
21	Punjab	23.15	24	54.45	14	39.73	23	9.74	26	53.42	13	33.40	15	18.68	26	54.10	14	37.58	24
22	Rajasthan	40.70	11	50.82	22	45.94	15	9.24	28	47.64	26	29.56	29	33.48	11	50.07	25	42.11	15
23	Sikkim	40.67	13	57.75	8	49.75	9	21.42	3	56.27	3	40.49	3	38.59	6	57.58	4	48.72	4
24	Tamil Nadu	41.23	10	59.38	5	50.39	8	18.42	5	56.37	2	37.59	5	31.32	15	58.06	3	44.78	9
25	Tripura	22.86	25	50.61	23	37.11	29	12.09	19	51.78	18	32.32	20	21.02	23	50.81	21	36.29	28
26	Uttar Pradesh	18.89	30	47.84	32	34.10	32	6.19	35	45.08	31	26.92	33	16.28	31	47.26	32	32.60	33
27	Uttaranchal	33.32	18	45.99	34	39.63	24	7.28	32	47.58	28	29.09	30	27.09	18	46.42	34	36.93	25
28	West Bengal	20.70	27	54.30	15	37.93	27	11.13	22	54.07	11	33.82	14	18.08	28	54.23	13	36.78	26
29	Andaman & Nicobar Islands	18.50	31	57.05	9	39.20	25	12.09	20	56.09	4	36.33	9	16.45	30	56.73	7	38.27	21
30	Chandigarh	10.32	33	63.96	2	43.41	18	14.06	13	55.12	6	36.97	7	13.72	33	61.0	9	37.63	23
31	Dadra and Nagar Haveli	5.10	5	61.29	3	53.85	2	14.35	12	65.74	1	44.74	2	38.68	5	62.38	2	51.77	2
32	Daman & Diu	19.76	29	70.89	1	52.03	3	16.48	8	53.83	12	35.31	11	18.34	27	65.56	1	45.97	6
33	Delhi	10.12	34	49.71	29	32.00	34	9.08	30	52.40	16	32.85	18	9.15	34	52.21	19	32.80	32
34	Lakshadweep	6.07	35	40.70	35	23.77	35	8.61	31	44.75	32	27.28	32	7.19	35	42.51	35	25.33	35
35	Pondicherry	23.78	23	54.47	13	39.20	26	13.61	14	52.68	14	33.08	16	17.00	29	53.28	16	35.13	30
	India	30.98		52.36		41.97		11.55		50.85		32.23		25.68		51.93		39.26	

Notes: The figures for India and Gujarat exclude the data for the entire Kachchh district, Morvi, Mailya-Miyana and Wankaner talukas of Rajkot district and Jodiya taluka of Jamnagar district where population enumeration of Census of India, 2001 could not be conducted due to earthquake

Source: India, Ministry of Statistics and Programme Implementation, Central Statistical Organisation. (2003). Women & Men in India 2002. New Delhi. P. 41.

Conclusions

The above analysis reveals that the occupational structure in India has remained almost static over the period of our study. Leaving aside the period of the British rule which kept the Indian economy in a state of stagnation, there has been little shift in the occupational distribution of the workforce. About 55 years of planned economic development has not made much impact on primary, secondary and tertiary sectors of the economy in terms of occupational distribution. About 60 per cent of the workforce is still engaged in the primary sector which is overcrowded and the pressure of population continues on land. Consequently, disguised unemployment and poverty persist. The secondary sector has also failed to absorb more labour force despite industrialization and urbanization. So far as the tertiary sector is concerned, it shows that a higher proportion of workforce is engaged in this sector as compared to the secondary sector. From this, it can be concluded in terms of Clark-Kuznets thesis that India is on the path of economic development because the increase in the proportion of occupational structure of workforce from the primary sector to secondary and tertiary sectors had started moving steadily since the 1990s.

Suggestions

- ⊙ The rate of population growth should be curtailed through effective family planning measures. This is essential because the proportion of total population in the labour force will increase further in the years to come as a result of changes in the age structure of the population.
- ⊙ The occupational structure of rural population should be changed to enable it to shift to the secondary and tertiary sectors. For this, there is the need to spread educational, health and infrastructure facilities in rural areas.
- ⊙ To reduce the pressure of population on land, village and small scale industries should be developed on a large scale in the rural areas so that the surplus labour force is absorbed in the secondary sector. This will also lead to change in the occupational structure of the labour force without movement to rural areas.
- ⊙ The edifice of empowerment can be built only with the spread of education among women. It should be given greater importance by the planners and policy makers. Further, the globalization has increased the need for education and skill development among women for gainful employment. It is, therefore, necessary to orient the educational and training system towards improving the capability of women to supply the skills required in both formal and informal services. In other words, in the context of globalization, skill and vocational training for women assume key importance

- ⊙ Provision of labour market services like information, placement, counseling, etc.
- ⊙ Legal safeguards for the benefit of women workers should be properly enforced.
- ⊙ Promotion of self-employment among women through entrepreneurship development programmes. Development of macro-enterprises, cottage industries and handicrafts will help tackle the twin problems of poverty and unemployment. These would generate additional employment for women as they are labour intensive and also export oriented. Further, supportive services such as timely availability of loan, supply of required raw materials, market existence and preferential treatment should be extended to self-employed women.

On the whole, the above noted measures will increase employment opportunities, increase incomes and reduce poverty in the primary sector and bring changes in the occupational structure of the work force in favour of women, particularly rural women.

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New Dimensions in Service Sector – Banking, Insurance and Transport

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The Services Sector constitutes a large part of the Indian economy both in terms of employment potential and its contribution to national income. The Sector covers a wide range of activities from the most sophisticated in the field of Information and Communication Technology to simple services pursued by the informal sector workers, for example, vegetable sellers, hawkers, rickshaw pullers, etc. The following broad grouping of activities can be considered to form part of the Services Sector:

Activities Comprising the Services Sector

- ◆ Trade
- ◆ Hotels and restaurants
- ◆ Transport including tourist assistance activities as well as activities of travel agencies and tour operators
- ◆ Storage and communication
- ◆ Banking and insurance
- ◆ Real estate and ownership of dwellings
- ◆ Business services including accounting; software development; data processing services; business and management consultancy; architectural, engineering and other technical consultancy; advertisement and other business services
- ◆ Public administration and defense
- ◆ Other services including education, medical and health, religious and other community services, legal services, recreation and entertainment services
- ◆ Personal services and activities of extra-territorial organisations and bodies

The Services Sector has been the most dynamic sector of the Indian economy, especially over the last ten years. Table 1.1 shows the changes that have been taking place in the Services Sector over the last few decades.

From a low level of 27.52 per cent of GDP in 1950-51, the share of services increased to 47.88 per cent in 1999-2000. Between 1950-51 and 1990-91, the share of Services Sector in GDP

rose by only 13.07 percentage points, which is an increase of about 0.33 percentage points per annum. However, between 1990-91 and 1999-2000, the share had increased by 7.29 percentage points, which is an increase of 0.81 percentage points per annum. Clearly, the rate of growth is significantly higher in the 1990s.

Table 1.1

Year	Agriculture #	Manufacturing Ψ	Services*
1950-51	59.19	13.29	27.52
1960-61	54.74	16.61	28.65
1970-71	48.12	19.91	31.97
1980-81	41.82	21.59	36.59
1990-91	34.92	24.49	40.59
1991-92	34.08	23.93	41.99
1992-93	34.17	23.74	42.09
1993-94	33.54	23.69	42.77
1994-95	32.94	24.35	42.71
1995-96	30.58	25.47	43.95
1996-97	30.86	25.45	43.69
1997-98	29.03	25.20	45.77
1998-99	29.03	24.51	46.46
1999-2000	27.49	24.63	47.88

Notes: Among the following symbols,

includes forestry and logging, fishing, mining and quarrying;

Ψ includes construction, electricity, gas and water supply;

* includes (a) transport, communication and trade;

(b) banking and insurance, real estate, and business services; and

(c) public administration and defence and other services.

Source: Economic Survey 2000-2001.

Although the Services Sector has a very pivotal role in the country's economic development, the database in this Sector is highly disorganised. A major limitation of the existing statistical system in this respect is the absence of a well-organised mechanism for maintaining a regular and proper database for this Sector. Like the Annual Survey of Industries (ASI) that is devoted to collection of data from manufacturing and few other categories of units included in the lists maintained by the Chief Inspectors of Factories, there is no such scheme in the Services Sector for annual collection of data from the units either having a large number of workers or contributing significantly in terms of annual turnover. The main difficulty in this regard is the non-availability of an up-to-date frame of such units. The problem of data collection from this Sector through the Follow-up Enterprise Surveys of Economic Census is compounded by the fact that the Sector is dominated by a large number of unorganized units. Further, the composition of units in the domain undergoes changes at a rapid pace because new units or newer service areas come into existence and others disappear with alarming frequency. Thus, a sound official statistical system should endeavour to address all these methodological issues for properly estimating the size and contribution of the Services Sector marked by a rapid change in its composition.

The Services Sector of the economy can be broadly grouped into three broad segments namely, the public sector, private corporate sector and the household sector. The first two are generally referred to as the organised part of the economy, as the accounts of all the business transactions of these sectors are recorded in specified documents and are made available as public documents at regular intervals. The remaining part of the economy, that is the household or unorganised sector, constitutes all unincorporated enterprises including all kinds of proprietorship and partnerships run by the individuals.

Banking:

Banking and finance industry plays a dominant role in building the economy of an individual as well as a nation. Banks have control over a large part of the supply of money in circulation. They are the main stimulus for the economic progress of a country. A strong banking and finance sector is, therefore, necessary for a country to emerge as a developed one. It is vital for growth, creation of jobs, generation of wealth, eradication of poverty, encouraging entrepreneurial activity and increasing the gross domestic product.

The economy can be divided in the entire spectrum of economic activity into the real and monetary sectors. The real sector is where production takes place while the monetary sector supports this production and in a way is the means to the end. We know and we accept the financial system

It is critical to the working of the rest of the economy. In fact, the Asian crisis of the nineties, or for that matter what happened in Latin America and Russia subsequently and also Dubai Crisis have shown how a fragile financial sector can wreak havoc on the rest of the economy. Therefore the banking sector is crucial and we want to express our views to explore how this sector can work in harmony with the real sector to achieve the desired objectives.

The Banking sector has been immensely benefited from the implementation of superior technology during the recent past, almost in every nation in the world. Productivity enhancement, innovative products, speedy transactions seamless transfer of funds, real time information system, and efficient risk management are some of the advantage derived through the technology. Information technology has also improved the efficiency and robustness of business processes across banking sector.

India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Indian banking industry is the midst of an IT revolution. Technological infrastructure has become an indispensable part of the reforms process in the banking system, with the gradual development of sophisticated instruments and innovations in market practices.

IT in Banking

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. Information technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

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

Following are the new dimensional services offered by the industry in the recent past:

Electronic Payment Services – E-Cheques

Nowadays we are hearing about e-governance, e-mail, e-commerce, e-tail, etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will

eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular devise in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a devise that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

Point of Sale Terminal

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the

customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

Tele Banking

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

Electronic Data Interchange (EDI)

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

Implications

The banks were quickly responded to the changes in the industry; especially the new generation banks. The continuance of the trend has re-defined and re-engineered the banking operations as whole with more customization through leveraging technology. As technology makes banking convenient, customers can access banking services and do banking transactions any time and from any ware. The importance of physical branches is going down.

Future Outlook

Everyone today is convinced that the technology is going to hold the key to future of banking. The achievements in the banking today would not have make possible without IT revolution. Therefore, the key point is while changing to the current environment the banks has to understand properly the trigger for change and accordingly find out the suitable departure point for the change.

Although, the adoption of technology in banks continues at a rapid pace, the concentration is perceptibly more in the metros and urban areas. The benefit of Information Technology is yet to percolate sufficiently to the common man living in his rural hamlet. More and more programs and software in regional languages could be introduced to attract more and more people from the rural segments also.

Standards based messaging systems should be increasingly deployed in order to address cross platform transactions. The surplus manpower generated by the use of IT should be used for marketing new schemes and banks should form a 'brains trust' comprising domain experts and technology specialists.

Insurance

Over a period of time many developments have been seen in the Indian Insurance sector, now private players are actively participating and their market shares are also growing. Globally India is regarded as the fifth largest life insurance market. There are approximately 22 life insurance companies. People perceptions towards insurance products have been changing from only a tax saving instrument to a strong investment tool.

A strong demand coming for ULIP products which are new in the market due to reliability and extra benefits provided by private players to differentiate their products and save their piece of market share. During the financial year 2009-2010 in the first 9 months, 50% of the total amount invested by foreign institutional investors (FII) has been injected into equities by the life insurance companies all over India.

The Life insurance market has changed from the monopolistic one to highly competitive market with the entry of foreign players. Innovative thinking like introducing new products, capturing new distribution channels and improving service standards have helped them build upon their market share. The new business premium for the life insurance increased at a CAGR of ~% during the year from 2004 to 2008. United linked insurance plans (ULIP's) accounted for the major part of this growth.

The general insurance market is also growing at a slower pace. However, motor and health insurance are the two sub segments of the general insurance segment which have shown the potential and are growing fast. Non life segment witnessed an increase in premium income by 4.66% in the first quarter of 2009 as compared to the same period a year back. This growth can be attributed to other factors such as GDP performance and growth in services in the Q1 - 2009 and well established health segment.

In providing healthcare access to individuals across India, Health insurance is expected to play a crucial role. The industry has shown a steady increase with the changes in the regulatory systems & introduction of new Government Health insurance schemes. The largest proportion of the gross premium for all players has come from the Motor insurance. It is been one of the most successful segments of the non life insurance business.

As compared to the life insurance sector, the growth of non life insurance sector has been lagging behind because of the limitations in the distribution network across the country, an untapped market which leads to low consumer preference.

A new dimension in Insurance: Unit Linked Insurance Plan

As we know that insurance is an important tool which reduces risk and make secure the insecure events. In every society there are lots of risks which endanger the money, properties and life. So we have to take steps for making secure these entire phenomenon's in society.

Insurance is simply a contract between two parties in order to indemnify the loss of one party by the other in consideration of premium. There are different types of polices issued by different Insurance companies to attract the customers in order to sell their products. A new name which entred in market in recent years is Unit Linked Insurance Plan (ULIPs).

ULIPs are the policy that provides a combination of risk cover and investment. This is probably the hottest selling product for most Life Insurance Companies today. These are those products where the benefits are expressed in terms of Units and Unit Price. They can be viewed as a combination of Insurance and Mutual Funds.

Some of the features of ULIP products are as follows

- Insurance cover plus savings
- Multiple Investment option
- Flexibility
- Works like an SIP

India Transport Sector

India's transport sector is large and diverse; it caters to the needs of 1.1 billion people. In 2007, the sector contributed about 5.5 percent to the nation's GDP, with road transportation contributing the lion's share. Good physical connectivity in the urban and rural areas is essential for economic growth. Since the early 1990s, India's growing economy has witnessed a rise in demand for transport infrastructure and services. However, the sector has not been able to keep pace with rising demand and is proving to be a drag on the economy. Major improvements in the sector are required to support the country's continued economic growth and to reduce poverty.

Railways: Indian Railways is one of the largest railways under single management. It carries some 17 million passengers and 2 million tonnes of freight a day in year 2007 and is one of the world's largest employers. The railways play a leading role in carrying passengers and cargo across India's vast territory. However, most of its major corridors have capacity constraint requiring capacity enhancement plans.

Roads: Roads are the dominant mode of transportation in India today. They carry almost 90 percent of the country's passenger traffic and 65 percent of its freight. The density of India's highway network -- at 0.66 km of highway per square kilometer of land -- is similar to that of the United States (0.65) and much greater than China's (0.16) or Brazil's (0.20). However, most highways in India are narrow and congested with poor surface quality, and 40 percent of India's villages do not have access to all-weather roads.

Ports: India has 12 major and 187 minor and intermediate ports along its more than 7500 km long coastline. These ports serve the country's growing foreign trade in petroleum products, iron ore, and coal, as well as the increasing movement of containers. Inland water transportation remains largely undeveloped despite India's 14,000 kilometers of navigable rivers and canals.

Aviation: India has 125 airports, including 11 international airports. Indian airports handled 96 million passengers and 1.5 million tonnes of cargo in year 2006-2007, an increase of 31.4% for passenger and 10.6% for cargo traffic over previous year. The dramatic increase in air traffic for both passengers and cargo in recent years has placed a heavy strain on the country's major airports.

Passenger traffic is projected to cross 100 million and cargo to cross 3.3 million tonnes by year 2010.

Key Government Strategies:

India's Eleventh Five Year Plan identifies various deficits in transport sector which include inadequate roads/highways, old technology, saturated routes and slow speed on railways, inadequate berths and rail/road connectivity at ports and inadequate runways, aircraft handling capacity, parking space and terminal building at airports. Government aims to modernize, expand, and integrate the country's transport services. It also seeks to mobilize resources for this purpose and to gradually shift the role of government from that of a producer to an enabler. In recent years, the Government has made substantial efforts to tackle the sector's shortcomings and to reform its transport institutions. These include:

- Increasing public funding for transportation in its Five Year Plans.
- Launching the ambitious National Highway Development Program which has seven phases and is expected to be completed by 2012. It includes improved connectivity between Delhi, Mumbai, Chennai and Kolkata, popularly called the Golden Quadrilateral, in the first phase, North- South and East- West corridors in phase two, four laning of more than 12,000 km in phase three, two laning of 20,000km and six laning of 6,500 km respectively in phase four and five, development of 1,000km of expressway in phase six and other important highway projects in phase seven. Total expected investment is INR 2.2 trillion.
- Accelerated Road Development Program for the North East Region to provide road connectivity to all State capitals and district headquarters in the region.
- Financing the development and maintenance of roads by creating a Central Road Fund (CRF) through an earmarked tax on diesel and petrol.
- Operationalising the National Highway Authority of India (NHAI) to act as an infrastructure procurer and not just provider.
- Improving rural access by launching the Pradhan Mantri Gram Sadak Yojana (Prime Minister's Rural Roads Program).
- Reducing the congestion on rail corridors along the highly trafficked Golden Quadrilateral and improving port connectivity by launching the National Rail Vikas Yojana (National Railway Development Program)
- The development of two Dedicated Freight Corridors from Mumbai to Delhi and Ludhiana to Dankuni.
- Improving urban transport under Jawaharlal Nehru National Urban Renewal Mission (JNNURM).
- Upgrading infrastructure and connectivity in the country's twelve major ports by initiating the National Maritime Development Program (NMDP).
- Privatization and expansion of the Mumbai and New Delhi Airports and development

of new international airports at Hyderabad and Bangalore.

- Enhancing sector capacity and improving efficiencies through clear policy directive for greater private sector participation. Large parts of the NHDP and NMDP are to be executed through public private partnerships (PPP).

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Impact of Disinvestment on Financial Performance of Public Sector Undertaking

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Abstract

The objective of this paper is to assess the financial performance of disinvested central public sector enterprises (PSE's) in India on the basis of several dimensions on pre and post disinvestment bases of recent period (i.e from 2008-09 to 2011-12). Financial performance has been measured on the basis of profitability, efficiency, liquidity and productivity. The findings suggest that disinvestment has improved financial performance to some extent only. The performance of some PSE's has improved and some of them has not improved.

