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Conduct of Banking Segments in India: Spread and Operating Efficiency

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Abstract: **The notion of conduct in any industry arises out the broader framework called Structure-Conduct-Performance approach for analyzing any industry. The present study attempts to identify altogether the four banking segments: SBI group, nationalized banks, old private banks and new private banks as four distinct strategic groups. The study is set in the context of liberalization and competition in Indian Banking Industry.**

Three variables, viz., absolute spread, wages bill ratio and operating efficiency are identified as measures of conduct. We use a panel regression approach with LSDV model to compare the conduct of these banking segments.

Most of the competition is taking place in form of incumbents vs. new banks rather than public banks vs. private banks. However, convergence is also taking place especially between incumbents and new banks with respect to wage bill and operating efficiency. As a result of liberalisation, incumbents have become competitive and their operating efficiency is also improved as expected by Narasimham Committee.

Keywords: **Conduct in Banking, S-C-P, Public Sector Banks, competition in banking.**

RAM

1. INTRODUCTION

The notion of conduct in any industry arises out the broader framework called Structure-Conduct-Performance approach for analyzing any industry. In this context, banking industry is no exception, although there are differences between banks and firms. Banking market is a part of banking industry under the industrial organization approach to banking. In a market, conduct indicates the behaviour or actions of the firms in relation to decisions made by the firms and the ways in which these decisions are taken. How prices are set whether independently or in collusion with other firms, how advertisement and research budgets are decided by firms and how much expenditure is devoted to these activities by the firms in the market are some of the important considerations. The S-C-P approach argues that performance is determined by conduct of the firms, while conduct is determined by the structural characteristics of the market. Thereby, the traditional premise that performance is directly determined is unsound.

The dynamic version of S-C-P allows for feedbacks. After analyzing structural characteristics of the four banking segments (Murthy, Gupta and Deb, 2015), the present paper attempts to analyse the four banking segments in terms of their conduct as they have been considered as four distinct strategic groups. Moreover, attempt has been made to analyse conduct in terms of efficiencyas in accordance with efficient conduct hypothesis (ECH); it is not structure but efficiency in conduct that facilitates better performance (Gupta, 2014).

In this backdrop, the present paper is segregated into seven sections. Section II highlights the conceptual framework on the basis of which present paper is designed. Section III highlights variables selected. Hypothesis and methodology are given by Section IV and Section V respectively. Empirical analysis is presented in Section VI. Finally, Section VII yields conclusion.

2. CONCEPTUAL FRAMEWORK

Present study is based on industrial organisation approach which lays down the foundation of the competitive industry. As a part of the industrial organization approach this study uses the Structure-Conduct-Performance approach, pioneered by Mason and Bain (1939). According them there are certain basic conditions which are given and these influence the structure of a market or industry; market structure impacts conduct and lastly, conduct influences performance.

However, this analysis is based on modified S-C-P developed by Murthy and Deb (2008) which is a better approach to understand firm dynamics and industry dynamics as compared to traditional S-C-P. In this approach, basic conditions impact conduct by passing structure, there is a new concept of entry facilitators as against entry barriers. Their approach incorporates strategic groups in conduct as opposed to structure as per traditional S-C-P. Also, they state that competition is the overall state that influences structure, conduct and performance. These are some of the most important contributions of modified S-C-P on the basis of which the present work is carried out. There are various hypotheses under S-C-P paradigm namely, S-C-P/S-P hypothesis, ESH, MES hypothesis and HET hypothesis. Within S-C-P approach Gupta (2014) has developed the ECH "efficient conduct hypothesis" states that efficient conduct directly leads to performance or profitability. As this study acknowledges the notion that there is a subtle difference between efficiency and performance. Efficiency leads to better performance but it is wrong approach to assume that efficiency and performance are interchangeable.Furthermore, present work presumes efficiency to be the part of conduct. Thus, efficiency is a narrow term and conduct is a wider one, that is, conduct also includes better decision making, better management and so on while efficiency is judged by ascertaining relationship between input and output, income and expenditure and so on but that is again facilitated by managerial decisions.

The theoretical framework adopted for the purpose of the present analysis entails modified S-C-P along with various hypotheses under S-C-P paradigm to measure and evaluate the impact of banking reforms in infusing competition in Indian banking. Thus, three conduct variables have been selected and interpretedin this paper to examine conduct of four banking segments in banking industry in India namely, absolute spread, wage bill and operating efficiency.Therefore, all the three variables selected for the purpose of the study will highlight the conduct of the banking segments understudy in form of spread management, wage bill and operating efficiency.

3. STRATEGIC GROUPS, MARKET STRUCTURE AND CONDUCT

A controversial issue in the context of the S-C-P paradigm is whether strategic groups are an aspect of structure or conduct. In accordance with Newman (1978) "If corporate strategies can differ persistently among direct market rivals, we can speak of strategic groups-each group consisting of firms highly symmetrical in their corporate strategies-as a stable element of market structure. Strategic groups are elements of market structure because strategic choice affects the preference system employed by the firm's decision makers in selecting short term operating policies."

However, in accordance with Murthy and Deb (2008), "The reasons cited by Newman to justify the treatment of strategic groups as an element of market structure are related to difference in 'corporate strategies', on the one hand, and 'strategic choice' influencing 'decision making mechanism' of firms, on the other hand. Corporate strategies and strategic choice clearly fall in the realm of conduct and not structure. Basic conditions may allow for creation of strategic groups, but the distinction between the strategic groups may be understood only in terms of differential behaviour. The stable 'elements' arise out of continued pursuit of a certain type of strategic behaviour. The existence and continuance of different strategic groups within an industry rests on the members of a particular strategic group following similar strategies or conduct. Our approach is to refine the conventional S-C-P paradigm by including strategic groups within the ambit of conduct.

4. STRATEGIC GROUPS IN INDIAN BANKING INDUSTRY

Amel and Rhoades (1988) did not presuppose either the existence of strategic group or their number within the industry. They used cluster analysis to classify banks into groups and various other procedures to analyse quantitative differences among groups, and the stability of memberships in groups over time. Their work resembles Hayes, Spence and Marks (1983) on the one hand and Passmore (1985) on the other. The study concludes that stable groups exist in banking markets. This provides us with sufficient grounds to proceed with the study of strategic groups in banking industry of India. Broadly, Indian banking industry can be divided into public sector banks and private sector banks. Public sector banks constitute SBI group and nationalised banks whereas private sector banks include old private banks (OPBs)[1] and new private banks (NPBs).

Kumar and Gulati (2010) have made an attempt to draw a line of distinction between SBI group and nationalised banks. Firstly, the SBI, India's largest commercial bank in terms of branches and assets, was established under the State Bank of India Act, 1955 and its 7 subsidiary banks which were established under the State Bank of India Act, 1959. While the 19 nationalized banks were established under the two Acts, that is, Banking Companies (Acquisition &Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1980. Thereby, the banks in SBI and NB groups are governed by the different statutes. Secondly, the Reserve Bank of India (RBI) owns the majority share of SBI, while the shares of subsidiary banks are owned by the SBI. On the contrary, nationalized banks are wholly owned by the Government of India (GOI). Thirdly, SBI besides carrying out its normal banking functions also acts as an agent of the central bank, RBI. SBI undertakes most of the government business transactions (including major borrowing programmes), thereby earning more non-interest

[1] Old private banks are the banks which were escaped or deprived of nationalisation after independence of the country.

income than nationalized banks (Shanmugham and Das, 2004). Albeit, this privilege has not been bestowed upon the nationalized banks. Fourthly, the SBI has a well defined system of decentralization of authority, while in case of nationalized banks the organizational structure differs from bank to bank.

Deb (2005) has made an attempt to identified old private banks (OPBs) and new private banks (NPBs) as two different strategic groups. Firstly, The low capital base and limited business opportunity of the old private banks in small towns and lack of courage to move into bigger towns have sealed the fate of these banks. The banks of the new breed chose bigger cities for their operations. They mainly opened branches in metropolitan centers, where there is high potential for large business growth. The regional characteristics of old private banks are quite visible in their operations, and their branch network is confined to their state of origin. Secondly, the new private banks stipulated higher levels of minimum amounts to be maintained as deposits with them and sought to service the needs of the affluent, aspiring and discerning customers. The old private banks cater to the common people. They have stipulated a minimum balance of Rs. 1,000, while the minimum balance for new private banks is Rs. 10,000[2]. An important difference between the two groups of bank relates to the segment of the population served. This is likely to have a bearing on their differential conduct.

Thirdly, differences in the target group naturally lead to differences in the mode of servicing clients. The tangible advantages of the old private banks include a larger network of branches and a strong customer base in their respective regions. OPBs possess a larger network of branches and use proportionately more labour. The NPBs on the other hand, rely more on modern methods of serving the clients rather than mere branch banking. They make more use of technology related services like telephone banking, Internet banking, call centers and ATMs. The marketing strategies of the new private sector banks include reliance on a smaller network of branches and manpower in order to create a host of technology led conveniences which cannot be easily copied by other local banks. They maintain high service levels and hard sell through well trained sales teams. Fourthly, the new private banks possess certain strategic tangible advantages not possessed by its competitors and optimise their use in line with their strategy. Their tangible assets include widespread access to information technology. All new private sector banks have the state of the art technology and have begun providing improved customer service, flexible and customized products. Basic delivery channels like ATMs, call centers, Internet banking and tele banking started acting as product differentiators through quality of services offered. The old private banks were slow to catch up with modern technology. The first old bank to provide the facility of Internet banking was Federal Bank. However, it could provide the service only as late as April 2000. The gap between the technology profile of the OPBs and NPBs is very glaring as the new private banks entered the industry in 1995 with new technology.

Fifthly, NPBs made use of brand name and heavy advertisement from the very beginning of their inception, that is, ICICI bank and UTI bank started very aggressively campaigning for their high tech brands called “Infinity” and “I-connect”. Global Trust bank, an erstwhile leading private bank also began offering high tech products to stay in the competition. It was clear that the bank, which would reach the customers faster and service him better, would win the race. In order to build brand name advantages in an attempt to differentiate products from the competitors, the new private banks entered in a big way into advertising campaigns. The NPBs produce technology-based products and services, differentiate products, constantly add new services and products and hence rely more on advertising compared to old banks. The intangible advantage of the old private banks including the presence of a dedicated clientage creates a situation in which advertising is not a strategic variable for them. By virtue of being community banks, they were practicing relationship finance since an era when such terms were not even coined.

Hence, the present study attempts to identify altogether the four banking segments: SBI group, nationalised banks, old private banks and new private banks as four distinct strategic groups on the basis of discussion made till now. Furthermore, it has also been the Endeavour to test whether new private banks have been the source of competition to old private banks and all other existing banking segments, that is, SBI group and nationalised banks as well.

5. SELECTION OF VARIABLES

As already stated that conduct reveals how firms react to the conditions imposed by market structure and interact with rivals, while pursuing their goals at their best level. Under conduct, one conventionally looks at a host of decisions relating to the quality and range of products, pricing, advertising and marketing, financing, investment, R&D, collusion and merger (Hay and Morris, 1973). However, one has to look closely at the variables in order to modify it so that an appropriate set of conduct variables in banking industry are arrived at. A subset of the variables in the list are retained which include absolute spread, wage bill and operating efficiency.

The logic of choosing these variables is that absolute spread gives the net interest margin of banks. This is the main source of earning. It depends on banking market conditions and on how well do individual banks or banking segments manage their interest rate structure. On the other hand, different banking segments have different conduct regarding the policy of employment and this would affect their cost. Further, the way in which a banking segment manages its operations can

[2] Now, it has been raised to Rs. 10, 000 from Rs. 5,000.

be captured by its operational efficiency. The three variables collectively determine a crucial aspect of the conduct of different banking segments.

Absolute Spread

Absolute spread depends on interest earned on advances and investment, and interest expended. Both of them are conduct variables. Interest expended depends on determination of borrowing rate, elasticity of supply of deposit, banking habit of the population. Return on advances depends on fixing the PLR as well as elasticity of demand for advances, while return on investments depends on choices of instruments for investment. Thus spread is derived from a number of conduct variables and hence it may be treated as such (Deb, 2005). This paper examines the banking segments under analysis on the basis of[3],[4] absolute spread[5]. Mathematically, absolute spread is given as:

$$Absolute\ Spread = Interest\ Earned - Interest\ Expended$$

Controversy of Absolute Spread

'Absolute Spread' is used in context of banking considered to be the variable indicating performance. As absolute spread[6] deals with interest earned and interest expended and interest rates were strictly regulated earlier. Now, since interest rates have been deregulated for banks and they are free to decide interest rates on the deposits received and loans extended; absolute spread has fallen in the ambit of decision making or choice of strategy. Thus, absolute spread has been taken as a conduct variable rather than a performance variable.

Spread is the summary measure that depicts the total behaviour. Here, we have used absolute spread and not spread. As absolute spread is evolved out of the difference between interest earned and interest expended, we want to see whether different trends are emerging in components of absolute spread, that is, interest earned and interest expended and absolute spread itself. Moreover, it is considered as performance variable, but we have considered as conduct variable because since interest rates are deregulated, each bank is free to manage their absolute spread. Hence it is taken as part of conduct as it reveals net interest margin that indicates firm's efficiency in spread management.

Wage Bill

It is expected that new private banks differ from incumbent banks on various grounds and wage bill may be one of such criterion on the basis of which four banking segments can be segregated from one another. As new private banks employ technology and hence, make less use of labour or employees and it should automatically lead to reduction of wage bill in their case specifically. Moreover, existing banks are also shifting to technology in the stretch of time period of the study. Hence, ratio of wage bill to operating expenses has been computed and examined to discern difference in the banking segments, if any. Wage bill[7] constitute a very significant portion of the operating expenses[8] of any firm. Mathematically, this ratio is given as follows:

$$Ratio\ of\ Wage\ Bill\ to\ Operating\ Expenses = \frac{Wage\ Bill}{Operating\ Expenses}$$

Reduction in wage bill indicates change of conduct by adopting automation in form of technology on the one hand and downsizing on the other hand result in operating efficiency.

Operating Efficiency

Furthermore, in an Endeavour to pear the overall efficiency of the four banking segments, operating efficiency[9] (ratio of operating income[10] to operating expenses) have been also calculated. This is specially done to check the expectation of Narasimham Committee Report I that entry of new private banks will infuse operating efficiency in the PSBs or existing banks and will make them competitive. Mathematically, operating efficiency is shown as follows:

$$Operating\ Efficiency = Ratio\ of\ Operating\ Income\ to\ Operating\ Expenses = \frac{Operating\ Income}{Operating\ Expenses}$$

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3 Interest earned includes interest/discount on advances/bills, income on investments, interest on balances with RBI and other inter-bank funds and others as per RBI data.

4 As per RBI data, interest expended consists of interest on deposits, interest on RBI/inter-bank borrowings and others.

5 In general, spread refers to the ratio based on interest earned and interest expended. We have just taken absolute spread.

6 Here spread refers to absolute spread discussed later in this Chapter.

7 Payments to and provisions for employees (PPE) as given in RBI data has been taken as wage bill in the study.

8 Operating expenses also known as intermediate cost include PPE; rent, taxes and lighting; printing and stationary; advertisement and publicity; depreciation on bank's property; director's fees, allowances and expenses; auditor's fees and expenses; law charges; postage, telegrams, telephones etc; repairs and maintenance; insurance and other expenditure as per RBI.

9 Concept of operating efficiency has been explained in detail in Chapter VII: Competition in Indian Banking Industry

10 Concept of operating income in case of a bank is mentioned in Chapter VI: Performance of Indian Banking Industry.

Therefore, behavioural aspect of the banking segments have been studied with the help of three conduct variables:absolute spread, ratio of wage bill to operating expenses and operating efficiency (ratio of operating income to operating expenses).

6. HYPOTHESES

In the light of preceding discussion and selected variables, following comparative hypotheses have been framed:[11]

1. $H_{01:}$ No difference is there between banking segments as regards to absolute spread.

2. $H_{02:}$ Ratio of wage bill to operating expenses of banking segments is not different from one another.

3. H_{03}: The four banking segments do not differ from one another in terms of operating efficiency.

7. METHODOLOGY

All the three conduct variables judging behavioural aspect of the banking segments in the present paper have been analysed in log form with the help of panel regression for the study period 1995-96 to 2009-10.

We consider a type of fixed effects model has differential intercepts and slopes. This kind of model has intercepts and slopes that both vary according to the banking segment and over time. To formulate this model, we would include not only banking segment dummies, but also their interactions with the time-varying covariates. The one big advantage of the fixed effects model is that the error terms may be correlated with the individual effects. Therefore, the individual effects can be captured.

In our case we are interested in knowing the 'individual effects' is two ways. Firstly, we wish to know the effect of the presence of a banking segment effect. Secondly, we wish to know the effect over time. Therefore, we need to design the panel model so as to capture two effects. The first effect is due to the banking segment at a point of time. The second effect is due the change in the independent variable overtime. If the independent variable is time then it represents the exogenous factors or policy effect over time. In the first case the difference dummy is with respect to the base segment – SBI group. The intercept, therefore, shows the difference between SBI group and other banking segments to begin with. Thereafter, over a period of time the effect would be captured by the interactive dummy which is a product of the time variable and the individual banking segment dummy that is in difference form.

[11] All the hypotheses have been made in terms of growth rate of the corresponding selected conduct variables.

After we discuss types of fixed effects models, we proceed to show how to test for the presence of statistically significant group and/or time effects. Because i-1 dummy variables are used to designate the particular banking segment, this same model is sometimes called the Least Squares Dummy Variable model. The general form of the fixed effects model is:

$$Y_{it} = a_1 + a_2 Segment_2 + a_3 Segment_3 + a_4 Segment_4 + b_1\,Time + b_2 Segment_2 * Time + b_3 Segment_3 * Time + b_4 Segment_4 * Time + U_{it}$$

Where,

Y_{it} = Conduct variable

Time = Exogenous variable

a_1 = intercept of base segment (SBI group)

$a_2 - - - - a_4$ = Difference Dummy of Segment (2…4) with respect to SBI group

b_1 = Slope with respect to time

$b_2 - - - - b_4$ = Slope dummy of Segment (2…4) with respect to time

In this model, the intercepts and slopes vary with the banking segment. The intercept for banking segment1 (base segment) would be a_1. The intercept for banking segment2 would also include an additional intercept, a_2, so the intercept for banking segment2 would be a_1+a_2 and so on. The intercept for banking segment3 would include an additional intercept. Hence, its intercept would be $a_1 + a_3$. The slope for banking segment2 would be $b_1 + b_2$, while the slope for $Segment_3$ would be $b_1 + b_3$. In this way, the intercepts and slopes vary with the segment.

Thus, in the empirical Tables presented in this paper; the intercept indicate the initial level and year represents the beta coefficient or slope of the SBI group. d_2, d_3 and d_4 represent the differential intercept dummies of the nationalised banks, old private banks and new private banks respectively. Similarly d_2t, d_3t and d_4t indicate the differential slope dummies of the three banking segments, respectively. To find out their intercepts and slopes, their respective coefficients pertaining to intercept dummies: d_2, d_3 and d_4 are added to the intercept of SBI group along with sign and similar exercise has been done in case of the coefficients reflecting slope dummies and hence, coefficients of d_2t, d_3t and d_4t have been added to the beta coefficient of SBI group that is indicated by year in all the empirical results. This has been done by estimating semi-log regression equations in all the cases.

8. PANEL REGRESSION ANALYSIS

Threepanel regressions have been estimated to judge the distinction between variables exhibiting behavioural conduct of the four banking segments for the study period. Table 1 and Table 2 provide the ANOVA panel results and summary statistics corresponding to the variables under observation respectively.

TABLE 1: ANOVA Panel Regression Results

Variables	P-values
1. Absolute Spread	$1.41e^{-63}$
2. Wage Bill/Operating Expenses	$1.95e^{-31}$
3. Operating Efficiency	$4.12e^{-09}$

Table 1 reveals that P-values of all the three variables empirically examined with regard to ANOVA in this paper using panel regression are very less than alpha that is .05 which leads to rejection of the null hypothesis in case of all the variables understudy[12]. Hence, it is to be concluded that change in all the variables is highly correlated with time in loop of dummies constructed in case of all the four banking segments understudy. There is a joint influence of Time, which is an exogenous variable that captures growth rate and the intercept and slope dummies against the time variable.

TABLE 2: Summary Output: Panel Regression Statistics

Variables	Multiple R	R Square	Adjusted R Square	Standard Error	Observations
1. Absolute Spread	0.998543	0.997089	0.996697	0.075065	60
2. Wage Bill/Operating Expenses	0.974485	0.949622	0.94284	0.092194	60
3. Operating Efficiency	0.788567	0.621838	0.570931	0.090315	60

It is shown in Table 2 that Multiple R, R Square and Adjusted R Square pertaining to absolute spread and wage bill are very high (generally between 80 percent and 90 percent or even more than 90 percent or 100 percent approximately). It manifests that change in this variables is not only highly related with time but most of the change is taking place due to time and the intercept and slope dummies of other three banking segments. Moreover, the aforesaid regression statistics in relation to operating efficiency are moderate and not very high. It proves that change in these variables is moderately associated with time and differential dummies constructed.

9. ANALYSIS OF SELECTED VARIABLES FOR CONDUCT

i. *Absolute Spread:* Table 3 present the trend and panel regression results in terms of absolute spread and semi-log equation formed for the purpose:

$$LN\ AbSp = a + d_2 + d_3 + d_4 + b_1 t + b_2 d_2 t + b_3 d_3 t + b_4 d_4 t + \mu_t$$

where,

AbSp = Absolute Spread for SBI Group, Nationalised Banks, Old Private Banks and New Private Banks

a = Intercept for SBI group

b_1, b_2, b_3 and b_4 = Beta coefficients for the SBI Group, Nationalised Banks, Old Private Banks and New Private Banks respectively

t = Time variable

μ_t = Random error component

d_2, d_3 and d_4 = Differential intercept dummies for Nationalised Banks, Old Private Banks and New Private Banks respectively

d_2t, d_3t and d_4t = Variables indicating differential slope dummies for Nationalised Banks, Old Private Banks and New private Banks respectively.

TABLE 3: Absolute Spread: Panel Regression Results

Regression Results	Coefficients	Standard Error	t Stat	P-value
Intercept	-219.939	8.985449	-24.477	3.31E-30
Year	0.116861	0.004486	26.05	1.65E-31
d_2	-33.0998	12.70734	-2.6048	0.011959
d_3	-70.9255	12.70734	-5.5815	8.75E-07
d_4	-393.118	12.70734	-30.936	3.69E-35
d_2t	0.016798	0.006344	2.6479	0.010698
d_3t	0.034517	0.006344	5.4408	1.45E-06
d_4t	0.19552	0.006344	30.819	4.45E-35

Panel regression results for absolute spread as per Table 3 have been discussed as under:

a. SBI Group: In Table 3, intercept and year have been stated as (-)219.939 and 0.1169 having P-values $3.31e^{-30}$ and $1.65e^{-31}$ respectively. These results are highly significant reflecting growth of spread at the rate of 11.69% per annum in spite of having low initial value for SBI group.

b. Nationalised Banks: The coefficients of d_2 and d_2t in relation to spread are mentioned as (-)33.0998 and 0.0168. Their respective P-values are 0.0119 and 0.0107 which are smaller than significance level 0.05. Thus,

[12] Already explained in earlier Chapter.

noticeable difference is found in the initial values and growth rates of two banking segments: SBI group and nationalised banks. Summing coefficients of d_2 and d_2t to the coefficients of intercept and year respectively, we get (-)253.039 and 0.1337. Thus, spread of nationalised banks is mounting at the rate of 13.37% per year.

c. Old Private Banks: As per Table 3, the coefficients of d_3 and d_3t are (-)70.9255 and 0.0345 and their corresponding P-values are $8.75e^{-07}$ and $1.45e^{-06}$. These important results suggest there is substantial difference between initial values and growth rates of old private banks and SBI group. Thus, summing these coefficients to intercept and year respectively, we obtain (-)290.865 and 0.1514. Thus, absolute spread is growing at the rate of 15.14% per annum for old private banks having extremely low initial value.

d. New Private Banks: The coefficients of d_4 and d_4t have been given as (-)393.118 and 0.1955 Their P-values are $3.69e^{-35}$ and $4.45e^{-35}$ that are highly significant. We obtain(-) 613.057 and 0.3124 respectively after adding d_4 and d^4t coefficients to the coefficients of intercept and year representing SBI group (base for comparison). Finally, it is proved that absolute spread is growing at the fastest pace of 31.24% per annum for new private banks.

To conclude, absolute spread is growing at the fastest pace of (31.24%) for new private banks. They are adopting a strategy of generating huge spread (absolute) by earning highest interest income and paying interest at the highest rate as well. Moreover, other banking segments are also using different strategies to generate more and more absolute spread.

ii. Ratio of Wage Bill to Operating Expenses: Table 4 manifest the trend and panel regression results for the ratio of wage bill to operating expenses and semi-log equation used to arrive at the conclusion is as given below:

$$LN\frac{WB}{OE} = a + d_2 + d_3 + d_4 + b_1t + b_2d_2t + b_3d_3t + b_4d_4t + \mu_t$$

where,

WB/OE = Ratio of Wage Bill to Operating Expenses for SBI Group, Nationalised Banks, Old Private Banks and New Private Banks

a* = *Intercept for SBI group

b_1, b_2, b_3 and b_4 = Beta coefficients for the SBI Group, Nationalised Banks, Old Private Banks and New Private Banks respectively

t = Time variable

μ_t = Random error component

d_2, d_3 and d_4= Differential intercept dummies for Nationalised Banks, Old Private Banks and New Private Banks respectively

d_2t, d_3t and d_4t = Variables indicating differential slope dummies for Nationalised Banks, Old Private Banks and New private Banks respectively.

TABLE 4: Ratio of Wage Bill to Operating Expenses: Panel Regression Results

Regression Results	Coefficients	Standard Error	t Stat	P-value
Intercept	28.85062	11.03585	2.614263	0.01167
Year	-0.01459	0.00551	-2.64823	0.010688
d_2	-2.8167	15.60705	-0.18048	0.857481
d_3	-7.30557	15.60705	-0.46809	0.641673
d_4	-23.9468	15.60705	-1.53436	0.131003
d_2t	0.001405	0.007792	0.180308	0.857612
d_3t	0.003581	0.007792	0.459589	0.647727
d_4t	0.011512	0.007792	1.477394	0.145601

Analysis of panel regression results as per Table 4 for ratio of wage bill to operating expenses has been given as below:

a. SBI Group: The coefficients of intercept and year in Table 4 have been given as 28.8506 and (-)0.0145 and their P-values are 0.0117 and 0.0106 respectively. Hence, both initial value and negative growth rate pertaining to ratio of wage bill to operating expenses are significant in case of SBI group at 0.05 significance level. This result indicates that proportion of wage bill in operating expenses of SBI group is declining at the rate of around 1.45% per year.

b. Nationalised Banks: The coefficients of d2 and d_2t have been mentioned in the Table 4 as (-)2.8167 and 0.0014 along with their P-values 0.8575 and 0.8576 and both are insignificant being greater than 0.05 significance level. It specifies that there is no significant difference between the initial values and growth rates in relation to ratio of wage bill to operating expenses of nationalised banks and SBI group. Thus, it can be stated that ratio of wage bill to operating expenses is declining at the rate of 1.45% per annum for nationalised banks as well.

c. Old Private Banks: The coefficients of d_3 and d_3t have been indicated by Table 4 as (-)7.3056 and 0.0036. Their respective P-values are 0.6417 and 0.6477 and both are insignificant. This outcome states that there is no significant difference between the initial values and growth rates with respect to ratio of wage bill to operating expenses of old private banks and SBI group. Thus, ratio of wage bill to operating expenses is deflating for incumbents at a rate of 1.45% per annum.

d. New Private Banks: Table 4 presents the coefficients of d_4 and d_4t as (-)23.9468 and 0.0115 and their corresponding P-values are 0.131 and 0.1456. Both of these P-values are insignificant being much higher than 0.05. Thus, no significant difference between the initial values and growth rates pertaining to ratio of wage bill to operating expenses of new private banks and SBI group has been established in this analysis. Thus, wage bill is declining for all the banking segments at the same rate of 1.45% per annum.

Thereby, it can be said that ratio of wage bill to operating expenses is declining significantly (at the rate of 1.45%) in case of all the banking segments. It means that the main thrust of Narasimham Committee to enhance operational efficiency has remained successful through opening up, automation, downsizing, computerization etc. Thus, it is one more evidence of convergence taking place in entire banking industry.

iii. *Operating Efficiency:* Trend and panel regression results have been shown in Table 5. And Semi-log equation is presented in this context as follows:

$$LNOEf = a + d_2 + d_3 + d_4 + b_1 t + b_2 d_2 t + b_3 d_3 t + b_4 d_4 t + \mu_t$$

where,

OEf = Operating Efficiency to Total Expenses for SBI Group, Nationalised Banks, Old Private Banks and New Private Banks

a = Intercept for SBI group

b_1, b_2, b_3 and b_4= Beta coefficients for the SBI Group, Nationalised Banks, Old Private Banks and New Private Banks respectively

t = Time variable

μ_t = Random error component

d_2, d_3 and d_4= Differential intercept dummies for Nationalised Banks, Old Private Banks and New Private Banks respectively

d_2t, d_3t and d_4t= Variables indicating differential slope dummies for Nationalised Banks, Old Private Banks and New private Banks respectively.

TABLE 5: Operating Efficiency: Panel Regression Results

Regression Results	Coefficients	Standard Error	t Stat	P-value
Intercept	-35.5886	10.81095	-3.2919	0.001793
Year	0.018083	0.005397	3.350324	0.001509
d_2	-38.1134	15.28899	-2.49287	0.015894
d_3	12.49617	15.28899	0.817331	0.417468
d_4	43.34779	15.28899	2.83523	0.006508
d_2t	0.019005	0.007633	2.489885	0.016013
d_3t	-0.00621	0.007633	-0.81321	0.419805
d_4t	-0.02159	0.007633	-2.82906	0.006617

Interpretation of panel regression results with respect to operating efficiency as per Table 5 is given as follows:

a. SBI Group: The coefficients of intercept and year for operating efficiency in case of SBI group have been given as (-)35.5886 and 0.0181 in Table 5. Both of these coefficients are significant as depicted by their small P-values 0.0017 and 0.0015. These results show that SBI group was having negative operating efficiency in the beginning; but SBI group is improving at the rate of 1.18% per annum as regards to operating efficiency.

b. Nationalised Banks: The coefficients of $_{d2}$ and $_{d2}$t are (-) 38.1134 and 0.019 as per Table 5 and their P-values are 0.0158 and 0.016 respectively. The small P-values suggest that there is significant difference between initial values and growth rates with respect to operating efficiency for SBI group and nationalised banks. Thus, adding coefficients of d_2 and d_2t to coefficients of intercept and year in the Table 5, we get (-)73.702 and 0.0371 implying that operating efficiency of nationalised banks was much lower as comparison to SBI group but it is growing at a significantly higher rate of 3.71% per annum.

c. Old Private Banks: As per Table 5, coefficients of $_{d3}$ and $_{d3}$t are 12.4961 and (-)0.0062 and their P-values are 0.4174 and 0.4198 approximately. These high P-values are the indication of no significant difference between old private banks and SBI group in terms of operating efficiency. Thus, SBI group along with OPBs is growing in terms of operating efficiency at the same rate of 1.18% per annum.

d. New Private Banks: The coefficient of $_{d4}$ representing difference in initial values of operating efficiency for new private banks and SBI group is given in Table 5 as 43.3477 and its P-value is 0.0065 that is smaller than 0.05 significance level. Hence, there is remarkable difference between the initial values of operating efficiency of new private banks and SBI group as specified by the result. Adding the coefficient of $_{d4}$ and coefficient of intercept, we obtain 7.7591 which is positive as against negative initial operating efficiency of SBI group. Similarly, the coefficient of $_{d4}$t manifesting difference in the slopes of new private banks and SBI group is (-)0.0215 whose P-value is 0.0066 and hence significant. Summing the coefficients of $_{d4}$t and year (slope of SBI group), we get (-)0.0035. It states that operating efficiency is declining for new private banks at a rate of 0.035% per annum being very high in the beginning.

Therefore, the aforementioned results state that the operating efficiency of incumbents is rising significantly though it was initially low in their case especially nationalised banks have shown highest improvement in this respect. On the other hand, in case of new private banks, operating efficiency was high and positive in the beginning but found to be deflating at the rate of 0.035% per annum though it remained high for longer stretch of time as compared to incumbents. One, the expectation of Narasimham Committee report that entry of new private banks would infuse operating efficiency and will provide competitive edge to existing banks especially PSBs is proved to be true. Two, convergence is taking place in the behaviour of incumbents and new private banks.

10. CONCLUSION

Conduct refers to behavior or actions of the firms in the market or industry. Therefore, three conduct variables to contrast the behavioural aspect of the four banking segments in terms of spread management, automation (computerization and downsizing) and operating efficiency (ratio of operating income to operating expenses) have been analysed in this paper. As this study acknowledges efficient conduct hypothesis "ECH" which states that efficiency in conduct leads to better performance directly.

To precise the Indian banking industry in relation to conduct after liberalisation, it can be stated that absolute spread of NPBs is growing at more than double pace approximately than that of incumbents. This indicates that all the banking segments are using different strategies in this direction but NPBs have been proved to be the best strategic group of all.

Wage bill is declining in case of all the four banking segments significantly but NPBs were spending least in terms of wages but fall in their wage bill is comparatively lower than that of incumbents. This result depicts rise in operational efficiency of Indian banking industry in general after liberalisation and deregulation due to downsizing, computerization and automation as expected by Narasimham Committee Report I. In a nutshell, it can be said that new banks brought operational efficiency in the Indian banking industry in the beginning but they are losing this benefit to incumbents. This result is further corroborated when operating efficiency of the four banking segments is observed specifically to distinct them as incumbents are significantly improving in terms of operating efficiency while operating efficiency of new private banks is declining but it is also the fact that operating efficiency of NPBs remained high for a longer stretch of time even in the last year of study period (Gupta Renu, 2014). Thus, convergence is seen in the behaviour of incumbents and new banks.

No doubt, liberalisation and deregulation has ushered competition in Indian banking industry. Actually, it is a dynamics of competition where it becomes difficult to say with certainty which of the banking segments is doing better. Of course, new private banks are giving competition to incumbents in terms of absolute spread. But on the other hand, incumbents including PSBs and OPBs are improving in terms of operating efficiency. While, new private banks are found to be losing in relation tooperating efficiency

Moreover, most of the competition is taking place in form of incumbents vs. new banks rather than public banks vs. private banks. However, convergence is also taking place especially between incumbents and new banks with respect towage bill and operating efficiency.As a result of liberalisation, incumbents have become competitive and their operating efficiency is also improved as expected by Narasimham Committee though this result was expected by Narasimham committee in absence of any sound theoretical framework. Better spread management and operating efficiency highlights improved conduct and better conduct facilitate better performance as stated by ECH (efficient conduct hypothesis is also proved.

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Ethical Decision Making in Business and Marketing with reference to Moral Intensity

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Abstract: **Due to rising concern for ethical issues in marketing, researchers have shown interest in moral issues arising in the field. The process of ethical decision making has been explained by various models given by various researchers. Different models propounded by different authors discuss the impact of various factors like deontological and teleological ideologies, demographics, social knowledge, personal values on ethical decision-making of marketing professionals.**

However, it has been observed that ethical decision making is often situation specific. The paper investigates the impact of intensity of a moral issue i.e. how much morally intense a situation is on the ethical decision making. The factors affecting moral intensity of a situation can be magnitude of consequences, social consensus, the probability of effect, temporal immediacy, proximity and the concentration of effect. Ethical decision making also varies according to the nature of individual and the organisational environment. Individual characteristics often included in various models are personal experiences, personality variables and demographics whereas organisational environment includes its culture and values. The perceived moral intensity along with personal moral philosophies lays impact on intentions and behaviour. So, the paper presents an integrated model of antecedents and consequences of Personal moral philosophies and Perceived Moral Intensity. The aim of paper is to present conceptual framework of the Ethical Decision Making Process.

Keywords: **Moral, Moral Intensity, Ethical Decision Making, Personal Moral Philosophies, Intentions and Behaviour.**

1. INTRODUCTION

Ethical decision making has become an important concern for researchers since past few decades. Various decision making models have been given so far by different researchers since past few decades (Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Dubinsky and Loken, 1989; Ferrell, Gresham and Fraederich, 1989; Hunt and Vitell, 1993). These models discussed various antecedents, consequences and mediating effects in ethical decision making process. Empirical testing of these models has been done by various researchers like Mayo and Marks (1990), Vitell and Hunt (1986). Factors which were investigated in these different studies are values, social knowledge, and organisational ethical culture and so on.

Ethical decision making tends to vary according to the nature of moral issue involved (Jones, 1991). For example, using office stationery for personal use may not be an ethical issue for some or use of office transport for personal purpose may not give an ethical call to some employees but they tend to be unethical for others. Also, every issue varies according to the intensity of morality involved, for example, embezzlement of funds is more intense situation as compared to the use of office supplies for personal purpose. Therefore, moral intensity is a multidimensional construct. It should be made clear here that moral intensity does not include traits of moral decision makers for example, ego, strength etc. instead it is situation specific so it includes traits of a situation.