Introduction

For the first four decades after Independence, the country was pursuing a path of development in which the public sector was expected to be the engine of growth. However, the public sector overgrew itself and its shortcomings started manifesting in low capacity utilisation and low efficiency due to over manning, low work ethics, over capitalisation due to substantial time and cost over runs, inability to innovate, take quick and timely decisions, large interference in decision making process etc. Hence, a decision was taken in 1991 to follow the path of Disinvestment.

Period from 1991-92 - 2000-01

The change process in India began in the year 1991-92, with 31 selected PSUs disinvested for Rs.3,038 crore. In August 1996, the Disinvestment Commission, chaired by G V Ramakrishna was set up to advise, supervise, monitor and publicize gradual disinvestment of Indian PSUs. It submitted 13 reports covering recommendations on privatisation of 57 PSUs. Dr R.H.Patil subsequently took up the chairmanship of this Commission in July 2001. However, the Disinvestment Commission ceased to exist in May 2004.

The Department of Disinvestment was set up as a separate department in December, 1999 and was later renamed as Ministry of Disinvestment from September, 2001. From May, 2004, the Department of Disinvestment became one of the Departments under the Ministry of Finance.

Against an aggregate target of Rs. 54,300 crore to be raised from PSU disinvestment from 1991-92 to 2000-01, the Government managed to raise just Rs. 20,078.62 crore (less than half). Interestingly, the government was able to meet its annual target in only 3 (out of 10) years. In 1993-94, the proceeds from PSU disinvestment were nil over a target amount of Rs. 3,500 crore.

The reasons for such low proceeds from disinvestment against the actual target set were:

1. Unfavorable market conditions
2. Offers made by the government were not attractive for private sector investors
3. Lot of opposition on the valuation process
4. No clear-cut policy on disinvestment
5. Strong opposition from employee and trade unions
6. Lack of transparency in the process
7. Lack of political will

This was the period when disinvestment happened primarily by way of sale of minority stakes of the PSUs through domestic or international issue of shares in small tranches. The value realized through the sale of shares, even in blue chip companies like IOC, BPCL, HPCL, GAIL & VSNL, however, was low since the control still lay with the government.

Most of these offers of minority stakes during this period were picked up by the domestic financial institutions. Unit Trust of India was one such major institution.

Period from 2001-02 - 2003-04

This was the period when maximum number of disinvestments took place. These took the shape of either strategic sales (involving an effective transfer of control and management to a private entity) or an offer for sale to the public, with the government still retaining control of the management. Some of the companies which witnessed a strategic sale included:

- Bharat Aluminium Co.ltd.
- Hindustan Zinc ltd.
- HTL ltd.
- IBP Co.ltd.
- India Tourism Development Corp.ltd.(18 Hotel Properties)
- Indian Petrochemicals Corp.ltd.
- Lagan Jute Machinery Co.ltd.,
- The Maruti Suzuki India Ltd.
- Modern Food Industries (India) ltd.

The valuations realized by this route were found to be substantially higher than those from minority stake sales. During this period, against an aggregate target of Rs. 38,500 crore to be raised from PSU disinvestment, the Government managed to raise Rs. 21,163.68 crore.

Period from 2004-05 - 2008-09

The issue of PSU disinvestment remained a contentious issue through this period. As a result,

the disinvestment agenda stagnated during this period. In the 5 years from 2003-04 to 2008-09, the total receipts from disinvestments were only Rs. 8515.93 crore.

2009-10 onwards

A stable government and improved stock market conditions initially led to a renewed thrust on disinvestments. The Government started the process by selling minority stakes in listed and unlisted (profit-making) PSUs. This period saw disinvestments in companies such as NHPC Ltd., Oil India Ltd., NTPC Ltd., REC, NMDC, SJVN, EIL, CIL, MOIL, etc. through public offers.

However, from 2011 onwards, disinvestment activity has slowed down considerably. As against a target of Rs.40,000 crore for 2011-12, the Government was able to raise only Rs.14,000 crore.

KEY DISINVESTMENT CRITERIA

The considerations identified were:

- * Increase in the efficiency of management.
- * Reduction in the shortage of capital in the economy.
- * Provision of capital increase.
- * Acquisition of advanced techniques at the international level.
- * Management and marketing experience.
- * Acquisition of new market and preventing loss of markets.
- * Recognition of the interest of foreign investors with particular regard to strategic (professional) investors.
- * Promotion of acquisition of assets by employees and buy-out by managers.
- * Support of acquisition of assets by domestic entrepreneurs particularly in the agriculture and food industry.
- * Provision of appropriate policy for employment, competition, and environment

LITERATURE REVIEW

This section presents a brief of literature review based on national (Indian) and international experience. Omrane and Jeffrey (2011) examine a sample of 1866 privatizations from 37 countries and estimate the impact of disclosure standards and legal institutions that discipline auditors on the method chosen to divest state-owned enterprises. The agency conflict between minority and controlling shareholders can impede a government from privatizing by selling its stake to diffuse investors in the public capital market with a share-issue privatization (SIP) that typically generates important spillover economic benefits, rather than an asset sale to a small group of buyers. They find that SIPs become more likely when countries mandate strict disclosure standards, although result is sensitive to model specification. Investors value reforms that subject auditors to more severe private and public enforcement over several other legal determinants, including enhancing disclosure standards.

Trien and Jonathan (2010) suggest that both state ownership and debt have detrimental performance consequences in transition economies and the confluence of these two conditions may not be harmful. Their results confirm that while debt and state ownership each have a negative impact on firm performance when used in isolation, their interaction has a positive impact on firm performance.

Yan et al. (2010) address the question whether transparency matters among Chinese listed companies. They construct a comprehensive scorecard of 100 major Chinese listed companies and construct a Transparency Index (TI) to assess these companies during 2004–2007. It is found that market valuation is only related to 60 Financial performance of disinvested central PSEs in India... the Voluntary Disclosure Index; more profitable, overseas-listed and companies with a separate CEO and board chairman tend to disclose more on a voluntary basis.

Estrin et.al (2009) evaluate the effects of privatization from the experiences of post-communist (transition) economies. They distinguish the impact of privatization on efficiency, profitability, revenues and on other indicators. The effect of privatization is mostly positive in Central Europe, but quantitatively smaller than that to foreign owners and greater in the later than earlier transition period. In the Commonwealth of Independent States, privatization to foreign owners yields a positive or significant effect while privatization to domestic owners generates a negative or insignificant effect.

Arnold et.al. (2008) demonstrate a strong and significant empirical link between progress in services reform and productivity in manufacturing industries. They also investigate the relative contribution of reform in each of the service sectors to the productivity of manufacturing firms and find that liberalization in the banking and telecommunication sectors has the largest productivity effects on manufacturing firms over the period.

Eskil et al (2008) examine the differences in performance between private companies (POEs) and state owned enterprises (SOEs). They use a comprehensive panel covering all registered companies during the 1990s in Norway, a country where SOEs play an important role in regular markets. Return on assets as well as costs relative to sales revenue are used as measures of performance in markets where SOEs and POEs compete with each other.

Overall, POEs perform significantly better than SOEs. The study tests the hypothesis that SOE managers may learn from POE managers in environments with stronger competition, but finds only weak empirical support for such a learning mechanism.

Vadlamannati (2007) empirical results show that the correlation of disinvestment and privatization (in India) in relation to deficit variables is very feeble and weak in view of the very small sized and slow paced disinvestment and privatization program.

Gloria (2007) explains a field study and form an agency perspective, how monitoring and

incentive alignment mechanisms change to support the interests of a privatized firm's new ownership. In this case, privatization led to important changes in the board of directors and to more formal performance evaluation and compensation systems for top managers; as profitability and financial control gained relevancy with the firm ownership change. He shows that the differences in incentives management before and after privatization are due to different agency relations in the two periods and privatization framework the relation between monitoring and incentive alignment mechanisms is complex, not simply substitutive as agency theory.

Michael (2007) find that ownership concentration, the presence of foreign shareholders, the percentage of tradable shares, the type of dominant shareholder, the supervisory board and independent directors affect the earnings response coefficients and discretionary accruals.

Patnaik (2006) argues that the main rationale for disinvestment is to increase the efficiency in utilization of resources (labour and capital) of the economy. The study shows that even partial privatization, with the government retaining control, has yielded improved productivity. Disinvestment of profit-making enterprises by public offering of shares is desirable as it leads to dispersed shareholding and avoids concentration of economic power.

Michael (2006) enumerates in his results that chairman turnover is related to a firm's profitability but not to its stock returns. Turnover-performance sensitivity is higher if legal entities are major shareholders but the proportion of nonexecutive directors perversely affects it. He finds no evidence that profitability improves after a change in chairman and suggests that a firm's governance structure is ineffective as it is unable to recruit suitable replacements that can turn around its financial performance.

Mark and David (2006) examine the complexities involved in the liberalization process and distinguish liberalization policies that generally are precompetitive from corresponding anticompetitive liberalization policies.

Nagaraj (2005) opines that disinvestment is unlikely to affect economic performance since the state continues to be the dominant shareholder, whose conduct is unlikely to be influenced by share prices movements (or return on equity). Privatization can be expected to influence economic outcome provided the firm operates in a competitive environment; if not, it would be difficult to attribute changes in performance solely or mainly to the change in ownership.

Gupta and Kaur (2004) indicate that there should be closure and winding up of terminally sick PSEs and selling of their assets. Such terminally sick PSEs are mostly restricted to those which were earlier taken over from the private sector as sick units, and became a major contributory factor for the overall unsatisfactory performance of the public enterprises.

Rozelle and Johan (2004) analyze the linkages between the reform strategies in transition

countries and economic performance; they document post-reform performance in the transition countries of Asia and Europe.

Mike et al (2004) have used Chinese firms of different ownership types and suggest that ownership type can be a parsimonious and important variable that managers use to cognitively classify firms into different strategic groups. They find that state-owned enterprises (SOEs) and privately-owned enterprises (POEs) tend to adopt defender and prospector strategies, respectively, while collectively owned enterprises (COEs) and foreign-invested enterprises (FIEs) exhibit an analyzer orientation that falls between defenders and prospectors on the strategy continuum.

Ray and Maharana (2002) have attempted to examine the progress of the process of PSEs disinvestment in India during the decade of 1991 to 2001. In terms of action to the PSEs disinvestment, very little has actually materialized. They suggest that the controversies and criticisms against disinvestment can be largely avoided through a transparent process.

Asian Development Bank, ADB, (2001) describes that privatization is a process for change of ownership and control. It indicates that for successful privatization, it is essential to define the roles and powers of participants and ensure that legal, regulatory and enforcement mechanisms precede divestment. A cautious approach is dominant and tends to undermine the effectiveness of privatization.

Naik (2001) has discussed about the hurdles that existed between plans drawn up and the actual achievement in the process of reforms pertaining to privatization of PSEs since 1991. He is of the opinion that the process of reforms has not moved beyond the limited divestment of equity in select profit-making public sector undertakings (PSUs).

Meggison and Netter (2001) review the history of privatization, the theoretical and empirical evidence on the relative performance of state owned and privately owned firms, the types of privatization, the degree of privatization in non-transition and transition countries and the impact of privatization on the development of capital markets and corporate governance. They suggest that privatized firms become more efficient, more profitable, financially healthier and reward investors.

Meggison et. al. (1994); Boubakri and Cosset (1998); D'Souza and Meggison (1999), (the three studies) collectively examine 211 companies from 42 countries and 50 different industries. Of these firms, 103 are from 26 developing countries and the remaining 108 from 16 industrialized nations. All the four studies yield consistent findings regarding increase in profitability, efficiency, output, leverage and dividend payments after privatization.

LaPorta and Lopez-De-Silanes (1998) have covered 218 firms in 26 different sectors, privatized between 1983 and 1991. They found that profitability, measured by the ratio of

operating income to sales, increased by 24 percentage points. The authors have bifurcated the gains into three components: increase in prices, reduction in workers and productivity gains. They found that 57% of the gains were on account of enhanced productivity. The authors also compared competitive and non-competitive markets and found that the former had higher gains in profitability than the latter.

In the other study, Galal et.al. (1994) analyze the post-privatization performance of twelve companies in Chile, Malaysia, Mexico and UK to determine whether the transfer of ownership has increased efficiency. The authors document net welfare gains in eleven of the twelve cases. According to them, it is unfair to hold privatization accountable for all the problems of transition. In terms of financial performance, improvement in profitability, real sales, sales efficiency and dividend payout has been recorded. Leverage ratios have also shown decline.

Takano (1992) studies the privatization of Nippon Telegraph and Telephone (NTT) and has opined that the privatized NTT lowered non-operating expenses in terms of a substantial reduction in interest costs.

Sankar and Mishra (1994) contend that the divestment of PSEs shareholdings is an economic necessity. At a time when the country was on the brink of economic disaster and facing the threat of being declared insolvent by the external economic community, the Government of India rightly swung into action to initiate the divestment of shareholdings of PSEs; they pointed out that the government failed to realize not only the best value but also the other objectives of the divestment program.

Dewatripont and Roland (1993) argue that gradual resolution of uncertainty enhances the *ex-ante* feasibility of gradual privatization programs with the option to reverse reform at a low cost. They provide insights regarding the conditions under which rapid and gradual privatization dynamics respectively are optimal.

Kumar (1992) suggests that direct sale through competitive bidding is preferable as it allows high degree of transparency, comparison of offers by competing bidders and selects the buyer based not only on highest purchase price but also on the greatest compliance with various government requirements and privatization objectives. One of the principal advantages of private sale of shares is that the prospective owner is known in advance and can be evaluated on the basis of his ability to bring in benefits such as management, technology, market access etc.

De Fraja and Delbono (1989) show that welfare may be higher when a public firm is profit-maximizer rather than welfare-maximizer and suggest that full privatization is not optimal.

Boardman and Vining (1989) classify fifty-five research results during thirty years' time span (1956 to 1987) into three categories (6, 16 and 33), based upon the relationship

between ownership and performance. The first six empirical results, including Bruggink (1982); Neuberger (1977); Hirsch (1965); Pier et.al. (1974) support that public corporations are more efficient than private firms. The second sixteen empirical studies, including Becker and Sloan (1985) and Caves and Christensen (1980) indicate that no performance difference can be found between the two types of ownership. The last thirty-three research works, including De Alessi (1974); McGuire and VanCott (1984); Schlesinger and Dorwart (1984) empirically confirm the economic assertion.

Sankar and Reddy (1989) have presented the decision of divestment into a matrix form and have stated that state owned enterprises (SOEs) are considered high or low on three factors, namely, social purpose, profitability and resource mobilization. According to their model, SOEs operating in competitive markets having low social purpose and also low resource mobilization are most suitable candidates for disinvestment.

Mishra and Nandagopal (1989) discuss the feasibility of the privatization of PSEs; their turnover test ranked the nationalized industries in terms of the business performance and they advocated that privatization of the industries could maximize consumer welfare. Brittan (1986) lists five possible aims in the denationalization of public sector industry, viz. i) improvement of economic performance of the industries concerned, ii) resolving the difficulties of relations between government and nationalized industries, iii) revenue raising, iv) reduction of the power of the public sector unions and v) the promotion of a popular capitalism through wider share ownership. He further states that the management of nationalized industries will oppose more competition, either in the form of breaking-up existing structures or introducing a more liberal regulatory regime.

Need of study

The following study needs to be done to assess whether disinvestment has improved financial performance of public sector enterprises or not. Whether decision of government of selling stake to private players is right or not.

Scope of the study

The study would cover the pattern of disinvestment in all those public sector undertakings where disinvestment has been done recently. All those companies which are disinvested after year 2008-09 are taken for study. The period has been divided into categories pre disinvestment period and post disinvestment period.

Title of the study

Impact Of Disinvestment On Financial Performance Of Selected Public Sector Undertakings

Objectives of the study

- 1) To study the impact of disinvestment on liquidity position of the company
- 2) To study the impact of disinvestment on profitability of company

Research Methodology

Sample Size

The sample size is 10 PSU's where disinvestment has taken place after the year 2008-09.

Sampling Technique

Judgement (Non-probability sampling)

4.4 Analysis Of Data

The data will be analyzed with the help of various profitability, liquidity, productivity and efficiency parameters. These parameters before and after disinvestment will be analysed.

4.5 Limitations Of Study

1. In this study only those companies are taken where disinvestment has recently taken place. So, overall judgement cannot be made on the basis of few companies only.
2. Only secondary data is used for analyzing the financial performance of companies

Analysis of Financial Performance of Shipping Corporation of India After Disinvestment

The Shipping Corporation of India was established on October 2nd, 1961, by the amalgamation of Eastern Shipping Corporation and Western Shipping Corporation. In view of the demand from Indian trade, the SCI has diversified into a large number of areas. The SCI is today the only Indian shipping Company operating: break-bulk services, international container services, liquid/dry bulk services, offshore services, passenger services. In addition, the SCI and manages a large number of vessels mans on behalf of various government departments and organizations.

The SCI has immensely contributed to the growth of India's EXIM trade and the national exchequer, by being a net earner/saver of valuable foreign exchange. Over the years, SCI has been a lifeline for the country in times of emergency and distress, by ensuring continued and uninterrupted supply of crude oil, which drives the country's economy.

Continued profitability of the SCI is been due to a slew of innovative and timely strategies and measures adopted by the SCI management. Amongst these include, inter alia, judicious and optimal utilization of available tonnage, by deploying it in the most remunerative sectors; commencement of new services in niche markets; identification and expeditious disposal of value destroyers or non-performing assets; forging alliances with leading market players to enhance cargo; availability and apportioning of expenses; and administrative cost cutting.

Shipping Corporation of India was disinvested in year 2010. Its 9.09% stake was disinvested.

The impact of disinvestment on financial performance is analyzed as follows:

Table 5.1

Financials: Standalone					
	2012	2011	2010	2009	2008
Share Capital (Rs.Crore)	465.80	465.80	423.45	423.45	282.30
Net worth(Rs. Crore)	6734.32	7168.13	6337.00	6208.45	5632.10
Revenues(Rs. Crore)	3867.55	3543.42	3463.12	4166.64	3726.84
PBIDT(Rs. Crore)	623.00	1470.77	1235.90	1942.17	1682.71
PAT(Rs. Crore)	-428.21	567.35	376.91	940.67	813.90
Dividend%	0.00	55.00	50.00	65.00	85.00
EPS(Rs.)	-9.19	12.18	8.90	22.21	28.83
Debt-Equity Ratio	0.82	0.66	0.43	0.40	0.26
Interest Coverage Ratio	0.04	13.47	15.03	23.61	21.90
RONW %	-6.35	7.91	5.94	15.15	14.45
PBIDTM %	-13.10	17.30	14.56	27.67	27.73
PATM%	-9.58	15.08	10.15	21.09	20.47

HIGHLIGHTS OF FINANCIAL PERFORMANCE OF SCI

- ◆ The financial performance of SCI has been adversely affected due to adverse freight markets after disinvestment.
- ◆ There has been increase in gross earnings of the company due to induction of 10 new vessels during the year even though freight rates were depressed. However the same has been offset primarily by an increase in fuel prices.
- ◆ Further the company has also reported finance cost of Rs 387.30 crore which includes Rs 296.73 crore on account of exchange loss arising out of revaluation of foreign currency loans as a result of depreciation of Indian rupee against U.S dollar.
- ◆ Company's net profits have been continuously decreasing after disinvestment. In year 2012 company incurred losses of 428 crores. Its EPS, PBIDTM and PATM all are showing negative values post-disinvestment period.

NALYSIS OF FINANCIAL PERFORMANCE OF COALINDIA LIMITED

Coal India Limited (CIL) as an organized state owned coal mining corporate came into being in November 1975 with the government taking over private coal mines. With a modest production of 79 Million Tonnes (MTs) at the year of its inception CIL today is the single largest coal producer in the world. Operating through 81 mining areas CIL is an apex body with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy company spread over 8 provincial states of India. CIL also fully owns a mining company in Mozambique christened

as 'Coal India Africana Limitada'. CIL also manages 200 other establishments like workshops, hospitals etc. Further, it also owns 26 technical & management training institutes and 102 Vocational Training Institutes Centres. Indian Institute of Coal Management (IICM) as a state-of-the-art Management Training 'Centre of Excellence' - the largest Corporate Training Institute in India - operates under CIL and conducts multi disciplinary management development programmes.

CIL having fulfilled the financial and other prerequisites was granted the **Maharatna** recognition in April 2011. It is a privileged status conferred by Government of India to select state owned enterprises in order to empower them to expand their operations and emerge as global giants.

Unmatched Strategic Relevance

- Produces around 81.1% of India's overall coal production
- In India where approximately 52% of primary commercial energy is coal dependent, CIL alone meets to the tune of 40% of primary commercial energy requirement
- Commands nearly 74% of the Indian coal market
- Feeds 82 out of 86 coal based thermal power plants in India
- Accounts for 76% of total thermal power generating capacity of the Utility sector
- Supplies coal at prices discounted to international prices
- Insulates Indian coal consumers against price volatility
- Makes the end user industry globally competitive

Coal India Limited was disinvested in year 2010. Its 10% stake was disinvested. The impact of disinvestment on financial performance is analyzed as follows:

Table 5.2

Financials standalone					
	2012	2011	2010	2009	2008
Share Capital(Rs Crore)	6316.36	6316.36	6316.36	6316.36	6316.36
Net worth(Rs Crore)	19564.75	19437.38	17060.72	15237.22	13369.29
Revenues(Rs Crore)	486.56	468.81	449.21	318.89	273.01
PBIDT(Rs Crore)	8985.18	4948.52	4260.88	4133.45	3090.18
PAT(Rs Crore)	8065.10	4723.56	3779.92	3295.38	2453.80
Dividend%	100.00	39.00	35.00	27.00	27.00
EPS(Rs.)	12.77	7.48	5.98	5.22	388.48
Debt-Equity Ratio	0.06	0.07	0.09	0.12	0.11
Interest Coverage Ratio	23.71	24.48	11.59	9.11	7.06
RoNW %	41.22	24.30	22.15	21.62	18.35
PBIDTM %	-1.29	-1.70	-1.14	-3.44	-4.30
PATM%	84.73	85.35	79.59	71.76	71.24

Highlights of Financial Performance of CIL after Disinvestment

- ◆ There has been growth in all physical parameters after disinvestment. Production of raw coal has increased from 415 to 433 million tones after disinvestment.
- ◆ CIL has become largest profit-making, tax and dividend paying enterprise.
- ◆ CIL and its subsidiaries have achieved pre-tax profit of Rs 21272.66 crore in 2011-12 against pre-tax profit of Rs 16463.24 crore in 2010-11 registering growth of 29.21% over earlier year.
- ◆ Dividend of 100% declared in year 2012 as against 27% before disinvestment.
- ◆ There has been 147 ongoing projects with an ultimate capacity of 437.08 Mty, in different stages of implementation. During the terminal year of XI year plan, 85 ongoing projects contributed 211.39 Mt and 100 ongoing projects, are planned to contribute 333.87 Mt during the terminal year of XIIth five year plan i.e 2016-17.
- ◆ The company is declared as most valuable company in the country in terms of market-captalization. The company's value stood at Rs 2,51,296.

Analysis of Financial Performance of Power Grid Corporation

Power Grid Corporation of India limited (POWERGRID) was incorporated on October 23, 1989 with an authorized share capital of Rs **10,000** Crore as a Public Limited Company, wholly owned by the Government of India. POWERGRID started functioning on management basis with effect from August, 1991 and it took over transmission assets from NTPC, NHPC, NEEPCO and other Central/Joint Sector Organizations during 1992-93 in a phased manner. In addition to this, it also took over the operation of existing Regional Load Despatch Centers from CEA, in a phased manner, which have been upgraded with State of-the-art Unified Load Despatch and Communication (ULDC) schemes. According to its mandate, the Corporation, apart from providing transmission system for evacuation of central sector power, is also responsible for Establishment and Operation of Regional and National Power Grids to facilitate transfer of power within and across the Regions with Reliability, Security and Economy on sound commercial principles. Based on its performance POWERGRID was recognized as a Mini-ratna category-I Public Sector Undertaking in October 1998 and conferred the status of "**Navratna**" by the Government of India in May 2008. POWERGRID, as the Central Transmission Utility of the country, is playing a major role in Indian Power Sector and is also providing Open Access on its inter-State transmission system.

Power Grid Corporation was disinvested in year 2010. Its 9.09% stake was disinvested. The impact of disinvestment on financial performance is analyzed as follows:

Table 5.3

Financials Standalone							
	2012	2011	POST DISINVESTMENT	2010	2009	2008	
Share Capital(Rs Crore)	4629.73	4629.73			4208.84	4208.84	4208.84
Net worth(Rs Crore)	23980.95	21209.34			15793.92	13533.98	13754.17
Revenues(Rs Crore)	10035.33	8388.70			7127.45	6579.81	4614.82
PBIDT(Rs Crore)	9132.06	7783.52			6394.93	6598.57	4718.92
PAT(Rs Crore)	3254.95	2696.89			2040.94	1690.61	1448.47
Dividend%	21.10	17.50			15.00	12.00	12.00
EPS(Rs.)	7.03	5.83			4.85	4.02	3.44
Debt-Equity Ratio	2.21	1.93			2.18	2.10	1.62
Interest Coverage Ratio	3.38	3.78			3.25	1.74	2.07
RoNW %	13.57	12.71			12.92	12.49	10.53
PBIDTM %	53.86	51.51			50.09	70.65	64.57
PATM%	30.18	29.24		26.77	23.87	28.49	

Highlights of Financial Performance of Power Grid Corporation

- ◆ The company recorded an impressive financial performance after disinvestment achieving a turnover of Rs 10,785 and net profit of Rs 3,255 crore in year 2011-12.
- ◆ The credit rating agencies have assigned credit rating AAA (highest safety) and LAAA ratings for long term borrowings.
- ◆ The total dividend payout including dividend after tax accounts for 34.8% of profit after tax for company.
- ◆ Power Grid created infrastructure for electrification in 3402 villages against a target of 3100 villages, achievement of 110%.
- ◆ Six projects of power grid bagged the prestigious National Award for Meritorious performance by Government of India in year 2010-11.
- ◆ Power Grid was conferred with 'Power Line Award 2012' in category "Best Performing Transmission Company."

Analysis of Financial Performance of NTPC After Disinvestment

NTPC Limited (formerly **National Thermal Power Corporation**) is the largest Indian state-owned electric utilities company based in New Delhi, India. It is listed in Forbes Global 2000 for 2011 ranked at 348th in the world. It is an Indian public sector company listed on the Bombay Stock Exchange in which at present the Government of India holds 84.5% (after divestment of the stake by Indian government on 19 October 2009) of its equity. With an electric power generating capacity of 40,174 MW, NTPC has embarked on plans to become a 75,000 MW company by 2017. It was founded on 7 November 1975.

On May 21, 2010, NTPCL was conferred Maharatna status by the Union Government of India. NTPC's core business is engineering, construction and operation of power generating plants and providing consultancy to power utilities in India and abroad. The total installed capacity of the company is 36,514 MW (including JVs) with 16 coal based and 7 gas based stations, located across the country. In addition under JVs (Joint Venture), 6 stations are coal-based, and another station uses naphtha/LNG as fuel. By 2017, the power generation portfolio is expected to have a diversified fuel mix with coal based capacity of around 27,535 MW, 3,955 MW through gas, 1,328 MW through Hydro generation, about 1400 MW from nuclear sources and around 1000 MW from Renewable Energy Sources. NTPC has adopted a multi-pronged growth strategy which includes capacity addition through green field projects, expansion of existing stations, joint ventures, subsidiaries and takeover of stations. NTPC Limited was disinvested in year 2010. Its 5% stake was disinvested. The impact of disinvestment on financial performance is analyzed as follows:

Table 5.4

Financials Standalone					
	2012	2011	2010	2009	2008
Share Capital(Rs. Crore)	8245.46	8245.46	8245.50	8245.50	8245.50
Net worth(Rs. Crore)	73291.17	68384.12	63724.10	58994.90	54267.40
Revenues(Rs. Crore)	62480.88	55216.69	46623.60	42196.80	37302.40
PBIDT(Rs. Crore)	16840.92	15231.39	15338.90	13596.40	14660.60
PAT(Rs. Crore)	9223.73	9102.59	8728.20	8201.30	7414.80
Dividend%	40.00	38.00	38.00	36.00	35.00
EPS(Rs.)	11.19	11.04	10.59	9.95	8.99
Debt-Equity Ratio	0.65	0.63	0.59	0.59	0.50
Interest Coverage Ratio	8.02	10.65	12.18	11.91	10.28
RoNW %	12.58	13.31	13.69	13.90	13.66
PBIDTM %	16.88	17.69	19.87	18.06	23.44
PATM%	14.22	15.85	17.72	18.11	18.51

HIGHLIGHTS OF FINANCIAL PERFORMANCE OF NTPC LIMITED

- ◆ The performance of the Company over the past 10 years has not been very impressive.
- ◆ The company has registered good growth rates in its Net Sales from FY05, but the same has not been reflected in the EPS Growth rate, primarily because of high tax payments.
- ◆ Over the past 5 years, Sales of NTPC has grown at a CAGR of 15.47% whereas its EPS has grown at a CAGR of just 6.98%
- ◆ The Debt-to-Net profit ratio for FY11 is 4.85 and it has been above 3 for most of the years as the Company continuously requires debt for increasing its generation capacity

- ◆ The Debt-to-Net profit ratio is expected to remain high considering the Company's Plans of expanding its capacity to 75000 MW (more than double of current capacity) by 2017.

Analysis of Financial Performance of Moil

A Miniratna PSU was originally set up in the year 1896 as Central Province Prospecting Syndicate which was later renamed as Central Provinces Manganese Ore Company Limited (CPMO), a British Company incorporated in the UK. In 1962, as a result of an agreement between the Government of India and CPMO, the assets of the latter were taken over by the Government and MOIL was formed with 51% capital held between the Govt. of India and the State Governments of Maharashtra and Madhya Pradesh and the balance 49% by CPMO. It was in 1977, the balance 49% shareholding was acquired from CPMO and MOIL became a 100% Government Company under the administrative control of the Ministry of Steel.

At present, MOIL operates 10 mines, six located in the Nagpur and Bhandara districts of Maharashtra and four in the Balaghat district of Madhya Pradesh. All these mines are about a century old. Except 3, rest of the mines are worked through underground method. The Balaghat Mine is the largest mine of the Company. The mine has now reached a mining depth of 309 meters from the surface. Dongri Buzurg Mine located in the Bhandara district of Maharashtra is an opencast mine that produces manganese dioxide ore used by dry battery industry. This ore in the form of manganous oxide is used as micro-nutrient for cattle feed and fertilizers. MOIL fulfills about 50% of the total requirement of dioxide ore in India. At present, the annual production is around 1,093,363 tonnes which is expected to grow in the coming years. MOIL has set up Ferro Manganese Plant (10,000 TPY) and Electrolytic Manganese Dioxide (EMD) Plant (1000 TPY) as per its diversification plan for value addition to manganese ore. MOIL has also set up a Captive Power Plant and is further considering, expanding the capacity of ferro manganese plant and setting up a new Silico Manganese Plant by means of joint ventures entered into with Rashtriya Ispat Nigam Limited and Steel Authority of India Limited. MOIL was disinvested in year 2010. Its 20% stake was disinvested. The impact of disinvestment on its financial performance is as follows:

Table 5.5

Financials Standalone					
	2012	2011	2010	2009	2008
Share Capital(Rs Crore)	168	168	168	28	28
Net worth(Rs Crore)	2441.31	2128.29	1677.37	1320.87	812.68
Revenues(Rs Crore)	905.69	1146.06	971.83	1296.39	983.56
PBIDT(Rs Crore)	635.55	911.23	733.47	1031.30	757.27
PAT(Rs Crore)	410.77	588.06	466.35	663.79	479.82
Dividend%	50.00	70.00	56.00	475.00	345.00
EPS(Rs.)	24.45	35.00	27.76	2370.69	1713.63
Debt-Equity Ratio	-----	-----	----	----	----
Interest Coverage Ratio	-----	-----	490.73	----	----

Table 5.5

Financials Standalone						
	2012	2011	POST DISINVESTMENT	2010	2009	2008
RoNW %	18.00	30.9		31.1	62.2	75.3
PBIDTM %	70.3	79.7		75.4	80.3	77.2
PATM%	37.27	45.80		42.46	47.24	47.25

Highlights of Financial Performance of Moil

- ◆ MOIL has reported a year-on-year fall in PAT, EBITDA & top line (Net Sales) by 19%, 32% & 5% respectively after disinvestment. Mn ore prices have fallen by ~42-43% in Fy11.
- ◆ There was a decline in realizations due to price cut and extraction of low grade of ore. Product Mix is expected to remain tilted towards low grade of ore in next year as well.
- ◆ RoNW, EPS have fallen considerably after disinvestment.
- ◆ Increase in availability of Mn ore combined with subdued steel consumption has put pressure on the Mn ore prices. So it is facing tough times

Analysis of Financial Position of Engineers India Limited

Engineers India Limited (EIL) is a public-sector undertaking of the Government of India under the Ministry of Petroleum and Natural Gas. It was initially set up in 1965 to provide engineering and related technical services for petroleum refineries and other industrial projects. The current Chairman & Managing Director of the company is A K Purwaha.

EIL has its Head Office at Bhikaji Cama Place New Delhi. Apart from this EIL also has:

- ◆ R&D Complex at Gurgaon
- ◆ A branch office at Mumbai;
- ◆ Regional offices at Kolkata, Chennai, Vadodara; and
- ◆ Inspection offices at all major equipment manufacturing locations in India. It also has overseas offices at London, Abu Dhabi and Malaysia.

EIL has two wholly owned subsidiaries, EIL Asia Pacific Sdn Bhd in Malaysia, and Certification Engineers International Ltd., to undertake independent certification, and third party inspection assignments.

Tata Projects Limited (TPL) and Engineers India Ltd (EIL) signed a Memorandum of Understanding (MoU) in July 2007 to incorporate a Joint Venture Company which would undertake Engineering, Procurement and Construction (EPC) projects in India and abroad. The Joint Venture Company named TEIL PROJECTS LIMITED was incorporated on 15 July 2008 in Delhi as a Public Limited Company. EIL has secured Consultancy Services Contract from Bharat Petroleum Corporation Ltd. (BPCL) for Integrated Refinery Expansion Project (IREP), Kochi at a fee of Rs. 720 crores on July 6, 2012.

Table 5.6

Financials Standalone						
	2012	2011	POST DISINVESTMENT	2010	2009	2008
Share Capital(Rs Crore)	168.47	168.47		56.16	56.16	56.16
Net worth(Rs Crore)	1844.05	1442.12		1114.71	1375.34	1152.05
Revenues(Rs Crore)	3898.45	2652.64		1984.10	1531.03	721.87
PBIDT(Rs Crore)	925.62	790.91		676.83	466.96	297.08
PAT(Rs Crore)	636.32	522.52		435.58	344.53	194.60
Dividend%	120.00	100.00		1060.00	185.00	110.00
EPS(Rs.)	54.73	42.80		198.50	244.91	205.15
Debt-Equity Ratio	-----	-----		-----	-----	-----
Interest Coverage Ratio	788.29	529.99		510.91	1856.36	10652.30
RoNW %	34.50	36.23		39.07	25.05	16.89
PBIDTM %	16.93	22.83		22.27	18.14	20.01
PATM%	15.46	18.71	20.14	20.43	23.89	

Highlights of Financial Performance of EIL

- ◆ During financial year 2011-12, the turnover reached all time high of 3699 crore.
- ◆ After disinvestment the company diversified into fertilizers, power sector and into oil and gas exploration.
- ◆ After disinvestment 9th grass root refinery (BORL) and 10th grass root refinery (HMEL) designed and engineered by EIL dedicated to nation.
- ◆ Executed over 59 projects in India including 10 grass root projects.
- ◆ The PAT and total income has increased post-disinvestment.
- ◆ EIL is its strong order book position of Rs. 7484 cr of which 65% consists of turnkey projects, while the balance 35% are consultancy projects.
- ◆ This order book is 2.65 times its FY11 revenues and provides a good revenue visibility for EIL. In fact the company is also focusing on new segments such as water and waste management, infrastructure, nuclear, solar and city gas distribution

Analysis of Financial Position of REC Limited

Rural Electrification Corporation Limited (REC) is a leading public Infrastructure Finance Company in India's power sector. The company finances and promotes rural electrification projects across India, operating through a network of 13 Project Offices and 5 Zonal Offices, headquartered in New Delhi. The company provides loans to Central/ State Sector Power Utilities, State Electricity Boards, Rural Electric Cooperatives, NGOs and Private Power Developers.

REC is a Navratna Company functioning under the purview of the Ministry of Power – Government of India. The company is listed on both National Stock Exchange of India and Bombay Stock Exchange.

The company is currently among the top 500 Global Financial Services brands by UK-based plc Brand Finance (Brand Finance @ Global Banking 500 for 2010). The company is also among the Forbes Global 2000 companies for 2010.

REC's business model spans across the value chain of power infrastructure financing including

- (a) Equipment finance,
- (b) Technical/ financial appraisal of project,
- (c) Project finance as well as short term or bridge loans for generation, intensive electrification, transmission, distribution, repair and maintenance,
- (d) Support functions like project monitoring, consultancy and advisory.

The company operates autonomously as a Central Public Sector Enterprise under the Ministry of Power, Government of India and also acts as nodal agency for expansive Government of India schemes for building electricity infrastructure.

REC was disinvested in year 2010. Its 4.35% stake was disinvested. The impact of disinvestment on financial performance is analyzed as follows:

Table 5.7

Financials Standalone						
	2012	2011		2010	2009	2008
Share Capital(Rs Crore)	987.46	987.46	POST DISINVESTMENT	987.46	858.66	858.66
Net worth(Rs Crore)	14744.92	12788.62		11080.34	6190.08	5367.71
Revenues(Rs Crore)	10456.52	8466.01		6672.83	4894.12	3527.88
PBIDT(Rs Crore)	10174.93	8304.67		6527.85	4808.44	3367.01
PAT(Rs Crore)	2817.03	2569.93		2001.42	1272.07	860.15
Dividend%	75.00	75.00		65.00	45.00	30.00
EPS(Rs.)	28.53	26.03		20.27	14.81	10.02
Debt-Equity Ratio	5.36	5.47		5.05	7.26	6.39
Interest Coverage Ratio	1.60	1.72		1.68	1.67	1.64
RoNW %	19.69	19.25		17.31	20.37	16.19
PBIDTM %	95.65	96.56		95.95	95.62	90.92
PATM%	26.80	30.66		29.99	26.04	24.31

Highlights of Financial Performance of Rec After Disinvestment

- ◆ The company is fairly valued at the PE of 12.47
- ◆ Net profit margin is excellent at about 30%. NTPC, another power giant has net profit margin about 18%. In fact this is improving for last 4 years.
- ◆ The ROE is attractive at 18%.
- ◆ The company is paying dividend consistently. The average dividend payout ratio in last 5 years is excellent at 35%. The yield at current market price is about 2.57%.
- ◆ Current ratio and quick ratio are excellent.