2. LITERATURE REVIEW

Ethical decision making has a very vast literature. It has been studied both through descriptive philosophical or theological lens and also it has been tested in various disciplines like business, medical, artistic etc.

The process of ethical decision making is based upon employees' affective, cognitive and behavioural responses in dilemmas which occur in corporate life (Jones, 1991; Rest 1986, Robin *et al*. 1996). Ethical decision making models given by various researchers have different steps. Decision making process starts with the step of recognition i.e. individual recognizes that a situation has some ethical issue or problem (Hunt and Vitell, 1986; Jones 1991). Next step involves judgement based on broad assessments like relativism, fairness / equity and social contracts (Hunt and Vitell, 1986; Reidenbach and Robin 1990). Third step consists of establishment of ethical invention which involves consistency in behaving on the basis of previous judgement (Hunt and Vitell, 1986; Rest 1986). Finally last step is actual behaviour generated by ethical inventions (Jones 1991, Rest 1986).

Various empirical researches demonstrate that these steps are positively interrelated either directly or indirectly (Barnett and Valentine, 2004; Fleischman *et al.,* 2007; Singhapakdi *et al*., 1996, 1999, 2000; Valentine and Barnett, 2007; Valentine *et al*., 2010)

This process of ethical decision making is also influenced at different level by individual / organizational factors for e.g. An individual's ethics can be shaped by various personal characteristics like demographics, personality, dispositions, moral philosophies and ethical ideologies (Kish-Gephart *et al*., 2010; Loe *et al*., 2000; O'Fallon and Butterfield, 2005). Also ethical reasoning can be influenced by various organizational factors such as professional orientation and discipline, policies such as codes of conduct and ethics training that strengthen this context (Douglas *et al*., 2001; Kish-Gephart *et al*., 2010; Singhapakdi *et al*., 2000, Valentine and Barnett, 2007; Valentine *et al*. 2010' Adams *et al*. 2001; Valentine and Barnett, 2002; Valentine and Fleischman, 2004, 2008). Individual level factors have been researched extensively.

Gender

Browning and Zabriskie (1983) examined the members of purchasing association and found that there is no significant difference between males and females on the basis of ethical grounds. Whereas, researchers like Beltramini *et al*., (1984); Ruegger and King (1992); and Whipple and Swords (1992) conceded that females are more ethical than males. Various studies have been conducted examining awareness, judgement, intent and behavior regarding gender.

As regards awareness, Ameen *et al*., (1996) found that females are more sensitive to and less tolerant of unethical activities than their male counterparts. Whereas, Valentine *et al*., (2003) reported no significant findings. As far as intentions are concerned, Jones and Kavanagh (1996) and Shafer *et al*., (2001) reported no significant findings, whereas Singhapkdi (1999) found that women are more likely to disagree with the unethical intentions. Cohen *et al*., (2001) and Mahajan (2014) reported that women are less willing to act unethically.

Religion

Hegarty and Sims (1978, 1979) conducted a lab experiment, using a student sample to examine the influence of personal factors on ethical behavior and found religiousness to be insignificant. McNichols and Zimmerer (1985), using a scenario technique, concluded that strong religious beliefs were significantly associated with negative attitudes toward the acceptability of unethical behavior. Rallapalli (1994) examined the relationships between religiousness and marketers' norms based on the theoretical work of Hunt and Vitell (1993), and indicated that highly religious marketers tend to have higher norms, suggesting that a highly religious marketer will tend to agree more with guidelines or rules of behavior as guiding principles in his or her behavior than marketers with low religiousness. Bloodgood et. al., (2008) found that religiosity is negatively related to cheating behaviour.

Age

Research on age has produced mixed and inconsistent results. Researchers like Browning and Zabriskie (1983) reported that younger managers had a more ethical viewpoint than older managers. Whereas Ruegger and King (1992), Serwinek (1992), Peterson *et al*. (2001) reported that responses to ethical issues are lower for younger respondents. And many others like Larkin (2000), Shafer *et al*. (2001), Singhapakdi (2001) and Mahajan (2014) reported no significant findings. These mixed results may suggest a more complex relationship between age and ethical decision making than is captured by these studies.

Education and work experience

The research generally indicates that more education, employment or work experience is positively related to ethical decision making. As far as, awareness is concerned, Karcher (1996) reported no significant findings with respect to level of education. However, type of education has little or no effect on ethical decision making. For example, Dubinsky and Ingram (1984) and Goodman and Crawford (1974) etc. have reported no significant findings whereas Weeks *et al*. (1999) reported that there is difference in ethical judgment across career stages. In general, individuals in their later stage of career display higher ethical judgments.

In case of intentions, Cohen *et al*, (2001) stated that accountants are more thical than students. Shafer *et al*, (2001) asserted that Job position or education has no influence on intentions. In this regard Shapeero *et al*, (2003) found that Senior and staff-level accountants are less likely to intend to engage in unethical behavior than supervisors and managers.

Hawkins and Cocanougher (1972) compared business students with other majors and reported that business students are more tolerant of unethical behavior than non business students. On the contrary Beltramini and his associates (1984) report that business majors are more concerned about ethical issues than others. In this regard Ford and Richardson (1994) have stated that business majors may be more concerned than others even though they are more tolerant. Chonko and Hunt (1985) found that managers with technical backgrounds to be more ethical than managers with non-technical backgrounds.

Dubinsky and Gwin (1981) report a comparison between managers and salesperson and shown a significant different ethical perspective between the two. Also, a study by Kidwell and her associates (1987) found a relationship between years of employment and ethical beliefs. According to Larkin (2000) identify unethical behavior is related to experience.

Organisational Factors

Organizational factors like ethical culture, codes of ethics, organizational culture, size, competitiveness etc. are those components of the firm that can influence ethical behaviour.

Other factors include external environment, industry type and training. Given Rest's (1986) framework of four components, there are fairly consistent results with high personal costs influencing how individuals perceive and respond to ethical dilemmas. There are two studies which shows that personal benefits from actions may have a negative effect on ethical awareness (Greenfield *et al.*, 2008; Bell and Hughes-Jones 2008). Ethical judgement is determined by organisation factors not just through a code of ethics (Cole, 2009; McKinney *et al.*, 2010) or organisational climates (Pfeifer, 2007; O'Leary and Stewart, 2007), but also based on size (Pierce and Sweeney, 2010), managerial trustworthiness (Cianci and Kaplan, 2008), and stakeholder implications (Pfeifer, 2007).

Organisational factors also influence ethical intentions positively. Strong code of ethics leads to ethical intentions (Hwang *et al.*, 2008; Chow *et al.*, 2009). In a study undertaken by Rothwell and Baldwin, 2007, it was found that ethical climate significantly affected ethical intentions but not behaviour. Several studies have found out that emphasis on corporate social responsibility is positively related to ethical behaviour (Houghton *et al.*, 2009; Husted and Allen, 2008; Shafer and Simmons, 2011).

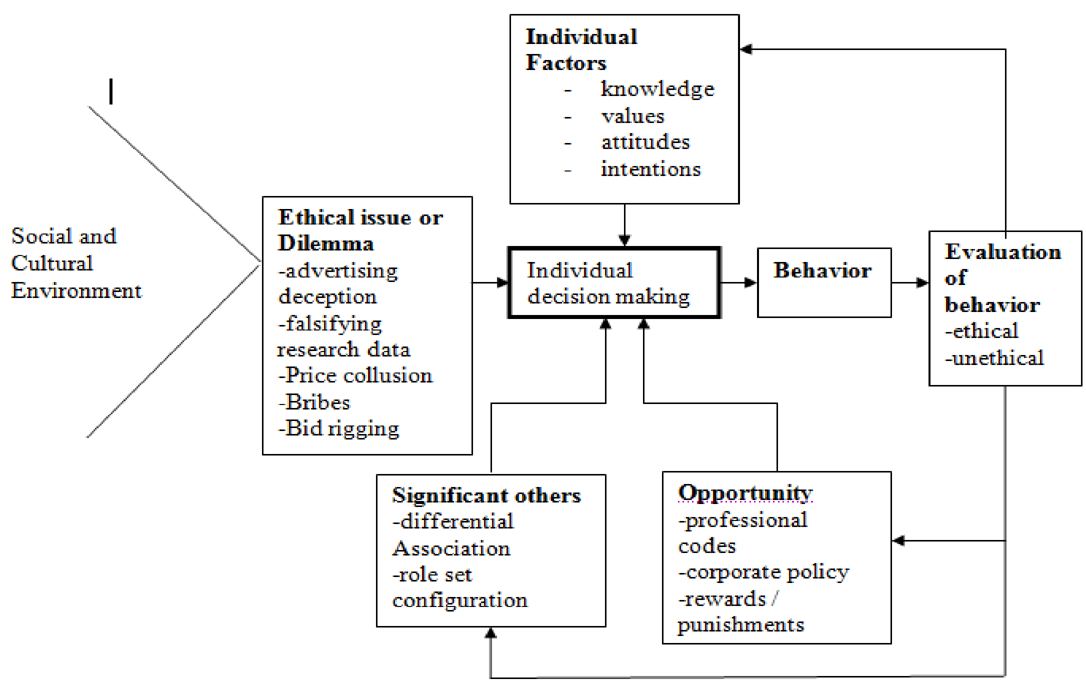
A relatively new construct was found in the ethical decision making literature which is the concept of moral intensity. The concept of moral intensity was conceptualised by Jones (1991). Leitsch (2004) showed that the type and intensity of moral issue affected moral sensitivity, moral judgement, and moral intentions. Moral intensity serves as a strong predictor for ethical awareness and recognition of ethical issues (Leitsch, 2004; Mencl and May, 2009; Valentine and Hollingworth, 2012). It can serve as a barometer for engaging in ethical behaviour and intentions, with stronger moral intensity producing more salient ethical intentions (Valentine and Bateman, 2011; Karacaer *et al.*, 2009; Leitsch, 2004). Moral intensity is rapidly becoming an important component in the studies undertaken in ethical decision making process.

3. CONCEPTUAL FRAMEWORK

Various academic researchers have developed various positive models of ethical decision making process. Out of these models several models focus specifically on marketing ethics. Each of these models possesses unique dimensions which help in enhancing the overall understanding of the decision process in business organisations. A brief summary of these models is presented below:

1. Ferrell and Gresham (1985) Contingency Framework:

The model proposed by Ferrell and Gresham is multidimensional, process oriented, and contingent in nature. Variables used in the model are divided into individual factors, significant others and opportunity. Individual factors include personal background and socialization characteristics, such as educational and business experiences. Significant others include the effects of external to the organization e.g. customers and intra organizational influences such as peers and supervisors. Opportunity deals with conditions that limit barriers or result in rewards.



Source: Ferrell and Gresham (1985), "A Contingency Framework for Understanding Ethical Decision Making in Marketing", Journal of Marketing, Volume 49: 87-96.

Ethical decision making process posited by Ferrell and Gresham starts like any other process with recognition of an issue containing ethical element. The interaction between ethical situation, individual characteristics and organizational environment determine the behavior of the individual which is the final outcome of the process. Individual factors are based on the moral philosophies of the marketer which includes deontology and teleology. Apart from individual and organizational factors, opportunity also has a bearing on the decision making. Professional codes of ethics and corporate policies are considered as moderators in controlling opportunity. After all the interaction, the evaluation of the behavioral outcome is done on the basis of ethicality.

The above figure shows how the social and cultural environment stimulates the ethical issue which leads to individual decision making. In the process of decision making, individual factors like knowledge, values, attitude and intentions; significant others and opportunity play a key role in shaping the decision. Lastly, behaviour of the individual is evaluated on the grounds of ethicality.

4. HUNT AND VITELL (1986) GENERAL THEORY OF MARKETING ETHICS:

This model is based on the theories of teleology and deontology. This process starts when the individual confronts a problem perceived as having ethical content. Then, various alternatives are perceived followed to resolve the ethical problem. Since all the alternatives cannot be recognized by the individual, therefore, an evoked set of alternatives is less than the universe. Each alternative is evaluated from teleological and deontological point of view.

Deontological evaluation consists of four constructs:

a.) The perceived consequences of each alternative for various stakeholder groups,

b.) Probability of each consequence that will occur to each stakeholder group,

c.) Desirability or undesirability of each consequence,

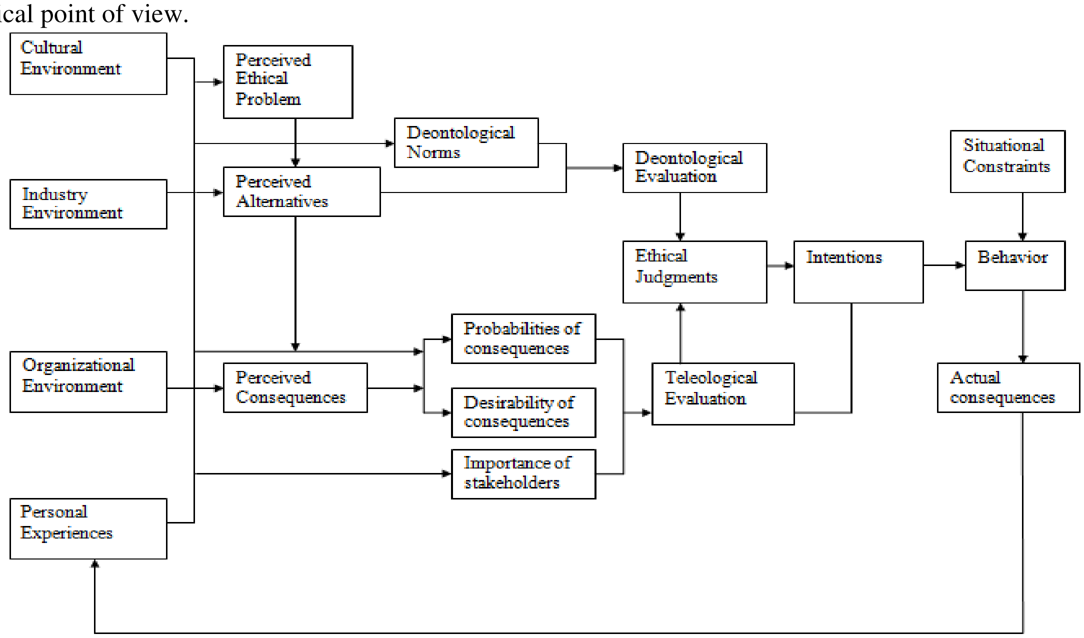
d.) The importance of each stakeholders group.

Model states that individual's ethical judgment is function of individual's deontological evaluation and teleological evaluation. This model incorporates intentions as the intervening variable. It is believed that both the judgments and intentions are the better predictors of behaviour. Ethical judgments, intentions and behaviour may or may not be consistent with each other. The reason argued for this inconsistency is situational constraints e.g. opportunity. Last component of the model is behaviour and its evaluation.

Finally the model proposes that the following four constructs:

1) Personal experiences
2) Organizational norms
3) Individual norms
4) Cultural Norms

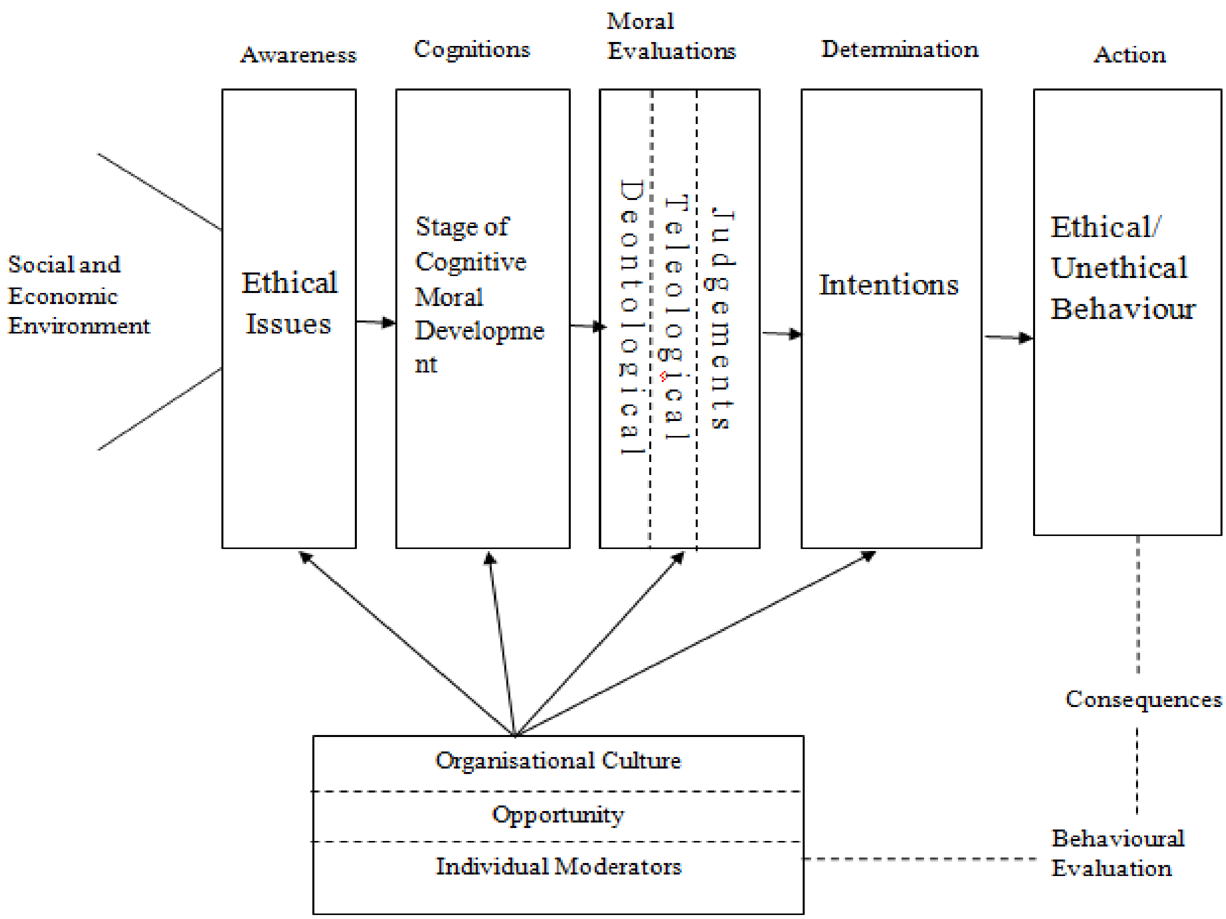
which affect the perceived the situations, alternatives, perceived situations, consequences, deontological norms, probabilities of consequences, desirability of consequences and importance of stakeholders.



Source: Hunt, Shelby D. and Vitell, Scott (1986), "A General Theory of Marketing Ethics", Journal Of Macromarketing, 6(Spring), 5-16.

5. FERRELL, GRESHAM AND FRAEDRICH (1989) SYNTHESIS OF ETHICAL DECISION MAKING MODEL:

In 1989, Ferrell, Gresham and Fraedrich combined the aspects of Ferrell and Gresham model and Hunt and Vitell model and came up with what they called Synthesis of Ethical Decision Making model. This model divides the process into five stages of awareness, cognitions, moral evaluations, determination and action. According to this model, individual must first be aware that ethical element exist in a situation. The perception of ethical issue depends upon the individuals' stage of cognitive moral development. Evaluation, the third stage deals with the evaluations on the basis of teleology and deontology. Intentions are determined which are predeterminant of the behavioral aspect. Lastly, the synthesis model considers the organizational culture, opportunity and individual moderators as the determinants of ethical behavior within the firm.



Source: Ferrell, O. C., Larry, G. Gresham and John A. Fraedrich (1989), Synthesis of Ethical Decision Models for Marketing, Journal of Macromarketing, 9(Fall), 55-64.

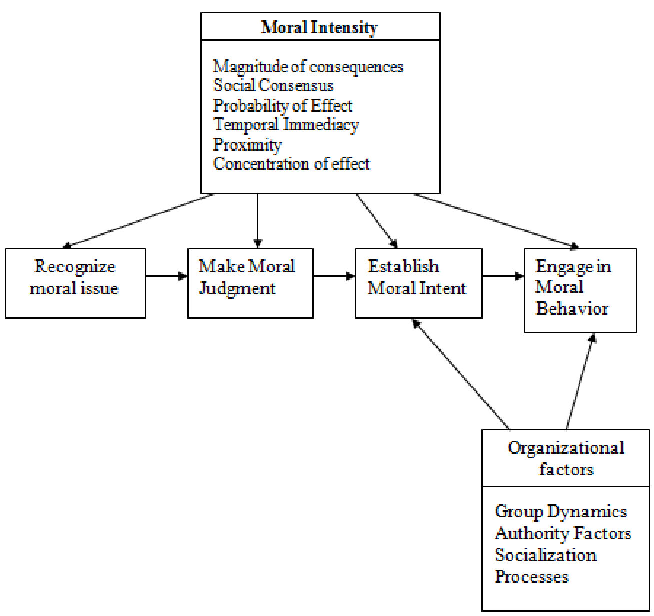
6. JONES (1991) AN ISSUE CONTINGENT MODEL

This model as all other model follows the basic decision making paradigm starting from recognition of moral issue to moral behavior. However, this model differs from all other previous model on the fact that Jones (1991) argued that ethical decision making is issue contingent. Explicit consideration of the characteristics of the issue itself was missing from all the models, Jones offered an issue-contingent model of ethical decision making. He stated that human beings respond differently to different issues due to the peculiar characteristics of the issue. These characteristics determine the moral intensity which is integral part of ethical decision making and behavior. These characteristics as discussed earlier are magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. Although the moral intensity construct is not found in descriptive models, it is derived from the normative arguments.

Jones model states that the characteristics of moral issue, moral intensity influences each step of moral decision making. Lastly, it has also been argued that organizational factors pose special challenge to moral decision maker. Organization factors are likely to play their role in decision making and behavior at two points: establishing intentions and engaging behavior.

Jones (1991) recognized the characteristics of the moral issue which might influence the ethical decision making in the organization. Specifically, he proposed the six dimensions of moral intensity construct. These are (a) magnitude of consequences—the sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question; (b) social consensus—the degree of social agreement that a proposed act is evil (or good); (c) probability of effect—a joint function of the probability that the act in question will actually take place and the act in question will actually cause the harm (or benefit) predicted; (d) temporal immediacy—the length of time between the present and the onset of consequences of the moral act in question (shorter length implies greater immediacy); (e) proximity—the feeling of nearness (social, cultural, psychological, or physical) that the moral agent has for victims (or beneficiaries) of the evil (or beneficial) act in question; and (f) concentration of effect—an inverse function of the number of people affected by an act of given magnitude.

Moral intensity (Jones, 1991) is often used to examine ethical decision-making in different circumstances (Chia & Mee, 2000; Frey, 2000; Harrington, 1996; Morris & McDonald, 1995; Paolillo & Vitell, 2002; Singer, 1996; Singhapakdi *et al*., 1996). In brief, this theory postulates that moral issues can be viewed in terms of underlying characteristics that influence the various stages of the decision making process.



Source: Jones, Thomas M. (1991), "Ethical Decision Making by Individuals in Organisations: An Issue Contingent Model". Academy of Management Review, Vol 16(2) 366-395.

7. COMPREHENSIVE MODEL

The present paper represents the comprehensive model which takes into account all the features of the model given by Jones (1991) and explains the process of ethical decision making with all the antecedents and consequences of this process.

This model incorporates the concept of moral intensity and its six dimensions and tries to explain how moral intensity affects perceived ethical problem and in turn affects behavioural intentions. Also, it has been shown that demographic and organisational factors act as antecedents of idealism and relativism whereas perceived ethical problem and behavioural intentions are consequences of perceived moral intensity.

This model clearly demonstrates the role of personal moral philosophies and perceived moral intensity in ethical decision making.

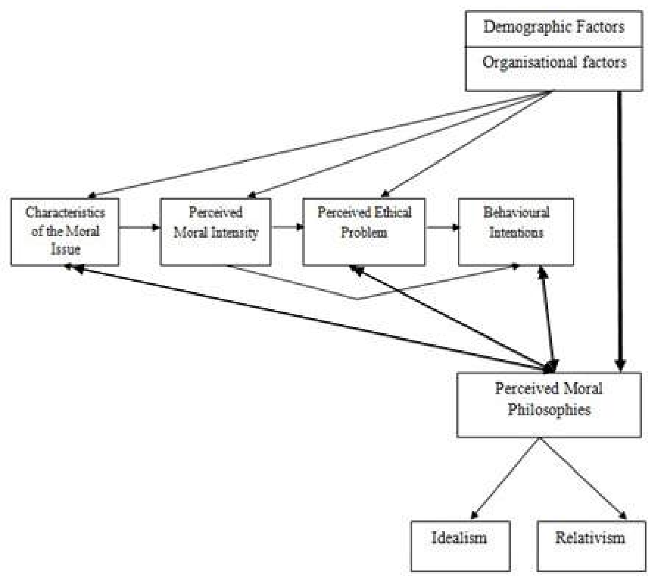


Fig.1. Comprehensive Model on Ethical Decision Making

8. DIRECTIONS FOR FUTURE RESEARCH

Depending upon the researches already done, it can be seen that there are clear relationships emerging with regard to various variables associated with ethical decision making stages.However, even after decades of investigations, some relationships have not yielded a clear understanding of their impact. For example, relationships between factors like age, employment, locus of control, religion, ethical climate and ethical decision making still need to be further investigated.

There is dearth of investigations done on the issues related to ethical decision making in India. Most of the studies which have undertaken the empirical investigations belong to outside India.Future ethical research to test the impact of demographic factors and organisational factors on the personal moral philosophies of individuals needs to be conducted. The construct of moral intensity given by Jones (1991) in the form of ethical decision making model can be investigated in the context of Indian managers to find out whether all the six characteristics define the moral intensity of an individual in India also.

Further, it can also be investigated in the Indian context that does perceived moral intensity affects ethical intentions directly or theyinfluence the perceptions of ethical problem first and then affect ethical intentions.Ethical decision making process can also be investigated so as to explore what are the antecedents and consequences of perceived moral intensity and personal moral philosophies.

All the above issues are addressed in the form of research questions given below to give a direction to the future research in the field of business and marketing ethics:

1. What are the main demographic factors which affect the personal moral philosophies the most?

2. What are those organisational factors which lay direct and most impact on personal moral philosophies?

3. Do all the six characteristics of moral issue lay down the equal impact on moral intensity or some of them are highly effective?

4. Whether elements of moral intensity play a significant role in determining the perceptions of decision maker that if or not the ethical problem even exists?

5. If the decision maker perceives that the given situation involves ethical content, then whether his intentions will be affected?

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A Comparative Study of Foreign and Public Sector Banks in an Emerging Economy - A Case Study of India: for the Period 2000-2014

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Abstract: **This paper attempts to fill a gap in existing literature by comparing the conduct of foreign and public sector banks in the Indian construct. Using the theory of strategic groups, the study has developed, tested certain hypotheses on conduct variables and derived inferences from the results based on statistical 'pair wise t-test'. Foreign banks mobilise lower volume of deposits, take more risk for earning profits, contribute less to priority sector lending and manage to stay less burdened compared to public sector banks. Clearly, such differences do not augur well for development of banking in our country.Paradoxically, the current agenda of the government stressing on financial inclusion and distinctive conduct of foreign banks are working at cross-purposes.**

JEL Code: G21
Keywords: Foreign Banks, Conduct, Strategic Groups

1. INTRODUCTION

Schumpeter (1911) argued that financial services are paramount in promoting economic growth. He added that the services provided by financial intermediaries – mobilisingsavings, evaluating projects, managing risk, monitoring managers, and facilitating transactions are essential for technological innovation and economic development. An integral part of the Schumpeterian story is that financial intermediaries make possible technological innovation and economic development. "The banker . . . authorizes people, in the name of society as it were, to... [innovate]" [Schumpeter, 1911, p. 741].

Keynes (1930), in his work 'A Treatise on Money', also argued for the importance of the banking sector in economic growth. He suggested that bank credit "is the pavement along which production travels, and the bankers if they knew their duty, would provide the transport facilities to just the extent that is required in order that the productive powers of the community can be employed at their full capacity" (Keynes, 1930, II, p. 220).

While the financial sector provides critical input in the process of economic development and banks constitute the most dominant component of financial sector in emerging economies, one needs to distinguish between the public sector and foreign banks. One may justify the existence of foreign banks in the economy, only when it may be demonstrated that foreign banks can do things which public sector banks cannot or which are outside their control. This makes it imperative for us to focus on the conduct of foreign banks vis-à-vis public sector banks.The study endeavours to develop and test certain hypotheses and attempts to infer some conclusions based on statistical analysis of the data available in the secondary domain.

2. PLAN OF THE PAPER

Section I provides the motivation and objectives of the paper. Section II develops the theoretical framework of the paper. Section III provides the hypotheses of the study. It is followed by Section IV, which discusses the data sources and provides the methodology. Section V provides the results of statistical exercises and their implications. Section VIgivesthe summary and conclusions of the paper.

Section I: Motivation and Objectives of the Paper

There exist two distinct views about role of foreign banks in emerging countries. The first one looks at them as being inevitable means of international integration of financial systems of emerging market economies[13] (Raghuram Rajan, RBI Governor). The other looks at them most suspiciously and dismisses them as being undesirable components of financial

[13]"…going to be a big-big opening because one could contemplate taking over Indian banks, small Indian banks and so on," RBI Governor Raghuram Rajan said at an event of the Institute of International Finance in Washington on Oct 13, 2013…As reported by Press Trust of India

system of an emerging economy (Viswanathan, 1993; Charvaka, 1993; Murthy & Deb, 2011; Murthy & Deb2012). While the above two views are poles apart, they share the idea that foreign banks behave differently from their local counterparts, exerting different kinds of impact on financial sector and consequently on the economic development of the host countries. However, while one view treats the difference in conduct of foreign banks and public sector banks to be favourable to emerging economies, the other group considers such difference to be distinctly unfavourable to emerging economies. It is against this background that the paper seeks to examine the differences in conduct of foreign and public sector banks in an emerging economy like India and examines the implications of such differences in their conduct.

Section II: Theoretical framework of the study

The two groups of scholars arguing against or in favour of foreign banks agree with regard to differential conduct of foreign banks vis-a-vis public sector banks. It is here we find the theory of strategic groups to be useful enough to provide the theoretical framework of our study.

Let us probe more and ask why should foreign banks behave differently from public sector banks? Even if both groups of banks seek to maximise their profitability, they need not behave similarly. There are two reasons behind it. Firstly, foreign banks are endowed with certain intangibleadvantages on the basis of which they seek to compete with public sector banks in a foreign country. Secondly, foreign banks in a host economy are part of a global network and their conduct will be guided by global decision making. In a country like India, banking sector is still dominated by public sector banks and hence foreign banks need to be compared with public sector banks. While public sector banks also seek profit in the current market-led regime, they need to earn profits through promoting inclusive banking. Other banks including foreign banks and private sector banks need to practice exclusive banking in search of profitability. Thus, there exist reasons to expect that there are larger differences in conduct between foreign banks and public sector banks as compared to foreign banks and private banks in an economy.

On the basis of differential conduct of foreign banks from public sector banks, one may invoke the theory of strategic groups in order to provide the theoretical framework of our study. Caves and Porter (1978) have extended Bain's initial concept of entry barriers to mobility barriers, formulated in terms of their concept of strategic group. Mobility barriers include both artificial and natural ones and are related to the ability of the firms to shift from one strategic group in the industry to the other. Strategic groups consist of firms following similar strategy, and firms belonging to different strategic groups operating in the same industry need not behave alike in terms of key decision variables. Depending on their history, management philosophy, firm specific assets, they differ in their strategic approach to competition. The products they produce may differ significantly in non-price attributes in response to heterogeneous buyers' preferences. Firms within a strategic group resemble one another very closely and stand out from firms belonging to another strategic group. Potential entrants to a strategic group include existing firms in other industries considering diversification and firms in the same industry contemplating a shift to another strategic group. Entry to a group thus depends on the height and nature of barriers, both to entry into the industry and to inter-group mobility within the industry. The impact of entry barriers is different for firms belonging to different strategic groups due to the presence of mobility barriers.

Section III: Hypotheses of the study

While the major hypothesis of the study is that foreign banks conduct their activities differently from their domestic counterparts, we need to develop a number of hypotheses, which need to be actually tested.

In banking theory, a bank needs to mobilise deposits from diversified sources. The idea is that the probabilities of withdrawals of deposit by different sections of population should be different, which will prevent a run on the bank. Foreign banks do not seek deposit from all sections of population. They insist on a significantly higher minimum deposit, while seeking deposits leading to mobilisation of deposit only from well-off sections of the population of the host country having sufficient spare cash and very low probability of withdrawal. Since this section of the population has a higher opportunity cost of time, it is met by providing a higher rate of interest to the depositors. Interestingly, the logic used by foreign banks in mobilisingdeposits is more straightforward as compared to the standard theory of banking. The practice of such exclusive banking bythe foreign banks as opposed to public sectorbanks practicing inclusive banking leads to lower deposit mobilization by foreign banks vis-a-vis public sector banks and hence different strategy of banking centering on non-fund, fee based business. Deposits will form a lower component of liabilities in case of foreign banks vis-à-vis public sector banks. On the basis of low volume of deposits, credit deposit and investment deposit ratios for foreign banks may turn out to be larger.Since foreign banks do not follow inclusive banking strategy, it is expected that it will provide a lower volume of priority sector advances as compared to public sector banks practicing inclusive banking as per their mandate. In an attempt to maximise profit, foreign banks are expected to service the well-off segment of the society by using a lower volume of work force.

Even when public sector banks have been forced into earning profits, the pressure of earning profits by branches of foreign bank is higher in order to justify their operation in a foreign land. Pressure of making profitsincreases their risk appetite and results in conduct like providing more unsecured advances and evenmaking more non-approved investment.

Thus, we have a set of hypotheses to be tested.

- Hypothesis no. 1: Deposit to Liability ratio is same for the two categories of banks.
- Hypothesis no. 2: Credit Deposit ratio of the two groups of banks is same.
- Hypothesis no. 3: Investment deposit ratio is same for foreign and public sector banks.
- Hypothesis no. 4: Non-interest income as a proportion to total assetsdoes not differ between foreign and public sector banks.
- Hypothesis no. 5: The proportion of secured advances to total advances is same for foreign and public sector banks.
- Hypothesis no. 6: Foreign banks and public sector banks do not differ so far as the ratio of non-approved investment to total investment is concerned.
- Hypothesis no. 7: The proportion of priority sector advances to total advances does not differ between foreign banks and public sector banks.
- Hypothesis no. 8 Wage bill to intermediation cost do not differ between foreign and public sector banks.
- Hypothesis no. 9: The ratio of burden to asset does not differ between foreign and public sector banks.

Section IV: Data Sources and Methodology

Murthy and Deb (2011) made an attempt to compare different segments of Indian banking sector. However, in an attempt to cover a vast area relating to market structure, conduct and performance they had used only one variable to represent each of these three diverse aspects. Although the paper makes interesting conclusions, it is important to make the study further broad-based by taking into account more variables. Each of this aspect requires separate attention. For example, while it is known that off balance sheet activities constitutes a distinctive conduct on the part of foreign banks, there are other important aspects of conduct that need attention. The paper seeks to make a contribution in that direction. In doing so, the study considers as many as nine conduct variables. Murthy and Deb's (2011) paper covers a period from 1996-97 till 2008-09. Although, the endeavour was to start the study from the year 1996-97 but the number of conduct variables that are included in the study were available from 1999-2000 only.