- ◆ The revenue and profit growth are very good. Both exceed 30%.
- ◆ EPS is good but that is because of high debt on the balance sheet of the company.
- ◆ The loan given by REC is of high quality and the NPA is negligible at 0.03% in FY2012. REC's loan while safe to a large extent, are concentrated on a very small number of borrowers.

Findings & Conclusion

- ◆ From above analysis we find that financial performance of Power Grid Corporation, REC, Coal India limited, Engineers India Limited has improved after disinvestment while of SCI, MOIL and NTPC has downgraded after disinvestment.
- ◆ CIL recorded improvement in all physical and financial parameters like total production, net worth, profit after tax and EPS. CIL after disinvestment has become largest profit-making, tax and dividend paying enterprise.
- ◆ EIL after disinvestment recorded all time high turnover of 3699 cr. The company diversified into fertilizers, power sector and into oil and gas exploration. PAT and total income also increased after disinvestment.
- ◆ REC after disinvestment got NAVRATNA recognition by Government of India. Company's net worth, PAT and revenue recorded improvement after disinvestment.
- ◆ Power Grid after disinvestment was conferred with 'Power Line Award 2012' in category "Best Performing Transmission Company and recorded improvement in PAT, net worth and total revenues.
- ◆ SCI after disinvestment has been affected by adverse freight rates. Company's net profits continuously declined after disinvestment. Its EPS, PBIDTM and PATM all are showing negative values post-disinvestment period.
- ◆ MOIL has reported a year-on-year fall in PAT, EBITDA & top line (Net Sales) by 19%, 32% & 5% respectively after disinvestment. Its performance is not good after disinvestment.
- ◆ The performance of NTPC has also not improved after disinvestment. company's debt-equity ratio is increasing continuously due to the Company's Plans of expanding its capacity to 75000 MW (more than double of current capacity) by 2017

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Camel Analysis of performance of select Private Sector Banks

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Abstract

In this highly competitive scenario the evaluation of the performance of the banks can simply not be based on the profitability analysis of earnings alone but other aspects like managerial efficiency, capital adequacy, liquidity and risk management also need to be considered to have a holistic approach. In 1996, the Padmanabhan Committee proposed the Camel model to evaluate the performance of the banks and have a composite analysis of the performance of banks. The Bankex comprises of six private sector banks. The study has analyzed the performance of these six private sector Banks for the financial period of 2008-12. Twenty ratios related to CAMEL model were calculated in the study. For analysis and interpretation of results, the statistical tools used were arithmetic mean, F-test, One Way ANOVA. The Hypothesis for the same was that there is no significant difference in performance of the selected banks as assessed by CAMEL model. The evaluation of performance of the selected private sector banks highlighted that, the different banks have obtained different ranks with respect to CAMEL ratios. The study concluded that in overall ranking HDFC bank stood first followed with ICICI bank and Kotak Mahindra Bank. The IndusInd Bank scored the sixth position. The possible reason for this was the poor performance of IndusInd in Capital Adequacy, Debt-Equity, total advances to total assets ratios.

Key words: *Performance evaluation, Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems & Control*

Introduction

Before 1998, the Indian banks were rated by the department of supervision (DOS), which were based on the assessed 'solvency' relatively of the reported owned funds. In 1996, the Padmanabhan Committee carefully identified that this form of rating was inadequate as it did not evaluate banks on all financials and results were misleading, stating the fact that even though bank was solvent, it could have problems of operational, compliance and management which will not be reflected properly. The committee thus, recommended substitution of rating with realistic rating framework followed by supervisory authorities of USA. The committee introduced two different models for Indian Banks and foreign based banks on several rating parameters.

- ◆ For Indian Banks – CAMELS [Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems & Control]
- ◆ For Foreign based Banks in India – CACS [Capital Adequacy, Asset Quality, Compliance and Systems & Control]

1. CAMEL RATING

The 'CAMEL' approach of supervisory rating is one recognized internationally and popular supervisory rating system which is in distinct and latest in many jurisdictions including India (RBI High Level steering committee, 2012) The banks would be rated with a score of '1' to '5' for each parameter and final CAMEL rating consisting of composite total scores are measured for the bank's overall condition. There was a revision in the system of CAMEL in the year 1996, where in agencies added additional parameter 'S' for assessing “sensitivity to market risk” forming.

2. LITERATURE REVIEW

In order to evaluate the financial performance of banking and financial sector the researchers, academicians and policy makers have investigated several studies in different perspectives and in different time periods.

Aggarwal, Shalini, Tanu(2013), tried to analyze whether the private sector banks are adept in retaining market shares and profit margins amidst their reliability and overall performance It was found that the new economic environment facilitated the growth and development of the private sector banks. Interest income and interest expenses in relation to working fund are more than average in case of limited number of banks. Also, the operating expenses of majority banks are more than average.

Kumar B. Satish, evaluated the financial performance of Indian Private Sector Banks. A consolidate ranking was calculated by taking the average of the three years rank and once again ranking them based on average. To analyze the financial performance, variables like Business per employee, return on Assets, Profit per Employee, Capital Adequacy, Credit Deposit Ratio, Operating Profit and percentage of net non-performing assets to net advance are taken. The result showed that Kotak Mahindra Bank was the best performing bank; UTI Bank Ltd. employees generate more business; ICICI Bank employees generate more profit; SBI Commercial & International Bank Ltd maintained highest Capital Adequacy Ratio. ICICI Bank maintained a good liquidity position.

Dash Mihir, Das Annyesha analyzed the performance of 58 banks operating in India using the CAMELS framework. It was observed that Private/Foreign Banks fared better than Public Sector banks on most of the CAMELS factors. The two contributing factors for the better performance of Private/Foreign Banks were Management Soundness and Earnings and

Profitability. The overall ratings showed that Barclays Bank was the best performing Bank in the year 2003-2006 while Bank of America was the best performing Bank in 2006-2008.

Aspal Parvesh, Malhotra Naresh aimed to measure the financial performance of the Indian Public Sector Banks by the application of CAMEL model to a sample of 19 banks. And found that during the year 2006-11 the top two performing banks in all the categories of CAMEL are Bank of Baroda and Andhra Bank because of high capital adequacy and asset quality. The worst performer is United Bank of India during the study period because of management inefficiency, low capital adequacy and poor assets and earning quality

Kalakkar Sudeep, (August 2012), looked into several key factors which affect the financial performance with reference to profitability of Indian banking sector considering econometric approach using regression model to identify which of the financial indicators will have implications. The study found that Foreign banks are well staged in Indian Market with lot of Financial performance improvements proved by them in case of ROA, CRAR-II, Business per Employee and Profit per Employee

Kumar B. Satish, (2008) evaluated the financial performance of Indian private sector banks and concluded on how technological changes and professional management has gained a reasonable position in evaluation of banks.

Chaudhary Kajal and Sharma Monika (2011) made a comparative study of Performance of Indian Public Sector Banks and Private Sector Banks with respect to asset classification and NPA trends and concluded that performance of public sector banks was lagging due to inappropriate service levels and suggested inducement of 24 hrs banking, better grievance handling, better cooperation from employees, maintenance of proper hierarchy, etc. for an improved performance.

Mishra Sushendra and Aspal Parvesh analyzed the financial position and performance of the State Bank Group (6 banks) using CAMEL model and concluded SBI needs to improve its position with regard to asset quality and capital adequacy, SBBJ should improve its management efficiency and SBP should improve its earning quality.

Singh Sultan, Choudhry Sahila and Mohina (2013) analyzed the liquidity of selected private sector Indian banks by using CAMEL Model ratios and the results reveal that there is no significant difference in the ratio of liquid assets to total assets and liquid assets to demand deposits in selected banks during the period under study. However, the ratio of government securities to total assets and liquid assets to demand deposits shows a significant difference in the liquidity of the selected banks during the same period.

3. OBJECTIVES OF THE STUDY

The research is being undertaken with the following objectives in mind:

- ◆ 1. To analyze the financial performance of the selected banks in private sector using ratio analysis tools (CAMEL MODEL)
- ◆ 2. To compare the efficiency of select private sector banks.

4. SCOPE OF THE STUDY

The study is limited to the six private sector banks chosen for the study, i.e. ICICI Bank Limited, HDFC Bank Limited, Axis Bank, Kotak Mahindra Bank ,IndusInd Bank and Yes Bank. The study will put light on the performance of the private sector banks over the past five financial years from 2008-2012

5. RESEARCH METHODOLOGY

5.1 DATA COLLECTION

The study is a descriptive research which involves analysis of the already published financial reports of the selected banks. So, the data needed for the research work was extracted from secondary sources of data collection like the concerned year's financial reports of the banks, i.e. 2008-2012. and RBI report on trend and progress of Banks

5.2 DATA ANALYSIS

HYPOTHESIS

I. Banks' Performance

H10: There is no significant difference between the performances of banks as assessed by the CAMEL Rating.

H1A: There is significant difference between the performances of banks as assessed by the CAMEL Rating.

II. CAMELS Ratings

H20: There is no significant difference in the performance of the banks over a period of time taken into consideration for the purpose of the study.

H2A: There is significant difference in the performance of the banks over a period of time taken into consideration for the purpose of the study

6. Hypothesis Testing:

CAMEL RATING:

The data collected on banks performance was analysed using the CAMEL model . The banks were ranked as per the CAMEL attributes. The ANOVA analysis was conducted to test if there was any significant difference in the performance of the banks.

6.1 CAPITAL ADEQUACY

Capital adequacy has come forth as one of the prominent indicators of the financial health of a banking system. It is judged across the 4 ratios capital-adequacy ratio, debt-equity ratio, total advances to total assets, government securities to total investments

TABLE 6.1.1 CAPITAL-ADEQUACY RATIO

BANK	CAPITAL ADEQUACY RATIO						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	13.73	13.69	15.8	12.65	13.66	13.906	5
HDFC BANK	13.6	15.69	17.44	16.22	16.52	15.894	4
ICICI BANK	13.97	15.53	19.41	19.54	18.52	17.394	2
INDUSIND BANK	11.91	12.33	15.33	15.89	13.85	13.862	6
KOTAK MAHINDRA BANK	18.65	20.01	18.35	19.92	17.52	18.89	1
YES BANK	13.6	16.6	20.6	16.5	17.9	17.04	3

TABLE 6.1.2 DEBT-EQUITY RATIO

BANK	DEBT-EQUITY RATIO						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	9.99	11.49	8.81	9.96	9.65	9.98	4
HDFC BANK	8.76	9.75	7.78	8.22	8.24	8.55	3
ICICI BANK	5.27	4.42	3.91	4.1	4.23	4.386	1
INDUSIND BANK	17.16	15.49	12.35	9	9.39	12.678	6
KOTAK MAHINDRA BANK	4.57	4.01	5.26	4.28	4.83	4.59	2
YES BANK	10.06	9.96	8.67	12.11	10.51	10.262	5

TABLE 6.1.3 TOTAL ADVANCES TO TOTAL ASSETS

BANK	TOTAL ADVANCES TO TOTAL ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.54	0.55	0.58	0.59	0.59	0.57	3
HDFC BANK	0.48	0.54	0.57	0.58	0.58	0.55	5
ICICI BANK	0.56	0.58	0.5	0.53	0.54	0.542	6
INDUSIND BANK	0.55	0.57	0.58	0.61	0.61	0.584	1
KOTAK MAHINDRA BANK	0.55	0.58	0.55	0.58	0.6	0.572	2
YES BANK	0.56	0.54	0.61	0.58	0.52	0.562	4

TABLE 6.1.4 GOVERNMENT SECURITIES TO TOTAL INVESTMENTS

BANK	GOVERNMENT SECURITIES:TOTAL INVESTMENTS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	59.87	59.85	61.09	61.33	62.68	60.964	5
HDFC BANK	64.11	88.68	87.17	75.73	78.74	78.886	2
ICICI BANK	49.14	46.11	39.29	34.96	41.42	42.184	6
INDUSIND BANK	81.99	77.87	81.92	73.96	81.68	79.484	1
KOTAK MAHINDRA BANK	88.8	89.59	54.38	55.56	57.14	69.094	3
YES BANK	70.6	65.76	66.47	57.07	58.29	63.638	4

TABLE 6.1.5 COMPOSITE CAPITAL ADEQUACY

BANK	COMPOSITE CAPITAL ADEQUACY RATIO									
	CAR		DER		TTL ADVNCS:TTL ASSTS		GOVT. SECS/TOTAL INVSTMTS		GROUP RANK	
	%	RANK	TIMES	RANK	%	RANK	%	RANK	AVG.	RANK
AXIS BANK	13.906	5	9.98	4	57	4	15.996	5	4.5	5
HDFC BANK	15.894	4	8.55	3	55	3	14.71	2	3	3
ICICI BANK	17.394	2	4.386	1	54.2	1	12.5172	6	2.5	2
INDUSIND BANK	13.862	6	12.678	6	58.4	6	17.8156	1	4.75	6
KOTAK MAHINDRA BANK	18.89	1	4.59	2	57.2	2	13.358	3	2	1
YES BANK	17.04	3	10.262	5	56.2	5	15.8924	4	4.25	4

6.2 ASSETS QUALITY

The quality of assets is an important parameter to examine the degree of financial strength. The foremost objective to measure the assets quality is to ascertain the composition of non-performing assets (NPAs) as a percentage of the total assets; the other ratios under consideration are total investments to total assets ratio, return on assets

TABLE 6.2.1 NET NPAs TO NET ADVANCES

BANK	NET NPAs TO NET ADVANCES						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.42	0.4	0.4	0.29	0.27	0.356	2.5
HDFC BANK	0.47	0.63	0.31	0.19	0.18	0.356	2.5
ICICI BANK	1.55	2.09	2.12	1.11	0.73	1.52	6
INDUSIND BANK	2.27	1.14	0.5	0.28	0.27	0.892	4
KOTAK MAHINDRA BANK	1.78	2.39	1.73	0.72	0.61	1.446	5
YES BANK	0.09	0.33	0.06	0.03	0.05	0.112	1

LE 6.2.2 TOTAL INVESTMENTS TO TOTAL ASSETS RATIO

BANK	TOTAL INVESTMENTS TO TOTAL ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.308	0.314	0.31	0.297	0.326	0.311	4
HDFC BANK	0.371	0.321	0.263	0.256	0.288	0.2998	2
ICICI BANK	0.279	0.272	0.333	0.332	0.337	0.3106	3
INDUSIND BANK	0.285	0.293	0.294	0.297	0.253	0.2844	1
KOTAK MAHINDRA BANK	0.323	0.317	0.334	0.337	0.328	0.3278	6
YES BANK	0.23	0.311	0.280628	0.319	0.377	0.303526	5

TABLE 6.2.3 RETURN ON ASSETS

BANK	RETURN ON ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	1.24	1.44	1.67	1.68	1.68	1.542	3
HDFC BANK	1.32	1.28	1.53	1.58	1.77	1.496	4
ICICI BANK	1.12	0.98	1.13	1.35	1.5	1.216	5
INDUSIND BANK	0.34	0.58	1.14	1.46	1.57	1.018	6
KOTAK MAHINDRA BANK	2.9	1.6	2.7	2.4	2.2	2.36	1
YES BANK	1.54	1.6	1.79	1.58	1.5	1.602	2

TABLE 6.2.4 COMPOSITE ASSET QUALITY

BANK	COMPOSITE ASSET QUALITY							
	NET NPAs: NET ADVNCS		TTL INVSTMNTS :TTL ASSTS		RETURN ON ASSETS		GROUP RANK	
	%	RANK	%	RANK	%	RANK	AVG.	RANK
AXIS BANK	0.36	4	0.31	4	1.54	3	3.67	5
HDFC BANK	0.36	4	0.30	2	1.50	4	3.33	3
ICICI BANK	1.52	2	0.31	3	1.22	5	3.33	3
INDUSIND BANK	0.89	1	0.28	1	1.02	6	2.67	1
KOTAK MAHINDRA BANK	1.45	3	0.33	6	2.36	1	3.33	3
YES BANK	0.11	5	0.30	5	1.60	2	4.00	6

6.2 MANAGEMENT EFFICIENCY

Management efficiency is another essential component of the CAMEL model that guarantee the growth and survival of a bank. Management efficiency means adherence with set norms, ability to plan and respond to changing environment leadership and administrative capability of the bank It includes ratios total advances to total deposits, profit per employee, business per employee

TABLE 6.3.1 TOTAL ADVANCES TO TOTAL DEPOSITS

BANK	TOTAL ADVANCES TO TOTAL DEPOSITS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.681	0.695	0.738	0.753	0.771	0.7276	5
HDFC BANK	0.629	0.692	0.752	0.767	0.792	0.7264	6
ICICI BANK	0.923	0.999	0.897	0.959	0.993	0.9542	2
INDUSIND BANK	0.672	0.713	0.769	0.761	0.828	0.7486	4
KOTAK MAHINDRA BANK	0.947	1.062	0.87	1.002	1.014	0.979	1
YES BANK	0.71	0.767	0.828	0.748	0.773	0.7652	3

TABLE 6.3.2 PROFIT PER EMPLOYEE

BANK	PROFIT PER EMPLOYEE						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	8.39	10.02	11.63	14.35	14.34	11.746	2
HDFC BANK	4.97	4.18	5.98	7.37	8.12	6.124	5
ICICI BANK	10	11	9	10	11	10.2	3
INDUSIND BANK	2.62	3.49	6.51	8.24	8.57	5.886	6
KOTAK MAHINDRA BANK	4	3	7	8	9	6.2	4
YES BANK	6.35	11.38	15.75	21	20	14.958	1

TABLE 6.3.3 BUSINESS PER EMPLOYEE

BANK	BUSINESS PER EMPLOYEE (in lakh)						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	1117	1060	1111	1366	1276	1186	2
HDFC BANK	506	446	590	653	654	569.8	5
ICICI BANK	1154	1008	765	735	708	874	3
INDUSIND BANK	1062.67	836	837.46	843.98	788.42	873.706	4
KOTAK MAHINDRA BANK	384	347	487	535	613	473.2	6
YES BANK	683.12	988.36	1,624	2,220	1,748	1452.644	1

TABLE 6.3.4 COMPOSITE MANAGEMENT EFFICIENCY

BANK	COMPOSITE MANAGEMENT EFFICIENCY							
	TTL ADVNCS:TTL DPOSITS		PROFIT/EMPLOYEE		BUSINESS/EMPLOYEE		GROUP RANK	
	%	RANK	%	RANK	AMOUNT(RS.)	RANK	AVG.	RANK
AXIS BANK	0.7276	5	11.746	2	1186	2	3	3
HDFC BANK	0.7264	6	6.124	5	569.8	5	5.33	6
ICICI BANK	0.9542	2	10.2	3	874	3	2.67	2
INDUSIND BANK	0.7486	4	5.886	6	873.706	4	4.67	5
KOTAK MAHINDRA BANK	0.979	1	6.2	4	473.2	6	3.67	4
YES BANK	0.7652	3	14.958	1	1452.644	1	1.67	1

6.3 EARNING QUALITY

The quality of earnings is a very important criterion which represents the quality of a bank's profitability and its capability to maintain quality and earn consistently. It primarily determines the profitability of bank and explains its sustainability and growth of future earnings by analysis of ratios: operating profit to total assets, net profit to total assets, interest income to total income, net interest margin to total assets

TABLE 6.4.1 OPERATING PROFIT TO TOTAL ASSETS

BANK	OPERATING PROFIT TO TOTAL ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	2.57%	2.95%	3.48%	3.17%	2.94%	3.022	2
HDFC BANK	3.13%	2.94%	3.33%	3.12%	3.07%	3.118	1
ICICI BANK	2.14%	2.33%	2.72%	2.37%	2.41%	2.394	6
INDUSIND BANK	0.88%	1.45%	2.29%	2.73%	2.69%	2.008	5
KOTAK MAHINDRA BANK	2.51%	2.54%	3.97%	2.86%	2.79%	2.934	3
YES BANK	2.36%	2.78%	3.24%	2.58%	2.48%	2.688	4

TABLE 6.4.2 NET PROFIT TO TOTAL ASSETS

BANK	NET PROFIT TO TOTAL ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.0098	0.012	0.014	0.014	0.015	0.01296	3
HDFC BANK	0.012	0.012	0.013	0.014	0.015	0.0132	2
ICICI BANK	0.01	0.009	0.011	0.013	0.014	0.0114	5
INDUSIND BANK	0.003	0.005	0.009	0.013	0.014	0.0088	6
KOTAK MAHINDRA BANK	0.017	0.016	0.015	0.016	0.017	0.0162	1
YES BANK	0.011	0.013	0.013	0.012	0.013	0.0124	4

TABLE 6.4.3 INTEREST INCOME TO TOTAL INCOME

BANK	INTEREST INCOME TO TOTAL INCOME						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	0.8	0.789	0.747	0.766	0.802	78.08	6
HDFC BANK	0.821	0.825	0.809	0.818	0.836	82.18	4
ICICI BANK	0.776	0.793	0.779	0.785	0.809	78.84	5
INDUSIND BANK	0.881	0.835	0.83	0.834	0.841	84.42	2
KOTAK MAHINDRA BANK	0.891	0.951	0.885	0.895	0.879	90.02	1
YES BANK	0.784	0.822	0.805	0.866	0.88	83.14	3

TABLE 6.4.4 NET INTEREST MARGIN TO TOTAL ASSETS

BANK	NET INTEREST MARGIN TO TOTAL ASSETS (INTEREST SPREAD)						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	3.77	4.24	3.95	3.73	3.91	3.92	5
HDFC BANK	7.08	6.98	5.89	5.95	5.8	6.34	2
ICICI BANK	3.51	3.66	5.66	4.01	4.44	4.256	4
INDUSIND BANK	4.12	4.97	6.67	6.42	5.34	5.504	3
KOTAK MAHINDRA BANK	6.01	8.31	8.11	6.83	6.36	7.124	1
YES BANK	3.31	4.12	3.21	3.6	4.53	3.754	6

TABLE 6.4.5 COMPOSITE EARNING QUALITY

BANK	COMPOSITE EARNING QUALITY									
	OPRTNG PRFT:TTL ASSTS		NET PRFT: TTL ASSTS		INTEREST Y:TOTAL Y		NET MARGIN:TTL ASSTS		INT. GROUP RANK	
	%	RANK	%	RANK	%	RANK	%	RANK	AVG.	RANK
AXIS BANK	3.022	2	0.01296	3	78.08	6	3.92	5	4	3.5
HDFC BANK	3.118	1	0.0132	2	82.18	4	6.34	2	2.25	2
ICICI BANK	2.394	6	0.0114	5	78.84	5	4.256	4	5	6
INDUSIND BANK	2.008	5	0.0088	6	84.42	2	5.504	3	4	3.5
KOTAK MAHINDRA BANK	2.934	3	0.0162	1	90.02	1	7.124	1	1.5	1
YES BANK	2.688	4	0.0124	4	83.14	3	3.754	6	4.25	5

6.4 LIQUIDITY

Liquidity is a crucial aspect which reflects bank's ability to meet its financial obligations. The liquidity position is analyzed vide liquid assets to total assets, cash deposit ratio, liquid assets to total deposits

TABLE 6.5.1 LIQUID ASSETS TO TOTAL ASSETS

BANK	LIQUID ASSETS TO TOTAL ASSETS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	11.4	10.2	8.4	8.8	4.8	8.72	3
HDFC BANK	11.1	9.6	13.5	10.7	6.2	10.22	1
ICICI BANK	9.6	7.9	10.7	8.4	7.6	8.84	2
INDUSIND BANK	9.4	6.9	7.4	8.8	9.6	8.42	4
KOTAK MAHINDRA BANK	7.6	3.9	6.1	4.9	4.01	5.302	6
YES BANK	9.6	8.4	7.3	5.9	4.8	7.2	5

TABLE 6.5.2 CASH DEPOSIT RATIO

BANK	CASH DEPOSIT RATIO						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	8.17	8.16	7.3	7.07	6.01	7.342	4
HDFC BANK	10.49	10.71	9.35	10.79	8.81	10.03	2
ICICI BANK	10.12	10.14	10.72	11.32	8.6	10.18	1
INDUSIND BANK	6.94	6.6	6.74	7.46	6.99	6.946	5
KOTAK MAHINDRA BANK	8.98	8.44	7.79	7.89	6.08	7.836	3
YES BANK	6.28	7.6	7.62	6.97	5.69	6.832	6

TABLE 6.5.3 LIQUID ASSETS TO TOTAL DEPOSITS

BANK	LIQUID ASSETS TO TOTAL DEPOSITS						
	2007-08	2008-09	2009-10	2010-11	2011-12	AVERAGE	RANK
AXIS BANK	14.27	12.79	10.76	11.31	6.33	11.09	2
HDFC BANK	14.67	12.26	17.89	14.22	8.49	13.50	1
ICICI BANK	9.52	7.90	10.70	8.39	7.65	8.83	3
INDUSIND BANK	9.36	6.97	7.36	8.82	9.62	8.43	4
KOTAK MAHINDRA BANK	7.59	3.97	6.14	4.86	4.01	5.32	6
YES BANK	9.58	8.40	7.35	5.92	4.87	7.22	5

TABLE 6.5.4 COMPOSITE LIQUIDITY

BANK	COMPOSITE LIQUIDITY							
	LQD ASSTS:TTL ASSTS		LQD ASSTS:TTL DPSTS		CASH DEPOSIT RATIO		GROUP RANK	
	%	RANK	%	RANK	%	RANK	AVG.	RANK
AXIS BANK	8.72	3	11.093901	2	7.342	4	3	3
HDFC BANK	10.22	1	13.504216	1	10.03	2	1.3	1
ICICI BANK	8.84	2	8.830721	3	10.18	1	2	2
INDUSIND BANK	8.42	4	8.425247	4	6.946	5	4.3	4
KOTAK MAHINDRA BANK	5.302	6	5.3161136	6	7.836	3	5	5
YES BANK	7.2	5	7.2239069	5	6.832	6	5.3	6

TABLE 6.6 COMPOSITE RANKING (OVERALL PERFORMANCE) OF BANKS

BANK	COMPOSITE RANKING						
	C	A	M	E	L	AVERAGE	RANK
AXIS BANK	4.5	3.67	3	4	3	3.63	4
HDFC BANK	3	3.33	5.33	2.25	1.33	3.05	1
ICICI BANK	2.5	3.33	2.67	5	2	3.10	2.5
INDUSIND BANK	4.75	2.67	4.67	4	4.33	4.08	6
KOTAK MAHINDRA BANK	2	3.33	3.67	1.5	5	3.10	2.5
YES BANK	4.25	4.00	1.67	4.25	5.33	3.90	5

ANOVA ANALYSIS

To test the second hypothesis for determining whether there is any significant difference between the means of CAMEL ratios, we applied one-way ANOVA test on the data shown in table 6. The results of one-way ANOVA test are presented in table.

VAR00002		ANOVA			
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.082	5	1.616	1.109	.382
Within Groups	34.969	24	1.457		
Total	43.051	29			

The results of ANOVA test highlighted the calculated values of F-ratio is less than the tabulated values (for 5, 24 d.f. at 5% level of significance is 2.62). It means there is no statistically significant difference between the mean values of CAMEL ratios and the null hypothesis is accepted. It signifies that there is no significant difference in the performance of the banks as assessed by CAMEL model. Also, there is no significant difference between the performances of the banks over a period of time taken into consideration for the purpose of the study.

7. FINDINGS OF THE STUDY

Various ratios comprising CAMEL were calculated for the six Banks under study. The following were the findings:

C: For determining the overall **Capital Adequacy** of the banks, ratios like Capital Adequacy Ratio, Debt-equity Ratio, Total Advances to Total Assets Ratio, and Government securities to Total Investments Ratio were calculated.

It was found that **Kotak Mahindra Bank** topped the Ranking with 18.89% Capital Adequacy Ratio as against 9% required to be maintained under BASEL-II Norms. The Bank maintained an exceptionally high CAR during the years 2009-10 (19.41%), 2010-11 (19.54%), 2011-12 (18.52%). **IndusInd Bank** had the lowest average CAR of 13.86%.

ICICI Bank was able to maintain the lowest Debt-equity Ratio of an average of 4.386 times over a period of five years, viz. 2008-2012. **IndusInd Bank** was ranked lowest with an average

of 4.386 times over a period of five years, viz. 2008-2012. **IndusInd Bank** was ranked lowest with an average DER of 12.68%. **IndusInd Bank** seems to have a favorable position with 58.4% Total advances to Total Assets Ratio as compared to its counterparts. **ICICI Bank** had the lowest ratio among all the banks. (54.2%) **IndusInd Bank** had the highest average ratio of 79.49% and **ICICI Bank's**(42.18%) investments seem to be riskier than the other banks under consideration.

A: Under **Assets Quality**, various ratios were calculated, viz. Net NPAs to Net Advances Ratio, Total Investments to Total Assets Ratio and Return On Assets Ratio.

Yes Bank had the lowest Net NPAs to Net Advances Ratio (.112) which means that the percentage of Non-performing Assets is very less and hence the investment in assets is yielding profits for the Bank. **ICICI Bank** had the highest ratio of 1.52.

IndusInd Bank had the lowest Total Investments to Total Assets Ratio (28.44%) among all other banks depicting its conservative policy. **Kotak Mahindra Bank** had the highest ratio of 32.78%.

Kotak Mahindra Bank had showed the highest Average Return on Assets of 2.36% over the five years. **IndusInd Bank** had the lowest ratio among all the banks (1.018%).

IndusInd Bank had the best Overall Asset Quality followed by HDFC, ICICI and Kotak Mahindra.

M: Under the **Management Efficiency**, ratios like Total Advances to Total Deposits Ratio, Profit per Employee and Business per employee were assessed.

It was found that Kotak Mahindra Bank had the highest Average Total Advances to Total Deposits Ratio (97.9%) over the five financial years under consideration. HDFC Bank had the lowest ratio of 72.64%.

Yes Bank stood first with Rs. 14.96 lakh Profit per employee whereas **IndusInd Bank** had the lowest Profit per Employee of Rs.5.89 lakh.

Yes Bank, once again had the highest Average Business per Employee of about Rs. 1452.65 lakh. **IndusInd Bank** had the lowest among all Business per employee.

When overall Management efficiency is assessed, **Yes Bank** performed better than all the other banks due to its exceptionally well profit per employee and business per employee. The performance of HDFC Bank was ranked the lowest because of its poor Total Advances to Total Deposits ratio.

E: As far as **Earning Capacity** of Banks is concerned, ratios like Operating profits to Total Assets Ratio, Net Profit to Total Assets Ratio, Interest Income to Total Income Ratio, and Net Interest Margin to Total Assets Ratio were calculated for all the banks.

It was observed that **HDFC Bank** has the best Operating profits to Total Assets Ratio of 3.118 whereas **ICICI Bank** had the worst ratio 2.394.

Kotak Mahindra Bank had the highest Net Profit to Total Assets Ratio of 1.62 as compared to **IndusInd Bank** with .88.

Kotak Mahindra Bank was able to have the highest Interest Income to Total Income Ratio of 90.02%. The lowest ratio lied with **Axis Bank** (78.08%).

Once again, **Kotak Mahindra Bank** had the highest Net Interest Margin to Total Assets Ratio (7.124) and **Yes Bank** had the lowest ratio (3.754)

When overall Earning Capability of the banks is seen, **Kotak Mahindra Bank** had an obvious edge over the other banks due to its good performance. The Bank that stood last in the list was **ICICI Bank**.

L: For assessing the Liquidity position of the banks under study, Liquid Assets to Total Assets Ratio, Cash Deposit Ratio and Liquid Assets to Total Deposits ratio was calculated for all the banks.

It was found that **HDFC Bank** had the highest average Liquid Assets to Total Assets Ratio (10.22) and **Kotak Mahindra** had the lowest ratio among all (5.302).

ICICI Bank had the highest Cash Deposit Ratio (10.18%) and **Yes Bank** had the lowest ratio.

HDFC Bank topped when it came to Liquid Assets to Total Deposits ratio (13.50). **Kotak Mahindra Bank** had the lowest ratio among all other banks (5.32).

The overall Liquidity position shows that **HDFC Bank** was at the first position followed by **ICICI Bank**. **Yes Bank** stood last.

CAMEL: Finally, The overall CAMEL Rating depict that **HDFC Bank** is the most consistent performer among all the banks under study. **Kotak Mahindra Bank** and **HDFC Bank** followed. **IndusInd Bank** stood last in the Ranking.

8. CONCLUSION

During the process of evaluation of performance of the new private sector banks, the study highlighted that, the different banks have obtained different ranks with respect to CAMEL ratios. Our study concluded that in terms of **capital adequacy** ratio parameter Kotak Mahindra Bank was at the top position, while IndusInd Bank got lowest rank. The possible reason for this was the poor performance of IndusInd in Capital Adequacy, Debt-Equity, total advances to total assets ratios. In terms of **asset quality** parameter, IndusInd Bank held the top rank while Yes Bank held the lowest rank. The possible reason for this was the poor performance of Yes Bank in net NPAs to net advances and total investments to total assets. Under **management efficiency** parameter it is observed that top rank taken by Yes Bank and lowest rank taken by HDFC Bank The possible reason for this was the poor performance of HDFC in total advances to total deposits, profit per employee and business per employee ratios. In terms of **earning quality** parameter the capability of Kotak Mahindra Bank got the top rank in the while ICICI Bank was at the lowest position. The possible reason for this was the poor performance of ICICI in operating profit to total assets, net profit to total assets and interest income to total income. Under the **liquidity** parameter HDFC Bank stood on the top position and Yes Bank was on the

lowest position. The possible reason for this was the poor performance of Yes Bank in liquid assets to total assets, liquid assets to total deposits and liquid assets to Cash Deposit Ratio.

As the study was limited to the new private sector banks, it can be easily extended to public sector banks which can facilitate a comparison of efficiency and performance between both of them. Also, the time period for the study was last five financial years, i.e. 2008-2012. The study can be extended to a larger time frame .The study can be extended to include one more factor that helps in determining the overall performance of the Bank, i.e. an 'S' in CAMEL making it CAMELS. 'S' here stands for Sensitivity to Market Risk.

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Review of Studies on Environment Management Disclosures

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Abstract:

Research work cannot be completed without the help of the earlier researches. Prior research not only provides guidance but also throw some light on the direction in which any new research must proceed. The researcher has tried to scan the literature available to her for the initial study. Although the effort has been made to confine the literature review to corporate social disclosure practices but where ever some relevant findings concerning EMR were found, a brief reference to that was included. A number of studies have been reviewed with intent to understand the research methodology, research findings and to find out the gaps that exist in the literature in this area. It has been noticed that most of the international studies relate to measurement of extent of the social disclosures mainly on six themes i.e. environment, energy, human resources, product, community development and others. In most of the studies the annual report was the main document scanned for measuring the extent of the environment disclosures.

Prior Research:

A few researchers like Hackston, David, Milne, Markus J. deliberated upon the methodology of measurement and tried to establish association between environment disclosures and various corporate characteristics. Some studies like the one by Gutharie, J. and Parker, Lee. D also pointed towards the trends of disclosure, the form and the location of such information. There was not a single study exploring extent of carbon disclosures. Moreover there was no study to gauge the perceptions of brokers as well as investors towards utility of these reports. The literature review basically focuses upon global CSD practices and then studies relating to India.

Corporate Environment disclosures practices have always grabbed hold of the attention of various researchers, business houses, academicians, NGO'S, environmentalists, accounting professionals and a lot of other national and those acts which are done by business houses and companies showing their sensitiveness to the needs of the society i.e. corporate social responsibility (CSR) or more recent terminology Environmental Responsibility. These terms can only be understood in the realm of sprawling literature on meaning of corporate social and environment responsibility and business ethics. Business ethics can be defined as "a set of principles that guides business practices to reflect a concern for society as a whole while

pursuing profits" (Nisberg, 1988, p. 3). By giving the corporations a right to sell, buy properties, entering into contracts the law gives the companies a status of the citizen. "In a democracy, the highest office is the office of citizen."-- Supreme Court Justice Felix Frankfurter¹ corporations when enjoy these rights of citizenship also need to bear some responsibility towards the society.

The responsibility has been defined in different ways. Newer elements are being attached to this area. All the developing and developed nations have succumbed before the forces of globalization and they all have to adapt themselves to the practices prevailing through out the world and work for the harmonization of these practices. Corporate social responsibility is seen as an advanced tool for addressing the challenges posed by changes related to globalization.² Corporate social responsibility can be understood from different angles like internal and external, individual and collective. In internal corporate social responsibility focus of company's activities is on shareholders, workers and investors where external corporate social responsibility the beneficiaries are civil society groups, community at large, other companies and suppliers etc. UN Conference on Environment and Development (UNCED) and World Summit on Sustainable Development (WSSD) in Johannesburg in a way harbingered the multi stake holder's concept. Concept of corporate social responsibility has slowly matured from philanthropy to sustainability business strategy on one level and from self regulation to multi stakeholder concept. As the faith begets faith and non-communication or partial selective or foul communication breeds suspicion and contempt, it is becoming increasing important to appraise all the stakeholders with relevant information. The disclosures of social, environmental, health and safety (H&S) have been a matter of consistent research since 50 years of so, the review of literature shall focus upon the disclosures studies already conducted. More the review of literature, more seems to be the confusion regarding the exact content, place, measurement technique intended uses and perceived benefits emerging out of such disclosures. It still seems to be an attempt to define an abstract and extremely relevant concept in vague format with ambiguous measurement techniques, churning out mercilessly varied output for any body or nobody or everybody. CSD is still groping to find a concrete and figurative foundation for itself.