Definition and brief explanation of the banking ratios used for testing the hypotheses are as under:

S. No.	RATIOS	FORMULAE	Description
	Ratio of deposits to total liabilities	(Deposits/Total Liabilities)*100	Deposits are in the form of current and saving account as well as term deposits. This ratio indicates the percentage of deposits (which are also liabilities of a bank) as a percentage of total liabilities (comprising borrowings as well) of a bank. This ratio tells us the strength of the bank in mobilization of deposits from the public at large. Current account and Savings Account (CASA) are the cheapest source of funds available to the banking system and they form part of the total deposits. Therefore, higher this percentage better the profitability of the bank, provided it deploys the fund efficiently as well.
2.	Credit - Deposit Ratio	(Advances/Deposits)*100	This ratio indicates how much of the advances lent by banks are done through deposits. It is the proportion of loan-assets created by banks from the deposits received. The higher the ratio, the higher the loan-assets created from deposits. The outcome of this ratio reflects the ability of the bank to make optimal use of the available resources.
3.	Investment - Deposit Ratio	(Investments/Deposits)*100	Banks are required to maintain SLR as specified by RBI from time to time. Banks are the biggest investor in the government bond market. This ratio tells us how much the bank has invested (both approved and non-approved investments) out of the total deposits raised by it.
4.	Ratio of non-interest income to total assets	(Other Income/Average Total Assets for Current and Previous Years) *100	Non-interest income comprises income from investment banking, advisory, brokerage, underwriting fees and commissions, net gains from sale of investments, net gain from revaluation of investment, net profit on exchange transactions and miscellaneous

S. No.	RATIOS	FORMULAE	Description
			income like DD charges, safe deposit charges, etc. This ratio shows how much the bank is earning on total assets through non-interest income. The higher it is, the better it is for the bank.
5.	Ratio of secured advances to total advances	[(Advances secured by tangible assets + Advances covered by bank/government guarantee) /Total Advances]*100	This ratio is an important measure of a bank's risk taking abilities. By definition, advances extended by a bank against some tangible assets or a strong guarantee are safer than an unsecured lending. Foreign banks catering to high networth individuals might be willing to extend more unsecured loans than its more conservative counterpart public sector banks. Higher the ratio, more risk averse the bank.
6.	Ratio of investments in non-approved securities to total investments	[(Shares + Debentures and Bonds +Subsidiaries and/ or Joint ventures + Others) / Investments]*100	RBI has allowed banks to make non SLR investments such as investments in stocks, bonds, commercial papers of companies and various mutual fund schemes as well. Investment in such instruments is guided by return considerations and not by regulations.
7.	Ratio of priority sector advances to total advances	(Priority sector advances/ Total advances)*100	This ratio indicates the priority sector advances as a percentage of total advances. RBI has mandated 40% of Adjusted Net Bank credit to go towards priority sector lending. However, foreign banks have been given some leeway. Large foreign banks (having more than 20 branches) have been asked to meet the PSL targets - on a par with domestic banks - by 2018. The targets for small foreign banks will be brought on a par with those for domestic banks by 2020, in a phased manner.
8.	Ratio of wage bills to intermediation cost	(Payments to and provisions for employees/Operating Expenses)* 100	This ratio tells us the employee expenses incurred by the bank as a percentage of total operating expenses. So a bank which invests more in technology and has less number of branches shall have a lower ratio than a traditional public sector bank which liberally employs more people and even today believes in expanding its branch network.
9.	Ratio of burden to total assets	[(Operating Expenses - Other Income)/Average Total Assets for Current and Previous Years]*100	The focus of the banks in today's competitive environment is to lower their operating expenses. Burden is defined as difference of operating expenses and other income. This ratio puts into perspective the importance of other income in the operation of a bank. Higher the other income (sources of non-interest income as given above), lower the burden on the bank.

The study uses secondary sources of data published by RBI in the form of "Statistical Tables Relating to Banks in India"for the period 1999-2000 till 2013-2014. The study conducts 'pair-wise t-test'to the hypotheses developed in the earlier section. The data distinguishes between two types of public sector banks: State Bank of India and its Associate Banks on the one hand and Nationalised Banks on the other hand. Thus for testing the hypotheses, two tables will be produced - one for comparing a conduct variable between Foreign Banks and State Bank of India and its Associatesand secondbetween Foreign Banks and Nationalised Banks on the other. We reject the null hypothesis up to a 'p value' of 10%.

Section V: Results of the Study

We now proceed to test the hypotheses developed in the earlier section by using'paired t test'. We tested nine hypothesesand hence a total eighteen tables have been produced to show the results of the tests, which are as under:

1. RATIO OF DEPOSITS TO TOTAL LIABILITIES

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	78.37315053	53.63321387		Mean	84.77473173	53.63321387
Variance	1.165440438	25.07951683		Variance	3.703103846	25.07951683
Observations	15	15		Observations	15	15
Pearson Correlation	-0.153529294			Pearson Correlation	0.324196257	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	18.13856823			t Stat	25.40772361	
P(T<=t) one-tail	2.01265E-11			P(T<=t) one-tail	2.05268E-13	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

2. CREDIT –DEPOSIT RATIO

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	67.05709127	79.89242413		Mean	64.24709207	79.89242413
Variance	224.9964765	38.8466876		Variance	122.1302252	38.8466876
Observations	15	15		Observations	15	15
Pearson Correlation	0.55355131			Pearson Correlation	0.606560446	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	-3.925830437			t Stat	-6.886671615	
P(T<=t) one-tail	0.000761196			P(T<=t) one-tail	3.74085E-06	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

3. INVESTMENT-DEPOSIT RATIO

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	40.95257233	60.30456387		Mean	37.30426433	60.30456387
Variance	114.0081211	106.3976738		Variance	48.56894623	106.3976738
Observations	15	15		Observations	15	15
Pearson Correlation	-0.554717798			Pearson Correlation	-0.530149124	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	-4.0493024			t Stat	-5.858642945	
P(T<=t) one-tail	0.000597442			P(T<=t) one-tail	2.07799E-05	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

4. RATIO OF NON INTEREST INCOME TO TOTAL ASSETS

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	1.399764667	2.698231133		Mean	1.195733467	2.698231133
Variance	0.077474712	0.281837329		Variance	0.131845308	0.281837329
Observations	15	15		Observations	15	15
Pearson Correlation	0.543946723			Pearson Correlation	0.50406668	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	-11.28584736			t Stat	-12.42488326	
P(T<=t) one-tail	1.02374E-08			P(T<=t) one-tail	2.98827E-09	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

5. RATIO OF SECURED ADVANCES TO TOTAL ADVANCES

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	83.272746	55.38989907		Mean	84.51178887	55.38989907
Variance	18.22538134	72.35781424		Variance	12.79912533	72.35781424
Observations	15	15		Observations	15	15
Pearson Correlation	0.487833477			Pearson Correlation	0.553862768	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	14.54122819			t Stat	15.72488467	
P(T<=t) one-tail	3.83547E-10			P(T<=t) one-tail	1.36075E-10	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

6. RATIO OF INVESTMENTS IN NON-APPROVED SECURITIES TO TOTAL INVESTMENTS

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	16.11590553	27.71905007		Mean	19.43830893	27.71905007
Variance	11.79560033	121.2739742		Variance	5.244524044	121.2739742
Observations	15	15		Observations	15	15
Pearson Correlation	0.045245229			Pearson Correlation	0.57351117	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	-3.946753589			t Stat	-3.246456848	
P(T<=t) one-tail	0.000730525			P(T<=t) one-tail	0.00292691	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

7. RATIO OF PRIORITY SECTOR ADVANCES TO TOTAL ADVANCES

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	***Foreign Banks***			***Nationalised Banks***	***Foreign Banks***
Mean	29.98243473	27.07429133		Mean	32.19704873	27.07429133
Variance	4.323381761	19.15855737		Variance	7.02218556	19.15855737
Observations	15	15		Observations	15	15
Pearson Correlation	0.053802539			Pearson Correlation	-0.423356553	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	2.374351112			t Stat	3.306647588	
P(T<=t) one-tail	0.016210639			P(T<=t) one-tail	0.00259657	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

8. RATIO OF WAGE BILLS TO INTERMEDIATION COST

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	66.46131493	37.24117587		Mean	66.78008233	37.24117587
Variance	16.47214241	22.91530896		Variance	22.35666283	22.91530896
Observations	15	15		Observations	15	15
Pearson Correlation	-0.816063824			Pearson Correlation	-0.809300905	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	13.42152399			t Stat	12.64088072	
P(T<=t) one-tail	1.09748E-09			P(T<=t) one-tail	2.39152E-09	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

9. RATIO OF BURDEN TO TOTAL ASSETS

t-Test: Paired Two Sample for Means				t-Test: Paired Two Sample for Means		
	State Bank of India & its Associates	*Foreign Banks*			*Nationalised Banks*	*Foreign Banks*
Mean	0.768053933	0.221727067		Mean	0.789225067	0.221727067
Variance	0.098559935	0.107579779		Variance	0.151602239	0.107579779
Observations	15	15		Observations	15	15
Pearson Correlation	0.779610836			Pearson Correlation	0.631618937	
Hypothesized Mean Difference	0			Hypothesized Mean Difference	0	
Df	14			Df	14	
t Stat	9.91032253			t Stat	7.026115616	
P(T<=t) one-tail	5.22144E-08			P(T<=t) one-tail	2.99763E-06	
t Critical one-tail	1.761310115			t Critical one-tail	1.761310115	

In the first hypothesis, we sought to test existence of difference between Depositsto Liabilities of the two groups of banks. Practice of exclusive banking by foreign banks led to adoption of alternative hypotheses of a smaller ratio for foreign banks and test accepts the same in both cases.

The second hypothesis we tested relates to Credit Deposit ratio. On the basis of an expectation of a lower deposit mobilisation capability consequent to a smaller branch network compared to public sector banks and larger capability for finding out appropriate borrowers, we make the alternative hypothesis that the ratio will be greater for foreign banks and our test agrees with the alternative hypothesis.

The third hypothesis relates to Investment-Deposit ratioand the test produced the result that the ratio is higher for foreign banks. We must not forget the fact that the reason why banks have come from foreign locations to our country is to earn profit and it is reflected in that they employing a larger proportion of their deposits in the form of advances on the one hand and investment on the other hand to earn profit.

A logical outcome of lower deposit mobilization by foreign banks is a lower contribution of interest earnings to their income. The next alternative hypothesis points out a larger component of non-interest income for foreign banks compared to public sector banks. Results of our paired t test confirm it.

Next in line, our hypothesis relating to Investment in non-approved securities is tested. Non-approved securities pose an element of risk for the investor, which is why they have been kept in the category of non-approved securities by the regulator. However, a larger appetite for risk on the part of foreign banks may lead to larger involvement with such securities and our test confirms such a propensity for foreign banks.On similar grounds, the test established that foreign banks have a significantly lower ratio of secured advances to total advances.

Our next hypothesis related to priority sector lending. It is well known fact priority sector lending does not go along with their practice of exclusive banking and hence it is expected that their involvement with this kind of lending is low. The result of our test agrees with such an expectation.

So far as the hypothesis of wage ratio is concerned, we make the alternative hypotheses that the ratio will be higher for foreign banks, because of their compulsion to provide efficient services to better-off section of the population through non-manual meansinvolving less labour and through better technology. Here again the results of the test confirms the alternative hypothesis. Lastly, we test the difference between the ratio of burden to asset with the alternative hypothesis that larger profit orientation of foreign banks, this ratio will be smaller. The results of our test confirm it.

Section VII: Summary and Conclusion

The paper began with premise that financial services provide critical inputs for economic development and sought to analyse the contribution of foreign banks in our economy vis-à-vis the public sector banks, the most dominant component of our banking system. It drew our attention to two diametrically opposite viewpoints about the role of foreign banks in our economy. Both these view points are implicitly based on an idea that they conduct their business differently. Such differences, according to one group, are beneficial to the economy and detrimental, according to the other. The literature on foreign banks in India does not explicitly deal with the issue.

The paper developed the theoretical framework in terms of theory of strategic groups, collected secondary data from publications of RBI and used a paired t test to test hypotheses developed from common ideas prevalent about foreign banks. The objectives were to test whether common place ideas prevalent about foreign banks hold good in the actual scenario.

The paper produced interesting conclusions clearly bringing out differential conduct of foreign banks vis-à-vis public sector banks. Foreign banks are found to be mobilising lesser deposits, employing a larger port of such deposit to making advances and investment and earning a larger component of income from non-interest sources. Under greater pressure to earn profit, they are more involved with non-secured lending on the one hand as well investment in non-approved securities.Quite clearly they are creating moral hazard problems, being protected by both deposit insurance and RBI’s commitment to act as lender of last resort. Their commitment to priority sector lending is lower and they are creating a lower proportion of wage income as well. At the same time, they are found to be less burdened compared to the public sector banks. Quite clearly such differences in conduct of foreign banks vis-à-vis public sector banks put them in a different strategic group. Summing up, the most important conclusions produced by the paper are that these banks mobilise lower volume of deposits, take more risk for earning profits and contribute less to priority sector lending, manage to stay less burdened compared to public sector banks. Clearly, such differences do not augur well for development of banking in our country.While banks need to earn profit, development of banking industry must take place in terms of meaningful financial inclusion so as to include the excluded sections, so far overlooked by banking sector. The performance of banks must be broadened beyond efficiency to include fairness and progress. Fairness involves how equitably market agents distributes the benefits of economic activity to the participants in the market and even more how to include sections excluded from participating in economic activities. Progress concerns how effectively market agents nurture and yield better products and production techniques, or even more how to create different products and services to include the excluded. Paradoxically, the current agenda of the government stressing on financial inclusion and distinctive conduct of foreign banks are working at cross-purposes.

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A Study on Impact of Demographic Factors on Investment Preferences of Salaried Individuals Across NCR

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Abstract: **Healthy savings and investment trends lay down a robust foundation for development of an economy. Mobilization of savings in to investments is essential aspect of sustainable growth as it hedges the investors against evils of global economic uncertainty and inflation by creating an additional stream of income. Investments are equally important from economic perspective to satisfy mounting needs of corporate sector and to meet the goal of public good. With the growth of service sector, salaried class investors form a substantial segment of 'surplus savers' in Indian economy. They have garnered attention of economists, policy makers, banks and corporates worldwide and have a considerable potential to be unleashed. It is therefore pertinent to understand their investment preferences and factors governing their investment behavior. This is a primary data based study for which 213 responses have been collected through a pre-structured questionnaire from salaried individuals across NCR. The data has been analyzed using frequency distribution, percentages, cross-tabulations, mean rank method.An attempt has been made to assess the significance of demographic variables (gender, age and marital status) amongst salaried individuals over several aspects of investment decision-making like preferred avenues, motives of investment and channels of information guiding investment decisions using Chi-square test at 5 percent level of significance. The results indicate that few demographic variables guide the investment decision-making process.**

Keywords: **investment decision-making, demographic factors, investor preference JEL Classification:** ***G11, C42.***

1. INTRODUCTION

The globalization, liberalization, rapid economic expansion and outsourcing of non-core activities in the late nineties and the new millennium have given a unique recognition to the Indian economy world over. Austerity drives are the new flavor of most of the developed and developing economies with governments trying their best to shield their respective economies against uncertainties and threats of negative growth.Indians have seen a multitude of investment avenues opening-up over past two decades. According to Mohapatra (2015), "Traditionally India is regarded as a nation of savers." However, in order to hedge against inflation and generate income over a period of time, savings have to mobilize into investments. Real estate, gold, bank deposits and post office instruments have been major investment avenues over the years for Indian salaried class. Moreover, Indian securities market has been witnessing mixed sentiments over the past years and hasbeen posing a brave front vis-à-vis global financial turmoil. This technology-led growthcombined with multiplicity of wantshas made salariedindividuals to search lucrative investment opportunities.These executives have started taking active interest in the Indian stock market in order to optimize on portfolio selection with an expectation of competitive returns. Hence, it is imperative to identify the factors guiding their investment decision-making process.Section I introduces the topic and section II develops the rationale behind the study. Section III and IV lay down the objectives and literature review. Research methodology has been detailed in Section V along with hypotheses. Data analysis and interpretation has been presented in Section VI. The last Section VII summarizes the study.

Investment in physical or financial instruments primarily involves commitment of specified sum for a given period with an expectation of earning return over that period of time. The return may differ for different assets. It may refer to rent or capital appreciation for real estate investment or interest income on bonds or dividend income on shares and so on. The popular investment options resorted to by the investors include:

1. Physical Assets
    a. Real Estate
    b. Gold
        i. Jewelry
        ii. Gold Bars
    c. Silver and/or Precious Stones
    d. Paintings and Antique Items

2. Financial Instruments

   a. Compulsory Savings (General Provident Fund, Contributory Provident Fund, Employees Provident Fund, New Pension Scheme)

   b. Voluntary Savings

      i. Public Provident Fund (PPF)

      ii. Post Office Savings (National Saving Certificate, KissanVikasPatra, Term Deposits etc.)

      iii. Bank Deposits

      iv. Life Insurance and Pension Plans

      v. Exchange traded Funds (ETFs)

      vi. Mutual Funds, Unit Linked Insurance Plans

      vii. Equity Shares

      viii Bonds (including infrastructural bonds)

      ix. Others (Derivatives, Forex market, Derivatives etc.)

2. RATIONALE OF THE STUDY

A healthy and progressive rate of investment builds a robust base for the growth of an economy.Though salaried individuals have traditionally been surplus savers of the economy, however they are not necessarily well versed with the basic fundamentals of investment.It is important to understand the salient features of different investment alternatives to make informed choices. Investors have to consider the effects of global economic uncertainty, increased shareholder alertness, strict vigil by regulatory bodies, limited time and resources while choosingfrommultitude of investment avenues. This study has been conducted to understand and analyze the factors underlying investment decisions of these professionals. Also, an attempt has been to find out if investor behavior is independent of demographic variables.

3. OBJECTIVE OF THE STUDY

The basic objective of this research work is to study investment avenues from the perspective of salaried individuals based out of NCR.For this purpose, the following has been examined:

- To identify the preferred investment options of salaried individuals
- To explore motives behind investment decisions
- To highlight the major channels of information guiding investor's preferences
- To analyze the influence of demographic variables on investors' decision-making process.

4. LITERATURE REVIEW

A number of studies have been conducted to understand the investor behavior and preferences for certain types of instruments. Investor behavior is also affected by various demographic factors. According to NCAER Household Survey (July, 2011) for Urban India, "The primary destination of savings across household categories is insurance schemes and banks. Post office savings schemes are, for obvious reasons, less preferred compared to commercial bank deposits and accounts as such schemes have cumbersome procedures and offer inadequate returns.The degree of risk aversion is extremely high in Indian households. It is only at the margin that households engage in risky ventures.

Quality and source of information significantly influence extent of participation in financial markets. Married investors take less risk averse than their unmarried counterparts. On average females take less risk than their male counterparts. Business and white-collar workers hold more risky assets than their blue-collar counterparts." Bhushan (2014) studied the awareness level and investment behavior of salaried individuals towards financial products and found that though the respondents were aware about traditional and safe financial products; theirawareness about newer financial instruments was significantly low. The respondents investing in mutual funds were more than active investors in direct equity. PPF was not found to be a popular investment alternative with support from just two-fifths of the investors. Bank deposits were the most popular investment alternative with 95 percent of investors putting their money followed by life insurance products with 77.7 percent investors.

Mohapatra (2015) studied investment pattern of salaried individuals in Odisha and found that the most preferred mode of investment of respondents were life insurancefollowed bybank deposits and real estate. The study was based on primary data have been collected through a structure questionnaire from 100 salaried class respondents from Cuttack and Bhubaneswar.The results were in line with Bhushan (2014). Though majority of respondents seemed ready to take moderate risk for moderate return, they attachedgreatersignificance to safety and security of their investment. Other significant factors influencing investment decision were liquidity, high returns and better service.

Bairagi and Rastogi (2013) carried out an empirical study on saving pattern and investment preferences of individual household with reference to Pune city. The study was based on primary data collected through a structured questionnaire from 526 respondents selected by non-probability convenient sampling. The study concluded that there was high level of awareness about bank deposits and real estate amongst investors. This was followed by small savings, life insurance and bullions. They also concluded that occupation, level of education and income had a significant impact on investor behavior.

Tirupathi and Ignatius (2013) studied preferred investment avenues among salaried people with reference to Namakkul Taluk, Tamilnadu. It was a questionnaire based study with a sample of 100 respondents selected through probability sampling. Insurance was found to be the most preferred alternative to invest followed by bank deposits, gold and real estate.

Investor perception and preferences with respect to investment alternatives have been analyzed by Prakash and Sunder (2013) using primary data collected through mail questionnaire sent to 100 respondents based out of Chennai selected through purposive sampling. The study concluded that most significant factors guiding investment decisions were risk diversification, tax exemption, safety, professional management, liquidity, flexibility, balanced and consistent returns, and choice of scheme, reliability and affordability. Bank depositswere found to be the most popular source of investment followed by gold/silver, life insurance, Provident Fund Saving scheme, Mutual funds and Real Estate.

The analysis of these studies clearly stress on the relevance of the topic under consideration and at the same time reiterates the need to conduct such a work with NCR sample and also compare with previously conducted studies of Indian origin.

5. RESEARCH METHODOLOGY

This section explains the methodology used in the study. The study is based on primary and secondary data. The primary information has been collected by using a pre-structured questionnaire. Before finalization of the questionnaire, a pilot study with 15salaried individuals was done and questionnaire was suitably modified.

Both, open and close-ended questions were included in the questionnaire to extract maximum possible information. Convenience sampling technique has been used to select investors due to large size of the population. Anonymity and confidentiality have been assured and participants have been told that they could withdraw from the study at any point without prejudice.

As the study is bound by time and cost limitation, the sample has been drawn from National Capital region (NCR) and it represents people from different economic and social characteristics. The participants have been asked to fill in demographic details followed by a number of questions pertaining to; preferred investment avenues, sources of information used for taking investment decisions and motives of investment. The questionnaire lists both traditional and contemporary investment alternatives for the respondents to choose from covering both physical assets and financial instruments. A total of 423questionnaires have been mailed for seeking responses and follow-up phone calls and mails have been sent. A total of 227 responses have been received. However, 14questionnaireshave been discarded due to incomplete/missing data. The analysis is based on duly filled questionnaires reverted by a sample of 213 respondents. Frequency distribution, percentages, cross-tabulations, mean rank method have been used for the analysis and interpretation.An attempt has been made to assess the significance of demographic variables amongst salaried individuals over several aspects of investment decision-making like preferred avenues, motives of investment and channels of information guiding investment decisions using Chi-square test at 5 percent level of significance.The results have been estimated using Minitab 17. The secondary data have been collected from various books, journals, newspapers and websites.

Taking into consideration the vastness of the topic, the study does not try to be exhaustive in its treatment of the subject. Respondents usually provide a subjective view especially in open ended questions and therefore that analysis is not free from personal bias of the respondents. In spite of these limitations, the study aims to serve as a useful piece of work highlighting investment behavior of salaried individuals.

Hypotheses

The respondent sample for this study comprises of salaried individuals who are presumed to take rational and informed decisions regardless of various demographic factors like gender, age, marital status, family size, and income and so on. For the purpose of this study, following hypotheses have been proposed.

Ho_1: There is no significant relationship between demographic variables and investment preferences.

Ho_2: There is no significant relationship between demographic variables and motives for investment.

Ho_3: There is no significant relationship between demographic variables and channels of information.

6. DATA ANALYSIS AND INTERPRETATION

The results of the survey have been discussed below:

1. Demographic Details of Respondents

The demographic profile of the respondents has been sketched on the basis of eight socio demographic variables in order to derive logical conclusions whether these attributes affect investment behavior of salaried professionals. The details have been provided in Table 1 below.

TABLE 1: Demographic Details of the Respondents

		Number of Respondents	Percentage
GENDER	Male	124	58.2
	Female	89	41.8
AGE (IN YEARS)	22-30	120	56.3
	30-40	81	38.0
	Above 40	12	5.6
MARITAL STATUS	Single	88	41.3
	Married	125	58.7
FAMILY SIZE	Up to 2	32	15.0
	3 to 4	109	51.2
	5 & above	72	33.8
EARNING MEMBERS	1 to 2	145	68.1
	3 to 4	56	26.3
	5 & above	12	5.6
EDUCATION	Graduate	84	39.4
	Post Graduate	117	54.9
	Doctorate	12	5.6
ANNUAL INCOME (IN LAKHS)	Up to 6.5	72	33.8
	6.5 to 10	81	38.0
	10 to 20	44	20.7
	Above 20	16	7.5
ANNUAL SAVING (IN LAKHS)	up to 1.5	100	46.9
	1.5 to 5	89	41.8
	5 to 10	16	7.5
	Above 10	8	3.8
TOTAL RESPONDENTS		213	

Source: Author's Estimation

An analysis of the Table 1 reveals that a majority of respondents surveyed are males (58.2 percent) as compared to female (41.8 percent). It is also understood that more than half (56.3 percent) of the respondents to the study are young salaried individuals. In fact the results have been primarily drawn on the responses of 22-40 years age group as there are only 5.6 percent participants above 40 years of age.Additionally, two-fifths of the respondents are singles. Interestingly, two-thirds of the respondents have a family size upto 4 persons indicating a favor for nuclear families across NCR. However, more than two-thirds have either 1 or 2 earning members in the family.It is to be noted that 39.4percentof the respondents are graduates while remaining sample is highly qualified with either post-graduate or doctorate degree. It implies that the majority of the salaried investors are qualified and educated. Out of the total respondents, nearly 34percent of the respondents earned an annual income up to ₹ 6.5 lakh, while 38percent of the respondents earned an annual income ₹6.5 lakh to 10 lakh. Likewise, while 21percent of the respondents earned annual income ₹10 lakh to 20 lakh and the remaining 7.5 percent, respondents earned annual income above 20 lakh. As far as annual savings is concerned, it is evident that nearly half (46.9 percent) of the sample is saving only to enjoy tax benefit attached to savings as per income Tax Act 1961. Another 41.8 percent had an annual savings between ₹ 1.5 lakh to ₹5 Lakh while the annual savings of remaining 11 percent respondents was above 5 lakh. This is not encouraging knowing that despite a young sample group, the level of savings is pretty low and sticking to the tax limit of ₹ 1.5 lakh shows reluctance on the part of individuals to invest progressively.

Each hypothesis has been tested against all eight demographic variables individually to ascertain the independence of investment decision-making from each of them.

2. *Preferred Avenues of Investment*

There are multitudes of investment opportunities available to the investors in the present day world. This part of the survey aims at finding out the relative importance of the various investment options available with the investors and the extent of portfolio diversification. Interestingly, the entire sample has chosen more than one instrument for their investment. It is a healthy trend that investors are following the golden rule of investment management, "Never put all eggs in one basket." The Table 2 presents the preferences of investors along with frequencies and average rank scores.

TABLE 2: Investment Preferences

Investment Avenues	**Frequency**	**Percentage**	**Rank Average**
Real Estate	145	68.1	7.5
Gold Jewelry and bars	182	85.4	1
Silver	73	34.3	11
Compulsory Savings (GPF, CPF, EPF, NPS)	145	68.1	7.5
PPF	169	79.3	4.5
Post Office Savings (NSC, KVP etc.)	101	47.4	9
Bank Deposits	177	83.1	3
Life Insurance and Pension Plans	169	79.3	4.5
Mutual Funds, ULIPs, ETFs	178	83.6	2
Equity Shares	85	39.9	10
Bonds (including infrastructural bonds)	69	32.4	12
Others (Forex market, Derivatives etc.)	147	69.0	6

Source: Author's Estimation

From the analysis of the results it is clear that majority of the respondents park their money in traditional investment avenues as top 6 options include gold, bank deposits, compulsory savings, PPF and insurance policies. It is encouraging to note that 83.6 percent respondents have favored investment in mutual funds. This marks a deviation from traditionally popular options and is a health trend. However, more people invest in securities through mutual funds as compared to equities and bonds as they prefer relying on expert decisions instead of tracking market on a daily basis. Additionally, the respondents display lack of interest in bonds market and consider it as an investment option only in case they bring along additional tax benefit. Though PPF is a traditional saving instrument, it continues to enjoy popularity because it's a twin-edged sword against tax. Results also indicate that people invest their money in forex, derivatives, paintings and precious stones. Silver seems to be losing sheen as an investment alternative.

It is ironical to find that despite all respondents being salaried individuals getting a regular deduction on account of compulsory savings, it has secured average rank of 7.5 with almost 68 percent support. This indicates lack of knowledge on the part of respondents about the relevance of compulsory savings. As the survey results are based on a young sample, there seems to be a need to spread awareness about investment alternatives. Results also point out to the fact that nearly 80 percent respondents have invested in insurance and pension funds, which showsrobusttrend with young respondents following the ground rule, "The sooner the better".

An attempt has been made to find out if investment preferences of the respondents are independent of demographic variables. Chi-Square Test, at 5% significance level, has been applied on the data collected to assess significance of this impact. The results of the test have been summarized in Table: 3.

Table 3: Demographic Factors and Investment Preferences

Demographic Factor	**Pearson Chi-Square**	**Degrees of freedom**	**Critical value at α = 0.05**	**Null Hypothesis**
Gender	15.211	11	19.675	Accept
Age	62.402	22	33.924	Reject
Marital Status	21.854	11	19.675	Reject
Family Size	24.177	22	33.924	Accept
Earning Members	35.095	22	33.924	Reject
Education	62.195	22	33.924	Reject
Annual Income (In Lakhs)	48.432	33	47.4	Reject
Annual Savings (In Lakhs)	44.783	33	47.4	Accept

Source: Author's Estimation

**Investment Preferences as per Demographic Variables provided in Table 8 after references*

The findings indicate that investment preferences are independent from gender, family size and annual savings at 5% level of significance. Null hypotheses in respect of remaining variables including Education, Age, Marital Status, Earning Members and Annual Savingshas not been accepted and alternate hypotheses has been accepted as calculated value of χ^2exceeded critical value at given degrees of freedom [(no. of rows-1)X(no. of columns-1)].

3. Motives of investment

The respondents have been facing increased investment needs due to a variety of reasons. Some of them invest to save tax by claiming deductions while others want to earn additional income by trading on price-differentials. Long-term stable return is the motive of still another class of respondents. Investors aiming at long-term returns have invested in different alternatives such as stock market, real estate, gold and term-deposits.The responses of the investors regarding primary motive behind investment decisions has been displayed byTable4.

TABLE 4: Motives of Investment

Motives of Investment	Frequency	Percentage	Rank Average
Regular source of income (Interest, Dividend etc.)	153	71.8	2
Long-term Capital Appreciation	145	68.1	3
Tax benefit	197	92.5	1
Safety	141	66.2	4
Liquidity/ Marketability/Early withdrawal	101	47.4	6
Hedge against inflation	57	26.8	9
Retirement Planning	129	60.6	5
Children education and expenses	97	45.5	7
Portfolio Diversification	65	30.5	8

Source: Author's Estimation

Tax Benefits attached to investment alternatives have received over-riding priority as a reason for investments. It is important to invest in order to take tax relaxations but being ranked as the most preferred reason by 92.5 percent respondents' shows lack of awareness about multitude of benefits attached to investments including reducing uncertainty, providing liquidity, hedging against inflation and providing a strong financial cover. It is interesting to note here that almost half of the respondents have been saving within the tax benefit limit of ⍰ 1.5 lakh. All these seem to be under-estimated by the sample. It is followed by generating alternative income source with a support from 68 percent participants. This is indeed a very healthy trend with such a young sample being aware and conscious of generating alternative sources of income so early in life. Additionally, long-term capital appreciation, safety and retirement planning are next most popular investment motives.All these are hinting on long-term plans of investors. Hedging against inflation has been ranked as the least preferred motive behind investment.

Impact of demographic factors on investment motives has been carried out through Chi-square test at 5 percent level of significance. The results have been presented in the Table 5 below.

TABLE 5: Demographic Factors and Motives of Investment

Demographic Factor	Pearson Chi-Square	Degrees of freedom	Critical value at $\alpha = 0.05$	Null Hypothesis
Gender	10.635	8	15.507	Accept
Age	39.998	16	26.296	Reject
Marital Status	26.591	8	15.507	Reject
Family Size	24.491	16	26.296	Accept
Earning Members	26.533	16	26.296	Reject
Education	26.255	16	26.296	Accept
Annual Income (In Lakhs)	35.815	24	36.415	Accept
Annual Savings (In Lakhs)	16.743	24	36.415	Accept

Source: Author's Estimation

**Motives of investment as per Demographic Variables provided in Table 9 after references*

As exhibited, investor motives are independent of a majority of demographic variables (gender, family size, education, annual income and annual savings) as null hypotheses have been accepted. However, motives of investment are not independent of age, marital status and earning members.

4. Major Channels of information Guiding Investment Decisions

Though investment management is a discipline in itself, actual investment decisions are not merely restricted to trained professionals. It is pertinent to make an informed choice while taking investment decisions keeping in mind risks and returns attached to various options. Table 4 below presents most frequently resorted to channels of information being used by salaried individuals.

TABLE 6: Channels of Information

Sources of Information	Frequency	Percentage	Rank Avg.
Self-study and analysis Financial Statements, articles etc.)	89	41.8	5
Published information (newspapers, government reports etc.)	153	71.8	1
Financial Experts (Consultants, brokers etc.)	124	58.2	2
Financial News Channels	92	43.2	4
Family and Friends	113	53.1	3

Source: Author's Estimation

Though media text does not come with assurance of reliability, it's being referred to as the most popular information channel guiding investment decisions. This is followed by financial experts (58.2 percent) including consultants and brokers either hired by or offering free services (these consultants get remunerated in the form of commission from concerned financial institutions) to respondents. It is interesting to note that more than half (53.1 percent) of the respondents rely on suggestions received from family and friends. Ironically self-study and analysis has been ranked as least preferred information channel indicating that respondents are reluctant to self-analyze investment alternatives while investing their hard earned income. The results draw attention towards the need to spread awareness about various investment options in-depth analysis.

In an attempt to estimate the relevance of demographic variables on channels of information, chi-square test has been applied on investor responses and eight different demographic variables. The same has been tabulated below in Table 7.

TABLE 7: Demographic Factors and Channels of Information

Demographic Factor	Pearson Chi-Square	Degrees of freedom	Critical value at α = 0.05	Null Hypothesis
Gender	16.123	4	9.488	Reject
Age	6.781	8	15.507	Accept
Marital Status	3.918	4	9.488	Accept
Family Size	17.872	8	15.507	Reject
Earning Members	34.135	8	15.507	Reject
Education	9.315	8	15.507	Accept
Annual Income (In Lakhs)	17.373	12	21.026	Reject
Annual Savings (In Lakhs)	24.388	12	21.026	Reject

Source: Author's Estimation

**Channels of Information as per Demographic Variables provided in Table 10after references*

Age, marital status and educational qualification have demonstrated no impact on channels of information for investment decision-making process. However, null hypotheses have been accepted for rest of the variables at 5 percent level of significance. Hence, channels of information are not independent of gender, family size, and number of earning members, annual income and annual savings.

7. CONCLUSION

India has been declared as the best investment destination (Mehra, 2015) and Indians must capitalize on this. Indian economy's growth in almost all sectors has been promising in the recent past. This study has been conducted to understand the investment decision making process of salaried individuals based out of NCR. These individuals are well-qualified and presumed to be thoroughly aware of investment scenario due to urbanized exposure. The intention has been to understand the popular investments options; motives behind investment and major channels guiding investment decisions. The summary, conclusions and recommendations are as follows:

- A relatively young sample of respondents has been heavily skewed in the favour of traditional investment alternatives including gold, bank deposits, PPF and insurance policies. Another robust trend is the acceptance of mutual funds and ETFs as a favourable investment option by this urban sample.
- Surprisingly, only 68 percent of respondents consider compulsory deductions on account of CPF, GPF, NPS, and EPF as Investment Avenue. This finding clearly indicates need to spread awareness about relevance of these investments.
- Investment preferences are not independent of majority of demographic variables comprising of age, marital status education, earning members and annual income.
- The primary motive for investment has been to earntax benefits. Generating an alternative source of income, long-term capital appreciation and safety of investments have also been ranked high by the respondents.
- Motives of investment have been found to be independent of a majority of demographic variables such as gender, level of education, family size, annual income and level of annual savings. Conversely, age, marital status and number of earning members in the family influence the reasons to invest.
- Majority of the sample relies on published information, expert advice and family and friends for gathering sufficient information to support their decision-making process. It is ironical that the respondents invest their hard earned money without lying due emphasis on self-study and analysis.
- Channels of information have been found to be independent from age, marital status, level of education and annual income. Nevertheless, null hypotheses for rest of the demographic variables including gender, family size, earning members and annual savings has been rejected indicating influence of these variables on sources of information.

The study explicates investors' perception with respect to numerous investment opportunities. The respondents have shown a preference towards both physical and financial assets.This marks a paradigm shift from Pre-1991 years when physical assets enjoyed a supremacy over financial assets. A more conclusive study would require inclusion of rural sample. The study reaffirms the popularity of traditional investment options albeit along with the new ones.Conscious efforts on the part of state can help in modifying the risk-averse attitude of Indian investor.India is an economy having huge potential and the respondents should upgrade their financial knowledge to get optimum returns.