Rationale of Environment Management Disclosures (EMD)

Primarily the basics of the EMD support the rationale of the CSD. Thus, it shall not be out of the place to look at the rationales dictating EMD by the companies. First of all, the pressures of globalization has forces the companies to decentralize production/ marketing facilities so, achieving a valid mishmash of global approach and local orientation (basically glocalisation of production facilities). This process needs to raise the sensitivity the corporate world to the needs of the local communities. Secondly, the growing awareness of the world to environmental issues, global warming, climatic changes (though the issue is already matured but it has bounced back with more vigor than ever before with global climatic conditions worsening and emergence of carbon trading markets and Kyoto agreement with Cap and Trade

¹ www.http/nader.org/

² Tatjana Chahoud et al, Corporate Social and Environmental Responsibility in India – Assessing the UN Global Compact's Role "for German Development Institute (DIE)

systems) has also forced the companies to sit up and respond to the environmental and societal needs.

Then the burns inflicted upon by the markets upon the companies taking **EMD** irresponsibly have been quite serious and vindictive. This reduces the risk appetite of other companies to experiment with the issue. This is in reference to what happened to Shell oil, Nike (Labour related issues), Monsanto (who tried genetically modified foods perceived as unethical by the masses) and closer to home example like Reliance (all round protests from the public against its entry into food chains), Nandigarm's black chapter and Tata's Nano moving out of Singur (Bengal) on consistent opposition by farmers. The formulation of legislation like Right to Information Act has also favored the CSD though in a reticent manner. The **EMD** works as a image booster and these days adusting³ is increasing used as a perfect marketing tool making the world listen to your obscure brand messages which otherwise do not serve their purpose of enhancing sustainability. Now if, CSR has got a social, economic rationale and if the company is doing good why not to disclose it to everybody in the world specifically when it is proved that the CSD brings economic benefits, reduces reputational risks, acts as a goodwill cushion to fall back upon in case of erosion of reputational capital in grey areas, acts a image booster, (these days the **EMD** has emerged as a great brand messaging phenomenon with much more reliability in comparison to traditional methods of advertising). The proposed piece of literature is an effort towards discerning patterns of CSD and interpreting the carbon footprints of the companies from various angles. The review of sprawling literature on the subject shall direct the effort the researcher in a meaningful and relevant style.

Review of Studies on Environment Management Disclosures

Although the effort has been made to confine the literature review to CSD practices but where ever some relevant findings concerning **EMD** were found, a brief reference to that was included. The literature review basically focuses upon global CSD practices and then studies relating to India.

Guthrie James and Parker Lee D (1989)⁴ conducted a longitudinal study covering 100 years to relate corporate social reporting with the needs of the corporations to legalize their actions. In his research the legitimacy theory was rejected taking six thematic disclosures namely environment, energy, human resources, product, community development and others. The thematic disclosures were measured on the basis of space incidence.

Gary .K meek and Sidney J. Gray (1988)⁵ corporate environment responsibility is a part of value added statements (VAS) and shall promote cooperation among various stakeholders though there is some ambiguity regarding the inclusion of some parties as genuine stakeholders.

Maya Purushotahman, Greg Tower, Phil Hancock and Ross Taplin (2000)⁶ focused on corporate social reporting taking five themes as Environment, human resources, energy,

³Using the mainstream media itself to strike at dominant marketing messages and send alternative messages.

⁴Corporate social reporting : A Rebuttal of legitimacy theory, Guthrie, James, Parker, Lee D Accounting and Research business Autumn 1989: ABI/INFORM Global pg343

⁵The value added statement: an innovation for U.S. companies accounting horizons Gary .K meek and Sidney J. Gray: Jun 1988 2.2, ABI/INFORM Global pg73

⁶Determinants of corporate social reporting practices of listed Singapore companies Maya Purushotahman, Greg Tower, Phil Hancock and Ross Taplin Pacific a Accounting Review, Dec 2000, Accounting and Tax Periodicals pg.101

community involvement and products and services. The study concluded presenting a relationship between size of the company and corporate social reporting .the relationship was doubtful regarding industry and corporate social reporting .the economically better performing companies more inclined towards corporate social reporting. it also asserted the fact that human resources is the most disclosed theme and that award winning companies were following more corporate social reporting practices.

Low koh yeo (1985) used descriptive statistics on annual reports of 80 listed companies to find that though the level of corporate disclosure did not depend upon industry but higher levels of social disclosures were found by award winning companies.

Teoh foo tan Yap (1998) attempted to find the association between Environmental disclosure and economic performance. T- Test was conducted on polluting or potentially polluting companies to find that significant association between environmental performance and economic performance.

Eric W. K Tsang (1998)⁷ concluded a longitudinal study in the banking, food and beverages, and hotel industries from 1986-1995 saying that of the 33 companies only 17 companies disclosed corporate environment reporting information. Thematic emphasis analysis most disclosed theme is HR followed by community involvement, environment and others. The legitimacy theory was asserted to be the reason for corporate social reporting. . Paired difference t tests were conducted to see whether there was any difference among the three industries. The banks disclosed significantly (at 0.01 level) less social information than the hotels but test results of the other two pairs of industries are not significant

Andrew and Guthrie (1989) used descriptive statistics to confirm the earlier findings that HR is the most disclosed theme followed by product, community and lastly by environment. The study also found that medium to large companies made more social disclosures. These disclosures were mainly declarative and no enough evidence could be gathered to confirm or refute the association between industry and corporate social reporting.

Sunee Ratanajongkol, Howard Davey, Mary Low.⁸(2006) analyzed 40 largest Thai companies to explore the extent and nature off corporate environment reporting. EMD was measured on five key themes including. Number of words and trend analysis was the method to know the extent of disclosure. To associate the corporate social reporting to industry size spearman's Rank correlation was used. The study disclosed that HR theme was the most disclosed area accounting for 37 and 42 percent of total corporate social disclosure. It was followed by community which first increased and decreased. On the third ranking was environment and products which decreased in the disclosure over a period of time. Energy was the least disclosed theme among these 40 Thai companies.

Geoff Frost, Stewart Jones, Janice Loftus, Sandra Van Der Laan(2005)⁹ reported that out of

⁷A longitudinal study of corporate social reporting in Singapore The case of the banking, food and beverages and hotel industries Eric W. K. Tsang. Accounting, Auditing & Accountability Journal. Bradford: 1998. Vol. 11, Iss. 5, p. 624-648

⁸Corporate social reporting in Thailand: The news is all good and increasing

Sunee Ratanajongkol, Howard Davey, Mary Low. Qualitative Research in Accounting and Management. Bradford:2006. Vol. 3, Iss. 1, p. 67-83

⁹A Survey Of Sustainability Reporting Practices of Australian Reporting Entities

Geoff Frost, Stewart Jones, Janice Loftus, Sandra Van Der Laan. Australian Accounting Review. Melbourne: Mar 2005. Vol. 15, Iss. 1, p. 89-96 (8 pp.)

conventional annual reports, discrete reports, corporate website the first one is least valuable source of information on corporate environment reporting disclosures and expected them to be replaced by newer and less traditional reports indicating sustainability. Discrete reports provide the highest level of social disclosure but frustrating it was dominated by environmental disclosures. The usability of discrete reports was reduced by inconsistencies and frequent gaps. Though the websites provided more range of disclosures but the complete reliance on these reports was not expected or suggested.

Nongnooch Kuasirikun, Michael Sherer¹⁰ (2004) concluded their research with regard to corporate environment reporting practices in Thai and strongly pointed out that Thai practices were not able to realize their full potential to function as enabling communication. The authors throw the flood gates of information open regarding severe and hellish working conditions of workers in Thai factories and equally irresponsible behavior of the corporate in this country. With the help of content analysis annual reports of many companies listed on stock exchange were investigated to find that

There is a slight reduction in the number of companies reporting their social and environmental information from 86 per cent in 1993 to 77 per cent in 1999. This slight reduction may be attributed to the economic cycle and corporate profitability in that as companies in Thailand confronted the financial crisis in 1997.

Carol Adams, Ambika Zutshi. (2004)¹¹ investigated the drivers which push the corporate world towards reporting on social actions initiated by them. They found that two key drivers that compel the companies to act in socially responsible way these are moral justification towards all the stakeholders not simply to the shareholders and increasing realization that it is in business interest to report on social and environmental and ethical issues. It was believed that corporate social reporting shall minimize the risks of financial liabilities non compliance with the legislature and improve the corporate image with press, journalists, state authorities and consumers.

Carol A Adams (2004)¹² conducted a case study of a company Alpha to present a "reporting-performance" portrayal gap. Through content analysis of various annual reports it was asserted that the reports do not address to informational needs of various stakeholders on ethical, social and environmental issues. The author suggested mandatory reporting and auditing guidelines and a radical overhaul of corporate governance systems.

Samuel O Idowu, Brian A Towler (2004)¹³ found in their empirical research that increasing number of companies in UK, irrespective of their size are recognizing that corporate social reporting is beneficial for them. Consequently 80% of FTSE-100 companies provide information in one form or another about their environmental performance, social impact, or both. Reporting practices varied from very sophisticated and well managed systems to a brief mention in annual reports of the companies. One of the surprising finding was that the several

¹⁰Corporate social accounting disclosure in Thailand CC. Accounting, Auditing & Accountability Journal. Bradford:2004. Vol. 17, Iss. 4, p. 629-660

¹¹CORPORATE SOCIAL RESPONSIBILITY: WHY BUSINESS SHOULD ACT RESPONSIBLY AND BE ACCOUNTABLE

Carol Adams, Ambika Zutshi. Australian Accounting Review. Melbourne:Nov 2004. Vol. 14, Iss. 3, p. 31-39 (9 pp)

¹²The ethical, social and environmental reporting-performance portrayal gap Carol A Adams. Accounting, Auditing & Accountability Journal. Bradford:2004. Vol. 17, Iss. 5, p. 731-757

¹³A comparative study of the contents of corporate social responsibility reports of UK companies

Samuel O Idowu, Brian A Towler. Management of Environmental Quality. Bradford:2004. Vol. 15, Iss. 4, p. 420-437

international and local organizations hinder rather than promote the cause of social reporting by suggesting different formats for presentation of corporate social information. Research also indicated that UK companies are making reasonable efforts to disclose their social and environmental efforts.

DTI, 2001¹⁴ in a survey of 45 global and large companies operating in the EU it was found that over 90 per cent reported on their mission, vision and values, climate at workplace, community involvement, local economic development, market place and environmental impact.

Carol A Adams (2002)¹⁵ conducted interviews in 7 large MNC's in the chemical and pharmaceutical sectors of the UK and Germany to identify any internal contextual factors affecting extent and nature of corporate social reporting. The country of origin, corporate size and corporate culture affect process of reporting and decision making.

Shahed Imam (2002)¹⁶ found in an empirical research that most of the listed companies in Bangladesh did not provide any information regarding the environment, human resources, community, and consumers in 1996-97. Although some progressive companies disclosed some selective information, it was not at all sufficient in discharging social responsibilities. All the information provided by these companies was qualitative in nature and the disclosure level was very poor. Except HR most of the reporting was qualitative in nature. Other aspects like environment, consumer, community involvement and other social aspects are totally neglected by most of the companies.

Douglas Beets, Christopher C Southern (1999)¹⁷ in their study emphasized the need for environmental reporting standards to avoid confounding comparability and verification by external parties for reliability. The environmental reports issued in hard copies and on websites are mercifully diverse.

Belal (1999)¹⁸ reported that of the companies studied in Bangladesh maximum number of companies made disclosure on employees, marginally followed by disclosure on some environmental and lastly on some ethical issues.

Ki-Hoon Lee (2007)¹⁹ carried out a research most companies in south Korean electronic industry understand importance of relations with key stakeholders. Use of universal code of conduct for external responsiveness' is disregarded. The research was carried out in explorative design by conducting open end, in depth interviews. Qualitative data on top management commitment, social and environment performance and reporting, fines and penalties, finally eco products was collected. The cluster analysis was carried out to label clusters as laggard, limbo, champion and fire-fighter on the basis of corporate social responsiveness.

¹⁴DTI (2001). Business and Society: Developing Corporate Social Responsibility in the UK. Department of Trade & Industry, London.

¹⁵Internal organizational factors influencing corporate social and ethical reporting: Beyond current theorizing Carol A Adams. Accounting, Auditing & Accountability Journal. Bradford:2002. Vol. 15, Iss. 2, p. 223-250 (28 pp.)

¹⁶Shahed Imam Corporate social performance reporting in Bangladesh. Managerial Auditing Journal. Bradford:2000. Vol. 15, Iss. 3, p. 133-141

¹⁷Corporate environmental reports: The need for standards and an environmental assurance service S Douglas Beets, Christopher C Souther. Accounting Horizons. Sarasota:Jun 1999. Vol. 13, Iss. 2, p. 129-145 (17 pp.)

¹⁸Belal, A. R. (1997). "Green reporting practices in Bangladesh", The Bangladesh Accountant, January-March, pp. 107-115

¹⁹Ki-Hoon Lee Corporate Social Responsibility and Environmental Management Corp. Soc. Responsib. Environ. Mgmt. 14, 219-230 (2007)

Meropy Barut (2007) This thesis investigates the emergence and level of voluntary social reporting (TBL reports) by the top 100 companies in Australia. To ascertain the level of corporate commitment to TBL reporting, the reporting framework developed by Global Reporting Initiative (the GRI Sustainability Reporting Guidelines 2002) is used as a benchmark for the disclosures and as the model upon which to make this assessment of the content of the disclosures. It focused upon economic, environmental and the social components of the reports. The spread of disclosures was skewed towards environmental disclosures, yet social disclosures were also apparent and increased over the period assessed.

Jeffery and Unerman (2000) deliberated upon the documents that need to be scanned for corporate social and environment reporting and methods used for measurement of the quantum of the corporate social reporting. They warned that a lot of information on social and environmental projects existed in documents other than annual reports, the studies solely based upon the content analysis of annual reports is certainly going to present an incomplete and misleading picture of corporate social reporting. About the technique of measurement, the study concluded that use of sentences for measuring the volume of CSD in comparison to words or proportions of pages shall ensure greater accuracy at the cost of reduction in relevance of study. The study also suggested inclusion of pictures, graphs, even blank spaces to reach at more relevant results measuring volume of CSD.²⁰

Review of studies on CSD

The study of literature on CSD and corporate social responsibility paint an ambiguous and even contradictory picture.

S.Raman Raghu (2006)²¹ undertook a study to look at the chairman's messages section of annual areports of the top 50 companies in India. This study used content analysis to identify the extent and nature of social reporting.

Batra, G.S (1996)²² studied various model formats for corporate social reporting and emphasized urgent need for social auditing. The social reporting practices of many large Indian companies were studied to suggest amendment in Indian Companies Act, 1956 making corporate social reporting a statutory obligation. The author suggested that The Institute of Chartered Accountants of India should develop proper formats and standards for the presentation corporate social reporting in India.

Singh and Ahuja (1983) made content analysis of 40 annual reports of public sector companies 25 years back. If covered 33 items of social disclosure. The authors attempted to examine the relationship between corporate social reporting and company size, age, profitability and industrial grouping.

²⁰Jeffery and Unerman (2000)Methodological issues _ Reflections on the quantification in corporate social content analysis , Accounting , Auditing & Accounting Journal, Bradford: 2000. issue 5, volume 13, p667-680

²¹S.Raghu Raman , corporate social reporting in India- A view from the top, global Business Review, 7;2 (2006) Sage PublicationsNew Delhi?thousand Oaks? LOnon

²²Dynamics of social auditing in corporate enterprises: a study of the Indian corporate sector Batra, G.S.. Managerial Auditing Journal. Bradford:1996. Vol. 11, Iss. 2, p. 36-45

Hegde (1997) observed that most of the Indian private companies do not make any formal social disclosures because of lack of mandatory requirements. The case study of Steel Authority of India Limited (SAIL) was undertaken and it was reported that SAIL made extensive HR disclosure. Value added statements were also included in annual reports.

Rickhardson et. Al (2000)²³ reports in their study that between the 1992 and 1996 more than 1000 companies across the world reported their social and environmental performance. such disclosures were made in a range of documents covering annual reports, press releases and advertisements. Of late there is clearly noticeable trend towards issuing stand alone reports on socially responsible practices.

Mohammed Hossain and Masrur Reaz (2007)²⁴ investigated the extent of voluntary disclosures by 38 listed banking companies in India. The empirical research concluded that the size and asset in place are the significant factors influencing disclosure whereas age, diversification, board composition and multiple exchange listing and complexity of business are not significant variables influencing social reporting practices of Indian banking companies. The analysis was made through multiple regression analysis and disclosure index of 65 items of voluntary items was constructed, followed by an unweighted, dichotomous approach in which 1 score was assigned, if disclosed and 0 score, if not disclosed. The corporate disclosure was calculated using descriptive statistics in univariate analysis.

Tatjana Chahoud, Johannes Emmerling, Dorothea Kolb, Iris Kubina, Gordon Repinski, Catarina Schläger(2007) pointed out that in Indian companies the corporate social responsibility is still in a confused state. Concept of corporate social responsibility in India has slowly matured from philanthropy to sustainability business strategy on one level and from self regulation to multi stakeholder concept. Important finding of this research report was that the companies carry out corporate social activities have a business case.

Gupta, Aruna Das (2007) concluded an explorative research paper on the trends of social responsibility of corporate sector in India. The researcher found that trends in socially responsible initiatives are encouraging as well as crucial in India.²⁵

Agrawal R.S.²⁶ in his study attempted to evaluate and compare the divergent social disclosure practices in both private as well as public sector in India. The sample size was small as 20 copanies . the technique used was content analysis with any weights for any items in the disclosure. The researcher found that most of the social item information was disclosed in Director's report or in separate form or by way of notes to the accounts or schedule. He found the most of the information was presented using non quantitative description technique.

²³ Rickhardson P, A.J.R Anderson and H. Bany. 2002.Sustainability reporting on internet: A study of the global fortune 500, Greener Management Interantional ,40:57-75

²⁴ Mohammed Hossain and Masrur Reaz Corporate Social Responsibility and Environmental Management Corp. Soc. Responsib. Environ. Mgmt. 14, 274-288 (2007)

²⁵ Aruna das gupta, social responsibility in india towards global compact approach, international journal of social economics, vol. 34,no 9.2007, p 637-663

²⁶Agarwal , R.S. Corporate social information disclosure – A comparative study

Conclusions:

This review of literature mainly poses upon the practices of disclosures on social (employees, customers, community and investor) and environmental issues. Majority of the papers have dealt with issues on empirical data base following the descriptive statistics like content analysis on the basis of extent, type of disclosures. Average disclosure was calculated on the basis of themes. Though the theme varied from researcher to researcher and across global boundaries but still a thematic framework can be seen gyrating around human resources, environment performance, community involvement, ethical issues (only scanty work could be seen), consumers. Except for a research project undertaken by Tatjana Chahoud et al under the D.I.E (Deutsches Institut für Entwicklungspolitik /German Development Institute), no where any reference was made for presenting corporate social reporting as a business proposition. Taking into account the initiative taken by international agencies like UNGC (UN Global Compact), Global Compact society (India), Indian Partnership Forum (IPF) and numerous NGO's working at national and international level; it is becoming really relevant to attach a commercial dimension to corporate social responsibility. In the study conducted by Tatjana Chahoud et al¹⁹ it is shown that 62% of the companies presented BUSINESS CASE a motivator for corporate social responsibility. "EMR can be a value proposition for companies," profit is the by product of the business, real aim of the business is to serve the society.²⁸ The strategic focus on corporate social responsibility can pay the business world a rich dividend. Though the corporate world cannot be presumed to be unaware of the financial side of corporate social responsibility, the intentions have not been brought to public and even not conceptually accepted by financial wizards of the corporate

world. Firstly this argument provides the justification for the awfully diverse forms, content, quality, location of the corporate social reporting documents. Secondly, there is total lack of standardization of formats and benchmarks for these reporting practices. The plethora of the benchmarks can be found somebody judges the reporting based upon the GRI (Global Reporting Initiatives), somebody on the basis of ten principles given by UNGC and still many people developed their thematic instruments covering range of issues which widely come in the realm of social responsibility. Different jargon relating to naming of documents like Reporting on Enterprise social responsibility, Environment reports, cop (communication on progress), EHS (Environment health and social disclosures), sustainability reports also add some more element of uncertainty to the literature on corporate social reporting.

"CSR can be a value proposition for companies," said Mr. Y.C. Deveshwar, Chairman, ITC Ltd on August, 9, 2007. He spoke of a business model where customers would choose products based on the corporate social responsibility (CSR) portfolio of the company. Accepting corporate social responsibility (talking specifically in terms of environment related issues) as a business proposition shall necessitate a deep look inside carbon footprints of the company and a serious attempt at designing a model for conversion of corporate social responsibilities initiatives into financial gains. An approach to integrate financial aspect via carbon points

¹⁹cc., Johannes Emmerling, Dorothea Kolb, Iris Kubina, Gordon Repinski, Catarina Schläger (2007)-Corporate Social and Environmental Responsibility in India - Assessing the UN Global Compact's Role Dt. Inst. für Entwicklungspolitik, 2007. Deutsches Institut für Entwicklungspolitik ; 26) ISBN : 978-3-88985-336-3

²⁸Mr Y.C. Deveshwar, Chairman, ITC Ltd, Bet of corporate social responsibility, Business Line, 10 august 2006

earned by socially as well as environmentally sensible and responsible organization is expected to touch a cutting edge initiative in field of corporate social responsibility. The originality of approach to look at the concept from financial angle shall be a significant contribution to the existing literature on this area. Keeping in the vastness of country, fewer studies and the scant data nature of research can at best be called a combination of empirical and exploratory research. The researcher wishes to add another dimension to the research problem by gauging the perceptions of the brokers towards the environmental responsibility and reporting.

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²¹ Rickhardson, P., A.J.R. Anderson and H. Bany. 2002. Sustainability reporting on internet: A study of the global fortune 500, Greener Management International, 40:57-75

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Attitude of Investor towards Gold and Gold ETF with special reference to Ludhiana city

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INTRODUCTION

INDIA'S GOLD INDUSTRY-OVERVIEW

The gold market is relatively liquid compared with many other commodity markets. Physical demand for gold is primarily for fabrication purposes, including jewellery (which accounts for 80% of fabricated demand), electronics, dentistry, decorations, medals and official coins. In addition, central banks, financial institutions and private individuals buy, sell and hold gold bullion as an investment and as a store of value.

The use of gold as a store of value (a consequence of the tendency of gold to retain its value in relative terms against basic goods, and particularly in times of inflation and monetary crisis) and the large quantities of gold held for this purpose in relation to annual mine production have meant that, historically, the potential total supply of gold is far greater than demand at any one time.. Instead, the gold price has from time to time been significantly affected by macro-economic factors such as expectations of inflation, interest rate changes, exchange rate changes, changes in reserve policy by central banks, and by global or regional political and economic events. In times of price inflation and currency devaluation, gold is often bought as a store of value, leading to increased purchases and support for the price of gold.

INDIAN GOLD MARKET (WORLD'S BIGGEST GOLD MARKET)

The gold market in India is predominantly a market for buying and selling physical gold. In the wholesale segment, nominated agencies are the bulk importers. This market is reasonably efficient from the point of view of distribution of bars and scraps over the length and breadth of the country, which takes place in a very effective manner. Price uniformity is also generally observable in areas with identical incidence of duties and tax. Gold lending/leasing volumes are small in comparison to physical buying and selling. Most of the leasing activities are undertaken by nominated banks on a back-to-back basis via supply from overseas. Domestic lending resources are still meagre, as mentioned before. This segment of the market needs to develop for at least two reasons:

To provide working capital at low cost together with gold price hedging, not only to the exporters but also to jewellery manufacturers for the domestic market. At present, non-exporters do not receive the necessary working capital finance in rupees from the banking system. The evidence of the significant contribution made by the spread of gold leasing, even to small family jewellery units, in boosting exports and local sales in Italy could provide guidance

in the matter. The existence of a gold lending/leasing market is a pre-condition for arbitrage-free pricing of gold forward/swap contracts in the local market

A number of compelling reasons underpin the widespread renewal of interest in gold as an asset class:

1. Portfolio Diversification

Most investment portfolios primarily hold traditional financial assets such as stocks and bonds. Diversifying your portfolio can offer added protection against fluctuations in the value of any single asset or group of assets. Risk factors that may affect the gold price are quite different in nature from those that affect other assets. Statistically, portfolios containing gold are generally more robust and less volatile than those that do not.

2. Inflation hedge

Market cycles come and go, but over the long term, gold retains its purchasing power. Gold's value, in terms of the real goods and services that it can buy, has remained remarkably stable for centuries. In contrast, the purchasing power of many currencies has generally declined, due for the most part to the rising price of goods and services. Hence investors often rely on gold to counter the effects of inflation and currency fluctuations.

3. Risk management

Gold is significantly less volatile than most commodities and many equity indices. It tends to behave more like a currency. Assets with low volatility will help to reduce overall risk in your portfolio, adding a beneficial effect on expected returns. Gold also helps to manage risk more effectively by protecting against infrequent or unlikely but consequential negative events, often referred to as "tail risks"

4. Demand and Supply

The price of gold tracks the shifting balance of supply and demand. Long lead times in gold mining mean production of gold is relatively inelastic, regardless of increases in demand. That's why the rally in the gold price since 2001 has not engendered a meaningful increase in gold production levels. Demand for gold has shown sustained growth recently, due at least in part to rising income levels in key markets. These supply and demand factors have laid foundations for gold's most positive outlook in over a quarter of a century.

WHAT MOVES GOLD PRICES?

1. Tightening of gold supply

Gold supply has decreased by almost 40 per cent as the cost of mining, legal formalities and geographical problems have increased which has led to a fall in gold mining. Economics have taught us that lesser the supply, greater the demand and in turn greater the increase in price.

2. Inflation and interest rates

Rising inflation rates typically appreciates gold prices. It has an inverse relationship with interest rates. As gold is pegged to the US dollar, US interest rates affect gold prices. Whenever interest rates fall, gold prices increase. Lowering interest rates increases gold prices as gold becomes a better investment option vis-à-vis debt products that earn lower interest. Gold loses its shine in a rising interest rate scenario.

3. Currency fluctuation

As gold is pegged to the US dollar, it has an inverse relationship with the dollar. Dollar is a de-facto currency of exchange around the world. But now with US on the brink of depression, gold is substituted as a safe haven for investments. Though dollar seems to be getting stronger, it may be a temporary effect and very soon it can head southwards once again, in turn making gold an attractive and safe investment.

4. Geo-political concerns

Whenever there is geo-political strife, investors around the world rush to prevent erosion of their investments and gold as a safe haven attracts one and all. For example after 9/11 terror strike in the United States the demand for gold had increased. With the recent events like tension between India-Pakistan, Israeli strikes over Gaza, the on-going war in Iraq, the tension between US and Iran coupled with recession have investors scrambling for gold.

5. Central bank demand

With the dollar losing its value, central banks of most of the developed countries have started to increase their share of gold. This explains the increasing market demand for gold.

6. Weakness in financial markets

General rule of thumb in the market is that gold is always attractive when all other investments are unattractive. Why is this? As gold is negatively co-related to stocks, bonds, and real estate, gold is considered to be a safe haven and hence during any crises, investors would like to sell off what they would term as risky investments and be invest the funds in gold.

7. Growth in Demand for Jewellery

Countries which are primarily responsible for this growth are India, China, Italy, Turkey and USA. The demand for consumption of gold in jewellery was 6% higher at 735 tonnes and also comprised a new first-quarter record. The US, which accounts for 10 % of world gold demand, is also one of the markets where public taste in gold jewellery is enjoying a renaissance.

The Indian market – the world's largest for gold demand – was 23 % higher following the marriage and festival period which, in turn, has led to restocking by retailers. The earthquake in India, however, is unlikely to hit demand significantly as it occurred in an area which comprises only 5% of the total Indian consumption. There were sharp falls in demand in Turkey and

Taiwan - down 38% and 31% respectively. This was due to economic difficulties and continued weakness in investment demand.

TYPES OF INVESTMENTS IN GOLD

I. PHYSICAL GOLD

The oldest and most widely used way to invest in gold is in the form of physical gold. I would say this is form with which most of the people are comfortable with. From centuries, physical gold is the only way to invest in gold. Now coming to the point, there are two ways to invest in physical gold.

1. Jewellery

This is the most famous way of investing in physical gold. This is mostly done for consumption rather than “investment”. Obviously jewellery is also an investment product in itself, but most of the people buy it for consumption purpose. The best part of Jewellery is that it's very easy to invest in it, all you need to do is cash or cheque and that's all, you can buy. Also the whole family is more comfortable with this option. However the sad part is that you do not just pay the market price of gold, but also making charges for jewellery. As it's in physical form, there are chances of theft also. One more problem with jewellery is that there are chances of fraud at times; you can be sold an inferior quality of gold in the name of “high quality” gold. So it's very important from where you buy it.

2. Gold Bar/Coin

Gold Bar and Coins are another good way to invest in physical form of gold. Gold bar/coins are sold by all the banks and jewellers. It's a good way to invest in gold if you want to do it for pure investment purpose or for some distant future marriage like your sister or daughter marriage. The good point about bars/coins is that depending on the requirement you can either buy more (bars) or less (coins) and easily available at Banks and jewellery shops, but banks only sell it, do not buy it back. Also generally there is no consumption done on regular basis so a person can keep it in locker or some safe place for long time. The bad part of gold bar/coins are that its always available at a premium price of 5-10% and at the time of selling them, you again will get a discounted price of 5-10%, so overall your returns will go down.

II. NON PHYSICAL GOLD

1. Gold Mutual funds-

Gold Mutual funds are those mutual funds which invest in another parent mutual fund which finally invests in stocks of gold mining companies and companies which are related to gold related activities. They also buy physical gold, but in very small quantities. This is not the suitable investment for those who want to track gold prices, because these funds do not invest most of their money in gold, but gold related companies. So it's mainly an equity fund which invests in companies. For example AIG World Gold Fund, this does nothing but invests in its parent mutual fund AIG PB Equity Fund Gold, which finally invests in different companies.

The good part of these funds is that if you are optimistic about the future of those companies involved in gold, these are good funds, but the sad part is that you will pay expense ratio two times because it is fund of funds. A lot of people invest in these funds by mistake thinking that they invest in real gold.

2. Gold ETF's

A gold exchange-traded fund (or GETF) is an exchange-traded fund (ETF) that aims to track the price of gold. Gold ETFs are units representing physical gold which may be in paper or dematerialised form. These units are traded on the Exchange like a single stock of any company. Gold ETF's are intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on a stock exchange.

GOLD ETF's

Gold ETFs are the units representing physical gold, which may be in paper or dematerialized form. These units are traded on the exchange like a single stock of any company. Gold ETFs provided investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on stock exchange. Gold ETF would be a passive investment; so, when gold prices move up, the ETF appreciates and when gold prices move down, the ETF loses value. Gold ETF tracks the performance of Gold Bullion. Gold ETFs provide returns that, before expenses, closely correspond to the returns provided by physical Gold. Each unit is approximately equal to the price of 1 gram of Gold. But, there are Gold ETFs which also provide a unit which is approximately equal to the price of 1/2 gram of Gold.

Exchange-Traded Fund (ETF) is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange at approximately the same price as the net asset value of its underlying assets/commodity over the course of the trading day. Gold ETF is an open ended exchange traded fund, listed on the stock exchange, available for trading with an intention to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold. A Gold ETF is designed to provide returns that, before expenses, closely correspond to the returns provided by domestic price of Gold. However, the performance of the scheme may differ from that of the domestic prices of Gold due to the expenses and/or the other related factors. All gold bullion held in the scheme's allocated account with the custodian shall be of fineness (or purity) of 995 parts per 1000(99.5%) or higher. An Individual who is a resident of India, Non Resident Indian, Foreign Institutional Investor registered with SEBI, Banks and Financial Institutions, Companies, Trusts and Cooperative Societies, Partnership Firms, a HUF, Mutual Fund registered with SEBI, etc., can invest in Gold ETFs. A Demat account and registration with the broker (member of NSE) is mandatory for the investors willing to invest in Gold ETFs. An investor can either invest in these ETFs during New Fund Offer (NFO) periods, when the scheme is launched or

buy Gold ETF units from Stock Exchange. Investing during the NFO period would attract entry load, which differs from one Mutual Fund to the other, and have a minimum investment amount. Post NFO, however, would not attract entry charge, but a brokerage charge of as low as 0.4-0.5% would be levied by the stock broker.

GOLD ETF: BENEFITS

Transparent pricing

Investors get best possible price while investing in gold through Gold ETFs.

Easy accessibility

Gold ETFs are easily available in the market. For example: NSE has over more than 1,80,000 terminals spread across more than 1500 towns in the country.

Purity

Since Gold ETFs are held in demat or paper form, they eliminate impurity issues associated with physical gold.

No Premium or making charges

You end up paying a premium for gold coins & bars purchased from banks and jewellers charge extra as making charges. With GOLD ETF, you don't have to pay any premium, making or delivery charges. Yet whenever needed you can also exchange them in multiples of 1kg units for 0.995 purity

No worries of theft

You always worry about the safety of your gold and also end up paying for bank lockers. Buying Gold ETF is purchasing gold in electronic form. You buy them just like you buy stock of any company from your broker. With Gold ETF, since your gold is now in demat form there are no worries of theft and you also save on locker charges.

Easy to sell

Unlike gold coins and bars, which the banks don't buy back and most jewelers only offer to exchange but not buy back. Gold ETFs can be sold anytime through your broker at transparent prices available for view at NSE's website. And unlike other forms of gold, you get the same price for your Gold ETF across India. On Gold ETF, you pay no sales tax, securities transaction tax, and VAT or wealth tax.

Available in smaller denomination

Minimum investment for Gold ETF is one unit (which equals to 1 gram in most schemes), which is suitable for retail investors.

REVIEW OF LITERATURE

Capie et al. (2004) examined one aspect of the second role of gold, gold as a hedge against US dollar. Using data from 1971 to 2002, they applied a variety of statistical techniques to explore the relationships between gold and the exchange rates of various currencies against the US dollar, with particular attention paid to the hedging properties of gold in episodes of economic or political turmoil. The US dollar gold price was found to move in opposition to the US dollar and the movement was essentially contemporaneous. For each exchange rate considered, a typical weekly movement against the dollar generated a movement in the gold price of just under one dollar

Lutter (2009) Gold demands is high in the country such as East Asia, India and Middle East. In addition, China, India, USA, Italy, and Turkey accounted 55% of the total gold demand of the world. The gold demand can be divided into the jewellery demand, investment demand and industrial demand.

OBJECTIVES OF THE STUDY

1. To study the changing attitude of individuals regarding gold as an investment alternative.
2. To study the awareness level of individuals about Gold ETFs as a new gold investment alternative.
3. To study the acceptability of Gold ETFs over gold as an investment alternative.

RESEARCH METHODOLOGY

TYPE OF RESEARCH

This is a descriptive type of research wherein the study described some facts about the investor's attitude and perception about Gold and Gold ETFs as investment alternatives. Descriptive Research is a type of conclusive research which has as its major objective the description of something-usually market characteristics or functions.

Sampling units: Sampling unit is the basic unit containing the elements of the universe to be sampled. The sampling units of the study consisted of service class and business class people who invest in Gold in Ludhiana city.

Sampling technique The selection of respondents was done on the basis of convenience sampling based on non-probability method of sampling.

Sample size Sample size is the number of elements to be included in a study. Convenience sampling technique was adopted to get a sample size of 200 people. It was selected because of convenience in evaluating and analysing the data and because of time constraint.

TOOLS OF ANALYSIS

Data collected was followed by editing and coding of data. The primary purpose of doing this

was to eliminate errors in the raw data and to process the data in various categories. Data was then tabulated and categorized for further analysis. Statistical inferences were made on the basis of study. To analyse the data obtained with the help of questionnaire, following tools were used.

- ◆ **Weighted Average Score:** This tool is used to calculate highest and lowest rank.
- ◆ **Tables:** This is a tool to present the data in tabular form.
- ◆ **Percentage, Bar Graphs and Pie Charts:** These tools were used for better representation of data and analysis of data.

DATA ANALYSIS AND INTERPRETATION

1. Number of people who invest in/ buy gold.

All the respondents who were being studied for research were (both business class and service class) investing in.

2. Type of investment made by people in gold

Showing the type of investment made by people in gold

Responses	Business class	Service class	Total
Gold Bullions/ coins	27	13	40
Gold certificates	4	0	4
Jewellery	100	100	200
Any other	1	2	3

Interpretation

Majority of the respondents have made the investment in gold in the form of jewellery. While some of them have also invested in the form of gold bullions/ coins and a very few have invested in gold certificates and other gold items.

3. Frequency of buying gold

Responses	Business class	Service class	Total
Once every month	2	0	2
Once every year	87	90	177
Once every five years	11	10	21
After/More than 5 years	0	0	0
Total	100	100	200

4. Percentage of annual income in gold investment

Showing percentage of annual income in gold investment

Responses	Business class	Service class	Total
Below 10%	11	28	39
11%-20%	57	72	129
21%-30%	31	0	31
31%-40%	1	0	1
41%-50%	0	0	0
51% and above	0	0	0
Total	100	100	200

Interpretation

From the above table, it is clear that majority of the respondents (both business as well as service class) spend 11%-20% of their annual income in gold investment. Some of them spend less than 10% of their annual income in gold investment. Some respondents also spend 21%-30% of annual income in gold while a very few spend 31%-40% of annual income in gold investment.

5. Reasons for buying gold

Showing reasons for buying gold

Responses	Business class	Service class	Total
I believe that gold is a safe and secure investment option than all other major investment tools.	70	78	148
I believe that appreciation in the value of gold is more than any other financial instrument.	12	15	27
I believe investment in gold is not affected by business cycles.	10	4	14
I believe gold is, at all times, in all places and under all circumstances, universally accepted.	15	23	38
I usually buy gold for marriage and festive purposes	80	87	167
I believe it is the best gift for my near ones.	36	30	66

Interpretation

Majority of the respondents (both business class as well as service class) said that they buy gold usually for marriage and festive purposes. Respondents believe that gold is a safe and secure investment option than all other major investment tools. Some of them also believe that gold is the best gift for the near ones. Some of them believe that gold is, at all times, in all places and under all circumstances, universally accepted. While a very few of them believe that appreciation in gold is not affected by business cycles and appreciation in the value of gold is more than any other financial instrument.

6. Risk perception about various gold instruments

Showing risk perception about various gold instruments

Gold instrument	Safe (3)		Moderate (2)		Risky (1)		Scale
	Business class	Service class	Business class	Service class	Business class	Service class	
Gold bullions/ coins	66	79	30	21	4	0	2.62, 2.79
Gold certificates	36	81	61	19	3	0	2.33, 2.81
Jewellery	73	44	22	41	5	15	2.68, 2.29

Interpretation

Gold bullions/ coins: Majority of the people (both business class as well as service class) believe that gold bullions/ coins are safe investment option.