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Table 8: Investment Preferences as per Demographic Variables

	Age			Gender		Marital Status		Education			Family Members			Earning members			Annual Income				Annual Saving				
	22-30	30-40	≥ 40	Female	Male	Married	Single	Graduate	PG	Doctorate	1-2	3-4	≥ 5	1-2	3-4	≥ 5	≤ 6.5	6.5 to 10	10 to 20	≥ 20	< 1.5	1.5 to 5	5 to 10	≥ 20	Total
Real Estate	88	53	4	53	92	89	56	56	81	8	24	61	60	93	44	8	44	49	36	16	64	57	16	8	145
Gold Jewelry and bars	120	50	12	90	92	102	80	100	70	12	16	94	72	122	52	8	64	74	28	16	84	70	24	4	182
Silver	44	25	4	37	36	45	28	32	33	8	4	33	36	45	28		28	29	8	8	36	25	8	4	73
Compulsory Savings (GPF, CPF, EPF, NPS)	76	57	12	53	92	93	52	52	85	8	20	69	56	93	44	8	36	61	32	16	68	57	12	8	145
PPF	100	61	8	73	96	97	72	76	85	8	20	85	64	117	40	12	60	61	36	12	84	65	16	4	169
Post Office Savings (NSC, KVP etc)	64	33	4	45	56	53	48	48	45	8	12	49	40	69	20	12	36	37	20	8	36	49	12	4	101
Bank Deposits	108	57	12	69	108	97	80	76	93	8	16	93	68	113	52	12	56	65	40	16	80	73	16	8	177
Life Insurance and Pension Plans	100	57	12	69	100	105	64	72	89	8	24	89	56	117	40	12	56	69	28	16	76	73	12	8	169
Mutual Funds, ULIPs, ETFs	116	58	4	66	112	110	68	72	94	12	20	90	68	118	44	16	60	66	36	16	76	78	16	8	178
Equity Shares	60	21	4	29	56	49	36	36	41	8	8	37	40	49	28	8	28	33	20	4	48	29	8		85
Bonds	48	17	4	25	44	37	32	32	29	8	4	29	36	37	28	4	24	21	16	8	36	21	12	0	69
Others (Forex, Derivatives etc)	128	19	0	59	88	63	84	100	43	4	16	75	56	103	40	4	72	55	8	12	84	47	16	0	147
Pearson Chi-Square	62.402			15.211		21.854		62.195			24.177			35.095			48.432				44.783				
DF	22			11		11		22			22			22			33				33				
Chi Square Table	33.924			19.675		19.675		33.924			33.924			33.924			47.4				47.4				
Null Hypothesis	Reject			Accept		Reject		Reject			Accept			Reject			Reject				Accept				

Source: Author's Estimation

Table 9: Motives of Investment as per Demographic Variables

	Age			Gender		Marital Status		Education			Family Members			Earning members			Annual Income				Annual Saving				
	22-30	30-40	≥ 40	Female	Male	Married	Single	Graduate	PG	Doctorate	1-2	3-4	≥ 5	1-2	3-4	≥ 5	≤ 6.5	6.5 to 10	10 to 20	≥ 20	< 1.5	1.5 to 5	5 to 10	≥ 20	Total
Regular source of income (Interest, Dividend, Rent etc.)	96	45	12	53	100	85	68	64	81	8	20	73	60	97	48	8	48	61	32	12	76	57	16	4	153
Long-term Capital Appreciation	76	57	12	61	84	93	52	48	85	12	24	73	48	105	32	8	48	53	32	12	68	61	12	4	145
Tax benefit	108	77	12	81	116	117	80	80	105	12	32	97	68	133	56	8	64	77	44	12	96	81	16	4	197
Safety	88	41	12	65	76	81	60	68	61	12	12	69	60	89	40	12	60	49	20	12	68	57	12	4	141
Liquidity/ Marketability/Early withdrawal Option	60	33	8	37	64	69	32	40	53	8	12	49	40	69	24	8	32	37	24	8	44	45	8	4	101
Hedge against inflation	52	5	0	17	40	21	36	32	25	0	4	29	24	33	20	4	24	25	4	4	36	17	4	0	57
Retirement Planning	76	41	12	53	76	81	48	48	73	8	12	81	36	93	36	0	36	65	20	8	68	49	8	4	129
Children education	64	25	8	45	52	65	32	48	41	8	8	53	36	69	20	8	36	33	16	12	40	41	12	4	97
Portfolio Diversification	48	13	4	21	44	29	36	36	25	4	4	41	20	49	16	0	28	25	4	8	32	25	4	4	65
Pearson Chi-Square	39.998			10.635		26.591		26.255			24.491			26.533			35.815				16.743				
DF	16			8		8		16			16			16			24				24				
Chi Square Table value	26.296			15.507		15.507		26.296			26.296			26.296			36.415				36.415				
Null Hypothesis	Reject			Accept		Reject		Accept			Accept			Reject			Accept				Accept				

Source: Author's Estimation

Table 10: Motives of Investment as per Demographic Variables

	Age			Gender		Marital Status		Education			Family Members			Earning members			Annual Income				Annual Saving				
	22-30	30-40	≥ 40	Female	Male	Married	Single	Graduate	PG	Doctorate	1-2	3-4	≥ 5	1-2	3-4	≥ 5	≤ 6.5	6.5 to 10	10 to 20	≥ 20	< 1.5	1.5 to 5	5 to 10	≥ 20	Total
Self-study and analysis (Financial statements, journals, articles etc.)	48	33	8	21	68	57	32	28	53	8	16	37	36	69	12	8	28	33	24	4	36	45	4	4	89
Published information (newspapers, government reports etc.)	84	57	12	53	100	89	64	64	77	12	12	89	52	109	44		44	65	32	12	80	53	16	4	153
Financial Experts (Consultants, brokers etc.)	72	44	8	48	76	76	48	44	76	4	16	64	44	80	36	8	36	52	20	16	44	64	8	8	124
Financial News Channels	64	24	4	24	68	48	44	40	48	4	12	48	32	60	32		32	40	12	8	52	32	8		92
Family and Friends	64	41	8	53	60	61	52	48	57	8	16	41	56	69	32	12	40	41	28	4	52	49	8	4	113
Total	332	199	40	199	372	331	240	224	311	36	72	279	220	387	156	28	180	231	116	44	264	243	44	20	571
Pearson Chi-Square	6.781			16.123		3.918		9.315			17.872			34.135			17.373				24.388				
DF	8			4		4		8			8			8			12				12				
Chi Square Table value	15.507			9.488		9.488		15.507			15.507			15.507			21.026				21.026				
Null Hypothesis	Accept			Reject		Accept		Accept			Reject			Reject			Accept				Reject				

Source: Author's Estimation

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Issues Related to Stressors and Its Impact upon Overall Job Performance an Empirical Analysis

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Abstract: **The job and job conditions are so strenuous in today's time that it is getting difficult day by day to deal with it successfully. The job and environmental conditions are highly demanding and pose uncertainties and challenges for employees due to which stress arises. The purpose of the study is to find out the stressors related to work, organisational climate factors and relationship at work as stressors affecting the employee's job performance working in the public and private sector banks.A survey instrument questionnaire comprising of work stressors, organisational climate and relationship at work was used for identifying job situations and organizational conditions that leads to increase in stress level among employees. A Stratified sampling method was used for the selection of sectors (public and private sectors) in the banking unit and also for selecting banks in each of these two sectors for the study. A random selection method was used for selecting bank branches from the selected bank organizations (both the sectors) for the study. The sample size for the study comprised of 480 (240 middle level respondents from each sector). Statistical analytical tools such as Confirmatory Factor analysis, Structured Equation Modelling (SEM) and other Descriptive statistics scores have been used.The survey instrument was shown to be both reliable and valid. The CFA is run for all the constructs and CFI is above 0.90 for every construct. Statistics clearly shoes that "complex work" is having the highest standardized regression weight (0.88). The results also indicate that the "monotonous work" (0.76) is the next stressor which contributes to work stress to the employee. The results also indicate that the variable "physical working condition not good" is the next stressor that contributes to organisational climate stressor of the employee. The results indicate that the variable "relationship with colleagues causes anxiety" is having the highest standardized regression weight (0.96). The hypothesis tested showed a significant and negative relationship between the stressors and overall job satisfaction and a significant and positive relationship between the overall job satisfaction and overall job performance.**

Keywords: **Work stressors, job performance, organizational climate**

1. INTRODUCTION

Stress in the organisation may be faced by the employees due to factors related to job itself, the type of role assigned to the mangers, their reactions to the job and how one handles the job at workplace. The job and job conditions are so strenuous in today's time that it is getting difficult day by day to deal with it successfully. The job and environmental conditionsare highly demanding and pose uncertainties and challenges for employees due to which stress arises. Relationship at work cannot be ignored when it comes to managing stress at workplace. Pareek (1993) "attributes stress to existing socio-economic complexity".

2. WHY STRESS ARISES?

Workplace stress may be due to many factors such as organisational climate, relationship at workplace, role stressors, role expectation conflict, role erosion, role isolation, etc. There are various reasons to study stress at workplace such as globalisation, strategic alliances, technology causing techno stress, increased diversification of the workforce, etc., hence the reasons for studying and analysing the stressors in the banking sector. The major reasons to study stress are harmful psychological and physiological effects on employees, creating a chain of tension spreading and affecting all the employees.Stress not only affects the individuals and their families but is considered to be the major cost to the organizations now days.

3. DEFINITIONS OF STRESS

Pestonjee (1992) defines "Stress as unavoidable in modern life". According to Harrison (1976), "stress is experienced when there is lack of fitness between a person and his/her environment, in case there is inability to cope with the constraints or demands encountered".

Robbins & Sanghi (2006) pointed out that "stress is a dynamic condition; it is created when an individual confronts an opportunity, constraint or demand for which the outcome is perceived to be both important and uncertain".

4. ORGANISATION STRESS

Certain amount of pressure is required to complete the task and it is considered to be a good stress but when this stress continues to exist for a long time having no break to relax, then it causes a tension and becomes a source of stress which can affect a person mentally as well as physically. This chain of stress, if not broken, can create various problems at workplace and house front also. So, therefore, one needs to understand the good and the bad stress. Good stress is one that actually motivates a person to do something, i.e. a positive stress and bad stress is a negative stress, keeps a person away from the work, workplace and relations.Organizational stress originates in organizational demands which are experienced by the individual. They emerge from different roles expected form them and also different stressors at workplace such as work stress, organisational climate and relationship at work. An organisation can use programs such as organizational levels Employee Assistance Programs (EAPs), stress intervention programs such as changing job design, leadership practice, organizational structure, training programs, etc., to reduce stress.

5. REVIEW OF LITERATURE

Gupta and Adhikari, (2008) found a tremendous impact of role related stressors on employees at workplace.

Selye (1974) without stress there is no life; failure to react to a stressor is an indication of death.

Das and Singh (1978) found that a better organizational culture leads to high commitment while a coercive authority system affects the level of commitment negatively.

Malta (2004) “Occupational stress is any discomfort which is felt and perceived at a personal level and triggered by instances, events or situations that are too intense and frequent in nature so as to exceed a person’s coping capabilities and resources to handle them adequately.”

Parikh & Taukari, (2004) The organizational stressors can be divided into four categories. 1. Working conditions (shift work and week-end work), inadequate remuneration, working hours, and safety at the work place. 2. Relationship at workplace. 3. Role conflict and Role ambiguity. 4. Organization structure and climate.

Buck (1972) found stressed employees had low participation and less freedom in making decisions and doing things in their own ways.

Ivancevich and Matteson (1982) explored that various physical and behavioral problems arise due to no group cohesiveness.

Burke, 1988; Nelson and Burke (2000) A number of parameters at workplace related to rolewere found as strenuous such as role overload, role ambiguity, and role conflict.

Srivastava (1983) “attempted to explore the stress performance (production) relationship. It was observed that employees who maintained a constantly high level of production experienced less role stress as compared with low production capacity”.

6. OBJECTIVES OF THE STUDY

The main objective of the study is to find out the stressors related to work, organisational climate factors and relationship at work as stressors affecting the employee’s job performance working in the public and private sector banks.

1) To study the relationship between the work stressors,organizational climate, and relationship at workas stressors and overall job satisfaction.
2) To study the effect of overall job satisfaction and overall job performance.

7. HYPOTHESES OF THE STUDY

The following are the hypotheses of the study:

- **HO1**: There is no significant impact of work stress, organizational climateand relationship at work as stressors on overall job satisfaction.
  - **HA1**: There is a significant impact of work stress, organizational climate and relationship at work as stressors on overall job satisfaction
- **H02**: There is no significant impact of overall job satisfaction and overall job performance.
  - **HA2**: There is a significant impact of overall job satisfaction on overall job performance.

8. RESEARCH METHODOLOGY

Data Collection

For research study, the data has been collected by using structured questionnaire from middle level employees of top two banks; selected on the basis of high turnover; public sector (SBI and PNB) and private sector (HDFC and ICICI) of Delhi State.The secondary data was collected through research publications, standard journals, periodicals, and web. The sample size for the study comprised of 480 (240 middle level respondents from each sector). Statistical tests used for the study was Structural Equation Modelling (SEM) and Confirmatory Factor Analysis (CFA) have been used. The structural model was specified by running the individual items of every construct involved in the study using CFA which has its own measurement and is validated and accepted before modelling the structural model. Descriptive statistics have also been used in the study.

Reliability Statistics

Reliability statistics of scales used for the study are tested by using Cronbach’s alpha test and Guttman Split-Half Coefficient and results are found acceptable.

TABLE 1

SCALE	Cronbach's Alpha	Split Half Method	N of Items
Stressors Scale	**0.951**	**0.928**	**50**
Assessing Measurement Model Reliability and Validity			
Stressors	Cronbach's Alpha	Composite Reliability	AVE
Work Stress	0.876	0.878	0.592
Organisational Climate	0.876	0.880	0.598
Relationship at Work	0.919	0.919	0.698

The above table comprising of the constructs shows reliability>0.8 and Average Variance Extracted (AVE)>0.5 which is considered to be highly acceptable.

9. MODEL FIT SUMMARY OF CONSTRUCTS

A) Work Stress (WS)

TABLE 2: Models Fit Summary

Estimates	GFI	AGFI	CFI	NFI	RMSEA	LO 90
Observed	0.971	0.912	0.972	0.968	0.118	0.085

B) Organizational Climate (OC)

TABLE 3: Models Fit Summary

Estimates	GFI	AGFI	CFI	NFI	RMSEA	LO 90
Observed	0.965	0.895	0.968	0.965	0.130	0.098

C) Relationship at Work (RAW)

TABLE 4: Models Fit Summary

Estimates	GFI	AGFI	CFI	NFI	RMSEA	LO 90
Observed	0.908	0.723	0.937	0.965	0.06	0.073

All the above statistical values (GFI, CFI, RMSEA) are under acceptable limit and the model is fit for role expectation conflict, role erosion and role isolation.

Measurement Model

The work stress, organisational climate and relationship at work constructare measured with the help of five measured variables, five residual, and one latent variable. All the regression weights are high and significant. Hence the construct validity is ensured and can be concluded that the construct significantly explains the variables. Goodness of fit statistics produced by AMOS software was used to evaluate whether or not the measurement model fit the data. Standardized factor loadings of all the indicator variables of both the constructs are >0.70. All factor loadings and correlations between measurement error terms are statistically significant at $p \leq 0.05$ as they should be.

Measurement Model for stressors (Work Stress, Organisational Climate and Relationship at Work)

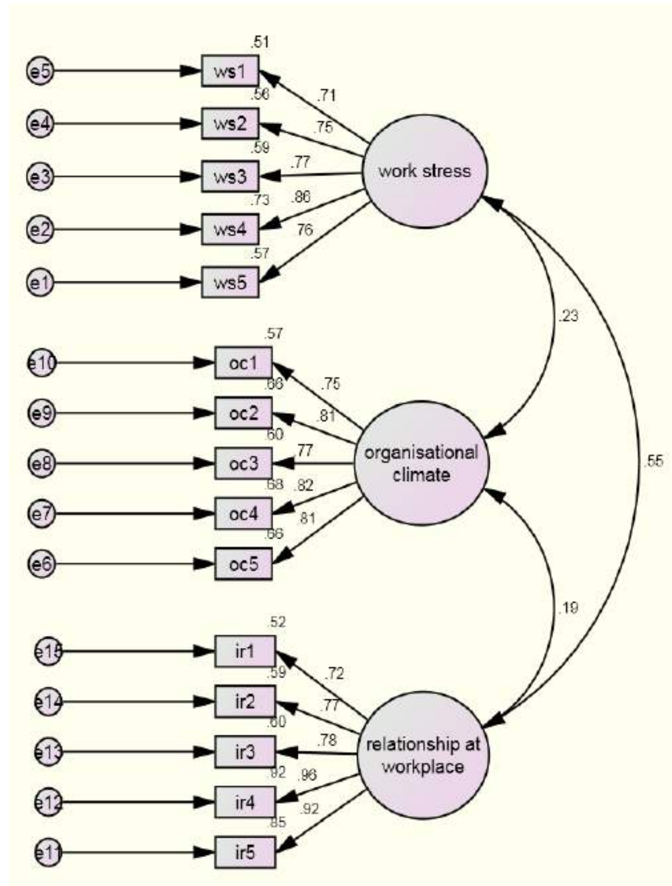

Fig. 1

Standardized factor loadings of all the indicator variables are greater than 0.70. All factor loadings and correlations between measurement error terms are statistically significant at $p \leq 0.05$ as they should be.

TABLE 5: Model fit Summary

GFI	AGFI	CFI	NFI	RMSEA	LO90
0.789	0.999	0.915	0.889	0.076	0.068

The measurement model of different stressors related to role shows excellent fit to the obtained data in terms of all the selected goodness-of-fit statistics.

A. Structural Equation Modeling

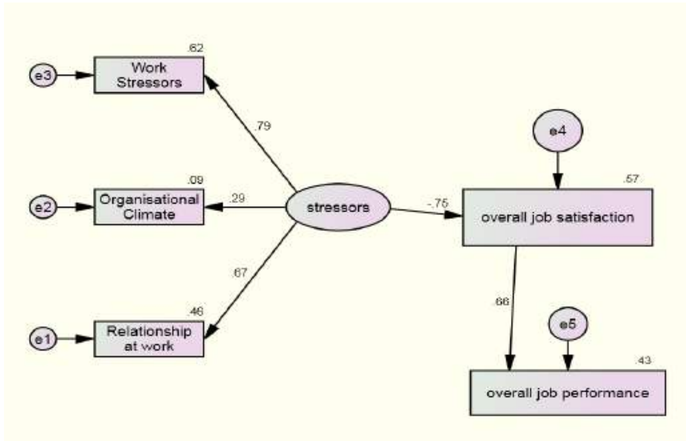

Fig. 2

The structural model shows the impact of stressors on overall job satisfaction and overall job performance. The following table shows the model fit statistics and all the values are within the acceptable range clearly indicative of the fact that model is fit.

TABLE 6

GFI	AGFI	CFI	NFI	RMSEA	LO90
0.995	0.986	0.999	0.992	0.018	0.000

Assessing Structural Model Relationships and Testing Hypothesis

Checking the critical ratio of standardized regression weight of each indicator and structural path between variables demonstrates that all factor loadings of latent constructs and structural paths from stressors to overall job satisfaction are significant at $p< 0.05$.

TABLE 7: Regression weights

			Estimate	S.E	C.R	P	Label
JS	<---	Stressors	-.384	.030	-12.7	.014	par_13

TABLE 8: Standardized Regression Weight

JS	<---	Stressors	-0.752

Testing Hypotheses

HO1: There is no significant impact of work stress, organizational climate and relationship at work as stressors on overall job satisfaction.

According to the model, stressorscomprising of work stress, organisational climate andrelationship at work have significant negative effect on overall job satisfaction as shown by standardised regression weight of 0.79, 0.29 and 0.67respectively and p<=0.05. Thus, the first null hypothesis that there is no significant effect of stressors such aswork stress, organisational climate and relationship at work on overall job satisfaction is rejected and alternative hypothesis is accepted that there is a significant effect of stressorswork stress, organisational climate and relationship at work on overall job satisfaction.

H02: There is no significant impact of overall job satisfaction on overall job performance.

The SEM model of stressors, overall job satisfaction and overall job performance shows that the overall job satisfaction contributes 66% to the overall job performance. It is estimated from the squared multiple correlation that the predictors of overall job satisfaction and overall job performance explain 57 percent and 43 percent of its variance respectively. Overall Job performance relation with overall job satisfaction is found to be positive which means that higher overall job satisfaction would result in higher overall job performance.There seem to be a positive and significant correlation between overall job satisfaction and overall job performance. Thus, the null hypothesis that there is no significant effect of overall job satisfaction on overall job performance is rejected and alternative hypothesis is accepted.

Major Findings and Discussions

- Stressors have a negative impact on overall job satisfaction.
- Work stressors such as complex work (standardized regression weight=0.88), and monotonous work (standardized regression weight=0.76) causes stress.
- There is a significant effect of work stress, organizational climate and relationship at work on overall job satisfaction of the employees working in the banking sector.
- Out of the stressors, work stressors (SRW= 0.79) is the highest.
- Relationship at work, standardized regression weight 0.67 is another stressor affecting employees at workplace followed by organizational climate.
- The results indicate that the variable “relationship with colleagues causes anxiety” is having the highest standardized regression weight (0.96).
- Overall Job satisfaction has a positive effect on overall job performance. Positive and direct correlation signifies higher overall job satisfaction results in high overall job performance and vice- versa.

- Overall Job satisfaction is affected by stressors at workplace and in turn affects the overall job performance.
- There is found a significant relationship between the overall job satisfaction and overall job performance.

10. CONCLUSIONS

The most difficult times for someone could be when one is not able to manage the tasks given at workplace. Efforts should be made by the employees to accept the way things are going on and try to adjust according to those situations. More complex work should delegate to the subordinates in order to divide the burden of work given. Stress may not be avoided by anyone in today's time because of various workplace pressures and time bound to finish the task on time. On the part of organisations, it is very important that role must be clear to the employees and there must be one superior for one subordinate. Relationship at workplace can be of great support but if they are not healthy, then only these relationships can be burdensome and can be a great source of stress to the employees. A relationship at workplace affects one positively and negatively in his behaviour and task performance. The better the relationship, the better the work performance and job satisfaction and this support can be helpful in minimising the other types of stress arising due to many other factors at workplace.

Organisational climate factors such as physical working conditions, participatory model should be followed by the organisation to reduce stress levels. This particular research was intended to analyse the effect of stressors in banking sector as also to see its effect on overall job satisfaction and overall job performance. The study shows a significant and negative effect of stressors (work stress, organisational climate, and relationship at work) on overall job satisfaction and consequently a positive effect on overall job performance.

Recommendations

- To enforce planned development of the work environment.
- Complex work should be assigned according to the capability of employees. A mismatch of job and a person can create various problems.
- An effort of the organization must be towards the factors that focus on aspects that increases overall job performance. Because overall job satisfaction is negatively related with stress.
- Improved relationships with colleagues helps in creating a cool and stress free atmosphere where one feels relaxed and can put more effort and energies as compare to the workplace having v relationships.
- Stress coping techniques from management side should be introduced such as dedicated training institutes, developing cordial relations at workplace, arranging family picnics, trips, etc.
- Employees can be trained of desired code of behavior required at workplace.
- Conflict management training may be provided to the employees to teach them about handling confronting situations and resolve it.

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Are Brand Experience, Satisfaction and Brand Trust Possible Solutions to Brand Loyalty Challenge? An Empirical Investigation

Dr. Ruchika Ramakrishnan

Abstract: **From a marketer's point of view, there is no doubt that brand loyalty is crucial for an organization's survival.It has been continuously asserted in literature that customers who exhibit loyalty reduce the marketing costs of doing business by reducing the customer acquisition costs, increase in positive word-of-mouth by loyal customers and less degree of price sensitivity in loyal customers. Thus, companies are frantically searching for ways to face this challenge of brand loyalty. With this background in mind, this paper empirically explored brand experience, satisfaction and brand trust as possible solutions. For understanding these relationships, a thorough literature review was done. Based on this review, a regression model was developed where brand experience, satisfaction and brand trust were included as the predictors/independent variables and brand loyalty as the outcome/ dependent variable. All the three predictors collectively accounted for a relatively very high percentage of variance (69.2 per cent) in brand loyalty.**

1. INTRODUCTION

In their annual global survey of Management Tools & Trends (2013) to track executives' behaviours and attitudes through a full range of economic cycles, Bain & Company have reported among 1,208 global executives surveyed, 67% said they believed their customers had become less loyal to their brand. In other words, at a time when record numbers of companies are investing more in ways of tracking and improving customer loyalty, two-thirds of the executives indicated that customers are becoming less loyal to any one brand. For many, that creates pressure to reduce prices or to invest in greater innovation and differentiation to strengthen their devotion. More than any other industry, consumer products executives reported that they had experienced a reduction in brand loyalty. Thus, brand loyalty has gained recognition as a key factor for success (Rigby and Bilodeau, 2014).

From a marketer's point of view, there is no doubt that brand loyalty is crucial for an organization's survival. It has been continuously asserted in literature that customers who exhibit loyalty reduce the marketing costs of doing business by reducing the customer acquisition costs, increase in positive word-of-mouth by loyal customers and less degree of price sensitivity in loyal customers. Also, it has been proved that loyalty provides fewer reasons for consumers to engage in extended information search among alternatives (Rundle-Thiele and Mackay, 2001). Moreover, it is known to facilitate customer retention efforts by providing a substantial entry barrier to the competitors (Aaker, 1991; Amine, 1998; Delgado- Ballester and Munuera –Aleman, 2001; Jacoby and Chestnut, 1978; Pritchard, Havitz and Howard, 1999; Reichheld and Schefter, 2000).

Further, Dick and Basu (1994) suggested the other loyalty-related marketing advantages, such as favourable word of mouth and greater resistance among loyal consumers to competitive strategies i.e., a customer base less sensitive to the marketing efforts of competitors. A lot of eminent scholars including Athanassopoulos, Gounaris and Stathakopoulos (2001); Jacoby and Chestnut (1978); Pessemier (1959); and Reichheld (1996) are of the view that brand-loyal consumers may be willing to pay more for a brand because they perceive some unique value in the brand that no alternative can provide. Further, Assael (1998) observed that brand loyalty leads to greater sales and revenue leading to greater market share when the same brand is repeatedly purchased by loyal consumers, irrespective of situational constraints.

2. WHY BRAND EXPERIENCE, SATISFACTION AND BRAND TRUST CONSIDERED AS SOLUTIONS TO BRAND LOYALTY CHALLENGE?

Advocating brand experience as one of the differentiation tools to ensure brand loyalty, Meyer and Schwager (2007) observed, "The companies should realise that consumers have a greater number of choices today than ever before, more complex choices, and more channels through which to pursue them. In such a scenario, ensuring meaningful experiences with the brands will only win the allegiance of the time-pressed consumer". Similar views were put forward by various other scholars. For instance, Pullman and Gross (2004) reported, "Evidence suggests that properly executed brand experiences will encourage loyalty by creating emotional connections through an engaging, compelling and consistent context". Similarly, Ha and Perks (2005) stated greater brand experience is not only associated with familiarity, but also impacts crucially on understanding, enjoying, enhancing and fostering the brand. The same view was put forward by

Schmitt (2011), "Marketing practitioners have come to realize that understanding how consumers experience brands and, in turn, how to provide appealing brand experiences for them, is critical for differentiating their offerings and ensuring loyalty in a competitive marketplace". Thus, literature clearly provides support to the fact that in today's competitive era, where companies are frantically searching for ways to ensure brand loyalty, one should not ignore brand experience as it might turn out to be an effective differentiation tool in the long run (Ramakrishnan and Vohra, 2015 a).

Underlining the role of satisfaction in ensuring brand loyalty, satisfaction has traditionally been regarded as a fundamental determinant of long-term customer behaviour (Oliver, 1980). It is well documented in literature that it is an antecedent of repurchase intentions, word-of-mouth, customer loyalty, and ultimately long term profitability of a firm (Ranaweera and Prabhu, 2003). Additionally, several researchers (Biong, 1993; Delgado-Ballester and Munuera-Alemán, 2001; Oliver and Linder, 1981; Patterson and Johnson, 1997) have empirically concluded that satisfaction affects loyalty and it can be a strong predictor of attitudinal loyalty measured through repurchases intentions. Therefore, there seems to be a consensus among the scholars that in today's increasingly competitive world of business, it is essential for firms to effectively manage satisfaction to ensure brand loyalty.

Brand trust is taken as the third possible solution as it is considered that trust evolves from past experience and prior interaction with a brand and helps in developing positive and favourable attitudes towards a brand. In consumer-brand domain, the scholars have proposed that, trust may be an important contributor to the kind of emotional commitment that leads to long-term loyalty (Hess, 1995). Reichheld and Schefter (2000) observed "that to gain the loyalty of customers, you must first gain their trust". Further, reinforcing its relationship with brand loyalty Delgado-Ballester, Munuera-Aleman and Yagüe-Guillén (2003) observed "Consequently, in addition to the widely supported positive effect that satisfaction has on brand loyalty, it seems reasonable to expect that the higher the feeling of trust in a brand the more the consumer is committed to it".

3. REVIEW OF LITERATURE

(a) Brand Loyalty

Brand loyalty is one of the most-cited concepts in marketing literature since the idea was first identified (Knox and Walker, 2001; Lau and Lee, 1999) in the seminal work of Copeland (1923) around 90 years ago as brand insistence (Ramakrishnan and Vohra, 2015b). Brand insistence combines the behavioural index of exclusive purchase with an out-of-stock decision that another brand would only be purchased in the case of an emergency.One of the earliest conceptual definitions of brand loyalty was proposed by Jacoby and Chestnut (1978). They defined brand loyalty as: "The (a) biased, (b) behavioural response, (c) expressed over time, (d) by some decision-making unit, (e) with respect to one or more alternative brands out of a set of such brands, and (f) is a function of psychological (decision-making, evaluative) processes".

Oliver (1999) made an attempt to explain the satisfaction-loyalty conundrum, where he investigated what aspect of the consumer satisfaction response has implications for loyalty and what portion of the loyalty response is due to this satisfaction component. In this paper, brand loyalty was comprehensively defined as, "A deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour." The analysis concluded that satisfaction is a necessary step in loyalty formation but becomes less significant as loyalty begins to set through other mechanisms.

On basis of a thorough analysis, Davis-Sramek, Mentzer and Stank (2008) summarised that brand loyalty has been defined in terms of repeat purchasing, a positive attitude, long-term commitment, intention to continue the relationship, expressing positive word-of-mouth, likelihood of not switching, or any combination of these.

(b)Brand Experience

Marketing scholars are unanimous in agreeing that the notion of experience entered the field of consumption and marketing with Holbrook and Hirschman's pioneering article of 1982. Since then, the scholars have been defining experience in various contexts, namely, consumption experience, product experience, aesthetic experience, service experience, shopping experience and customer experience. However, a holistic definition of the term "brand experience" has recently been proposed by Brakus, Schmitt and Zarantonello (2009). They conceptualised brand experience as, "subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioural responses evoked by brand-related stimuli (such as brand-identifying colours, shapes, typefaces, background design elements, slogans, mascots, and brand characters) that are part of a brand's design and identity (e.g., name, logo, signage), packaging, communications (e.g., advertisements, brochures, Web sites), and environments in which the brand is marketed or sold (e.g., stores, events)".

(c) Satisfaction

One of the earliest definitions of consumer satisfaction was provided by Hunt (1977), quoted in Babin and Griffin (1998), "Consumer satisfaction with a product refers to the favourableness of the individual's subjective evaluation of the various outcomes and experiences associated with buying it or using it". Bloemer and Kasper (1995) investigated the relationship between consumer satisfaction and brand loyalty, and defined satisfaction specifically in the context of a brand. They defined brand satisfaction as, "The outcome of the subjective evaluation that the chosen alternative (the brand) meets or exceeds expectations". We have used the definition of Oliver (1996) for our research purpose. He defined satisfaction as, "An emotional post-consumption response that may occur as the result of comparing expected and actual performance (disconfirmation), or it can be an outcome that occurs without comparing expectations".

(d)Brand Trust

Simply defined, trust is a feeling of security and confidence. One of the earliest definitions of trust was given by Deutsch (1958) as cited in Lau and Lee (1999). He defined trust as, "The expectation of the parties in a transaction and the risks associated with assuming and acting on such expectations". According to him, "trust" involves the notion of motivational relevance as well as the notion of predictability. However, predictability is clearly not sufficient to characterise the meaning of "trust".

In context of brands, considering available literature on "trust" as the base, Lau and Lee (1999), defined trust in a brand as, "A consumer's willingness to rely on the brand in the face of risk because of expectations that the brand will cause positive outcomes". Further, Chaudhuri and Holbrook (2001) defined brand trust, "As the willingness of the average consumer to rely on the ability of the brand to perform its stated function". The most comprehensive definition has been proposed by Delgado-Ballester *et al.* (2003). They defined brand trust as, "a feeling of security held by the consumer in his/her interaction with the brand, that it is based on the perceptions that the brand, as a personified entity, is reliable and responsible for the interests and welfare of the consumer".

4. METHODOLOGY

Measurement of the Variables

Brand loyalty- was measured through-attitude towards intention to repurchase, willingness to recommend the brand to others, brand commitment and willingness to pay a price premium for the brand. Bennett and Rundle- Thiele (2002) have reported that these have all appeared in prior research to measure attitudinal brand loyalty and have been used to predict behaviour.

Brand Experience- the four-dimensional brand experience scale developed by Brakus *et al.* (2009) was primarily used to measure brand experience with some additional items adapted from the studies of Chaudhuri and Holbrook, 2001. It is worth mentioning here that this scale had to be modified to a large extent to make it suitable for use in the Indian context.

Satisfaction- Oliver's (1980) widely used satisfaction scale which consists of a set of six Likert-format items was adapted for this research. Also, certain additional measurement items were adapted from the studies of Davis-Sramek *et al.,* 2008; Lau and Lee, 1999; Patterson and Johnson, 1997.

Brand Trust- The operationalisation of trust in the brand involved asking the respondent if the brand can be counted on to do what it is supposed to do and if he or she is willing to rely on it. The items were adapted from the studies of Chaudhuri and Holbrook, 2001; Delgado-Ballester and Munuera-Alemán, 2001; Delgado-Ballester *et al.*, 2003.

Selection of Test Brands

Based on a two-stage exploratory research, two product categories – Shampoo and Tomato Ketchup were taken as test categories and Dove and Head & Shoulders in the Shampoo category, Kissan and Maggi in the Tomato Ketchup category were used as the test brands for this study. Convenience goods group was deliberately chosen as brand loyalty becomes a challenge in this group due to shorter purchase cycles and availability of a high number of alternative brands.

Sample

The sample consisted of individuals who were above 18 years of age and had used at least any one of the four test brands in last one year or were using at the time of data collection. Regarding sample size, Hair, Anderson, Tatham and Black (1998) recommended a sample size of 200 as a 'critical sample size' that can be used in any common estimation procedure for valid results. They also stated that for multivariate sampling, at least 15-20 responses per variable are required to have an appropriate representation. Based on these two requirements, we targeted a sample size of 200. A total of 276 questionnaires were sent out of which 216 were usable responses.

Development and Testing of Data Collection Instrument

Once the specific test brands were finalised, a structured questionnaire based on an extensive review of literature was developed to understand the relationships of brand experience, satisfaction and brand trust with brand loyalty. The questionnaire consisted of four sections and comprised measures of brand experience, satisfaction, brand trust and brand loyalty. To be consistent and to make it easy for respondents to complete the questionnaire, all items were measured using the Likert scale. This scale is a highly used rating scale that requires respondents to indicate a degree of agreement or disagreement with each of a series of statements about the variables. The standardised five-point Likert scale was used anchored by "Strongly Disagree" (1) and "Strongly Agree" (5) to allow an extensive range of scoring. Additionally, the basic demographic variables- gender, age, income and education- were also included in the questionnaire to obtain the respondents' characteristics.

An initial version of the questionnaire was developed for all the brands for pretesting and was administered to 20 respondents who were not included in the final sample (5 respondents for each test brand). Thus, during pretesting of the questionnaire, we requested the respondents to indicate whether the questions were clearly and non-ambiguously worded. On the basis of feedback received from our respondents during pretesting, we reworded six statements in the questionnaire and changed the sequence of four statements. For instance, one item measuring brand trust originally was, “This brand will respond constructively if I have any product/service-related problems”. Many respondents were not able to understand it and provided feedback that it should be asked in a simpler way. Thus, it was reframed as, “This brand will give me a solution if I have any product/service- related problem”.

Data Collection Procedure The data for this study was obtained by a field survey of the actual consumers. Both online and offline survey methods of data collection were deemed to be most appropriate for a widespread research programme to ensure a better representation of the population.

Data Analysis and Interpretation

In this section, we present our analysis of the collected data. It covers sample demographics, reliability of the scales used, and regression analysis.

Sample Demographics- Table 1 summarizes the demographic profile of our final sample of 216 respondents for the four test brands.

TABLE 1: Demographic Profile of Respondents

	Frequency	Per cent
Gender Male Female	 98 118	 45.4 54.6
Age group (years) 18-28 29-38 39-48 49-58 Above 58 Missing	 89 90 25 7 3 2	 41.2 41.7 11.6 3.2 1.4 0.9
Monthly Household Income (Rs.) Below 25000 25001-50000 50001-100000 Above 100001 Missing	 28 50 67 67 4	 13.0 23.1 31.0 31.0 1.9
Education School Undergraduate Graduate Post Graduate Missing	 1 3 42 169 1	 0.5 1.4 19.4 78.2 0.5

Number of respondents**= 216**

5. RELIABILITY OF THE SCALES USED

Reliability tests were carried out to ensure the scales used in the questionnaire were reliable i.e., they would produce consistent results for the variables if measured again under the same methodology. The internal consistency method (using Cronbach’s alpha coefficient) was used to examine the reliability of the measurement scales used. The value ranges between 0 and 1, with higher values indicating greater reliability. A Cronbach’s alpha coefficient of 0.7 or more is generally considered reliable (Nunnally, 1978; Nunnally and Bernstein, 1994).

TABLE 2: Reliability Analysis

Scale	Number of Items	Cronbach’s Alpha Coefficient
Brand Experience	14	0.893
Brand Satisfaction	11	0.956
Brand Trust	13	0.939
Brand Loyalty	10	0.948

Number of respondents**= 216**

As seen in Table 2, the Cronbach’s alpha coefficients for all the four variables- brand experience, satisfaction, brand trust and brand loyalty-ranging from 0.893 to 0.956 far exceeded the reliability threshold level of 0.7 (Nunnally, 1978; Nunnally and Bernstein, 1994) indicating the four scales used were highly reliable. Thus, the measurement of this study was acceptable in terms of reliability.

6. REGRESSION ANALYSIS

A hierarchical regression was conducted to analyse the relationships of brand experience, satisfaction and brand trust with brand loyalty. But before proceeding to final regression analysis, we first checked for the major assumptions of multiple regression- Multicollinearity and Auto correlation.

7. MULTICOLLINEARITY

TABLE 3: Collinearity Diagnostics

Variable	Tolerance	VIF
Brand Experience	0.662	1.511
Satisfaction	0.286	3.494
Brand Trust	0.281	3.558

The Tolerance and Variance Inflation Factor (VIF) were computed in order to detect presence of multicollinearity among independent variables in this study. Table 3 shows the Tolerance and Variance Inflation Factor (VIF) values of the variables. As a rule of thumb, if tolerance is less than 0.10, a problem with multicollinearity is indicated. On the other hand, as VIF is the reciprocal of tolerance, very large VIF values denote high multicollinearity. A common cut-off threshold is a VIF of 10.

As seen in Table 3, none of the Tolerance levels was less than 0.1 and all VIF values were well below 10. Thus, the measures selected for assessing collinearity among independent variables indicated no major problem of multicollinearity in this study.

Auto Correlation

The Durbin- Watson Statistic is the most commonly used test to check autocorrelation. Its acceptable range is between 1.5 and 2.5. For the three independent variables of this study, the Durbin – Watson value was 2.248, which was well within the acceptable range, indicating there were no auto correlation problems in the data.

The Regression Model

Once we checked for the above mentioned assumptions of multiple regression, we applied hierarchical multiple regression. We entered our independent variables in steps in a predetermined order based on theory drawn from the literature. In Model 1, we had brand experience as the only predictor. In Model 2, satisfaction was added. In Model 3, brand trust was added in the regression model for the study. Table 4.1.45, shows the output of the hierarchical regression with all the three models listed with their respective R square values and change statistics.

TABLE 4: Model Summary (Hierarchical Regression) of the Relationship of Brand Loyalty (DV) with Brand Experience, Satisfaction and Brand Trust (IVs)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.548[a]	.300	.297	7.311	.300	91.811	1	214	.000
2	.810[b]	.655	.652	5.142	.355	219.643	1	213	.000
3	.832[c]	.692	.688	4.874	.036	25.035	1	212	.000

a. Predictors: (Constant), Brand Experience

b. Predictors: (Constant), Brand Experience, Satisfaction

c. Predictors: (Constant), Brand Experience, Satisfaction, Brand trust

d. Dependent Variable: Brand Loyalty.

In Model 1, where brand experience was the only predictor, 30 per cent of the variance in brand loyalty (dependent variable) was explained. In Model 2, when satisfaction was added as a predictor, the variance explained in brand loyalty increased by 35.5 per cent to a total of 65.5 per cent. In Model 3, in addition to satisfaction and brand experience, brand trust was added as a predictor. This model explained an overall 69.2 per cent of variance in brand loyalty as there was an increase of 3.6 per cent in the variance explained. Importantly, the *additional* contributions to the variance explained in Model 2 and 3 were statistically significant as indicated by the Sig. F value, displayed in the last column of Table 4. The ANOVA table indicated that all the three models were statistically significant ($p < 0.0005$).

TABLE 5: Coefficients[a] (Hierarchical Regression) of the Relationship of Brand Loyalty (DV) with Brand Experience, Satisfaction and Brand Trust (IVs)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.609	2.413		4.396	.000
	Brand Experience	.555	.058	.548	9.582	.000
2	(Constant)	-1.188	1.875		-.634	.527
	Brand Experience	.155	.049	.153	3.182	.002
	Satisfaction	.697	.047	.715	14.820	.000
3	(Constant)	-3.487	1.835		-1.900	.059
	Brand Experience	.103	.047	.102	2.172	.031
	Satisfaction	.430	.070	.441	6.192	.000
	Brand trust	.337	.067	.360	5.004	.000

a. Dependent Variable: Brand Loyalty

Table 5 depicts coefficients of all the three models. The Sig. column showed that beta coefficients (standardised coefficients) for all the three independent variables in all the three models were statistically significant. These beta values represent the unique contribution of each variable, when the overlapping effects of all other variables are statistically removed. The beta coefficient for brand experience in Model 1 was 0.548. In Model 2, where satisfaction was added as a predictor, the beta coefficient for satisfaction was 0.715 but the beta coefficient for brand experience reduced to 0.153. In Model 3, when brand trust was introduced, the beta coefficient for satisfaction reduced substantially and became 0.441 but the reduction in beta coefficient for brand experience was negligible; it reduced to 0.102 from 0.153. Thus, for Model 3, the highest Beta value was for satisfaction (0.441), followed by brand trust (0.360) and brand experience (0.102). This indicated satisfaction made the strongest unique contribution in explaining brand loyalty, followed by brand trust and brand experience.

Thus, the final regression equation (based on unstandardised coefficients) for predicting brand loyalty was formed as under:

$$Brand\ Loyalty = -3.487 + 0.103\ X\ (Brand\ Experience)$$

(1.835) (0.047)

$$+\ 0.430\ X\ (Satisfaction)\ +\ 0.337\ X\ (Brand\ Trust)$$

(0.070) (0.067)

8. CONCLUSIONS AND SUGGESTIONS

The objective of this study was to assess whether brand experience, satisfaction and brand trust could be taken as possible solutions to face the brand loyalty challenge. For understanding these relationships, a thorough literature review was done. Based on this review, a regression model was developed where brand experience, satisfaction and brand trust were included as the predictors/independent variables and brand loyalty as the outcome/ dependent variable. All the three predictors collectively accounted for a relatively very high percentage of variance (69.2 per cent) in brand loyalty. The values of the Beta coefficients were 0.441 for satisfaction, 0.360 for brand trust and 0.102 for brand experience. Thus, based on their importance in explaining brand loyalty, the order of the predictors was satisfaction, brand trust and brand experience. The results clearly show that all the three variables- brand experience, satisfaction and brand trust - are positively related to brand loyalty and each of them makes a unique contribution in explaining variance in brand loyalty.

It is worth noting, though there seems to be an apparent consensus among researchers that brand loyalty is a complex phenomenon and is expected to be the outcome of a number of factors including the level of prior experience, satisfaction, perceptions, relationship quality, brand attitudes, switching costs, brand awareness, and familiarity (Bennett and Rundle-Thiele, 2002) and product superiority, personal fortitude, social bonding, and their synergistic effects (Oliver, 1999), our model explain a relatively very high percentage of variance in brand loyalty with just three variables - brand experience, satisfaction and brand trust- in our study.

In other words, brand experience, satisfaction and brand trust are possible solutions to face the challenge of brand loyalty. These results have important managerial implications because they suggest that if brands want to create loyal customers, they need to focus on activities which increase satisfaction and brand trust with brand along with improving the entire brand experience.

9. DIRECTIONS FOR FUTURE RESEARCH

Although our model received strong empirical support, still there remains a possibility of alternative models. As reported earlier, in the present study, 69.2 per cent of the variance was explained in brand loyalty by brand experience, satisfaction and brand trust taken collectively. Thus, we recognise that there are other determinants of brand loyalty that could be included in more comprehensive models thereby making the model more robust. Also, the study can be strengthened by increasing the sample size and taking into consideration various brands in different product and service categories.

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Empirical Test of the Random Walk Characteristics of the Stock Returns of Select South Asian Markets

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Abstract: **The present study is an attempt to test Random Walk Hypothesis on three prominent South Asian Markets viz. India, Pakistan and Sri Lanka. The monthly log returns data for these markets has been analyzed for a ten year period viz. April 1, 2005 to March 31, 2015 to test the hypothesis. Both Parametric and Non Parametric tests have been employed for testing this hypothesis, these include the Augmented Dickey Fuller test which checks for the stationarity of time series, the Box Pierce 'Q' statistics, Ljung – Box (LB) test, turning point test & the difference of the runs test. The results of these techniques give a mixed picture about the randomness of the stock indices i.e. whereas the parametric tests like the Unit root test reject the random character of the indices, the non-parametric tests like difference of the runs test or the turning point test could prove two of the three markets as random.**

Keywords: **ADF test, Random Walk, Turning point, Box Pierce 'Q', Ljung – Box (LB) Statistics**

1. INTRODUCTION

The concept of randomness or Random Walk has been of interest to researchers in different fields including physics, chemistry, psychology, economics, finance etc. Whereas researchers in science may be interested in knowing path traced by a molecule, those in economics and finance are more concerned with the movement of the stock prices. Perhaps the simplest definition of a Random Walk is the absence of serial correlation between stock prices of two time intervals. This is also what the market efficiency means and the two terms are often used interchangeably.

Amongst the earliest works which laid the foundation of market efficiency could easily be dedicated to Bachelier (1900) who recognized this aspect by using Brownian Motion. Thus his dissertation in Mathematics was one of the earliest research works to have recognized the concept that stock prices reflect all available information, however the world could only know of his contribution sixty years later when his works were translated in English & published in Paul Cootner's ; *The Random Character of Stock Market Prices* (1964). The concept of Random Walk also got a big boostwhen the theory of Efficient Market Hypothesis was formulated by Fama (1970), Fama also discussed the three layers of this hypothesis i.e. the weak, semi strong and strong forms. It is important to mention that the term Random Walk Hypothesis was actually given by Kendall (1953); this was however eventually confirmed by Fama (1965) through a comprehensive study of stock prices.

2. NEED & SCOPE OF STUDY

The present study is an attempt to test random walk hypothesis of three major South Asian Markets namely India, Pakistan & Sri Lanka.We have chosen the three major indices Bombay Stock Exchange's Sensex , Karachi Stock Exchange's KSE 100 & and Colombo's CSE ASPI Index.

The Time Period of our study is ten years, April 1, 2005 – March 31, 2015. The month-wise closing data has been collected for the aboveindices for the sampled period. To test the hypothesis of random walk, both Parametric and Non Parametric tests have been employed. For applying the various tests, the data on monthly closing prices has been converted to log returns by applying the following formula ln (P_t/ P_{t-1}), where P_t is the index at time t &P_{t-1} is the index at time t-1. The sources of data from where information has been collected include the websites: *www.bseindia.com, in.finance.yahoo.com,,www.kse.com,www.cse.lk.*

3. LITERATURE REVIEW

Random Walk Hypothesis is one of the most extensively research areas in the field of finance. Research in this area has been carried out on most of the developed as well as emerging markets for which data is available over a period of time *Sunal G et.al (2014)* tested weak form market efficiency of Indian Stock Markets using unit root testing, the runs test & the day of the week effect. The results gave mixed picture on weak form of market efficiency; the hypothesis was rejected when Unit root test was employed but the Day of the week test was however not proved i.e. return for none of the days was significantly different from other days which suggested some form of efficiency in Indian Markets.*Surbhi et.al (2014)* made an attempt to investigate to test the market efficiency of BSE Sensex by using the 'day of the week 'effect & followed Dummy Variable Approach. The results showed insignificant difference in the 'day-wise' returns thereby making a somewhat case for market efficiency.*Arora H (2013)* carried out the unit root test to test weak form of efficiency of Indian Markets.The results gave some positive signals that Indian Markets did behave randomly *Nikunj R. Patel, Nitesh Radadiaand Juhi Dhawan (2012)* tested the market efficiency in weak-form for 11 year period. The markets chosen were select Asian markets (BSE, HANGSENG, NIKKEI and SSE), the tests used were unit root, auto-correlation and variance ratio test. The results showed mixed picture in terms of observation of weak-form of efficiency for all the markets under study. *Chiwira Oscar and Brian Muyambiri (2012)* studied random walk in the Botswana Stock Exchange; the results however rejected the random walk hypothesis**.** *Gupta, R., & Basu, P. K. (2011).* Used Unit root, PP & KPSS tests on two major indices of India to test the weak formefficiency. The results of all the tests were quite similar in terms of the results of markets not being efficient, thus random walk was rejected*Nikunj R. Patel, Bhavesh K. Pate& Darshan Ranpura (2011)* could not get a correct picture about the random walk hypothesis and were getting contradictory results during different time frames for which the study was conducted. The markets under study were NSE & BSE of India and the period of study was 1998-2010.

The test used were Unit Root, runs test & autocorrelation tests. *Gimba Victor K (2011)* carried out his study for a smaller three year period Jan 2007 to Dec 2009 (daily data) & again on weekly data for the period June 2005-Dec 2009. The market chosen by him was Nigerian Stock Exchange & the results proved that this market was not efficient in weak form or the random walk was rejected. *Worthington Andrew C. and Helen Higgs (2004)*carried out their research on European and Emerging Markets and found that only one emerging market was weak form efficient. *Charles A and O. Darne (2009)*applied different variance ration tests to test the Random Walk of two Chinese indices and the results showed that Class A shares only followed random walk , however the Class B Shares which were less efficient were showing some improvement in efficiency after the re-entry of domestic investors and banks *Madhusoodanan (1998)* used variance ratios to test the mean reversion behaviour of the Indian Markets The results showed positive autocorrelations at different lags indicating long-term mean reversion , further the variance ratio could not prove the random walk of the market , the same result was proved at the individual stocks levels which also showed significant autocorrelations *Liu Bin (2003)*carried out his study on Shanghai Stock Exchange (1996-2002) & concluded that unsystematic risk affected the returns .Moreover he could not find any linear relation between stock betas and their returns. *Smith Graham and Hyun-Jung Ryoo (2003)*tested the hypothesis of Random Walk on five different European emerging markets & the methodology applied was multiple variance ratio test. The hypothesis could not be accepted in four of these five markets which were studied. *ChaudhuriKausik& Yangru Wu (2003*) studied seventeen emerging markets for this hypothesis; however their hypothesis also incorporatedstructural breaks from linearity in time series for these markets. The results (ten of the 14 markets were rejected for Random Walk) were considered superior to those studies which could not incorporate this aspect. *Abraham A, J, Seyyed and S.K.Alsakaran (2002)* tried to apply the RWH in three Gulf Markets the Saudi, Kuwait and the Bahrain exchanges using Variance ratio and non-parametric tests, however the in frequent trading in these markets could not justify the conclusions drawn that the markets were inefficient . Once the corrective steps were taken by using Beveridge Nelson (1981) decomposition of index returns into permanent and cyclical movements, superior results emerged from these markets *Ayadi, O. F and C.S. Pyun (1994)* applied the Lo & Mac Kinlay Variance Ratio test (1988) to Korean Markets. Since the test has two parts, one which assumes homoscedasticity of residuals and second which does not, their results showed the hypothesis of Random Walk was rejected for daily stock prices but for the second part the RWH was not rejected for daily data. Also the hypothesis could reflect the randomness for a longer time horizon (longer than the daily data).*Lo & Mac Kinlay (1988)* used volatility based specification test (popularly known as the variance ratio test) and applied it to weekly data from US NYSE and found that correlations of returns were positive, however the opposite picture was also not found to be absolutely true i.e. the mean reversion seen in case of a pure stationary process could also not be proved through their study.

4. METHODOLOGY ADOPTED

We test the Random Walk Hypothesis using parametric and non-parametric tests. Whereas the parametric tests would assume a standard model structure or probability distribution, the non-parametric tests are distribution free tests or make no assumptions about the underlying distributions.

5. PARAMETRIC TEST: METHODOLOGY ADOPTED

Augmented Dickey Fuller Test

The Unit root Dickey Fuller stationarity tests is one of the most celebrated tests and commonly applied to test whether our time series follows a random walk.

Steps

First the monthly natural log return on the chosen index is computed for the entire period of study (April 1, 2005 – March 31, 2015)

i.e. $r_t = (\ln p_t - \ln p_{t-1})$ ....*eq(i)*

Random walk Hypothesis tracksthe following model

$$\mathbf{lnP_t = ln\ P_{t-1} + u_t} \quad \ldots\ldots \quad eq\ (ii)$$

to test this hypothesis we usually employ ADF test by transforming the linear model to first difference model and the three indices for which we are testing this model are given as under (eq iii to v):-

$$\Delta\ Ret\ Sensex_t = \beta_1 + (\beta_2 - 1)\ Ret\ Sensex_{t-1} + \beta_3\ \Delta\ Ret\ Sensex_{t-1} + u_{1t} \ldots\ldots \quad eq(iii)$$

$$\Delta\ Ret\ KSE_t = \delta_1 + (\delta_2 - 1)\ Ret\ KSE_{t-1} + \delta_3\ \Delta\ Ret\ KSE_{t-1} + u_{2t} \ldots\ldots \quad eq(iv)$$

$$\Delta\ Ret\ CSE\ ASPI_t = \gamma_1 + (\gamma_2 - 1)\ Ret\ CSE\ ASPI_{t-1} + \gamma_3\ \Delta\ CSE\ ASPI_{t-1} + u_{3t} \ldots \quad eq(v)$$

(Δ Ret Sensex $_{t\ is}$change in Sensex return in time t, Δ Ret KSE $_t$ $_{is}$change in Ret on KSE 100 in time t & Δ Ret CSE ASPI $_t$ is change in return of CSE ASPI in time t, Δ Ret Sensex $_{t-1}$ is change in Sensex return in time t-1 is the augmented variable which has been added to take care of autocorrelation.Similarly Δ Ret KSE $_{t-1}$ is change in Ret on KSE 100 in time t-1 & Δ Ret CSE ASPI $_{t-1}$, u $_t$ is random error term.)

The testable hypothesis (H_0) would be

$\beta_2 - 1 = 0$ 0r $\beta_2 = 1$ (the stock returns follow a random walk)

Alt Hyp (H_a): $\beta_2 - 1 \neq 0$, (stock returns do not follow random walk)

2. Box Pierce 'Q' statistics (or the Autocorrelation Test)

We use the Box Pierce 'Q' statistics (1970) and its modified version Ljung – Box (LB) (1978) statistics to test whether our returns are randomly distributed or not.It simply is a test which checks whether autocorrelation between return residuals and lag return residuals (upto certain lag) is zero. If proved then series is random.

Null Hypothesis (H_0): Time series is random.

Alt Hypothesis (H_a): Non Random time series

2. Box Pierce 'Q' statistics has the following formula:

$\mathbf{Q_m = n\sum_{k=1}^{m} \rho_k^2}$ follows Chi Square Statistics with 'm' degrees of freedom.

3. Ljung – Box (LB) Statistics:

This is a Modified Version of 'Q' Statistics and is given by

$\mathbf{LB = (n+2)\ n\ \sum_{k=1}^{m}(\rho_k^2 /\ n\text{-}k)}$, also follows Chi Square with 'm' degrees of freedom.

Non Parametric tests: Methodology Adopted

1. Runs Test of Successive Differences

A Run (r) is a sequence of alternate signs and in our case we carried out this test on stock returns e.g. if in a return for a week , the return is '+' on Monday, '-' on Tues & Wed , '+' on Thursday & Friday , the total no. of runs (r) is 3

Null Hypothesis (H_0): Observations are Random.
Alt Hypothesis (H_a): Non Random Nature of Observations

We can construct the two critical values of upper and lower limit using normal distribution as

$\mathbf{(C1) = \mu - 1.96\ \sigma\ \&(C2) = \mu + 1.96\ \sigma,}$

where μ is defined here as $\mathbf{(2n\text{-}1)/3}$& σ is defined as $\sqrt{(16n-29)/90}$

(Runs test of successive differences is non parametric test as parameters do not assume that the positive and negative 'runs' have equal probabilities of occurring. However the test does assume that these 'runs' are independent and their distribution is identical) .

2. Turning Point (Trough &Peak) Test for randomness:

Turning Point test is one of the earliest tests to be used for randomness of a variable. It was first published in 1874 and the credit goes to Bienayme Irenee Jules (1874).

A turning Point is a value which is either lower than both preceding and succeeding observations (called trough) or is higher in value than both preceding and succeeding observations (called Peak) . Here sum of the total no. of peaks and trough shall be the turning point ***(p)***.

The Null Hypothesis (H_0): Variation in time series is independent (or Series is random).

Alt Hypothesis (H_a): Non Random time series

For 'n'>30, the turning points are expected to be normally distributed therefore we can easily apply 'Z' test &

'z' statistic shall be $\left|\frac{p-\mu}{\sigma}\right|$

(Mean is defined as = $\frac{2}{3}$ ***(n-2), n is no. of observations and standard deviation defined as =*** $\sqrt{\frac{16n-29}{90}}$ ***)***

(Turning Point Test is non parametric test as parameters have not been defined strictly according to established principles)

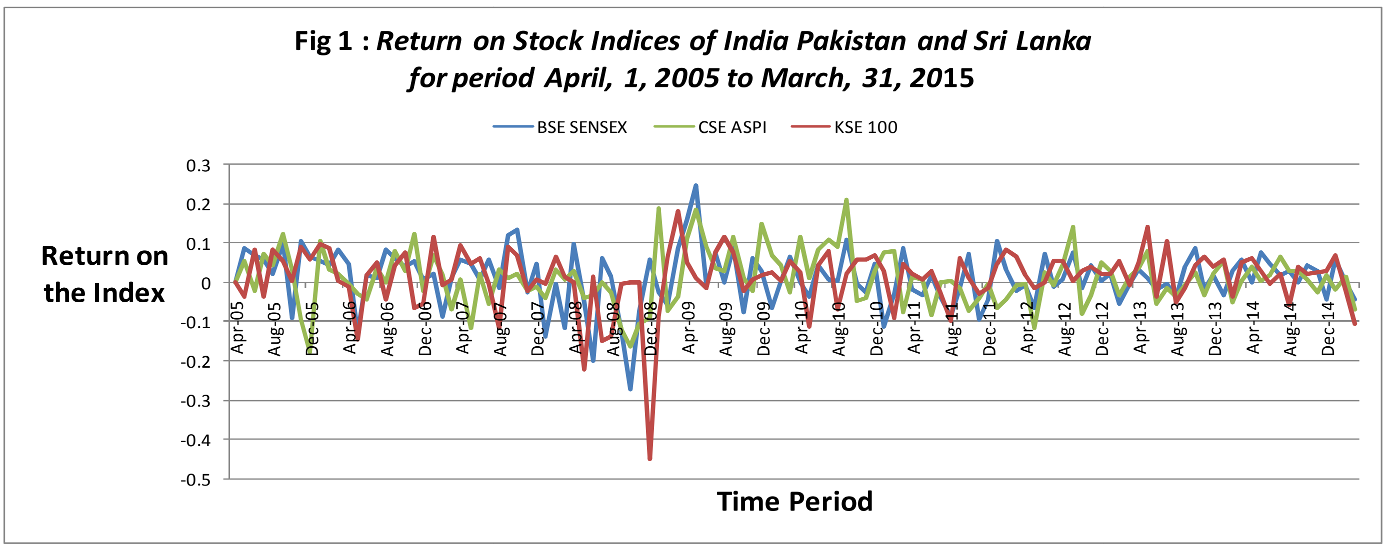
6. RESULTS AND DISCUSSION

The results of our study are divided into three segments, the first segment deals with the Statistical Description of the Returns for all the three indices (Table 1), second deals with the comparative analysis of the movement of the indices (Fig 1) while the third segment discusses the results of testing of the Random Walk Hypothesis on South Asian Markets (Table 3 to 7).

Statistical Description of monthly ln returns of the three stock indices (India, Pakistan & Sri Lanka) for the period April 1, 2005 –March 31, 2015 is given in table 1 below :-

TABLE 1: Statistical Description of data for the period April 1, 2005 – March 31 2015

Stock Index	BSE Sensex	Karachi Stock Exchange KSE 100	Sri Lanka's Colombo Exchange
No. Of Observations	119	119	119
Mean	0.012718583	0.01216986	0.011057151
Median	0.01443858	0.020782511	0.010243615
Skewness	-0.607676516	-2.364806917	0.230132832
Kurtosis	2.570564106	11.62040678	0.771226187
STD Dev	0.070849847	0.075299675	0.068254629
Variance	0.005019701	0.005670041	0.004658694
JB *	**8.238261809**	**479.3749393**	**25.68058273**



$$JB = \frac{n}{6}\left(S^2 + \frac{1}{4}(K-3)^2\right)_*$$

7. TEST FOR NORMALITY OF RETURNS

Since calculated value of JB > 5.99 for all the stock returns , all the variables under consideration Return on Sensex, KSE 100 & CSE ASPI do not appear to be normally distributed (Null Hypothesis of normality of returns is rejected)

b. Movement of the Returns on the three indices of South Asia; India's (BSE Sensex), Pakistan (KSE 100) & Sri Lanka's (CSE ASPI) for the ten year period (April 1, 2005-March 31, 2015) is given in Fig (1) below. The figure shows that the Pakistan's KSE 100 is the most volatile of the three indices. KSE 100 had a period of high volatility during Oct 2008- May 2009. The CSE

ASPI on the other hand has shown the lowest volatility out of the three indices during the ten year period.

c) Results for testing of the Random Walk Hypothesis on South Asian Markets

Table No. 3 to 7 given below show the results of testing of the randomness of South Asian Markets. The different test Statistics used for this purpose are as under:-

i) ADF – Unit Root test

ii) Box & Pierce 'Q' Statistics

iii) Ljung – Box (LB) Test

iv) Turning Point Test

v) Runs Test of Successive Differences.

TABLE 3: Results for testing of the random walk (Unit Root : ADF Test)

Variable (Return on Indices)	N	Coeff	SE	$\lvert t_{cal} \rvert$	$\lvert t_{table} \rvert$	Randomness of Time Series (Yes / No)
		β_2-1	(β_2-1)		Dickey-Fuller	
BSE SENSEX	118	-0.90523	0.092245	9.81	2.89	No
KSE 100	118	-0.8725	0.092938	9.387966	2.89	No
CSE ASPI	118	0.82807	0.091832	9.017215	2.89	No

The absolute value of 't' statistics for the coefficient i.e. **β_2-1**(Table 3) is compared with Dickey Fuller table value which for '100' sample size is 2.89& '250' sample size is 2.88 (with constant term included) . Since our computed value (see Table 3) is higher than 2.89in all the three variables under study, we conclude that our variables are not random i.e. are Stationary. *This simply implies that our Null Hypothesis of β_2-1 =0 or that the variable follows a random walk is rejected in all the three cases.*

TABLE 4: Results for testing random walk (Box and Pierce Q Test)

Variable (Return on Indices)	n	Computed 'Q' Statistics	Chi Square with 'm' df	Randomness of Time Series (Yes / No)
SENSEX	119	54.64994843	11.07	No
KSE 100	119	20.17308469	11.07	No
CSE ASPI	119	79.57654105	11.07	No

Null Hypothesis (H_0): Time series is random.
Alt Hypothesis (H_a): Non Random Time Series

TABLE 5: Results for testing random walk (*Ljung – Box (LB)* Test)

Variable (Return on Indices)	N	Computed 'LB' Statistics	Chi Square with 'm' df	Randomness of Time Series (Yes / No)
SENSEX	119	58.67777226	11.07	No
KSE 100	119	22.03450659	11.07	No
CSE ASPI	119	85.09022598	11.07	No

Null Hypothesis (H_0): Time series is random.
Alt Hypothesis (H_a): Non Random Time Series

The table value of Chi Square distribution at 5 degrees of freedom (lag level selected) at 5 % level is 11.07, Since the computed value of 'Q' (Table 4) is higher than this value , we conclude that all our variables are non-randomwhen Box and Pierce 'Q' Test is applied.

On applyingLjung – Box (LB) Test of Randomness the result again showed acceptance of null hypothesis i.e. that all our variables are non-random(Table 5). The test also follows Chi Square distribution.

TABLE 6 : Results of Turning Point (Trough & Peak)Test for Randomness

Variable (Return on Indices)	N	P	Mean	Standard Deviation	$\lvert z_{cal} \rvert$	z_{table}	Randomness of Time Series (Yes / No)
SENSEX	119	83	78	4.56	1.096	1.96	Yes
KSE 100	119	66	78	4.56	2.631	1.96	No
CSE ASPI	119	75	78	4.56	0.657	1.96	Yes

The results of the turning point test (Table 6) show that two of our variables havetheir ‘Z’ computed values lower than 1.96 (Table value at 5 % level) , thereby proving that these two indices viz. Return on Sensex and Return on CSE ASPI are random .

TABLE 7: Results of the runs test of successive differences for testing the randomness of our sampled stock indices

Variable (Return on Indices)	N	No. of Runs	C1 = (μ – 1.96 σ)	C2 =(μ + 1.96 σ)	Randomness of Time Series (Yes / No)
BSE SENSEX	119	83	70.05386489	87.94613511	Yes
KSE 100	119	66	70.05386489	87.94613511	No
CSE ASPI	119	75	70.05386489	87.94613511	Yes

The results of the runs test of successive differences where the criteria is that no. of runs must lie between the two critical points , also gives similar results as given by earlier turning point test, i.e. only two indices viz. Return on Sensex and Return on CSE ASPI are found to be random.

8. CONCLUSION

The present study made an attempt to test the Random Walk Hypothesis on three prominent South Asian Markets viz. India, Pakistan and Sri Lanka by applying Parametric and Non Parametric teststo ten year ln returns on their indices for the period April 1, 2005- March 31, 2015. The findings of the study throw some interesting observations about the results.

It is interesting to find that whereas Unit Root Test & the Box Pierce ‘Q’ statistics & Ljung – Box (LB) test have shown that all the three indices do not follow random walk , the turning point test & the difference of the runs test show that two of the indices under study follow random walk.

It is not difficult to understand why the results are different. If we focus on our Unit Root test, the linear equation of these tests have been proved to be of low power against the alternative hypothesis of Stationarity or Mean reverting nature of the variables*(see Chaudhuri, K., & Wu, Y. (2003))*

The problem as identified is due to the structural change in the variables and if the test does not incorporate this aspect, there can be some doubts over the accuracy of the results. On the other hand the results of the non-parametric tests like turning point & difference of the runs do not suffer from these issues.Here one may again argue that results based upon parametric tests are always more reliable as they are more scientific and based upon the behavior of distributions; which although is true but again to get the best of parametric tests, one has to consider the resultswithin the framework of assumptions of the model. Therefore considering all the above aspects our study we have very little option but to put more weight on the results of the non-parametric tests and thereby conclude that two of our markets are random.

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Economic Development through Micro-Finance

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Abstract: **The objective of the present study is to find the contribution of Micro-Finance activities in development of the economy through personal empowerment of women. Micro-finance programmes are considered as a key strategy in addressing the development issues across the nations since the last three decades. Various developing nations have realized that development in an economy happens when both men and women work together and enjoy equal status in the society to bring prosperity Thus, fostering the female participation in the nation building has become a major concern of many governments all over the world.. In light of this background, the present study carries out a comparative analysis between the women SHG-Members and women NON-Members with regard to difference in their levels of Personal Empowerment. Primary data is collected by means of questionnaire which was administered both to the SHGMembers and NON-Members. The results are drawn from the data using SPSS. The study shows significant differences in the levels of Personal Empowerment between SHG-Members and NONMembers.**

Keywords: **Micro-Finance, Personal Empowerment, SHG-Members, Economic Development.**

1. INTRODUCTION

Population of every economy of the world consists of both men and women. Women are an integral part of every economy and empowering them is essential to promote economic development. Development in an economy happens when both men and women work together and enjoy equal status in the society to bring prosperity. But the access to the resources among men and women vary all over the world and this difference of resource access is more evident in developing nations. In developing countries, there are structural impediments that prevent and keep women from participating in the decision-making process. This unprivileged status of women is the due to multiple factors such as illiteracy, joblessness, early marriages and familial violence which have prohibited women from attaining greater elevation. Further, they are financially and as well as socially dependent on the male member of the family. They don't enjoy the same standing as men in many aspects (Rehman 2007). Women have always been granted secondary role in the family and society. Women have poor access to property and legal rights ie. Land, water and other natural resources. Lack of knowledge of legislation and poor implementation reduces the capability of women to speak for their rights (Quisumbing & Pandolfelli 2009). Bradshaw & Linneker (2003) highlight three factors that are responsible for women disempowerment: women have fewer job opportunities, women have less decision-making power and women can make decisions, but it must benefit others first.

2. WOMEN EMPOWERMENT AND ECONOMIC DEVELOPMENT

The aim of empowering women is to equally distribute the power between both the sexes. Both men and women should be provided equal economic, social, legal and political opportunities for their development. Women empowerment can be achieved by increasing their rights, resources, capacity to make decisions, dignity, choices, opportunities, and power (Kabeer 2003). As women starts to participate in the economic activities, it reduces poverty in the economy and results in increased production and women can support their families and can also become owners of property and can accelerate growth. This will surely bring development in the economy. Women's relative economic power is conceptualized in terms of degrees of control of key economic resources: income, property, food and other means of production. Greater the women's relative economic power, the greater is their control over their own lives. To get empowerment, women should increase their self-esteem, self-confidence and understanding of their own potential, appreciate themselves and value their knowledge and skills. They should obtain equal distribution of power and involvement in decision making at home, in society, economy, and politics through women empowerment (Panigraphy and Bhuyan 2006). Thus, all these variables leading to women empowerment directly results in development of any economy. The effective management and development of women's resources, that is, their abilities, interests, skills and other potentials are of paramount importance for development of human resources which in turn lead to economic development. A recent Women Development Report clearly states that "making markets work in more gender-equitable ways can significantly raise women's productivity and incomes and contribute to economic growth" (World Bank 2002). Women empowerment has been considered as both cause and effect of economic growth and development.

3. MICRO-FINANCE AND WOMEN EMPOWERMENT

Micro-finance programmes are considered as a key strategy in addressing the development issues across the nations since the last three decades. Fostering the female participation in the nation building has become a major concern of many governments all over the world. In the words of Otero (2005), the vision of micro-financial system worldwide is to serve the impoverished majority, help them to uplift them out of poverty, and make them full participants in their country's social and economic development. It has been seen as contributing not only to poverty reduction and financial sustainability but also to a series of "virtuous spirals' of economic empowerment, increased well-being and social and political empowerment for women themselves, thereby addressing goals of gender equality and empowerment (Mayoux and Hartl 2009). Therefore, Micro-finance is considered an important tool for women empowerment and it can help women to meet their basic financial needs, better manage risks, and contribute to sustainable social and economic development. The rationale for providing women access to microfinance services is that gender inequalities inhibits economic growth and development (World Bank, CIDA, UNDP). It makes women economically independent by putting capital and financial resources in their hands. Economic independence results in higher bargaining power for women in their households, communities, and subsequently results in higher prestige and self-esteem.

Micro-finance helps women, her family and the community as a whole through collective action for development. Micro-finance is capable to empower women who can then pave the way for social and economic development. Since the introduction of micro-finance in many countries, micro-finance programs have been increasing their activities to lighten poverty and empowering women. (Asim 2008).

4. REVIEW OF LITERATURE

World Bank 2012 states that, "Evidence from a range of countries shows that increasing the share of household income controlled by women, either through their own earnings or cash transfers, changes spending in ways that benefit children." Desai (2010) highlights the issue of women empowerment and improvement in education, health, and economic and political participation. He states that women must have authority, power, and preferences in functional and important decisions. Women empowerment reduces maternal mortality and fertility. Women violence prevents the welfare of women. Women empowerment is measured through dimensions of knowledge, health, resources, decision-making and employment.

Duflo (2012) argues that there is a bi-directional relationship between economic development and women's empowerment. In one direction, development alone can play a major role on driving down inequality between men and women; in the other direction continuing discrimination against women can, as Amartya Sen has forcefully argued, hinder development. Empowerment can, in other words, accelerate development. Policy makers and social scientists have tended to focus on one or the others of these two relationships. Those focusing on the first have argued that gender improves when poverty declines. They argue that policymakers should therefore focus on creating the conditions for economic growth and prosperity, while seeking, of course, to maintain a level playing field for both genders, but without adopting specific strategies targeting at improving the condition of women.

As per Duflo, there are two rationales for supporting active policies to promote women. The first is equality as valuable in and of itself: women are currently worse-off than men, and this inequality between genders is repulsive in its own right. The second, a central argument in the discourse of policymakers, is that women play a fundamental role in development. The gender gap in education, political participation, and employment opportunities should therefore be reduced not only because it is equitable to do so, but also because it will have beneficial consequences on many other society-wide outcomes. It should be done, in other words, to increase efficiency.

Many authors emphasize the second relationship, from empowerment to development. Gender equality is a "prerequisite" to achieve the other Millennium Development Goals (MDG), including eliminating poverty, reducing infant mortality achieving universal education, and eliminating the gender gap in education by 2015 (United Nations, 2005).

World Bank (2001) report "Engendering Development" calls for policies to address gender imbalance in "rights, resources, and voice" and recommends that institutional structures be overhauled to promote equality, and that specific measures, such as girls' scholarships and quotas for women in parliament can be adopted. These measures are justified according to the report, not only because they promote equity, but also because they are necessary to accelerate development.

Fernandez (2009) shows the relationship between rights and economic development and focuses on a basic economic right for women ie. Property right. Men as husbands favour patriarchal system in which women have few rights but fathers do not support this system. Economic development means capital accumulation and declining fertility.

Based on the empirical evidence, claims have been made that female empowerment promotes development and there is high degree of association between higher female resources and higher spending on children. Clear evidence of a correlation between mothers' education and earnings, and child welfare, particularly child health. Also, the correlation with mothers' education and earnings is almost always found to be stronger than the corresponding correlation with fathers' education and earnings. Empirically, a large literature has tested whether income in hands of women of a household has a different impact on intra-household allocation than income in the hands of the men. The evidence suggests that, compared to income or assets in the hands of men, income or assets in the hands of women are associated with larger improvement in child health (eg. Thomas 1990), and larger expenditure shares of household nutrients, health and housing (eg Thomas 1992).