Gold certificates: Majority of the business class people believe that gold certificates are moderate investment option whereas majority of the service class people feel that gold certificates are safe investment option.

Jewellery: Majority of the business class people believe that jewellery is safe investment option whereas majority of the service class people feel that jewellery is moderate investment option.

7. Viewpoint about Gold prices

Showing viewpoint about gold prices

Statement	SD	D	N	A	SA	Total	Scale (Total/200)
	(1)	(2)	(3)	(4)	(5)		
I expect that the gold price will always rise.	5	160	234	156	0	555	2.7
I believe that the changes in gold prices result in good returns.	4	108	258	220	10	600	3
I believe that the price of gold has better trend compared to other investment assets.	2	58	297	216	90	663	3.3
While there is a drop in gold price, I always believe that it is only temporary.	1	24	180	316	70	591	2.9

7(II) Viewpoint about Social influence on gold

Showing viewpoint about social influence on gold

Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)	Total	Scale (Total/200)
I invest based on rumours.	70	180	90	36	5	381	1.9
I invest according to my friend's advice.	41	192	135	104	0	472	2.3
I always listen to my family while making investment decisions.	4	0	57	556	155	772	3.8
I always follow the others while investing.	26	188	117	128	35	494	2.4

7(III) Viewpoint about gold during inflation

Showing viewpoint about gold during inflation

Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)	Total	Scale (Total/200)
I like to invest in gold during high inflation.	4	196	210	100	0	510	2.55
I believe there is increase in gold value with the increase in inflation rate.	2	176	240	104	0	522	2.6
I always protect my investment against increasing inflation rate.	2	52	267	304	20	645	3.2
I wish to increase my purchasing power during high inflation.	1	72	201	432	25	731	3.6

Interpretation

Majority of the respondents are neutral that gold price will always rise. Majority of the respondents are neutral that changes in gold prices result in good returns. Majority of the respondents are neutral that price of the gold has better trend compared to other investment assets. Majority of the respondents are neutral that while there is drop in gold price, it is always temporary. Majority of the respondents disagree that they invest based on rumours. Majority of the respondents disagree that they invest according to their friend's advice. Majority of the respondents agree that they always listen to their families while making investment decisions. Majority of the respondents disagree that they follow the others while investing. Majority of the respondents disagree that they like to invest in gold during high inflation. Majority of the respondents are neutral that there is increase in gold value with the increase in inflation rate. Majority of the respondents are neutral that they protect their investments against increasing inflation rate. Majority of the respondents agree that they wish to increase their purchasing powers during high inflation.

7. Awareness about gold in non-physical form

Showing Awareness about gold in Non- physical form

Responses	Business class	Service class	Total
Yes	86	96	182
No	14	4	18
Total	100	100	200

Interpretation

From the above figure, it is clear that majority of the respondents (both business as well as service class) are aware of the fact that gold is also available in non-physical form.

8. Awareness about existence of Gold ETFs in market

Showing Awareness about existence of Gold ETFs in market

Responses	Business class	Service class	Total
Yes	59	40	99
No	41	60	101
Total	100	100	200

Interpretation

From the above chart, it is clear that majority of the business class people are aware about existence of gold ETFs in market than the service class people.

9. Viewpoint regarding gold ETFs over gold as an investment option

Statement	Strongly Disagree (1)	Disagree (2)	Neutra l (3)	Agree (4)	Strongly agree (5)	Total	Scale (Total /99)
Gold ETFs are safe investment options than Gold	0	0	210	136	50	396	4
Gold ETFs are easier and simpler to buy.	0	70	168	60	40	338	3.4
I have generated good returns from Gold ETFs.	14	6	207	84	35	346	3.4
Gold ETFs are much more liquid than Gold	7	0	216	140	0	363	3.6
Gold ETFs are backed with physical gold of very high quality.	0	10	168	156	60	394	3.9

Interpretation

Majority of the respondents agree that gold ETFs are safe investment options than gold. Majority of the respondents are neutral that gold ETFs are easier and simpler to buy. Majority of the respondents are neutral that gold ETFs generate good returns. Majority of the respondents agree that gold ETFs are much liquid than gold. Majority of the respondents agree that gold ETFs are backed with the physical gold of very high quality.

10. Preference of investment in gold ETFs over gold

Showing Preference of investment in gold ETFs over gold

Responses	Business class	Service class	Total
Yes	50	28	78
No	50	72	122
Total	100	100	200

Interpretation

While 50% of the business class people responded that they would prefer to invest in Gold ETFs over gold but comparatively less number of service class people showed that preference towards Gold ETFs over gold.

SUMMARY

Gold has been and will always remain the most preferred form of investment among Indian people. Till date families have always preferred to retain gold in physical form but people are getting more aware about existence of Non-physical form of gold in the form of GOLD ETF. More and more of service class educated youth is diverting from physical to non-physical form of gold. Also banks and other financial institutions should start focussing on creating more awareness amongst Indian youth towards non physical form of gold. Also this can be taken as important medium by the government to control physical prices of gold.

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Indian Retail Industry In Global Scenario Comparative Study Of Organized Retailing & Mom & Pop Stores

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Introduction

Retail means selling goods and services in small quantities directly to customers, Retailing consists of all activities involved in marketing goods and services directly to consumer for their household use.

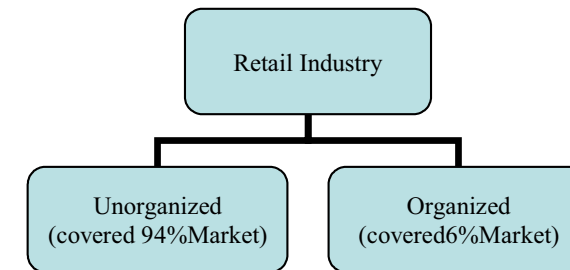
India's retail market which is seen as **THE GOLDMINE** by global players has grabbed attention of the most developed nations. This is no wonder to the one who knows that the total Indian retail market is US \$350bn. (16, 00,000 crore INR approx.) of which organized retailing is only around 3 percent i.e. US \$8bn (36,000 crore INR approx).

“Retailing includes all activities involved in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.” Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around eight per cent of the employment. Retail industry in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market.

Although the organized retailing in India is coming up in a big way, it cannot simply ignore the competition from the conventional stores because of various factors like reach, extending credit facility and other intangible factors like the human touch which are provided only by the conventional stores.

The urban retail market has been embracing various new formats and the malls turned out to be the trend setters by promising the concept of shoppertainment. The trends in the rural market also have been changing from the old Haats and Melas to the rural malls like 'Chaupal Sagar' launched by ITC, DCM Shriram Groups one-stop shopping destination called 'Hariyali Bazaar', Godrej groups agri store 'Adhar' etc.

- The Indian retail industry has over 12 million outlets, which is having largest no. of Retail outlets in India.
- It contributes over 10% of the GDP of the country.
- It is estimated to provide employment to over 18 million i.e.8% of the country's employment.
- For the year 2008,A.T Kearney's annual Global Retail Development Index rated India as No.2
- According to the FICCI O8' Retail Report, the share of the organized retail is likely to increase from current 65 to over 20% by 2010.
- According to FICCI over \$30 billion of investment is likely to be made in next 5 to 7 yrs, 92% of which is expected to be in urban areas.



Retailing in India has been growing at a frenetic pace over the past decade. More importantly ,it has witnessed rapid change in terms of retail mix(organized vs. unorganized),the quality and scale of retailing, the varieties of retail formats and also change in consumers preferences and shopping habits.

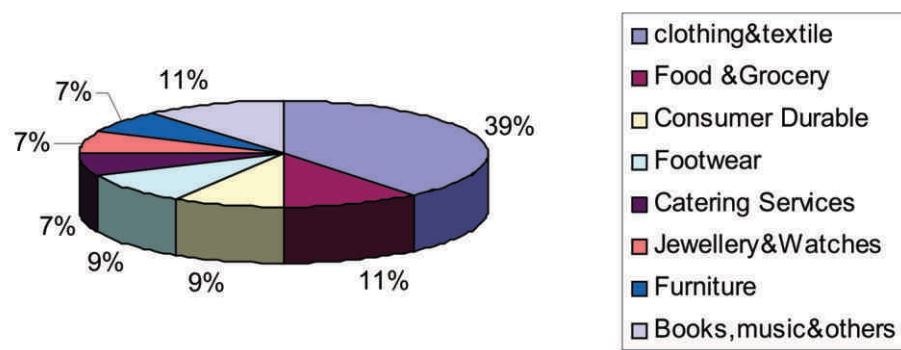
Today, consumers want the combination of entertainment and food together with shopping. The organized retail industry in India is facing the Biggest Competition from the unorganized sector. In contrast, players in the organize sector have to keep prices low enough to be able to compete with the traditional sector like (local kirana shops, beedi shops, convenience stores, hand cart and pavement vendors). Indian retail sector is largely unorganized, with about 12 million tiny outlets. The Indian retail industry is thus highly fragmented and India has the highest retail density in the world.

1.1 Who Will Get Benefit from Organized Retailing?

India is an Agricultural country and more than 50% of the population is engaged in it directly or indirectly. it is also the most unorganized sector. Organized retailing will offer an opportunity for direct contact of farmers with enterprises engaged in large scale retailing. Apart from farmers who would be the major beneficiaries, there are many others sectors like textiles, furniture, health care, jeweller,. furnishing, etc.,which will benefit from the organized retail business.

1.2 Emerging Sector in Organized Retailing

According to the Indian Retail Report 07, percentage wise Break up of the Organized retail sector:-



2. FUTURE TREND: SCOPE OF 24hr RETAILING

The concept of 24hr. retailing in India has been present only in very limited formats like the pharmaceuticals (Apollo) and fuel retail outlets (H.P, Reliance etc.) and the other retail formats used to operate only till the early hours of the night. But because of the changing lifestyles and the buying habits of the consumers the retailers have been extending their operating hours till late nights.

Most of the Indian retail formats though capable of operating their formats round the clock do not choose to do so because of the non feasibility of the idea at present taking in conjunction the customers' readiness. For instance if any of the hyper market or supermarket is functioning during the night the retailer has to bear the extra costs of electricity, labor and maintenance & if the number of footfalls are less during the late nights, which otherwise would be profitable to him. Anyways, the shopping time of the consumer is considerably increasing. Moreover, in India most of the retailing is all about food and groceries. It might not be a rational prediction that all the consumers will step into the retail outlet at midnights to buy food and groceries.

This problem can be overcome by implementing the idea in places which have a floating population even during the nights like railway stations and bus stations. However with the upcoming culture of malls and the changing lifestyles of the people one can design a small part of the store or a mall for a new 24/7 retail format which consists of the essential products like medicines, fruits and vegetables, groceries and some other FMCG products and test markets. Once if the sales start showing some consistent positive figures and if the crowd increases then the store can come in a bigger way to reach out to their customers.

The other option for trying the concept of 24hr retailing is that the retailer can have a mobile outlet which can place itself in the areas which have substantial night traffic for the sales to happen. And once the people are used to the 24hr shopping then the retail plans can be altered accordingly.

2.1 Competition from Conventional Retailing

At any point of time, even though any number of players enter into this sector, their reach will be limited when compared to the conventional stores. It is very difficult for these national players to render special service and reach the consumers as that of conventional stores.

Credit facility can be availed at the convenience store. But not in the case of malls and hypermarkets.

Home delivery can be availed from convenience stores since they focus on servicing smaller localities. The new generation retail outlets can also provide the same but it may not be feasible when considering the huge population and also their ever changing order size.

The Conventional stores have some more intangible factors like the human touch which makes the customers feel more valuable.

These above mentioned points add huge strength to the conventional and traditional Kirana stores. They will be a tough competition for the new generation organized retailers. The conventional retailers are competitive enough in the market and can easily sustain at any point of time.

The only change that may happen is a part of the revenues of the conventional stores could be taken away by the new organized retailers.

They can renovate and come back. For eg: HLL Super value stores.

The organized retail industry in India is facing the biggest competition from the unorganized sector. Traditional retailing has an extensive reach and commands a dominating share of the Indian retail business. In contrast, players in the organized sector have big expenses to meet, and yet have to keep prices low enough to be able to compete with the traditional sector.

2.2 Challenges

Opportunities generate their own challenges and the retail industry is no exception to this rule.

- ◆ Over supply
- ◆ Fierce competition
- ◆ High rentals
- ◆ Poor infrastructure
- ◆ Shoddy markets are just some of the problems
- ◆ Understanding the Middle class psychology too is quite a challenging task

3. Literature Review

The Indian Retail Review offers coverage of current practice, future trends and new developments and initiatives in a complex and challenging field of retail in Indian and global

scenario. As the journal is not allied to any retail or distribution organization, it has the freedom to bring critical perspectives to current ideas, and express objective opinions on key issues and controversial topics. The journal examines all aspects of retailing sector. Internationally and nationally distinguished experts from the academic field, along with leading practitioners, offer assets of articles and case studies to create an invaluable retailing information resource.

The Indian Retail Review provides a link between production and consumer, and by understanding their relationship it allows retail personnel to study operations practice in other organizations, and to compare methodologies.

As Indian Retail Review is not connected to any retail organization, it remains totally impartial and can publish controversial material as well as highlight special concerns in an objective manner. This makes it an especially valuable resource for a worldwide readership committed to the improvement of standards in retail sector. All academic articles are referred anonymously.

As pointed out by Sanghavi (2007), so far retailers, who focused on developing only supply-side efficiencies in terms of reaching retail productivity targets, need to think about demand-side efficiencies in terms of satisfaction of customers' needs in order to optimize business performance. It is important to identify efficient levels of the various dimensions of satisfaction of customers' needs that directly linked to measures of specific firm outputs that firms intend to maximize in addition to supply side efficiencies (Blose et al, 2005). In this paper we shall use two separate Data Envelopment Analyses (DEA): one DEA using CCR method to examine the demand-side efficiency in terms of dimensions of satisfaction of customers' needs (henceforth referred to as Customer DEA); and another DEA using both CCR and BCC method (following Barros, 2006) to examine supply side efficiency in terms of retail productivity scores (henceforth called Retailer DEA). We have attempted to deduce the chances of survival of Kiranas by examining the two DEAs. The logic of using separate DEA is that even if an outlet is efficient on retailer productivity scores, if it is inefficient on consumer variables, it is bound to become inefficient on retailer productivity scores in the long-term. Thus, DEA on consumer variables may act as a diagnostic tool before it is too late and affects the efficiency of the outlet on retailer productivity scores as well.

4. Objectives of the Study

1. To know after long time who will win the race.
2. To study the overall performance of the services provided in various Organized retail.
3. To study the problems faced by the customers.
4. To understand the customers attitude and perceptions about the quality of service rendered by various organized retail & kirana stores.
5. To find out the level of customer satisfaction.

5. Methodology

5.1 Research Design

The current study is empirical in nature and hence primary data has been collected from survey and observation. The responses were collected through structured questionnaire which was administered to 200 respondents who visited each store. A total of five stores were considered for the study.

The respondents were picked randomly using convenience sampling Method.

5.2 Sampling Techniques

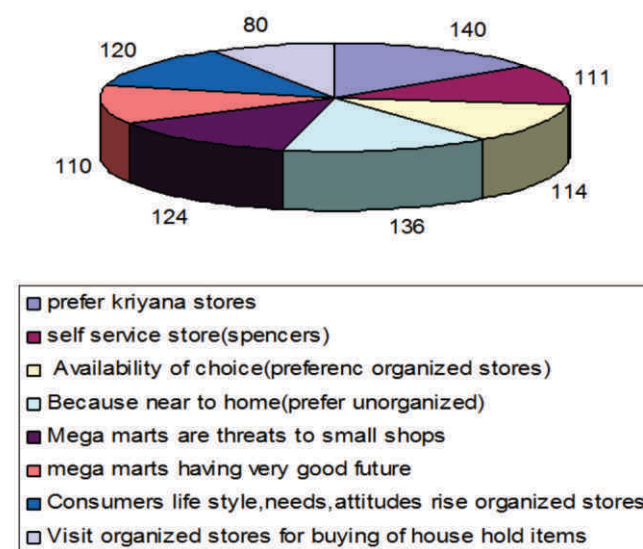
Convenience sampling method was used. It was decided to consider the Jalandhar & Ludhiana Organized retail. It includes both the stores **More, Spencer's, reliance retail, big bazaar & easy day.**

5.3 Collection of Data

Primary Data: Survey through Questionnaire
 Secondary Data: Various Publications of organized retailing. Various papers and Journals published time to time.
 Research Approach: The method adopted for research is field survey.

6. Data Analysis

On the basis of survey it was analyzed from the graph that:-
 (Responses of the Respondents on the basis of Questionnaire)



7. Limitations of Study

There are a few limitations in conducting the research. They are as follows:

- ◆ The area of data collection was restricted to Jalandhar and Ludhiana City only.
- ◆ Existence of Biasness.
- ◆ Limited Finance was also one of the constraint.
- ◆ Time constraint can also be consider as limitation.
- ◆ Scantiness of Information.
- ◆ Limited Scope.

8. Results & Findings

- ◆ After comparison it has been found that 70% respondents say that they used to go to kiriyana shops as compare to organized stores.
- ◆ 55% respondents are aware of Spencer's self service stores after 20% More and Reliance retail.
- ◆ The result shows that 57% respondents say that they are preferring organized stores because of availability of choice, then 30% say better promotional schemes.
- ◆ 68% of respondents say that they prefer kiriyana shops because of Near to home, 20% say store loyalty.
- ◆ 62% of respondents say that mega marts are threats to small shops.
- ◆ 54% of respondents have opinion that the future of mega marts in India will be very good.
- ◆ 60% of respondents have opinion that Change in consumer lifestyle i.e. needs, attitudes and behavior is most responsible for the rise in number of Mega Marts.
- ◆ 40% of respondents say that they visit organized stores for buying house hold items, after 30%repondents saying textile and clothing.

9. Conclusion

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. Retail marketing efforts have to keep pace by way of improved advertising, promotions and campaigns to attract customers, building loyalty by identifying regular shoppers and offering benefits to them, efficient management of high-value customers and by monitoring customer's changing needs constantly.

Secondly, organized retail in India is at a take-off stage. It has emerged as one of the most dynamic and fast paced sectors with several reputed players entering the market.

Thirdly, The entry of Big retailers will lead to unfair competition and displacement of small retailers may not be as serious as is made out to be. This fear may be unfounded as evidenced from past examples such as the introduction of computers or the setting up of dairy cooperative such as Amul and Mother dairy, organized retailing too, benefiting farmers, artisans, small industries and consumers alike.

The India retail industry is gradually inching its way towards becoming the next boom industry. Retailers who understand their customers and who know how to attract and retain them, will be able to leverage these opportunities and emerge winners.

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USB has an impressive record of cutting edge research and business leadership, and both faculty and graduate students enjoy access to numerous resources that support this effort.

The School has emerged as a leader, setting new benchmarks for quality placements; hence expanding the employability horizons for our students.

At USB, students experience innovative coursework directed by leading scholars and corporate in the business world, preparing the students to navigate the unprecedented economic, social, and other complex changes. Innovative teaching methodologies, Industry sponsored & application oriented research keeps our budding managers abreast with the latest corporate climate and also empowers the students to develop entrepreneurship skills. The education you receive at USB will empower you with the knowledge, skills, and long-term vision that lead to innovation and growth.