Engle (1993) provides cross-sectional data to show that a higher female budget share is associated with better children's nutritional status (measured by height for age, weight for age, and weight for height).

Pitt and Khandker (1998) in a study found that credit provided to women leads to higher household consumer expenditure and to more schooling for girls, while credit provided to men does not have a significant effect on the same variables.

5. OBJECTIVE OF THE STUDY

The objective of the research work is to identify the difference between the SHG-Members and Non SHG-Members with respect to their personal empowerment. In light of this objective, the paper aims to test the following hypothesis:
H0= There is no significant difference in the mean scores of SHG-Members and NON-Members with respect to the level of personal empowerment

H1= There is a significant difference in the mean scores of SHG-Members and NON-Members with respect to the level of personal empowerment.

6. RESEARCH DESIGN

The study carries out a comparative analysis between the SHG-Members and NON-Members to identify the mean difference in the level of personal empowerment. For carrying out the comparative analysis, participation in SHG is taken as an independent variable and Personal empowerment of women serves as the dependent variable. Personal Empowerment refers to individual's self confidence, self-esteem, self-determination, life of dignity and respect, decision-making ability, feeling strong within a household and strength within a woman. If a woman is personally empowered it declares that she is confident and has the ability to take interest in decision for needs, for the needs of children and for the needs of her family.

In the present study personal empowerment of women is measured on the basis of improvement in reading and writing abilities, in self-confidence and self-esteem, improvement in decision – making for self-needs, children needs and family needs, improvement in exposure to media, improvement in courage to face problems, improvement in skill to join income generating activities, improvement in handling bank transactions and improvement in sharing of household work by husband.

Sample for the study

The SHG-members for the present study have been selected randomly from the SHGs registered under the Mission Convergence Programme of Delhi Government initiated in 2008. The women SHG members of this programme and Non –member women belonging to same socio-economic background serves as the population for the study.

Stratified Random Sampling Method is used for drawing sample from SHG-Members. The 124 GRCs-Suvidha Kendras (under Mission Convergence Programme) cover the entire Delhi and these GRCs are spread in Delhi under 11 districts. Using Stratified Random Sampling Method, 1 GRC from each district was selected and from each GRC one SHG was selected. Thus, 1 SHG from each of the 11 Districts making total of 11 SHGs are selected as sample. 100 SHG members belonging to these 11 districts have been selected for carrying out the comparative study.

For Non-Members, the enumerators went from house-to-house at random to find 100 women who did not participate in any Micro-Finance programs and belong to the same socio-economic background as SHG-members. Thus, the study is carried on a total of 200 respondents.

Data collection

Primary data was collected from 100 SHG-Members and 100 Non-Members using two questionnaires, each structured differently for each group. The objective of the questionnaire A was to gather information regarding the satisfaction with the improvement level of empowerment after joining the SHG. It consisted of background questions related to information of the respondent, relevant information relating to membership with SHG and questions addressing personal empowerment measured on 5 Likert-Scale. Questionnaire B was designed to elicit information from 100 Non-Members.

The objective of the questionnaire was to gather information regarding the level of empowerment of Non-Members. This questionnaire consisted of questions related to background information of respondents and questions addressing personal empowerment measured on 5 –Likert Scale. The internal consistency and reliability of both the questionnaires is done through Cronbach Alpha. The Cronbach Alpha for both the questionnaires is greater than 0.80 which shows high reliability of the questionnaires.

Statistical tool used

Study uses independent sample t-test to test the hypothesis for the present study.

7. ANALYSIS AND FINDINGS

Prior to hypothesis testing, the assumptions for using independent t-test are tested. The Table 1.1 and 1.3 presents the results of the assumption. Both the assumptions were proved and hence, t-test was applied.

TABLE 1.1: Presents Tests of Normality for personal empowerment of women

	Kolmogorov-Smirnova			Shapiro-Wilk			
RESPDNT	**Statistic**	**df**	**Sig.**	**Statistic**	**df**		**Sig.**
SHG-Member	.084	100	.076	.986	100		**.370**
NON-Member	.081	100	.099	.982	100		**.199**

a. Lilliefors Significance Correction

From the above table, we can find that the P-vlue > .05 which lies in the acceptance region. Thus, we conclude that the data for the dependent variable ie personal empowerment is normally distributed.

TABLE 1.2: Showing descriptive statistics for comparing mean scores of SHG-Members and NON-Members with respect to level of Personal Empowerment Dependent Variable=Personal Empowerment

RESPDNT	N	Mean	Std. Deviation	Std. Error Mean
SHG-Member	100 100	42.6100	6.26824	.62682
NON-Member	100	35.1000	7.14001	.71400

TABLE 1. 3 showing Levene's Test results for comparing mean scores of SHGMembers and NON-Members with respect to level of personal empowerment *Dependent Variable=Personal Empowerment*

	Levene's Test for Equality of Variances	
	F	Sig.
Equal variances assumed Equal variances not assumed	.409	**.523**

Spss output

Prior to independent T-test, Levene's Test for equality of variances is carried out. **Null hypothesis for this test states that, "the variances of the two groups are equal"**. As per the results, p-value >.05. Hence, we accept the null hypothesis and assume that variances of the two groups are equal.

		t-test for Equality of Means				95% Confidence Interval of the Difference	
	t	**df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**Lower**	**Upper**
Equal variances assumed	7.904	198	**.019**	7.51000	.95011	5.63637	9.38363
Equal variances not assumed	7.904	194.735	.027	7.51000	.95011	5.63618	9.38382

Spss output

As our null hypothesis for the Levene's test is accepted, we will look at Sig (2-tailed) value at equal variances assumed. From the table we find that p-value <.05 and stands at .019. Therefore, we reject the null hypothesis and accept the alternate hypothesis which states that, "***There is a significant difference in the mean scores of the women SHG-Members and NON-Members with respect to the level of Personal Empowerment".***

8. CONCLUSION

The study revealed that participation in SHGs has led to improvement in women's decision making for self-needs, needs of children and for family needs. It was also found that women have more confidence on their abilities; they value themselves more now and have increased courage to face problems in family and society. The empirical evidence also supported the same and concluded that there is significant difference in the personal empowerment of SHG-Members and NON-Members.

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Institutional Investors and Firm Performance of Listed Companies in Indian Telecom Sector

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Abstract: **Research Question/Issue: The study seeks to test the implications of institutional investors' shareholdings on the performance of listed companies of Indian Telecom Sector.**

Research Findings/Insights: **Using a panel data for 2008-11, the study covers almost all the telecom companies (both services and equipment sector) listed in India, for which data is available for the study period. Data was compiled from the annual reports of the companies. Public shareholdings in the form of institutional investments contribute positively towards performance. However, domestic financial institutions do not have any significant impact on performance of firms and it is only FII's that have a bearing on performance. The results were controlled for firm size, age, leverage, year dummies and industry effects and were robust for various market-based as well as accounting based performance measures.**

Theoretical/Academic Implications: **Almost all previous studies in the field of corporate governance cover top companies among countries or even in country specific studies only large and mostly actively traded companies are covered. An attempt is made to look deeper into institutional shareholdings and performance of almost all the companies of a rapidly growing sector of an emerging economy. This study provides empirical support to a positive relation between the variables.**

Practitioner/Policy Implications: **The domestic financial institutions fail to act as a monitor of performance and their role in the same shall be strengthened to increase investor confidence in companies in which they invest.**

A firm's ownership structure has an impact on its performance due to various reasons. Disparity among the owners on the basis of characteristics, intensity of stake in the firm and availability of resources leads to differences in their relative power, motivation and ability to monitor managers. Moreover their basic motive behind the investment in the firm may be different.

Therefore, there are inherent variations on these grounds among the shareholdings by institutional investors, insurance companies, banks, corporations, mutual funds, individuals and government. There are a number of studies assessing the effect of ownership structure and firm performance.[i] Evidences on these effects, however, have been mixed.

Institutional investments are generally much larger in size than those of disbursed shareholders and are in a better position to invest time and resources in information, hence are capable of reducing the agency costs by monitoring the management through their voting rights. The presence of institutional shareholdings especially if they are actively involved in assessing their investments acts as a deterrent to involve in self serving behaviour by the managers. The effect of such holdings on the performance on Indian telecom sector is thus undertaken in the study. Accordingly, the null hypothesis can be set as:

1. H01: THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN INSTITUTIONAL SHAREHOLDING AND PERFORMANCE.

The behaviour of institutional investors also differs depending upon their investment horizon, management philosophy, their ownership type etc. Hence a distinction is made between foreign institutional investors and public financial institutions. Foreign financial institutions are privately owned and managed and hence are more concerned about protecting and enhancing their investment as compared to public financial institutions. Moreover, they have access to more efficient tools to monitor self seeking behaviour of managers as compared to local financial institutions in developing economies like India(Khanna and Palepu, 2000a).

This results in an improved performance of firm with an increase in investment by these institutions(Patibandla, 2002). But at the same time a particular FII's stake in a company is limited and they have an easier option of selling the stocks of an underperforming company than to invest time and energy to institute the process of corporate restructuring and hence do not significantly affect performance(Douma et.al, 2006). In the light of these mixed results the researcher sets the null hypothesis as follows:

2. H02:THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN FOREIGN INSTITUTIONAL INVESTOR SHAREHOLDING AND PERFORMANCE.

Public financial institutions have their own agency problems, where they use funds of public at large and invest it (Black, 1992). Their own actions can't be controlled by disbursed public and this provides lesser incentive for them to protect and enhance their investments and control agency costs in the companies in which they invest.

In India most of these institutions belong to public sector and hence nominee directors appointed by them are generally bureaucrats having minimal experience on corporate matters. Secondly, these institutions don't work for only profit maximisation objective and hence, are less watchful towards checking agency costs. The contribution by public financial institutions is explored by setting the following hypothesis:

3. H03: THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN PUBLIC FINANCIAL INSTITUTIONS SHAREHOLDING AND PERFORMANCE.

Nature of Data

The empirical analysis uses firm level panel data for 35 telecom companies covering 4 year period form 2008-11(140 observations for each variable); the panel data analysis incorporates both the time series and cross-sectional elements of data and extracts information on both inter-temporal dynamics and cross company distinctiveness of sample being investigated. By combining time-series of cross section observations, panel data gives more informative data, more variability, less collinearity among variables, more degrees of freedom and more efficiency. By studying the repeated cross-section of observations, panel data is better suited to study dynamics of change. Ownership pattern is compiled from the company filings with the Bombay Stock Exchange (all companies are listed on BSE). Annual reports of the companies were used to extract information on corporate governance variables along with information about board composition and committees. Performance parameters were also taken from the annual reports of the companies.

Sample Selection

Being a sector specific study, in order to have a comprehensive view, all the telecom companies in India were considered for inclusion in the study. A comprehensive list of all telecom companies was constructed from various sources namely; BSE database, NSE database, Department of Telecommunication website, Telecom Regulatory Authority website and CMIE Database. Out of these companies sample was selected on the basis of following criteria.

Main criteria used for sampling the firms were:

Company must have been listed for the entire period of study i.e. year 2007-08 to 2010-11. The companies suspended or delisted during this period for any reasons were dropped. The sample was restricted to listed companies only because reliability of data pertaining to performance and share ownership is better with regard to listed companies. Governance parameters are also not disclosed properly for unlisted companies. Therefore, all unlisted telecom companies are excluded from the sample. Some companies which are unlisted subsidiaries of listed companies in some other business sector are also excluded to maintain uniformity in data. This exercise resulted in a final sample of 35 listed Telecom companies which were subdivided into telecommunication services and telecommunication equipment.

Key Variables

Performance variables

Performance of a company can be measured either on a market based criteria where the company's market performance and future earnings prospects can be incorporated or accounting based criteria where historical costs and past performance is accounted for while assessing performance. Keeping this in mind two measures of performance namely Tobin's Q and Return on Assets (ROA), as supported in the finance and accounting literature are chosen primarily for the purpose of analysis. **Tobin's Q:**The Q ratio, taking into account the future prospects of the firm provides a measure of the management's ability to generate a certain income stream from an asset base (Short and Keasey, 1999) It is an important measure of firm performance in the sense that it represents the value investors put in the assets of the firm above or below the total value of firms assets thus representing investor confidence.

Companies displayingTobin's Q greater than unity are considered to be using scarce resources effectively, while those with Tobin's Q less than unity as using resources poorly. Tobin's Q has been computed as:

(Market Value of Equity + Book Value of Preference Shares + Book Value of Debt)

Total Assets

Return on assets (ROA): This accounting variable chosen was calculated as the *ratio of operating income (EBIT) to total assets*. Total assets include value of fixed assets, investments, and current assets.

Control variables

In order to control for various other possible determinants of firm performance not captured by the independent variables in the study, the researcher has included some observed firm characteristics as control variables. The control variables used in the study have been selected with reference to those employed in earlier empirical studies and are discussed below.

- **Size**: Firm size has an ambiguous effect, a priori on the firm performance. Log transformation of this variable is used to correct for high degree of skewness in the firm size, thus ensuring that data is properly distributed. It takes care of the problem of heteroskedasticity.
- **Age:** The effect of age is also ambiguous. Age is measured by using natural logarithm of the number of years between the observation year and the year of incorporation of the firm.
- **Debt intensity:** This measure is used to account for risk characteristic of firm. To measure the effect of this measure, natural logarithm of leverage is used which is calculated as debt to total asset ratio.
- **Industry effect:** Within the same sector, performance may be affected by the nature of industry, therefore, a dummy variable to capture this effect between telecom service providers and telecom equipment industry is also taken. The variable is coded as 1 for service providers and 0 for equipment sector.
- **Year Dummies:** Since the study uses both time series and cross sectional data. There are two ways to deal with this type of data. First can be a panel model with fixed firm effects, but such variables virtually eliminate much of the cross-sectional variability across firms. Thus the study uses the procedure with random firm effects allowing for cross-sectional firm variations while the time variability has been captured by year dummies. Dummy variables D_9, D_{10} and $D_{11}$are used for year 2008-09, 2009-10 and 2010-2011 respectively.

The control variables along with various explanatory variables were used to gauge their impact on the performance of the firm. The statistical technique used for the same is discussed below.

Statistical Techniques

As discussed before the study uses a panel regression model which involves pooling of observations on a cross-section of units over several time periods and provides results that are simply not detectable in pure cross-sections or pure time-series studies. The panel regression equation differs from a regular time-series or cross section regression by the double subscript attached to each variable.

The general form of panel data model can be specified as:

$$\boldsymbol{Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots\ldots.. + \beta_k X_{kit} + \mu_{it}}$$

$i = 1, 2, 3\ldots, N$

$t = 1, 2, 3\ldots., T$

$k = 2, 3, 4...., K$

where i stands for the i^{th} cross-sectional unit, t for the t^{th} time period and k stands for k^{th} variable.

Multivariate regression analysis on panel data is used to empirically test the hypotheses stated above. Using combination of variables, models of linear regression equations were constructed. Model 1 entered only concerned variables as independent variables with dependent being the performance variable. Model 2 then enters control variables in a way so that the stability of the regression coefficients to the main independent variables could be assessed

The relationship between institutional shareholdings and performance is assessed using the following model:

Performance = $\beta_1 + \beta_2$ (Public_institution)$_{it}$ + β_3 (Ln_Lev)$_{it}$ + β_4 (Ln_Sale)$_{it}$ + β_5 (Ln_Age)$_{it}$+ β_6 (Industry)$_{it+}$ β_7 (D9)$_i$ + β_8 (D10)$_i$ + β_9 (D11)$_i$ + μ_{it}

TABLE 1: OLS Results for Public institutional holding and performance measured by Ln_Q

	Dependent Variable: Ln_Q			
		Standardized Coefficients		
Model		**Beta**	**T**	**Sig.**
1	(Constant)	-1.361	0.176	
	Public_institution	0.461	5.52	0.000
	p- Value	0.000	F Value	30.471
	Adj. R Square	0.205	R Square	0.212
2	(Constant)	-0.813	0.418	
	Public_institution	0.336	3.724	0.000
	Ln_Lev	0.389	4.936	0.000
	Ln_Age	0.163	2.109	0.037
	Ln_Sale	-0.009	-0.1	0.92
	Industry	0.106	1.25	0.214
	D9	-0.099	-1.099	0.274
	D10	0.012	0.139	0.89
	D11	-0.128	-1.428	0.156
	p- Value	0.000	F Value	9.5
	Adj. R Square	0.374	R Square	0.418

TABLE 2. OLS Results for Public institutional holding and performance measured by ROA

	Dependent Variable: ROA			
		Standardized Coefficients		
Model		Beta	t	Sig.
1	(Constant)	2.237	0.027	
	Public_institution	0.468	5.536	0.000
	p- Value	0.000	F Value	30.652
	Adj. R Square	0.212	R Square	0.219
2	(Constant)	-0.974	0.332	
	Public_institution	0.387	4.456	0.000
	Ln_Lev	-0.396	-5.17	0.000
	Ln_Age	-0.142	-1.889	0.062
	Ln_Sale	0.3	3.5	0.001
	Industry	0.046	0.557	0.579
	D9	0.067	0.772	0.442
	D10	0.078	0.901	0.37
	D11	0.029	0.339	0.736
	p- Value	0.000	F Value	11.533
	Adj. R Square	0.434	R Square	0.475

In Table 1, Model 1 gives baseline specification using only public institutional shareholding as independent variable showing a significant positive relationship between these shareholdings and performance with p-value 0.000. On introduction of various control variables Model 2 also predicts a significant positive association between performance and institutional shareholding with p-value 0.000, the sign and significance of point estimates did not change indicating stability of the model Results didn't change when Ln_assets and Ln_debt were used as control variables instead of Ln_Sale and Ln_Lev respectively. Similar results are depicted when ROA is used as a performance variable in Table 2. Therefore, *the null hypothesis H01that there is no relationship between institutional shareholding and performance is rejected.*

Among the financial institutions foreign institutional investors and public financial institutions are considered to be playing a dominant role. The following section discusses their relationship with performance of the companies under study.

Foreign institutional shareholding and performance

Foreign institutional investors take up shares of companies as an investment and are capable of monitoring management. The relationship is tested using the following model:

Performance = $\beta_1 + \beta_2\,(FII)_{it} + \beta_3\,(Ln\_Lev)_{it} + \beta_4\,(Ln\_Age)_{it} + \beta_5\,(Ln\_Sale)_{it} + \beta_6\,(Industry)_{it+}\ \beta_7\,(D9)_i + \beta_8\,(D10)_i + \beta_9\,(D11)_i + \mu_{it}$

TABLE 3: OLS Results for FII holding and performance measured by Ln_Q

	a. Dependent Variable: Ln_Q			
		Standardized Coefficients		
Model		Beta	T	Sig.
1	(Constant)	0.187	0.852	
	FII	0.365	4.163	0.000
	p- Value	0.000	F Value	17.328
	Adj. R Square	0.125	R Square	0.133
2	(Constant)	-1.344	0.182	
	FII	0.273	3.301	0.001
	Ln_Lev	0.402	5.061	0.000
	Ln_Age	0.208	2.634	0.01
	Ln_Sale	0.033	0.383	0.702
	Industry	0.17	2.056	0.042
	D9	-0.099	-1.084	0.281
	D10	0.006	0.067	0.947
	D11	-0.124	-1.366	0.175
	p- Value	0.000	F Value	8.936
	Adj. R Square	0.358	R Square	0.403

TABLE 4: OLS Results for FII holdings and performance measured by ROA

	a. Dependent Variable: ROA			
		Standardized Coefficients		
Model		Beta	T	Sig.
1	(Constant)	3.873	0.00	
	FII	0.417	4.787	0.00
	p- Value	0.00	F Value	22.918
	Adj. R Square	0.166	R Square	0.174
2	(Constant)	-1.551	0.124	
	FII	0.303	3.716	0.00
	Ln_Lev	-0.378	-4.842	0.00
	Ln_Age	-0.094	-1.197	0.234
	Ln_Sale	0.354	4.163	0.00
	Industry	0.119	1.46	0.147
	D9	0.066	0.744	0.459
	D10	0.07	0.789	0.432
	D11	0.033	0.373	0.71
	p- Value	0.00	F Value	10.328
	Adj. R Square	0.404	R Square	0.448

The regression analysis in Table 3 and Table 4 depicts a positive linear relationship between Foreign Financial Institutions shareholdings and performance with a p- value 0.000 for both Tobin's Q and ROA, leading to *rejection of the null hypothesis H02*. Model 2 also shows a significant positive relationship between the two variables with a p-value 0.000, the point estimate of FII is 0.273(for ROA 0.303) with p-value

0.001 (0.000 for ROA). Adjusted R square of Model 2 is 0.358 for Q and 0.404 for ROA as performance variables.

Public Financial Institutional shareholding and performance

Public financial institutions also take up equity stake in companies as an investment; presence of stake by public financial institutions is coded as 1 and absence as 0. The effect of presence of these shareholdings is then assessed using the following model.

Performance = $\beta_1 + \beta_2$ (PFI_Present)$_{it}$ + β_3 (Ln_Lev)$_{it}$ + β_4 (Ln_Sale)$_{it}$ + β_5 (Ln_Age)$_{it}$+ β_6 (Industry)$_{it+}$ β_7 (D9)$_i$ + β_8 (D10)$_i$ + β_9 (D11)$_i$ + μ_{it}

TABLE 5: OLS Results for Presence of Institutional Shareholding and Performance measured by Ln_Q

		a. Dependent Variable: Ln_Q		
		Standardized Coefficients		
Model		**Beta**	**T**	**Sig.**
1	(Constant)		-1.239	0.218
	PFI_Present	0.329	3.7	0.000
	p- Value	0.000	F Value	13.688
	Adj. R Square	0.1	R Square	0.108
2	(Constant)		-0.664	0.508
	PFI_Present	0.237	2.795	0.006
	Ln_Lev	0.432	5.408	0.000
	Ln_Age	0.101	1.214	0.228
	Ln_Sale	0.025	0.28	0.78
	Industry	0.214	2.563	0.012
	D9	-0.096	-1.037	0.302
	D10	0.026	0.28	0.78
	D11	-0.111	-1.199	0.233
	p- Value	0.000	F Value	8.35
	Adj. R Square	0.34	R Square	0.387

Table 5 shows that presence ofpublic financial institution shareholding has a significant positive impact on performance with a p-value 0.000 and point estimate of 0.237 which is also significant. However, when ROA was used as a performance variable the relationship turned out to be insignificant with a p-value 0.995. The reason for association with market based measure can be due to signalling effect of presence of investment by public financial institutions, as the companies must satisfy certain minimum criteria to be eligible for an investment by these institutions, which may be valued by the market and ROA being an accounting based measure, does not account for such premiums and hence gave no significant relation between the two. The researcher further tried to investigate into the contribution of public financial institutions shareholding on performance by using the following model.

Performance = $\beta_1 + \beta_2$ (Fin_Inst)$_{it}$ + β_3 (Ln_Lev)$_{it}$ + β_4 (Ln_Sale)$_{it}$ + β_5 (Ln_Age)$_{it}$+ β_6 (Industry)$_{it+}$ β_7 (D9)$_i$ + β_8 (D10)$_i$ + β_9 (D11)$_i$ + μ_{it}

TABLE 6: OLS Results for Financial institutions' holding and performance measured by Ln_Q

		a. Dependent Variable: Ln_Q		
		Standardized Coefficients		
Model		**Beta**	**T**	**Sig.**
1	(Constant)		2.366	0.02
	Fin_inst	0.260	2.857	0.005
	p- Value	0.005	F Value	8.16
	Adj. R Square	0.059	R Square	0.067
2	(Constant)		-1.002	0.318
	Fin_inst	0.05	0.555	0.58
	Ln_Lev	0.424	4.943	0.000
	Ln_Sale	0.115	1.314	0.192
	Ln_Age	0.157	1.816	0.072
	Industry	0.188	2.103	0.038
	D9	-0.116	-1.212	0.228
	D10	-0.004	-0.039	0.969
	D11	-0.148	-1.548	0.125
	p- Value	0.000	F Value	6.927
	Adj. R Square	0.294	R Square	0.343

Table 6 depicts that there is a significant relationship between financial institutions shareholding and Ln_Q, The control variables were entered so that the stability of the regression coefficients of the main independent variables could be assessed. But with the introduction of control variable the point estimate of Fin_inst became insignificant. Moreover, similar results were obtained when ROA was used as performance variable, with significant p-value (0.000) but point estimate of Fin_inst being insignificant. Therefore the relationship is not very stable.

Hence, the model *fails to reject the null hypothesis H03 of no relationship between public financial institutions' shareholding and performance.* This can be interpreted as that public financial institutions are not effective as a monitor for corporate behaviour.

4. CONCLUSION

- Public shareholdings in the form of institutional investments contribute positively towards performance. Institutional stakeholders are better organised than public at large which invests as disbursed shareholders and hence are in a better position to monitor management. So, the combined effect of all kinds of institutional shareholdings like mutual funds, insurance companies, FII's, public financial institutions is positive on firm performance.

- Presence ofinvestments by financial institutions in a firm increases credibility as apart from monitoring aspect discussed earlier, these institutions do make certain checks on the companies before investing in them. So their investments are an indication that the company does meet their investment criteria which is reflected in higher performance measured by market based measures signalling that market provides premium for such shareholdings. When accounting based measures are used, no such relationship is present indicating that no benefit for such investments exists when book values and accounting measures are used to measure performance.

- Investments by foreign institutional investors is one of the most significant components of institutional shareholding and their stake positively effects performance. This may be because they are better equipped than their indigenous counterparts to assess and monitor management or maybe they track companies with better performance and invest in them thus having a positive association with performance.

- Domestic financial institutions do not have any significant impact on performance of firms. Another observation is that though the effect of public financial institutions on performance is insignificant, it is a positive association as against some previous work (Ramaswamy et.al. 2002) citing lack of incentive to monitor and pursuance of non-profit motives by these institutions as reasons for a negative association with performance in the Indian context. Mutual funds and insurance companies investment is also not large enough to serve as a monitoring device individually.

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Service Quality, Customer Value and Satisfaction: An Examination of Inter-Linkages in the Public and Private Sector Banks in India

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Abstract: **With increasing competition in the financial services sector in general and banking industry in particular, service quality has gained importance as a strategic tool to compete in the market and retain customer base. Services marketing literature posits service quality to be affecting customer satisfaction both directly and indirectly through mediation of customer value perceptions. There is, however, a dearth of studies examining empirically these linkages in the context of banking sector in India, especially across the public and private sector banks in the country. Since the two types of banks differ the way they operate and provide services to the customers, it is possible that the inter-linkages among service quality, value and satisfaction perceptions might also differ. In order to fill this void in literature, a survey of customers of public and private sector banks was carried out. Using a structured non-disguised questionnaire, information regarding customer perceptions of service quality, value and satisfaction in the two types of banks was collected. The analysis of the collected data through confirmatory factor analyses and structural equation modeling approaches, however,reveals that while in overall terms the structure of relationships in the two types of banks is similar;relatively stronger linkages among the constructs exist in the case of private sector banks. Based on the study findings, implications for the bank management and directions for future researches have been provided.**

Keywords: **Service quality, Customer value, Customer satisfaction, Public and private sector banks in India**

1. INTRODUCTION

Indian banking sector has undergone significant changes during the last two decades. Number of banks and branches has increased significantly from that was before reforms. Another noteworthy change in the Indian banking sector relates to introduction of new products and modes of operations. Little wonder competition in the banking sector has considerably increased over the years. Customers too have become quite demanding and discerning. As a result of these changes, it has become a challenging task for the banking services marketers to acquire new customers and retain the existing ones.Service quality has emerged as an important tool to attract, retain and grow the customer base and achieve better performance in the present day competitive era (Olsen, 2002; Zhou, 2004; Jain & Gupta, 2008).

In view of the importance of service quality and its contribution to customer satisfaction and better bank performance, service quality has received considerable attention of the researchers in the past in respect of conceptualization ofservice qualityconstruct (e.g., Gronroos, 1982; Parasuraman, Zeithaml,& Berry, 1985,1994)as well as empirically examining its linkages with various consumer behavior constructs such as customer value, satisfaction and behavioral intentions (e.g., Cronin & Taylor, 1992, 1994; Zeithaml, 1996, 2000; Brady & Cronin, 2001; Zhou, 2004; Clemes,Ozanne, & Laurensen, 2010; Zhou, Lu, Zhang, & Chau,2012) which hold potentials to add to the service firms' financial performance.

While a great majority of the studies have found service quality to be *directly*affecting customer satisfaction(e.g. Oliver, 1980; Zeithaml, 1988; Cronin & Taylor, 1992; Leung,Li, & Au,1998; Cronin, Brady, & Hult,2000; Park & Kim, 2006; Clemes et al., 2010; Jain & Jain, 2015), a few other studiesreport its *indirect* influence on customer satisfaction through mediating role ofcustomer value (e.g., Cronin et al.,2000; Kuo, Wu, & Deng,2009; Lai, Griffin, & Babin, 2009). There is thus lack of consensus at this front, may be due to differences in service sectors examined and different methodological approaches used (Jain & Jain, 2012).

Examination of such linkages is important in the financial services sector too, but there is a conspicuous dearth of studies in the area. A few studies have been undertaken in the banking sector (e.g., Leung et al.,1998; Park & Kim, 2006; Jain & Jain, 2015), but these studies too suffer methodologically for having examined the relationship among the three constructs primarily through correlation and regression analyses (e.g., Debasish, 2001; Gupta, 2005; Jain & Gupta, 2008). No effort has, moreover, been made in the past to examine whether these linkages vary across the public and private sector banks. Since the two types of banks differ in terms of infrastructural facilities as well as operational mechanisms, it is possible for the levels of service quality, customer value and customer satisfaction as well as inter-linkages among them to differ between the two types of bank. The present paper is an attempt to fill this void in services marketing literature.

The paper is divided into five sections. Firstsection provides a conceptual overview of three core constructsunder investigation in the study, viz., service quality, customer value and customer satisfaction. The next section examines linkages of service quality with customer value and satisfaction which constitutes the focal issue being investigated in the present paper.Research design used in the study is discussed next. Survey results are presented and analyzed in the fourth section. Final section summarizes findings ofthe study and provides managerial and research implications.

2. SERVICE QUALITY, CUSTOMER VALUE AND CUSTOMER SATISFACTION: AN OVERVIEW

Service Quality

There continues to be lack of consensus as to what service quality means. Majority view, however, favorsthe definition provided by Parasuramanet al. (1985, 1988, 1991, 1994) who have explicated it as "a global judgment, or attitude, relating to the superiority of the service”and have operationalizedthis construct with the help of an instrument known as SERVQUAL scale (Jain & Jain, 2012).SERVQUAL is a 22-item scale is comprised of five dimensions, namely reliability, assurance, tangibles, empathy, and responsiveness.Service quality is computed as a mean score of differences between the perceptions of what customers think they are getting from the service provider against what they expect to be getting from their service provider (i.e., P-E).

SERVQUAL has been a very popular scale and has been employed in a large number of studies in its original or modifiedversion of SERVQUAL scale(e.g., Parasuraman et al.,1991; Bahia & Nantel, 2000; Jain, 2008; Awan, Bukahri, & Iqbal, 2011). In view of conceptual and methodological problems with the expectation component of the scale, Cronin and Taylor (1992) suggested dropping this component from the scale. The scale proposed by them is referred to as SERVPERF scale. This too is quite popular scale and has been employed in several past studies (Cronin and Taylor, 1992; Bolton and Drew, 1991; Jain and Gupta, 2004).

Customer Value

Customer value too has been defined differently by different researchers in the past. Simply speaking, however, it can be conceptualized as referring to a tradeoff between *perceived benefits* and *perceived costs* (Zeithaml, 1988). Customer value is a broader concept than service quality. As *perceived benefits*, it includes evaluations of not only the service quality that the customers receive from the service provider, but also other product attributes such as features, functions and brand name which accompany the service offer. Evaluation of customer value is, moreover, based upon p*erceived costs* that arecomprised ofboth the monetary and non-monetary costs that the customers incur to obtain services from the service provider (Zeithaml, 1988;Kuo et al.,2009).

Customer Satisfaction

Even the construct ‘customer satisfaction’ lacks a clear-cut definition. There is no unanimity among the researchers as to what customer satisfaction means and how it needs to be operationalized(Oliver, 1980; Yi, 1990). Eexpectancy-disconfirmation paradigm, however, posits itas a post-purchase response that occurs in the consumer mind as a consequence of comparing pre-purchase expectations and perceived performance (Oliver, 1980). Based on this paradigm, customer satisfaction is operationalised as difference between customer expectations and perceived performance of a product or service that a customer has consumed. While a *positive disconfirmation*(i.e., a positive difference between customer expectations and perceived performance) is viewed as referring tocustomer satisfaction; a *negative disconfirmation* (i.e., a negative difference) implies customer dissatisfaction, tending to adversely affect customer’s relationship with the service provider. And a *confirmation* arises when expectations match with perceived performance (Oliver & DeSarbo, 1988; Patterson & Spreng, 1997).

Though the term ‘customer satisfaction’ when defined from a disconfirmation perspective appears similar to service quality construct as conceptualized and operationalized by Parasuraman et al. (1985, 1988, 1991 and 1994), there exists a different between the two constructs. Spreng and Mackoy(1996)in this connection have rightly opined that satisfaction is a post consumption affective state that is characterized by a consumer’s“emotional reaction to a product or service experience (Jain & Jain, 2015).

3. SERVICE QUALITY, CUSTOMERVALUE AND CUSTOMER SATISFACTION: THE INTER-LINKAGES

Both conceptually and empirically, past studies show service qualitybeingpositively related with customer value (e.g., Cronin et al.,2000; Brady, Cronin, & Brand, 2002; Wang, Lo, & Yang, 2004; Lewis & Soureli, 2006; Kuo et al., 2009; Lai et al., 2009, Jain & Jain, 2015) which in turn has been reported to be positively associated with customer satisfaction(Cronin et al., 2000; Tung, 2004; Wang et al., 2004; Ismail, Abdullah, & Francis, 2009).

So far as relationship between service quality and customer satisfaction is concerned, past researchers indicate both direct and indirect relationships existing between the two constructs. Several past studies point out that service quality directly affects customer satisfaction (e.g. Oliver, 1980; Zeithaml, 1988,1996; Cronin & Taylor, 1992; Rust & Oliver, 1994; Taylor & Baker, 1994; Spreng & Mackoy, 1996; Cronin et al., 2000; Brady et al., 2002; Jain & Gupta, 2004, Yavas et al., 2004; Clemes et al., 2010).Even in the banking sector, a few past studies reveal service quality being a significant antecedent of customer satisfaction (Johnston, 1995; Zhou, 2004; Brady et al., 2005; Bei & Chiao, 2006; Kassim & Souiden, 2007; Jain & Jain, 2015). But a few past studies also show that service quality affects customer satisfaction indirectly too through intermediation of customer value perceptions (e.g., Cronin et al., 2000; Kuo et al., 2009; Lai et al. 2009; Clemes et al., 2010). Since customer value perceptions take into account both the perceived benefits (including service quality) and costs, these very much can be expected to be acting as a mediating variable.

4. RESEARCH DESIGN

In order to investigate the linkages among the three constructs in the context of present study, a structured non-disguised questionnaire was used.

Initially, it was decided to use 'performance only' version of the SERVQUAL scale, i.e., SERVPERF scale. A major limitation of these scales, however, is that both these scales primarily focus upon measuring functional or process aspect of service quality (i.e., *'how'* part of the service delivery). '*Outcome' or 'technical'* quality that deals with '*what'* part of service delivery (i.e., what customer eventually gets after completion of a transaction with the service provider) is largely missing from the scale (e.g., Gronroos, 1982, 1984, 1990; Brady & Cronin, 2001; Jain and Jain, 2012; Jain and Jain, 2015a). Since outcome quality is an important aspect of service quality and has also been empirically found as a significant determinant of customer overall service quality perceptions and customer satisfaction (e.g., Powpaka, 1996; Brady & Cronin, 2001; Kang & James, 2004; Jain, 2008; Yoshida & James, 2010; Jain & Jain, 2015b), it was decided not to use SERVQUAL scale in the present study. Instead a four-item direct measure of service quality perceptions was used (for details about scale items, see Jain & Jain, 2015b).

Customer value and satisfaction perceptions were measured with the help of 3-item and 7-item scales respectively. While three items of customer value scales were adapted from the studies of Hartline and Jones (1996) and Wei (2010), 6 items of customer satisfaction were adapted from the studies Kang and James (2004) and Wei (2010). One item of the customer satisfaction scale was developed by the author themselves.

A list of the scales items finally retained in the study after scale validation is provided in Appendix I. It may be mentioned here that the responses to all the scale items were obtained on 7-point Likert scale, ranging from '1' (Strongly disagree) to '7' (Strongly agree).

A survey of customers of public and private sector banks located in and around Delhi was carried out, using quota sampling method. A total of 500 customers were approached, but only 312returned the duly filled in questionnaires. Of these, while 178 were from public sector banks, 134 were from the customers of private sector banks. In both the sub-samples, majority of the respondents were males, married, graduates and service class people. Both the sub-samples were comprised of respondents belonging to different age and income groups.

5. DATA ANALYSIS AND RESULTS

The collected data have been analyzedusinga two stage SEM approach recommended by Anderson and Gerbing (1988). First the measurement model was specified and tested thorugh confirmatory factor analysis (CFA), and then the structural model was analysed. Various parameters have been estimated using maximum likelihood (ML) method.

As far as testing of measurement model is concerned, each of the scales used in the study was subjected to various rounds of reliability and validity analyses.Items not found appropriate in terms of their Cronbach alpha values, item-to-total correlations, factor loadings and other parameters were dropped from the scales. In the final analysis, all the scales with two items each were found to be valid and reliable measures of their respective constructs.

Having assessed the validity of the three scales, a structural model was specified. Two items each retained after the purification process for the three constructs(viz., service quality, customer valueand customer satisfaction)were employed as manifest variables in the structural model. The model showing linkages among the latent constructs is presented in Figure 1.

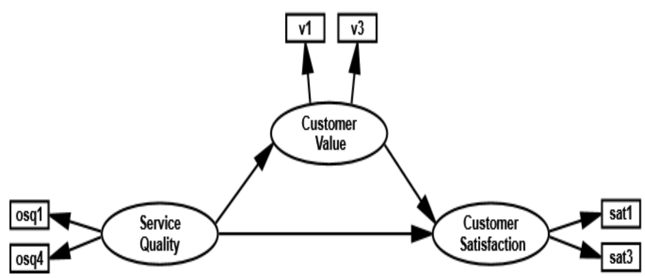

Fig. 1: Service quality, Customer value and Customer Satisfaction: A Structural Model

Various goodness-of-fit statistics were computed and these indicate good model fit in the case of public as well as private sector bank samples (see Table 1). Chi-square values for both the samples were insignificant, thus implying good model fit. Even χ^2/df values for both the samples were substantially less than 3.00 (Hair et al., 2006). GFI, CFI and TLI values were higher than the prescribed thresholds of 0.95 (Hair et al., 2006). RMR values too were lower than prescribed threshold of 0.05. While RMSEA value for public sector banks sample was observed to be considerably lower than 0.05 level prescribed for a good model fit; it around 0.08level in the case of customers of private sector banks, thus indicating only an adequate fit (Hair et al., 2006).

TABLE 1: Linkages of Service Quality, Customer Value and Customer Satisfaction: Fit Indices

Sample	χ^2 value	Sig. level	df	χ^2/df	GFI	CFI	TLI	RMR	RMSEA
Public Sector Banks	6.503	0.369	6	1.084	0.983	0.998	0.996	0.030	0.027
Private Sector Banks	11.306	0.079	6	1.884	0.965	0.983	0.957	0.042	0.092

Estimates relating to path coefficients andR^2 valuesare reported in Table 2. In both the public and private sector banks, service quality can be observed to be having a significant and positive relationships with customer value ($\beta = 0.77$, $p \leq 0.001$ and $\beta = 0.85$, $p \leq 0.001$). With customer satisfaction too, service quality has a positive and significant relationship ($\beta = 0.57$, $p \leq 0.050$for the public sector banks sample and $\beta = 0.83$, $p \leq 0.001$ for the private sector banks sample), thus confirming direct influence of service quality on customer value as well as customer satisfaction perceptions.Finding of the present study are thus in conformity with those of previous studies (Johnston, 1995; Cronin et al., 1997, 2000; Zhou, 2004; Brady et al., 2005; Bei & Chiao, 2006; Kassim & Souiden, 2007; Lai et al., 2009, Jain & Jain, 2015) which to have found service quality as being a direct antecedent of customer value and satisfaction perceptions.

TABLE 2: Linkages of Service Quality, Customer Value and Customer Satisfaction: Path Coefficients and R^2 Values

Regression paths	β coefficient	
	Public Sector Banks	**Private Sector Banks**
Service Quality→ Customer Value	0.77***	0.85***
Service Quality→ Customer Satisfaction	0.57*	0.83***
Customer Value→ Customer Satisfaction	0.42	0.18
R^2 values:		
Customer Value	0.59	0.71
Customer Satisfaction	0.87	0.97

*Note: 1. Significance level *** $p \leq 0.001$, * $p \leq 0.050$*

The variable 'customer value', however, is not found bearing any significant direct relationship with customer satisfaction. Insignificant beta coefficientsin respect of the path between customer value and customer satisfaction perceptions for the two samples in Table 2 signify absence of indirect effect of service quality on customer satisfaction. While the results are in conformity with those of few past studies which have found direct relationship of service quality and customer satisfaction constructs (e.g., Johnston,1995; Zhou, 2004; Brady et al., 2005; Bei & Chiao, 2006; Kassim & Souiden, 2007; Jain and Jain, 2015b), these appear to be contrary to those of select studies which have found customer value acting as a mediating variable between the service quality and customer satisfaction constructs(e.g., Cronin et al., 2000; Kuo et al., 2009; Lai et al. 2009; Clemes et al., 2010).

6. DISCUSSION AND IMPLICATIONS

The present study was undertaken with a view to examine whether linkages among service quality, customer value and customer satisfaction differ across the public and private sector banks. Since the public and private sector banks differ in their infrastructural facilities as well as process components, it was expected that these two types of banks would differ in terms of levels of their service quality and its linkages with customer value and customer satisfaction.

Findings of the present study provide two useful managerial implications. Firstly, the study finds service quality to be affecting, but only*directly,* consumer satisfaction.This finding implies that bank management of both types of banks needsto focus on providing superior service quality. Provision of high quality services can help banksmaintain and retain their customer base. Secondly, the study finds that R^2 values in respect of customer value and customer satisfaction are relatively lower in the public sector banks than is the case with the private sector banks sample. One possible reason for this finding can be that customers' perceptions of service quality as well as customer value and satisfaction perceptions are so quite low, and hence customers do not see piecemeal changes in quality levels to be contributing to any appreciable improvement in their value or satisfaction perceptions. Thus public sector bank management, therefore, needs to considerably revamp their service strategiesso as to enable customers perceive sizeable increases in service quality, thereby also contributing substantially to much higher customer value and satisfaction perceptions.

Like any other study, this paper too has certainlimitations. One major limitation of the study is its sample. Due to time and resource constraints, the study is confined to customers located in Delhi and its NCR region. Sample size used for each sub-sample is also not very large. The study findings, therefore, do not appear generalisable to the customers of the banking industry as a whole. Future studies employing larger samples and selecting customers from various geographical areas are thus called for.

The study has focused on quality of services provided through traditional channel, i.e., retail banking outlet. Quality of online banking or e-banking services, as these have developed over the years, has not been covered in this study. This aspect needs to be investigated in future studies.

After validation of multi-item scales employed in the study, only two items each could be retained. Due to considerably reduced number of scale items used in the study, validity of the study findings isat stake. More items need to be identified and added to the three scales so as arrive at more reliable and valid results in the future studies.

Present study has not examined behavioural intentions which service quality literature postulates as an important consequence of customer service quality perceptions. Customer behavioural intentions too need to be examined in future studies.

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APPENDIX I: Items Retained after Scale Validation in the Study

	Dimension/ item code/ item		Source
Service Quality			
	osq1	Bank provides good services	Brady et al., 2002
	osq4	I consider services provided by this bank to be one of the best in the area.	Brady and Cronin (2001)
Customer Value			
	v1	Considering the time, effort and money you spent in transacting with this bank, the value you get is high	Hartline and Jones (1996)
	v3	Your level of satisfaction with charges you pay for the bank services is high:	Wei (2010)
Customer Satisfaction			
	sat1	My bank provides services as per my expectation.	Self
	sat3	I consider it a right decision to stay with this bank	Gan et al. (2011)

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Smart-Phones as a Tool for Engaging Customers Digitally

Marketing, Customer Relationship management via Mobile Marketing

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Smart-Phones as a Tool for Engaging Customers Digitally
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Abstract: **Smart phones are the rising stars and marketers are using it to reach out to their customers. With increasing number of mobile phones, every customer has a technology in his hand and this indicates that not just the consumers are increasing but also the producers of the information are increasing at a greater pace. Not just the big companies but also small businesses are following the pragmatic approach for following their customers through smart phones. This paper focuses on the digital applications used by the companies to engage their customers via smart phones. The penetration of mobile phones has led to an explosion of various mobile applications. This study has classified the popular applications into certain categories and explains how these apps are being used to engage the users. The paper outlines the lessons learnt by following the trends in the market as ascertained by the recent publications and literature review, thereby suggesting for practical solutions to design an engaging application. In the recent future, mobile phones will be the most profitable medium making it the most attractive for investment by the companies. There is a need to study the differing facets in the field of mobile applications as the means of digital customer engagement.**

1. INTRODUCTION

“Stakeholder [Customer] engagement is the process used by an organisation to engage relevant stakeholders [customers] for a purpose to achieve accepted outcomes.” (AccountAbility, 2011).

The consumer engagement process is very interactive and based on the experiences of the consumers. It begins when there is a need for information by consumers as well as corporate. Customer engagement has positive results and definitely leads to higher benefits to the organizations.*Invalid source specified.*

Consumer engagement or customer engagement is a practice of engaging or involving the consumers of the product with the company or the brand. Its objective is to increase customer loyalty and long term relationships. Consumer engagement helps in converting the awareness into purchase. Consumers can engage not just with their products, brands & companies but also with one another, thereby leading to community participation and recommendations with respect to the products.

“Digital engagement uses digital tools and techniques to find, listen to and mobilise a community around an issue that might involve getting them to talk about it, give you their views or take action in pursuit of a cause they care about.”*Invalid source specified.*

As on 31st October 2014, Telecom Regulatory Authority of India (TRAI) report indicates that there were 935.4 million mobile connections in India (VLR count). Out of these, nearly 548 million were from urban India and the rest are from Rural India. According to I-Cube 2014, India had 159 million mobile Internet users as of October 2014. Out of this 119 million users were from Urban India and the rest 40 million were from Rural India. There has been a growth of 45% from October 2013.**Invalid source specified.**

Some of the trends discovered by the Ericsson ConsumerLab and their implications in the research are as follows: “Use of rapidly diversifying smart-phones through apps that can be used across all sectors of society is changing the society.” “….using smartphones as personal tracking devices.” *Invalid source specified.*

Since the use of smart-phones is reshaping the habits and the lifestyle of the society, the consumers, which are the part of that society and also the stakeholders of the corporate, are also changing, and so the means of reaching and involving the customers in the marketing process. One of those means can be smart-phones. "…..the availability of cheaper smart-phones is providing more consumers with the opportunity to participate online. In India and Indonesia, the smart-phone is now the primary internet device." The trend mentioned here indicates clearly that more consumers can be engaged and a large number of people can be reached through internet as most of them participate online via smart-phones. Therefore, smart-phones can be used as a means of mass marketing as well. *Invalid source specified.*

The paper outlines the lessons learnt by following the trends in the market as ascertained by the recent publications and literature review, thereby suggesting for practical solutions to design an engaging application.

2. MOBILE APPLICATIONS: AN AID TO DIGITAL ENGAGEMENT

Since the reach of smart-phones has deepened in Indian markets, there is a growing need of more user-centric applications. The upcoming start-ups are aiming to design the localised technologies. More and more people in India are now using the smartphones, most of the features of smart-phones are in English. Since most of the people prefer local languages over English, it is creating a digital gap. **Invalid source specified.**

Firstouch, a smart-phone company has designed a regional operating system in ten vernacular languages. This operating system "allows users to translate or transliterate content by simply swiping the screen." "Newshunt is providing vernacular content online by offering news in 12 languages from over 100 publications."

"Utility services need to be digitised in local languages." Since the mobile commerce will increase in future, availability of online websites and payment portals in local languages will reduce the barriers for doing transactions by local users. "It's not simply translation of language, it's localisation-understanding the customer' preferences from a very local perspective in terms of type of content delivered, the medium it is delivered on, and the language in which it is delivered." **Invalid source specified.**

In order to engage customers all the policies of the companies revolve around the customers. Companies are localising by language, technology, content as well as policies.There are various touch points where mobile phones are used to engage the customers regularly by applying innovative tactics:

3. PRODUCT DISCOVERY APPLICATIONS

For the modern markets, customers are being reached through digital platforms where they can get the information about various products and brands at one place on their mobile phones. These applications provide plethora of expedient services to the users like product description, price comparison, product comparison, public reviews, ratings, availability of stock, etc. Snapdeal, Flipkart, Amazon, Housing.com, Myntra, Jabong, OLX, Quikr and Gaana.com are some of the most popular applications in Indian markets currently.

4. SEARCH ENGINE APPLICATIONS

"A search engine is a web-based tool that enables users to locate information on the World Wide Web. Popular examples of search engines are Google, Yahoo!, and MSN Search." *Invalid source specified.* The search engine sites have now moved from the desktops to the mobile applications. For marketers, these are the latest touch points for engaging the smart phone users. Google, Bing and Yahoo! are some of the examples for search engine applications.

5. GEOSPATIAL APPLICATIONS

Location-based services use geospatial technologies by integrating the data collected through the network from the smart-phones of the users."LBS does not focus on one single problem, but it looks at multiple problems and provides one single solution." **Invalid source specified.**The key principles for location-based services are to engage users (citizens and businesses) for smooth delivery of services and to ensure the access of services by greater number of users.

"Geospatial information, also known as location information, is information describing the location and names of features beneath, on or above the earth's surface. Geospatial information supports a wide range of business, government and community activities like:

- Helping emergency forces locate addresses and other important information so they can quickly respond" *Invalid source specified.*
- Deciding where to build important services like a hospital, school, restaurant etc.
- safety and security applications are used to locate a particular device to find any person
- Mapping services

Foursquare, Yelp, Google maps, Ola cabs, Uber and Here use location based services which are an example of geospatial applications.

6. CUSTOMER CARE

"Most businesses are constantly striving for ways to improve processes, deliver better service, provide a better experience for their customers and generally move upward and onward. Today's customers want instant gratification, and they expect concerns and errors to be addressed rapidly and sufficiently across multiple channels." *Invalid source specified.* Customers now want to use smartphones for instant feedback and self services. "Customized self-service becomes the model that users demand and organizations must adapt to. Leveraging mobile technology to engage with customers on their terms is the first step." *Invalid source specified.*

Haptik is popularly used as a mobile application to file complaint or service request, Zipdial uses missed call alert for getting back to the customers who have queries.

7. CONSUMER GRIEVANCE

Now the consumers can file complaints not just online but also via their smart phones. The consumers can directly talk to the brands and give their opinions in just one click. The companies are just an application away from their customers. Mobile apps are helping the brands to reach out to the customers and solve their queries in very less time. With such innovations consumers also expect instant gratification.

Akosha, now rebranded as HelpChat is a new mobile application which has consumer forums, allows the community of consumers to share reviews about their experiences with the products and services, file complaints and connects the brands with their consumers directly. **Invalid source specified.**, **Invalid source specified.** Recently, Indian Railways has also launched its own mobile application for customer grievances. **Invalid source specified.**

8. HYPER LOCAL

Hyperlocal connotes information oriented around a well-defined community with its primary focus directed toward the concerns of the population in that community. *Invalid source specified.* Using the GPS from mobiles, the application connects the customers with the local service providers like grocery delivers, laundry, mechanic services, utilities etc. PepperTap, Big Basket and Grofers are some examples of hyperlocal mobile applications.

9. DIGITAL PAYMENTS

Broeders and Khanna (2015) claimed that the expansion of retail banking is currently taking a new path through digital banking. The article explores the trends in near future in the area of banking technology and coverage. It was suggested in the study that "digital laggards could see up to 35 percent of net profit eroded, while winners may realize a profit upside of 40 percent or more." Also in order to succeed digitally, banks need to adopt the habits and culture of digitally native companies. "Within the next five years, digital sales have the potential to account for 40 percent or more of new inflow revenue in the most progressive geographies and customer segments."

It has been predicted that digital aspect will extend to each operation of bank, from production to human resource management. "Successful strategies need to be based on a clear understanding of how digital creates value, granular perspectives on consumer behavior and market dynamics, and careful prioritization by top management among hundreds of potential digital investments" **Invalid source specified.**

Following are the ways in which the digital capabilities create value are:

1. Digital technologies increase a bank's connectivity.

2. It refines decision making by drawing upon big data and advanced analytics.

3. It enables straight through processing.

4. It fosters innovation across products and business models.

Currently most of the banks are in the early stages of digitisation and some elements which need to be noticed carefully are:

"User-centered customer-journey design. Customer journeys should be compelling and highly differentiated, combining personalization, speed, and ease of use for all processes, including applying and getting approved for a loan, opening and understanding how to make full use of an account, and reconciling payments. To make this leap in the delivery of customer journeys, banks need to act quickly to acquire deep capabilities in user experience and user interfaces.

- *Personalization, leveraging data, and advanced analytics.*
- *Rapid experimentation and agile development*"

For a digital transformation, the banks need to develop a culture similar to that of digitally native companies. The most important element which needs to be considered is organizational orientation, mind set and ability to face strategic challenges. Since all the technology and operations of banks will be transformed to digital operations, the ways of dealing with consumers and engaging the customers with the companies will also change drastically.**Invalid source specified.**

"ICICI Bank Ltd. Has launched a cashless payment system", it is a prepaid system where the customer needs to have a savings bank account at any bank and a registered mobile number. "Tap-n-pay allows you to make a payment by tapping the tag at the point of sale (PoS) machine." The customer can register the mobile number as the account number on the linkl provided by the ICICI bank and recharge the account with minimum first time deposit amount of Rs. 100, use the near field communication (NFC) tag and make the electronic payment. With such a platform the customer does not need to carry the debit card or credit card or cash. The transaction limit is Rs. 500 per day, with maximum deposit amount of Rs. 10000 and the NFC tag issuance fee may vary from Rs. 50 to Rs.100. **Invalid source specified.**

The mobile application can be used to view the account balance and the MPIN is required to authenticate the transactions. Moreover, the customer receives the SMS alerts for transactions. The system is secure for transactions, allows for logging in blocking and using the NFC tag after authentication.

The services of ICICI bank have been digitised to a large extent. The bank is leading in the launch of innovative mobile applications. More such innovative products are foreseen in the near future.

Social Media and Video Invasion via Digital Engagement

"India is the second largest market for social networking giants such as Facebook and LinkedIn; 58,000 new users get connected on to a social network every day."*Invalid source specified.*

After YouTube new distribution platforms for videos have invaded the industry for media like Facebook, Snapchat, Apple TV, etc. But being a giant in the social media industry, Facebook is gaining a great amount of traction in video advertisements. The video creators are surprised by the penetration via social network of Facebook in the market of audiences where videos by digital media companies get around millions of viewers in less than a month.

"Seemingly overnight, video uploading and viewing have exploded on Facebook, where users watch 4 billion video streams a day." This is because the Facebook interface has been made more video friendly that makes it easier to upload, watch and share videos on Facebook and also embed these videos on other web sites. "The new video-tech innovations not only encourage its users to spend more time on the site, but they also make it easier for marketers to reach those users." **Invalid source specified.**

There is an anecdotal evidence of users having long attention spans to the videos. Videos keep the users glued to their Facebook account for longer durations and slot in more time to see more number of ads. The option of uploading videos by the users helps creating user generated content and hence it keeps the customers engaged. The marketers are now advertising on internet or social networking websites through videos just like television ads.

Mobile advertising has played a major role in contributing to the revenue of Facebook. Mobile videos are becoming popular among the users. "Videos, especially mobile video, could blow up just as dramatically for Facebook, offering a gateway for advertisers to reach digital consumers in the format that most closely resembles television." **Invalid source specified.**

Presence of video creators on Facebook does not seem to threaten the position of YouTube, but it will lead to users' existence on both the web sites. Facebook has competitive advantages of determining which content shows up in the News Feed of a user, personal data of the customers and automated video loadings. On the other hand, YouTube still holds the position of default video web site with the feature of allowing people to search for videos they are looking for. Some of the factors making "videos" as an unsurpassed tool of digitally engaging the customers are:

- Long attention spans
- Users generated content (users creating and uploading their videos)
- Finest way to communicate messages
- Emotional congruence can be created
- Large number of viewers present on internet especially social networking websites
- Availability of big data
- Speedy penetration
- Use of mobile phones for uploading, watching and sharing videos

Due to a deeper penetration of the smart-phones, now everyone is connected to their social groups for 24 hours a day. The speed and mass reach of social networks have a power to impact large number of people in a very short span of duration. Emotional and influential videos can be shared across the world and hence they are prerogative of becoming a social contagion. Owing to mobile technologies, both the private social networks like whatsapp, hike, gmail, etc. as well as public networks like facebook, google+, twitter, etc. can be used to engage customers digitally.

10. IMPLICATIONS FOR MARKETERS

The ubiquity of mobile applications is the ground for an enigma for the marketers to create applications which makes them stand out of the crowd. For working out in such situations the mobile applications must be influential and engage the customers continuously. Some of the lessons adapted from the best mobile applications and previous trends, which might help the marketers to design a highly engaging application, are as follows:

Engaging the Mobile Users

Most of the mobile app users discontinue using the application after the first downloads only. This infers that marketers need to keep the people interested through the application. The constructs affecting the engagement element in the applications are: idea of the application, content, user experience and on-boarding experience.

- Application Idea: Idea of the application in itself must be appealing to the users. Most of the initial downloads are on the basis of the basic idea of the app. Hence, the idea should be
- User experience: User experience encompasses all the interactions between the users and the application including how well it works, simple to understand and other elements related to experience. Unpleasant experiences result in customer dissatisfaction, negative reviews and un-installation. Application must be designed as such operating it becomes easier.
- On-boarding: When the user downloads the application and uses it for the first time, the first interaction with the user is known as on-boarding. The first impression that the marketers try to create about the application should be pleasing and enjoyable. Easy login, making the application interactive and maintaining the progress of the user alleviates the process of engaging the users.

Tell your customers an interesting story

The marketers should connect naturally to the customers. Story-telling is a way to connect to the customers and makes them care about the business. Developing a story around the product offered helps in building a bond between the customer and the business. There are two approaches for developing the story:

- Personal approach: this refers to how the business idea emerged and the product originated. Telling the customers the source of motivation behind the idea is emotionally appealing and highly engages the users.
- Higher purpose: the higher purpose refers to the shared vision about the business. It is a higher purpose or goal of the business. The onset of a movement, fostering partnership, sharing goals or vision and developing socially impactful ideas leads to social contagion.

A blend of both the approaches can be done for building up an engaging story for the customers.

Tracking via Digital Metrics

Gauging the success of the application in acquiring the users helps to determine the deviations from the goals and causes of the failures. The sophisticated metrics should be carefully used to measure the number of users retained, the reasons of existing users to continue, the number of new users acquired, number of disengagements and the customer profiling for further uses. Judicious use of big data is currently required in the field of digital engagement, failing which the companies might have to face dire consequences.

11. WAY FORWARD IN FUTURE

The implications of this paper are significant for the marketers who want to engage their customers digitally and grow their business by expanding the reach over less expensive channels. But the major limitations of the study include the lack of empirical research and anecdotal results which may not be true in all the situations. Connectivity to internet network is the foremost reason for using mobile marketing or smart-phone applications as a means of digital engagement. But lack of connectivity in countries like India and slower bandwidth act as setbacks and causes impediments in using mobile applications for seamless interactions with the customers. In the midst of such questions we have the scope of further research in the following areas:

i. For determining how to create commercial online environments that engage consumers so that important marketing objectives, such as extended visit durations, repeat visits and online purchase objectives may be achieved

ii. Studies can be done on the impact of consumer participation and engagement with the corporate via smart-phones (including other spheres like internet, social media, technology, apps etc.) on the consumers' perceptions preferences and choices in Indian context.

iii. The content management and its impact on the consumer engagement and value co-creation can be studied through a more in–depth study of strategies used by different companies through e-crm tools, case studies can be discussed in practical approach and various tools can be suggested and recommendations can be given on how to engage consumers successfully via internet for managerial implications.

iv. The strategies to be implemented to engage the customers with digital banks should be explored and studied and the impact of customer engagement interventions due to digital advancement on consumer behaviour and profitability of banking firms. How the digital capabilities create value for banks as well as customers and the managerial implications in this respect. Mobile banking, being one of the most discussed and invested mode of digital means in India currently can be studied further for better engagement via smart phones.

12. CONCLUSION

Smart phones are the rising stars and marketers are using it to reach out to their customers. With the increasing number of mobile phones, every customer has a technology in his hand and this indicates that not just the consumers are increasing but also the producers of the information are increasing at a greater pace. Not just the big companies but also small businesses are following the pragmatic approach for following their customers through smart phones. The penetration of mobile phones has led to an explosion of various mobile applications. This classification of the popular applications into certain categories explains how these apps are being used to engage the users outlines the suggestions for practical solutions to design an engaging application. In the recent future, mobile phones will be the most profitable medium making it the most attractive for investment by the companies. There is a need to study the differing facets in the field of mobile applications as the means of digital customer engagement.

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Bottom of Pyramid: A Strategic Design for Micro Finance

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Abstract: **Microcredit as the name suggests means extending small loans to weaker section and that too without any collateral. It has emerged as a powerful mechanism to deliver financial services particularly credit to the section of the community that has been excluded from the services of the main stream institutions and that section of society being referred as Bottom of Pyramid. The bottom of pyramid refers to the weaker section of the society that has been neglected by many formal financial sections of the society. Some authors stated it as a tool of combating poverty by seeing the poor households as a bulk of consumers if supported by financial help can create a major demand, others see it as an area of developing suppliers or as entrepreneurs where many job opportunities can be created and can lead to sustainable development. Gradually the concept which has started as Microcredit in most of the developing nations has mushroomed as an umbrella of Microfinance, which not only includes the provision of loan but also the financial services such as savings, remittances, provision of risk mitigation products like insurance and providing financial counseling etc, here the focus is savings and not just the availability of credit. The paper highlights the significance of Micro Finance for combating poverty, how it has been developed as a strategic tool for improving the economic and social status of bottom of pyramid members etc.**

Keywords: **Bottom of pyramid, Micro-Credit, Self help groups, economic impact, Micro finance.**

1. INTRODUCTION

For building fortune at the bottom of pyramidto combat poverty and to bridge the gap between the demand and supply factors Microcredit emerged as a ray of hope. Though many programs have been instigated for providing the access to credit starting from establishment of cooperatives, RRB's (Regional Rural Banks) followed by the nationalization of Banks but the endeavors was futile in bridging the gap between the rich and poor. Many studies reveal that even after liberalization the poor depend more on the informal sources rather than approaching the formal institutions.

Since independence, the priority agenda before the government officials and ministries has been to initiate programs of poverty alleviation and rural development of the poorest section of the society. The poorest socio economic group known as the bottom of pyramid is always being neglected by the formal institutions due to the fact that it remains far more costly to lend small amounts of money to many people than to lend large amounts to a few. The other side of the coin is that some academicians, corporate noticed it as a fortune of all the companies and MNC's which is still being neglected by many major players. The poor households carry so much of potential and manpower which if being utilized in effective manner supported by the financial help can do wonders for bringing them to the middle section changing them from lower section of society.

Microcredit as the name suggests means extending small loans to poor people and that too without any collateral. It has evolved as a powerful mechanism to deliver financial services particularly credit to the section of the community that has been excluded from the services of the main stream institutions. Gradually the concept which has started as Microcredit in most of the developing nations has mushroomed as an umbrella of Microfinance, which not only includes the provision of loan but also the financial services such as savings, remittances, provision of risk mitigation products like insurance and providing financial counseling etc, here the focus is savings and not just the availability of credit.

The Bottom of the Pyramid (BoP) movement consists of multinationals activein developing countries trying to reach poor people to sell them their products orservices. The BoP marketing concept approaches the poor not as victims but aspossible customers of products or services. Turning the poor into consumers does notonly provide revenue for companies, but also has positive impacts on the welfare ofthe poor (Prahalad, 2005). A company partners with local people to create adistribution network. Salespeople are thoroughly screened and trained before they canopen a selling point for the company's products. Entrepreneurs who sell products ofBoP businesses often have to meet guidelines, so that the company's brands remainunder control of the firm. Examples of multinationals that work with the BoP concept are personal care and food producer Unilever in India, mobile telecommunicationscompany Vodafone in Kenya, and consumer electronics producer Philips in India.

2. OBJECTIVES

The bottom of pyramid the lower section of the society has been seen as the fortune for many companies. Some authors stated it as a tool of combating poverty by seeing the poor households as a bulk of consumers if supported by financial help can create a major demand, others see it as an area of developing suppliers or as entrepreneurs where many job opportunities can be created and can lead to sustainable development. Thus the study will focus on studying the impact of micro finance as a strategic tool for building the fortune at the bottom of Pyramid with following objectives:

1. To study & understand the conceptual framework of Micro Credit and explore major players of Micro Credit.

2. To study concept of bottom of pyramid & analyze the potential of marketing and development opportunities for said section of society.

3. To measure the impact of Microfinance on the rural segment, whether the notion of Microfinance has achieved its ultimate goals of improving the income and savings of the rural poor and brought about empowerment of rural villagers etc.

4. To see whether there is sustainability of Micro Finance at the Bottom of Pyramid.

3. RESEARCH DESIGN & METHODOLOGY

For the purpose of the study, the secondary sources have been tapped. Secondary sources consist of relevant books, journals, articles, magazines, newspaper reports etc. The existing literature on the subject will be reviewed. In the present study the secondary data has been collected through RBI Bulletin, Grameen Bank Reports, Economic Intelligence Service, Center for Monitoring Indian Economy, Banking Statistics of India, newspapers, journals and Internet.

4. SUCCESS OF MICRO CREDIT

The success of the Microfinance can be seen worldwide as United Nation declared the year 2005 as the international year of credit and also the success of many Microfinance models like Grameen Bank in Bangladesh and Bank Rakyat in Indonesia etc. The efforts of the father of the Grameen Bank Muhammad Yunus has also been appreciated as he was awarded with Nobel prize in 2006.These activities have also created the interest of many private sector towards the Microfinance and especially towards the bottom of pyramid.

Kalpana (2006), discuss about the global development of the Microfinance Programs and explains how the successful model of Grameen bank in Bangladesh has been replicated in India with the starting of SHG (Self Help Groups) and many other programmes.

The following table disclose the success of micro credit programme in Bangladesh:

Coverage of Microcredit Programs

TABLE 1: Market shares Microcredit programs in Bangladesh Based on Bangladesh Bank (2010).

Organization	Number of borrowers	Market share	Outstanding loan (in million Taka)	Market share
NGOs	18,415,878	61.8 %	78,930.57	51.3 %
Grameen Bank	6,908,704	23.2 %	33,235.46	21.6 %
Government programs	1,997,240	6.7 %	7,710.05	5.0 %
Nationalized commercial banks	2,311,150	7.8 %	32,783.45	21.3 %
Private banks	164,113	0.6 %	1.106,46	0.7 %
Grand total	**30,096,836**	**100 %**	**154,383.43**	**100 %**

As the above table indicates that Grameen Bank has achieved a great amount of success in terms of market share,the number of borrower; etc.

Furthermore, Ted London at the William Davidson Institute at the University of Michigan focuses on the poverty alleviation implications of Base of the Pyramid ventures. They identified the Bottom of Pyramid as a Perspective, as a unique market-based approach to poverty alleviation. London has also developed the Bottom of pyramidImpact Assessment Framework, a tool that provides a holistic and robust guide for Bottom of Pyramid ventures to assess and enhance their poverty alleviation impacts. Companies, non-profits, and development agencies in Latin America, Asia and Africa.

According to a 1998 publication by Paul B McGuire, John D Conroy and Ganesh B Thapa, 2.5 crore poor households in India require Rs. 15,000 crores over nine years ending 2005. In another study, the demand for credit was found to be Rs. 9,000 per annum per household among the urban poor. The Paradigm Group survey concluded that average credit availed by each household was approximately Rs. 10,071 per annum in urban India. The source of more than 93.5 % of credit is from the informal sector, where interest rates are often very high. The formal banking sector provides only 0.8 % of the total credit. It is quite ironic that the fortune of most of the companies resides in the people who require financial help the most are the ones who have little access to banking services.

5. MICRO FINANCE AND BOTTOM OF PYRAMID

Many aspects of Microfinance and bottom of pyramid has been explained in this paper. Various authors have quoted variety of reasons for the need of microfinance institutions. The limitations of formal financial institutions force the rural segment to approach for informal loans.

In the context of restricted role played by Formal Financial Institutions Morduch (1999), explained that it remains far more costly to lend small amounts of money to many people than to lend large amounts to a few. Supporting the view SU (2007), says that the poor households were excluded from the formal credit network because mainstream lending institutions have a different set of attitudes while dealing with them.

Even the study of Basu and Srivastava (2006), elucidate that the reliance of the poorer sections is more on informal finance in comparison to formal financial institutions. Major source of informal borrowing is money lenders (56% households) followed by friends and relatives (21% households) and the largest uses of informal loans are for meeting "family emergencies"(29%) and "social expenditures"(19%) arising from events such as births, marriages, deaths. Some 13% of borrowers report using informal loans for investment related purposes.(RFAS 2003).

Many of them consider Microfinance as a powerful tool for alleviating poverty, gender inequality, an instrument for social transformation etc.

Shankar, Rao, Shah (2007), discovers that the rural credit is one of the cushions against the seasonal, unforeseen shocks.

The study of Khandelwal (2007), termed Microfinance as "banking for the poor" and claimed it as a powerful tool which can be used effectively to address poverty, empower the socially marginalized poor and strengthen the social fabric. Morduch (1999), express the hope is that much poverty can be alleviated and the economic and social structures can be transformed fundamentally by providing financial services to low income households.

Many studies highlights the success of the dominant Microfinance scheme i.e. SHG such as:

Nair (2005), reviewed the future of Microfinance in India stating that there should be convergence between formal and informal systems, the former deriving its strength from adequate financial resources and a robust system of regulation and governance and the later from its capacity to streamline the grassroots delivery of services, appears to be the microfinance model that would eventually evolve in the country.

Leach and Arora (2005), study is based on the lessons to be learned for India from South Africa which is dependent predominantly on private sector, Indian policy makers need to recognize the importance of improving the outreach of both credit and savings to rural households.

Prahalad (2004) proposes the idea that commercial businesses can be part of thesolution to eliminating poverty as part of a mutual value creation. In his opinion, thoseliving at the bottom of the economic pyramid (BOP) should be seen as 'resilIententrepreneurs and value-conscious consumers' (Prahalad, 2004).MuhammedYunus identified the paradox that those at the BOP lack access tofinancial services, which are often necessary to enable income generation. Yunus, whowas awarded the Nobel Peace Prize in 2006, developed the idea of microfinance, leading to the foundation of the Grameen Bank in Bangladesh.

Dasgupta (2006), investigated the Demand and Supply factors to be considered while providing the access to credit to the poor people explains that the MFI's (Microfinance Institutions) were set up with the motive to increase the access of the poorer people to financial services and for the fulfillment of same, the following Demand and Supply factors have to be considered.

Demand side includes the ability to:

- Avail the services
- Respect the service
- Utilize the resource efficiently.

Supply side factor include:

- Capital
- Regulation
- Supervision
- Delivery models
- Sustainability
- Adjustment to ability level of the demand side and then improving the ability level.

Nair (2005), paper quotes that the SHGs (Self Help Groups) are the major form of microfinance in India and there are very less chances of delinquencies on the loans provided to these groups. It suggests that federations could help SHGs to become institutionally and financial sustainable because they provide economies of scale that reduce transaction costs and make the provision of these services viable.

A recent study by Padala and Shanmukha (2007), sought to find out that the delivery of microfinance to the poor is productive, effective and less costly, if they are organized into SHGs. The SHGs movement in India in general and Andhra Pradesh in particular has let to rural economic development through the women entrepreneurship with the help of SHGs which provide them opportunities of self employment on a sustained basis in India.

Sharing the similar opinion Prasad and Mehla (2007), says that the SHGs have resulted in empowerment of women, reduced dependency on money lenders, easy access to credit to their members, and savings and moderate economic benefits.

Certain studies have suggested their outlook that though the SHG's have played a leading role in the development of the weaker section but still there are areas of upgrading Following paragraphs covers the studies offering their suggestion on the areas to be looked upon for the improvement of the working of SHG's:-

Basu and Srivastava (2006), recommend that, if SHG Bank Linkage is to be scaled –up to offer mass access to finance for the rural poor, then much more attention will need to be paid towards: the promotion of High quality SHG's that are sustainable, clear targeting of clients, and ensuring that banks linked to SHGs price loans at cost covering levels. A result of the study conducted in AP and UP state indicates that the majority of the beneficiaries of SHG Bank Linkage are from the poorer groups.

The concept and practice of SHG-based microfinance has developed deep roots in many parts of the country but still the impact assessment of the program is limited so far, as quoted by Chakrabarti (2006) , indicating that, a lot needs to be accomplished in terms of outreach to make a serious dent on poverty. However, the logic and rationale of SHG-based microfinance have been established firmly enough that Microcredit has effectively graduated from an "experiment" to a widely-accepted paradigm of rural and developmental financing in India.

Mahendra (2005), revealed that the leadership experience in SHG's greatly influences the bank account holding. Soundarapandian (2006), says that though there is a positive growth rate of SHGs in states but in terms of the growth of SHGs there is a wide variation among states.

Panda (2003), exclaims that though Microfinance has led to increase in income of the beneficiaries but still it may not be taken as a panacea for poverty alleviation. It has been found that impact of microfinance has not been uniform in all the states. While the so called developing states like Andhra Pradesh, Mahrashtra, Karnataka, Tamil Nadu, and Gujarat have responded very well other states like Bihar, Orissa are yet to respond. Tripathy (2006), articulate that Banks are now considering Microcredit as one of their important marketing avenues thereby facilitating to create a new market on Microcredit. Thus it has now become a global initiative and is considered as an important agenda of MDG (Millennium Development Goals) set by United Nations. SHGs formed under various programs provide a great scope for convergence of the programs / activities of various Ministries, Departments and Organisations targeting for improving the quality of life in rural India.

Schicks Jessica (2010), views that over-indebtedness is currently one of the most serious risks of microfinance, endangering both social impact and industry stability. It has the potential to push customers further into poverty, accompanied by the material, psychological and sociological consequences of debt.

On a similar note Kalpana (2005), examined that microfinance programs did not reach destitute sections, that the extreme poor sections who participated were not a majority and that the majority of the clients belonged to moderate poor and vulnerable non poor households. Satish (2005), concludes that Microfinance is a means or an instrument for development, not an end in itself. The growth of microfinance has to necessarily accompany by the overall growth in mainstream rural finance.

The literature points out many limitations of microcredit as a strategy to alleviate rural poverty. Nevertheless it is also true that this is a fast growing sector that is filling in an important lacuna not only in the rural credit market but also affecting overall development of the county.

6. CONCLUSION

Through the BOP approach, private companies certainly help to alleviate poverty,by focusing on the poor as both consumers of their products through the provision ofglobalized markets and viewing them as entrepreneurial producers who are aided by the access of financial services. The key question whether BoP is more sustainable then Microfinance can be answered positively. Looking at the totality of incentives for economic and social sustainability the management of BoP corporations seems to be induced more to implement policies for sustainable development than the management of Microfinance firms.In order to bring fortune to the bottom of the pyramid more innovative approaches need to be framed .Thus we can state that undoubtedly the Micro finance can work as a strategic design for BoP in the context of bringing a strategic change in the economic and social life of Bop members but still there is a road ahead.LikeModuch (2013) state that Financial Access like Micro finances is best thought of as a platform and it might just be the foundation that billions of poor families need to build more secure lives on their own terms.

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Social Entrepreneurship: Path to Social Development

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Abstract: **Social entrepreneurship can be defined as innovative solution to the social problems of the society, thereby leading to arrangements which further lead to social transformation. As the word goes it means enterprise which isn"t just a profit making machine but an institution which helps in bringing social change. This concept is quite relevant in towards society where there are major social imbalances. Social enterprise is one way to minimize this imbalance and lead to social development of the country. India is witnessing increase in number of enterprise which is contributing in shaping of the society and thereby betterment of the country.**

Our paper focuses on stressing the importance of social entrepreneurs in social development. Paper will also discuss the process of social entrepreneur and will also develop a model of successful social entrepreneur. Lastly we also aim to identify the areas where social entrepreneurs are generally found willing to invest. For the same our paper divided into VII sections.

Section I: highlights meaning of social entrepreneurs along with some important definitions.

Section II: deals with laying down of conceptual background about the same.

Section III: it is the review of literature.

Section IV: focuses on developing a model for social entrepreneurs and also highlights their contribution in social development of the society and thereby the country.

Section V: cities various examples of successful entrepreneur.

Section VI: conclusions and recommendations.

Section VII: Bibliography

Keywords: **social entrepreneurship, social development, innovative solutions, social transformation.**

1. SECTION I: MEANING

Social entrepreneurs are individuals who have innovative solutions to the societal problems. They are ambitious and persistent enough to work towards the betterment of the society.

Social enterprise is creating innovative solutions to the immediate social problems and mobilizes the idea, capabilities, resources and social arrangements required for sustainable social transformations (Advord, Brown & Letts 2004).

Social enterprise is defined as people with new ideas to address major problems that are relentless in the pursuit of their visions, people who simply will not take no for an answer, who will not give up until they have spread their ideas as far as they possibly can (Bornstein 2004)

Social entrepreneurs, who play the role of change agents in the social sector, may be defined by (Dees 1998):

- Adopting a mission to create & sustain social value (not just private value).
- Recognizing and relentlessly pursuing new opportunities to serve that mission.
- Engaging in a process of continuous innovative, adoption and learning.
- Acting boldly without being limited by resources currently in hand &
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcome created.

"Social entrepreneurship encompasses the activities & processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra, Gedajiovic & *et al*. 2009).

So from the definitions and explanations it is quite clear how important social entrepreneurs are. They act as catalyst in building of nation in the real sense.

2. SECTION II: CONCEPTUAL FRAMEWORK

The concept of social entrepreneurship is somewhere related to CSR. CSR or corporate social responsibility can be defined as socially responsible behavior towards the society. Incorporating CSR in the working of the business will not only help in maximizing profits but also other objectives like betterment of the society, improving social welfare etc.

For example: BindeshawarPathak the founder of Sulabh toilet movement .he was born in brought up in conservative

Brahmin family, where they strictly believed in untouchability. In childhood he once touched a member of toilet cleaner family which is considered as untouchable in the society. He was then forced to undergo the process of shudhikaran which involved drinking of cow urine and swolling of cow dung. But this incidence changed his life and had had a severe impact on him. After completing his education he dedicated himself to the world of toilet cleaners. He worked on designing of toilets, designing sewer system which will convert waste into fertilizers. He has received lot of acclaims for the same from UNICEF and WHO.

An entrepreneur becomes social entrepreneurs when he has the honest intention to serve the society with a strategy which is also profitable enough to run the social enterprise efficiently. Social entrepreneurs are those people who don‟t agree with current status quo and wants to bring some valuable change in the society for the benefit of public at large not a particular section of the society.

The background of creation of social entrepreneurs is based on true intentions to serve the society. But presence of true intention is not sufficient condition to accomplish the desired objectives. True intention backed by a very strong will is the necessity. According to Ghoshal and Bruch "the most powerful force of human behaviour is closely related to propensity to act". A person who has good intention to work for the society but lacks the motivation and will power to face adverse situations and obstacles that may come in the formation & running of a social enterprise cannot be a social entrepreneur but can we say that a person with good intentions and strong willpower will become a good social entrepreneur, not necessarily always. Without required resources i.e. human, material or capital, formation of social entrepreneurs is not possible. A social entrepreneurs needs support in two different spheres, firstly at individual level and then at organizational level. To create a social venture feasibility of social venture is to be judges in the context of amount start-up cost, expected profit, operating cost and legal requirements, if any. The establishment of any enterprise requires a lot of resources to make it a profitable concern.

3. SECTION III: REVIEW OF LITERATURE.

Citizen of the society can invest in firms who give portion of their profits to the social causes of the society. Citizens as well as organizations derive social satisfaction from the fact that they are doing something for the society. Paper says that social enterprises carries strategic CSR which is beyond the motive of just profit maximization and they still gain from the maximized market value (Baron 2005)

Seth and Kumar talk about the leading role of social entrepreneurs in the society. They highlight the trends of social entrepreneurs in the Indian business in their paper. They have also talked about initiatives taken by social entrepreneurs and also discuss the challenges faced by them which include lack of proper funds, lack of effective regulations etc.

Social entrepreneur has been defined as a change agent in the society. They adopt a mission towards which they are continuously and religiously working with the sole objective of benefitting the society. Author founds out that they recognize the opportunities prevalent and continuously work towards that mission. They are constantly involved in innovation and create in a new model thereby bringing social change (Davis 2002).

Meaning of social entrepreneurship should be understood along with their traits and skills like constant need to do something for the benefit of the society. They also discuss the process of creation of Social Entrepreneurs along with studying of Process and Impact of social entrepreneur on society. Author also suggests conducting of SWOT analysis for the success of entrepreneurship (Youssry 2007)

4. SECTION IV: SOCIAL ENTREPRENUER AND SOCIAL DEVELOPMENT

Social entrepreneurs are those individuals or groups of people or organisations who provide time finds solutions to different societal problems. Every economy has some long standing issues that remain unresolved by the institutional and government sector. Social entrepreneurs can play an effective role in bringing the positive change in the economy. The area of social activities ranges education to healthcare, renewable energy, waste management, e-learning and e-business, housing and slum development, water and sanitation, violence against women, other issues related to women, children and the elderly etc. The vision of all Social enterprises is to bring underprivileged section of society at par with other section and solve different problems of society and provide them sustainable and dignified living to them.

Range of Social Enterprises:

Affordable Healthcare – Health care is one of the basic necessities but the most important thing is affordable healthcare especially in a country like India where poverty is prevalent at larger scale. About 60 per cent of the population in India lives in villages and small towns on the other hand 70 per cent of medium-to-large hospitals are located in metros and large towns. This disparity creates a huge crisis of scarcity of healthcare services in rural areas. Thus availability and affordability of healthcare services remain a key concern.

Affordable housing – Social enterprises can play an effective role in providing affordable housing services to people. Social entrepreneurs can create economic value by minimizing construction cost and completion time.

Water and Sanitation - Social entrepreneurs have shown their presence in rain-water harvesting, community water treatment, point-of-use filtration, and small-scale water networks. There have been successful models of sanitation management, pay-and-use community toilets and „ecosan" toilets where toilet waste is used to create biofuel.

Agriculture – Agriculture provides livelihood to large number of people of the Indian society. And if somebody works in that sector will not only help in creating economic value but will also provide social benefits to the society leading to removal of inefficiencies from the society. Social entrepreneurs providing support in the value chain activities related to pre harvest and post- harvest activities will benefit them.

Energy- Energy is one of the important sectors of the society and it is well known fact that rural India still lacks the access to the electricity. Social entrepreneurs have shown keen interest in providing electricity to such areas. Providing roof top solar lighting, solar cookers are few of the initiatives taken by social entrepreneurs. This will not only help in solving their problems of lack of electricity but will also help in improving standard of living.

Education- there is a famous proverb “Pen is mightier than a sword”. We all understand the importance of education and it is also known that rural population still does not have access to education. Social entrepreneurs aim to bring the change from the grass root level. They are investing in education sector by bringing adequate infrastructure and coming up with initiatives that with motivate them to understand the importance of education. Developing of vocational skills, e-learning are few of the initiatives.

Therefore we will not be wrong in saying that social entrepreneurs are the “change agents”. They not only improve the standard of the people and thereby the society but also provide opportunities, social capital which were never made available to people etc. An in this direction is - a Brazilian social entrepreneur named Veronica Khosa has created a model which included providing care to AIDS patients. This model was a huge success. It was so effective that later on it was converted into a governmental health policy.

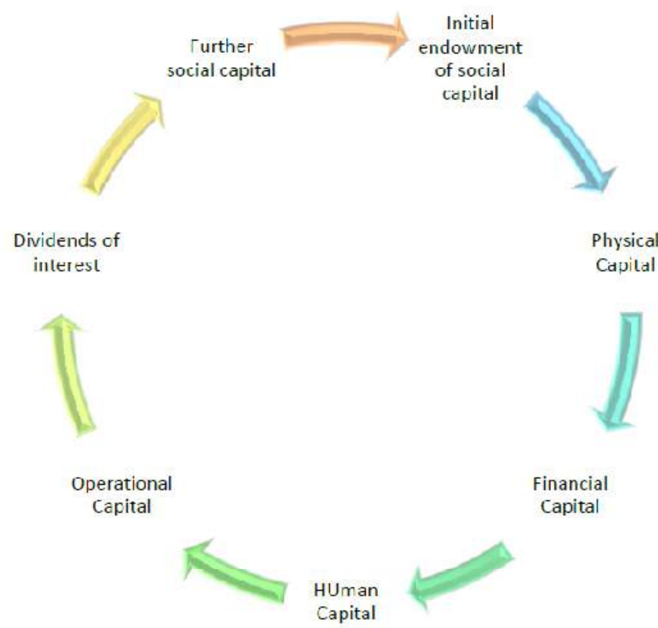
5. CHALLENGES FOR SOCIAL ENTERPRISE AND SOCIAL ENTREPRENEURS

Perhaps the most obvious challenge to social enterprise stems from the fact that the individuals that seek to begin these enterprises possess a nonprofit management background rather than a business background. Thus, many social enterprises can run into problems as soon as the start-up phase if they lack the necessary business fundamentals. This section is dedicated to highlighting the common challenges social enterprises face and general recommendations on how to best address these.

Problem 1: Introducing a For-Profit Entity in a Nonprofit Atmosphere

One of the major challenges faced by entrepreneurs is developing an attitude of non-profits.

Developing a model which is based on brining a social change where earning profits out of is secondly is a challenge in itself.



Source: Vicious Circle of Social Entrepreneurship (Leadbeater, 1997, 68)

Problem 2: Behaving Like a Business

Entrepreneurs who are determined enough to bring the social change and especially those who are new in the field needs training and guidance. It is not only is time consuming but also needs funds. Providing comprehensive training and technical assistance is important yet challenging.

Problem 3: The Absence of Business Skills and Knowledge

Social entrepreneurs normally have a nonprofit background rather than a business background. There is possibility that social entrepreneurs lack business skills and adequate amount of market knowledge which is required to run an organization efficiently. Fortunately, it is not at all necessary for nonprofit managers and future social entrepreneurs to attain a business degree to accomplish their social enterprise goals.

Problem 4: Maintaining Competitiveness

Survival of the fittest is rule of any market and same is applied to social enterprises. To be in the market it is necessary to offer highest quality goods and services at reasonable price and at the same time catering to wide audience. The main focus of social enterprises is to find the solution of a problem therefore; they give more priority to their clients, their satisfaction. While a handful social enterprises bring on private consultants to evaluate their operations, this option is typically not financially feasible.

6. SECTION V: SUCCESSFUL SOCIAL ENTERPRENUERS

When it comes to social entrepreneurship, India is often referred to as the epicenter of impact investing, and the world‟s laboratory for testing new ideas. Indian is well known for huge young, talented and educated minds that have the desire to serve their nation. With a billion dollars waiting to be invested in social enterprises and success stories like Husk Power Systems, Rangsutra, dLight, Waterlife and Vaatsalya Healthcare regularly making the rounds in global social entrepreneurship circles, the country is clearly a very important market. Social enterprise in countries like the UK, Italy, Korea and Singapore are driven by government and large private enterprises.

- **ANITA AHUJA**

She is the co-founder of conserve India handbags. She grew up in Bhopal and was moved by the life of Rag pickers. She started conserve India operation. She aimed at converting plastic waste into material for handbags. Her designs, products were huge success and have received lot of appraisals for the same.

- **SOLANI MALHOTRA**

Solani Malhotra is founder of RURAL BPO DESI CREW. She studied the challenges involved in working with rural society. She worked towards understanding various working models possible in rural society and the opted for bringing digitalization there. She opened Rural BPO Desi Crew which opened up new opportunities for the youth of rural society and especially girls. Made them employed and helped the society.

- **VINEET RAI**

Vineet Rai is the founder and the CEO of India‟s first social venture firm Aavishkaar Venture Management Service and co-founder and chairman of Intellecap, a provider of business solutions for social enterprises. Rai was a visionary he started Aavishkaar in 2001with a meagre capital of Rs 1 lakh, there wasn‟t any precedent to investing in social enterprises. His vision and wisdom has established numerous social enterprises by investing in them which includes rangSutra an art and craft producer, Vaatsalya Healthcare an affordable hospital chain based in semi-urban and rural areas and Water life affordable water solutions for the poor.

Through Intellecap, Rai has played an important role in organizing Sankalp-Unconvention Summit, also known as Asia‟s largest conference on social entrepreneurship. He also helped in the kick start of India Impact Investor Council (IIIC) that is seeking to lay down the standards for impact investing in India.

- **DR. H SUDARSHAN**

Dr. H Sudarshan the winner of Social Entrepreneur of the Year awards India-2014 is founder of Karuna Trust. The objective of Karuna Trust is to transform dysfunctional government primary healthcare centers (PHCs) into professional hubs.

He has invented concept of Public Private Partnership (PPP) a model that brings the government, the village community and the social venture collectively to deliver high quality primary healthcare services to rural India. The cost for the development of infrastructural facilities is done by government. Government also pays for the efficient running of the PHCs.

In its credit, Karuna Trust has revitalized 67 PHCs across 7 states, half of which reach remote corners of North-East India. Karuna Trust ensures high quality standard and therefore has received ISO certification, hires trained medical and administrative teams, follows policy of zero-absenteeism of doctors, focuses on regular Upgradation of infrastructure, proper arrangement of medicine, has established mobile medical units, emphasizes on efficient supply chain of essential medicines and has also established citizens help desk. All these facilities have raised the bar for primary healthcare service in India of PHCs run by Karuna Trust.

Till now Karuna Trust has served more than one million patients and has shown reported some fruitful outcomes that are amongst the highest in the country.

- **CHETNA SINHA**

Chetna Sinha is the founder of Woman‟s bank, Mann Deshi Mahila Sahkari. Deshi Mahila Sahkari is a micro finance institution that makes loans to women in rural areas. Till date, the bank has served more than 27,000 women and enabled more than 40,000 families to buy homes.

Chetna Gala Sinha has played different roles in his life like an economist, farmer and activist. He was born in Mumbai. She was an active member of Jayprakash Narayan student movement in 197o through which she worked intensively for the development of rural and marginalized communities. She got marries to a farmer and therefore decided to pursue a career in farming. While working as farmer she realized the challenges faced by rural women and lack of their access to financial services and the main causes behind the pity conditions of farmers in the rural area and problem of debt trap.

She designed and developed the idea of the “Mann Deshi Mahila Bank”. Chetna was awarded the 2005 Janakidevi Bajaj Puruskar for rural entrepreneurs and was selected for the first class of Yale University‟s World Fellows Program in 2002–03.

- **DR. ASHWIN NAIK**

Dr. Ashwinnaik founded Vaatsalya in 2004 in Karnataka, Andhra Pradesh. Vaatsalya is a network of hospitals to provide primary and secondary care in rural and semi-urban India at reasonable price. Vaatsalya is recognized as largest hospital chains in India across Tier II and III towns. Vaatsalya is well known for high quality services, recruiting, training and retaining healthcare personnel (doctors, nurses, technicians etc.) and renting buildings.

The cost of operating is quite low and the hospitals are efficient enough to achieve break even in 18-24 months. The chain of Vaatsalya hospitals has grown to 17 hospitals across Andhra Pradesh and Karnataka from 4 hospitals during 2009 and some opening soon in Maharashtra and Tamil Nadu. On an average Vaatsalya serves an average of 280,000 patients per annum which is expected to increase as and when new hospitals are opened.

Vaatsalya has been honoured with Inaugural Porter Prize in India for Value Based Healthcare in 2013, Frost and Sullivan Award for Healthcare Excellence in 2010, Sankalp Award for Healthcare Inclusion in 2009, BiD challenge India in 2007 and LRAMP award in the enterprise category in 2008.

- **MR. SOURABH SHARMA**

Milaap was founded in 2010 by Mr. Sourabh Sharma who is a Computer Science honours graduate from National University of Singapore (NUS) in collaboration with Mr. Anoj Viswanathan a Bachelor‟s in Engineering and Minors in Economics and Technology Management from NUS, and Mr. Mayukh Choudhury an Electrical Engineer from IIT Madras and a PGDM from IIM Lucknow. Milaap Karnataka based organization. Milaap is an online fund raising platform that helps people to raise fund worldwide by powering the next generation of livelihood-focused credit programs by attracting a new class of "crowd sourced, low-cost, risk tolerant" capital. Milaap disburse the loans from online lenders to the borrowers. The loans are given out to borrowers at interest rates that are 50 per cent lower than existing interest rates available to microcredit borrowers. The basic objective behind loans is to give people access to basic needs like clean drinking water, sanitation and renewable energy, as well as skills development via vocational training.

- **MS. SHAHEEN MISTRI**

Ms. Shaheen Mistria sociology graduate established the Akanksha Foundation. Ms. Mistri's always had interest in children's education that led her to volunteer as a teacher in various organizations across Mumbai, such as the „Happy Home‟ and „School for the Blind‟ and the „E.A.R. school for the Hearing Impaired‟.

Akanksha foundation has extended its reach and has established offices in the US, the UK and Canada.

The Akanksha Foundation is a non-profit organization and was formed with the vision to equip all students with the education, skills and character they need to lead empowered lives. Akanksha works primarily in the field of education. The basic idea behind the NPO is to address the issue of non-formal education through the Akanksha centre and also formal education by initiating school reform through „The School Project‟.

In its credit Akankshahas reached out to over 4,600 children through two models: the after-school or Centre model and the „School Project‟ and has established 15 centres and 15 schools in Mumbai and Pune.

Akanksha foundation has been awarded with Ashoka Fellow (2001), Global Leader for Tomorrow at the World Economic Forum (2002) and Asia Society 21 Leader (2006).

- **MS. SHITAL SHAH**

Ms. Shital Shah started ThinkChange India (TC-I), the one-stop website for keeping up with social entrepreneurship and social innovation in India. Through this effort, she started developing networks and relationships with social enterprises, making TC-I a demanded media partner in the country. The success of website can be sensed with the fact that website has achieved 150,000 page-views, and an average more than 4,000 unique hits a week.

- **MS. SALONI MALHOTRA**

Ms. Saloni Malhotra, the founder of Desi Crew, a for-profit organization employing over 300 people that is focused on creating knowledge-based livelihood opportunities in small towns and rural areas. Desi Crew originally started in Tamil Nadu and now has established its presence in Karnataka and Haryana.

In 2005 Desi Crew was started as test project sponsored by Mr. Ashok Jhunjhunwala‟s TeNet group from IIT-Madras. DesiCrew was incubated by the Rural Technology Business Incubator (RTBI) of IIT-Madras. Its business model is based on setting up delivery centres in rural India and servicing the clients across different countries. DesiCrew provides services like Data Management, Digital Supply Chain and Customer Experience Management.

She was also nominated as Asia's Best Youngest Entrepreneurs, MTV Youth Icon 2008, E&Y Entrepreneur of the Year 2008 and also facilitated in the presence of the President of India by the CII. She has received FICCI‟s Best Women Social Entrepreneur Award (2009) and TIE StreeShakthi Award (2011).

- **MS. SHEETAL WALSH**

Shanti Life, a unique microfinance organize was formed with the objective to serve the poor in Gujarat villages and slums to create sustainable businesses. Ms. Walsh has experience of 15 years of working in technology, venture capital and social entrepreneurship. Ms. Walsh has a

Masters in International Relations (Economics) at the London School of Economics and a BA (Honours) in International Politics at the University of Alberta, Canada.

Shanti life has offices in Gujarat as well as in UK, USA and Canada. The basic objective behind the formation of Shanti Life is to promote sustainable living and non- dependence on the MFI loan cycle. Their honest intention was to make people to graduate out of microfinance and become bankable. Organization follows holistic approach by aiming and following proper planning, consultation, training, mentoring, larger loans and go-to market opportunities. The amount of loan is generally Rs. 5,000 plus and rate on interest ranges from 7% to 12%.

Shanti life is involved in various businesses like tailoring, sewing, embroidery, selling cooking oil, vegetable or fruit carts, hand cart purchase, small grocery store, milk and paper vending business, cycle repair shop, repairing shop, rickshaw driving and catering.

- **MS. ANU SRIDHARAN**

Ms. AnuSridharan, Mr. Quijano Flores, Mr. Nishesh Mehta, Ms. PronitaSaxena and Mr. Devin Miller founded NextDrop in 2010.

The people of Hubliwere facing water shortage and get water only every three to five days, for about four hours a day. The organization NextDrop started in Hubli-Dharwad used text messages as a launchpad for what it calls a "water smart grid lite" data system, which helps bring water more efficiently to consumers.

In collaboration of local government NextDrop organization devised a mobile phone system which connects valvemen to engineers and customers. The valvemen text the customers, letting them know exactly when water will be released. NextDrop charges Rs. 10 per month for their service. NextDrop is present in Karnataka and caters to the state only at present.

7. SECTION VI: CONCLUSIONS AND RECOMMEDATIONS:

Social enterprises have played an integral role in development of local economies worldwide. These enterprises mainly employ creative and innovative methods to help the poor and needy people and solve their problems. Social enterprises offer a mean to serve society. It is evident that social enterprises provides substantial benefits to society but social entrepreneurs needs support that must be available to them to survive in the long-run. The resources below serve as valuable starting points for anyone interested in beginning a social enterprise or becoming involved in the growing worldwide movement of social entrepreneurship.

Social entrepreneurs have an important role to play in the development of society. They are key to the social development of the society. They play an important role to play for the development of society in real sense. Though they have to face lot of challenges for the same but their constant urge to do something for the society is there key to success.

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Customer Relationship Management: Ideology to Rationality!

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Abstract: **Customer Relationship Management (CRM), the utmost important tool in the artillery of any marketing organizations, having the potential of realizing accomplishments and growth for organizations in this dynamic environment of extensive competition. CRM enables business entities to know their customers in a more improved and enhanced way, enabling them to build sustainable relations with them. This paper discusses the theoretical aspect of the CRM through the literature review of the national and international papers with the view to assess the success and the failure of the CRM implementation in the business organizations at different levels. The recommendations furnished try to ensure the unbeaten adoption and implementation of CRM initiatives, taken by any organization to understand the customer and his requirements well.**

1. INTRODUCTION

Companies are more focused on the long term relationship building with the customers, asit has been observed and believed that it is easier and profitable to nurture the existing relations rather than development of the new ones. Companies today are focusing more on management of customer associations, development of customer loyalty, equity by replenishing and breeding the existing relations. This particular thought process of the management, of diverse companies hasresulted in the augmentation of the concept of **Customer Relationship Management**.The concept of Customer relationship management (CRM) unequivocallyrecognizes the value of potential and current customers in the long run, and seeks to amplify revenues, profits, and shareholder value by crafting activities towardsthe development, maintenance and enhancement of company customer relationship dyad. The success of a businessissubordinate, to the way a customer of the organization is dealt, culture of the organization, team spirit, loyalty and knowledge management. As a consequence, organizations are deliberating to find the solutions whereby they can gratify the customer and develop extensive mutually profitable associations.

Consequently, CRM has emanated as a tool to meet the fundamental requirement of the organizations, as a strategy to develop long term relationship with the customers.CRM systems are viewed by the organization as the information systems enabling them to realise the potential to meet the long term customer oriented objectives of the organization.Knowledge about the customers enables one to serve the customer in efficient way and generate loyalty amongst them. The main idea behind the implementation of the CRM solutions is the objective of nurturing the existing relations and associations which can be achieved with the positive and constructive approach through CRM. It can be understood as a business philosophy, a business strategy, a business process, or a technological tool.Further as far as the implementation of the CRM solutions are concerned, the major problem is the nonexistence of a model to guide the companies in the rightful implementation of CRM.CRM cannot be thought as a panacea to all the customer related nuisance but it must be studied for the customer centric benefits; it can reap for the organizations. To manage the transition from the product centric organization to the customer centric organization the implementation requires hard work, knowledge, resources and consistent products and services with the expectations of the consumer.

Through this paper we would like to understand the concept & philosophy of Customer Relationship Management, itsmomentousdevelopment and how it enables organizations to discover and harness value. How the CRM strategy is being used for developing competitive edge is also one of the objectives of this work. Also, it was aimed to understand how firms are using CRM practices for realizing their corporate goals and accomplishing organizational vision and mission.

2. LITERATURE REVIEW

Ramesh and Chauhan ***(2014)*,** in their study on Indian Heavy Industry found that customer retention and CRM initiatives are positively correlated, customer has to be given highest weight-age when calculating the overall CRM score.Technology appears to get the least weight-age. Reddy and Sureshin a work “SBI customer’s perception on CRM: a study,***(2012)***divulges the important benefits of CRM implementation to the banks is the cost reduction, customization of services and better understanding of the customers. Moreover, it was also a revelation that more no. of ATM's needs to be installed, there should be increased number of operating hours, parking facility and courtesy in delivering timely services.Sharma and Hangar***(2012)*** in their study on organized retail store in NCR region expoundsthat for the success of CRM, organizations have to think across departmental boundaries and integrate all the departments and position it as a knowledge management tool for coordinating the organizations interaction, with the customer, to be able to serve value to them.A Survey of Success Factors for CRM by Arab, Selamat, Ibrahim, and Zamani ***(2010)***,divulges three basic factors: process, human and technology. Krasnikov, Jayachandran, & Kumar through their study impact of CRM on the profit and cost efficiency***(2009)***,reveals that CRM implementation has a negative effect on the cost efficiency where as on the profits it has a positive impact. Piskar, Faganel in ***(2009)*** through a case study on successful CRM Implementation Project in a Service Company disclose that there are high failure in CRM implementation, and for the successful implementation, organizations require top management support, effective leadership and resource acquirement.A research done by Luis, Marius, Pérez, Grimá ***(2006)***, also confirms that CSFs for CRM are: human factor processes, and technology which constitutes a systemic, integrated and balanced approach.

3. CONCEPT OF CRM:

An exhaustive literature review reveals that CRM should not be understood simply as a technology applications for any organization but it is a cross functional, customer driven, technology integrated business strategy that improve the relationships, encompassing the entire organization. It is an approach which incorporates marketing, operations, customer service, human resources, research and finance, and yes information technology to maximize the effectiveness of customer interactions.The effective machinery for the successful implementation of CRM comprises of processes, technology and human aspects which are important and described at length.

3.1. Processes

The basic objective of implementing the CRM strategies is to satisfy and create long term relationship with the customers. As one of the significant factors, is the process running in the organization which in a way attempt to involve the customer with the organization and its dealings. These processes may vary depending upon the functions of the organization and the nature of the functions. But, with the revelation from the literature review, we can say that the processes which involve the client interaction are: **marketing, sales, and services.**

3.1.1. Marketing

In harmonization with the concept of relationship development,Barnes proposes four “different P's” of marketing, namely: product, processes, performance, and people. According to Berkowitz, relationship management and understanding the prepurchase, purchase and post purchase buying behaviour of the consumer, all these comes under the purview of the marketing process. Studying all theses aspects gives insights about the consumer and enables the organizations to develop products to delight the customer and his experience with the product and the organization as a whole. The concept of CRM entwines both the customer satisfaction and the performance of the organization enabling both the parties to develop a better and profitable venture.

3.1.2. Sales:

CRM notion calls for huge customer data which can be generated through the personal contact with the consumer, the process of sale and purchase gives this platform to the company where the personnel can interact and gather data about the consumer and here, the associationinvolving client and sales person becomes vital within the CRM framework.Management of the relationship with the client has always been an intrinsic aspect of the sales process, the CRM approachlays down the course on how this should be done since it focuses on those sensitive aspects, which were not taken care off earlier, in the past.

3.1.3. Services:

In today's scenario where every organization is competitive, the facet which can reap incalculable benefit ishow the organization is delivering the services to the clients.Customers take a note of how they are being treated and how spontaneously their problems are resolved. A study of Harvard Business School illustrates that the service quality delivered by a company is directly linked to the client's level of satisfaction with the services provided by employees of the organization.This enables one to understand the importance of the services provided and the quality and yes the significance of a satisfied customer.By studying thedimension of the services and the clients, we get to evaluate the impact of the service delivery on the relationships shared by the company and the clients.

Although marketing, sales and services are not only the processes which involve the client- company interaction, though these processes are more important and significant in any organization. CRM strategy, take into consideration all those process within the organization which results in the value creation for the customer and that for the organization. The main emphasis is on nurturing the existing relationships in the company so that the association should be profitable to the customer as well as to the organization. The processes of marketing sales and services have emerged and evolved with the time and have adapted themselves to the dynamic demands of the market. The objective of the CRM strategy is directed towards a common goal, i.e. to satisfy and create a long term relationship beneficial for the company and the customer.

3.2. Human factor

A company's image and reputation depends, upon the quality of service which it provides, which in turn depends greatly upon creating a positive experience of the customers with the company. There used to be, in the earlier times, very few companies, for whom, the opinion of the customer used to be important but with the changing times this has become the need of the hour. Companies are now working upon, crafting strategies and programmes which can enrich the experience of the customers and create an everlasting positive impact. The application of principles of psychology and behavioural sciences has enabled to understand the psyche of the customers and serve them to their delight.In order to understand the basis on which the relationships are created and are functional in the organizations, it has become imperative for the success of the organizations today, to understand the intricacies of the relations with the clients and in the process of understanding, one has to take into consideration all aspects associated with them. One must work on the value creation for the client as goods are purchased not just for the possession but for the value they provide in terms of satisfaction and utility. Companies should focus on how the value is defined by clients, providing satisfaction in alignment with the value standards of the customers and must develop strategy towards retention and loyalty of the customers.

In delivering the services to the customer the organizational aspect cannot be neglected which comprises of the courteous employees, fast and responsive processes, degree of commitment and participation of people who are occupying management positions, change management, feedback mechanism, follow-ups and effective leaderships.

3.2.1 Role of Senior Level Management:

Since senior level management is taking a more stake holder centric viewpoint, consequently their responsibilitiesand roles have increased many folds. Which include:

a) Imparting a vision, to keep the organization on the way, where they are focused on CRM tactically, strategically, mutually and continuously with the stake holders.

b) Collating the data related to the customers in a single window, aligning processes and systems to enable the CRM tools to work smoothly with the objectives and goals of the organization.

c) Enabling the employees to understand the concept of CRM and the firm's vision for CRM, also helping the staff to communicate with the customer to serve them well.

d) In order to align the goals of the people with the objectives of the CRM, it must be made clear to people that how their own success is related to the success of CRM implementation. Among the various aspects of change management, assisting in achieving the above said objective, the organizationsrecognises individual's and group's achievements, and case study successes to motivate them.

e) Ensuring the smooth and adequate flow of people, money, time and information required as input, to the various components of CRM.

f) Providing with the proper monitoring and control in order to ensure systematic and improved product delivery to the customer and ensuring the expectation of the consumer from the company by evading any kind of abusive practice which impede their loyalty and trust.

3.3. Technology

Technology has unlocked and unleashed the wider areas of operations, and improved the way of doing business. Technology and advancements have paved the way of conducting business in new and innovative ways and offered solutions to various challenges, consequently delighting the customers and developing long term relationships with the clients**. CRM**approach relies on the data and information of the customer, which the companies already have but in scattered and unorganized form. By the application of various software, the information existing in the isolated systems is filtered, arranged and made understandable for the further usage and value creation for the company. The major challenges which the companies are encountering are to compile the information and make itworkable and profitable. People view CRM as software and not a strategy, but, essentially it is strategy banking upon the people and information systems, assembling information about the clients. This is an approach which uses IT systems as support for the executionof the process within the organization.IT offers solutions that manage the flow of information between different types of systems through introduction of enterprise systems.To assimilate and organize information according to the requirements of the company, various tools facilitating the process are data warehousing, data mining, sales force automation. Data warehouse create a repositories of data generated by the system of the companies, making them easy to comprehend and accessible to others within the organization. Data are integrated and converted into consistent structures through data warehousing whereas, data mining sorts the information , makes the information meaningful allowing the sharing of the same with the concerned parties.

4. CRM IMPLEMENTATION AND SUCCESS STORIES:

CRM applicationcommences with the strategic decision to alter or improvise the business processes in the organization, requiring investing into an improved information system. Top management support and schematic introduction of the rules and set of laws are essential for the proper functioning of the CRM at the organizational level. Before starting the implementation process, one has to understand the customers, their expectations, opportunities and threats operating in the markets, for the success of the implementation. By and large, there is no clear cut implementation of a successful CRM approach. Subjectively, we can say that CRM implementation is one in which outcomes of the approach synchronises with the objectives of the business. These objectives are organization specific and can be customer retention, acquisition and generation of loyalty. Customer relationship management includes the delivery of sustained or increasing levels of satisfaction, and the retention of customers by the maintenance and promotion of the relationship [Palmer et al., 2005]. Light [2003] states that trying to compete for new customers is more resource intensive than keeping existing ones. A survey found that majority of the CRM projects has resulted into the failure where as the percentage of the accomplishment of the same is very small**.** Taking into consideration, the importance of relationships with the clients, it is essential to measure the impact of the CRM implementation and things related to the implementation of the same must be given due importance.Few successful examples to quote are *State Bank of India*:The benefits which are accrued by the CRM implementation to the bank are cost reduction, closer relationships with the customer which has enabled them to understand their requirements in an improved way, loyalty generation and increase in the number of customers. Second one is*DELL,* whichhasreaped the benefits by shortened integration timevalue by up to 50 percent, Lowered total cost of ownership (TCO) by up to 25 percent, strengthened data security, fortification customer and channel relationships. Another one in the list is *YES Bank;*the payback to the yes bank is the cost effectiveness, customer loyalty, monetary benefits and increased cross selling opportunity.Similarly*Tata AIA* is working with powerful 360 views to integrate, refine and adopt CRM processes, which have enabled in quick adaptation to regulatory changes and increased customer retention.

5. LACUNA IN CRM IMPLEMENTATIONAND SUGGESTIONS

From the literature review it was observed that major reasons for the failure can be concluded as Organizationalchange, Company policies , Little understanding of CRM, Poor CRM skills and the major problem is that people view it as an IT enabled tool to enhance the profitability rather than a strategy which uses the software for relationship enhancements. Apart from these issues , we can also say that the intricacies of CRM is being underrated, due to unawareness of the management of the company organizations are making heavy investments in the CRM software, which are being ineffective. With the systemic approach view, organizations synchronize and effectively maintain the develop contact points for the customers. In the systemic approach CRM is placed at the centre of all the functional aspect of organization, and help to develop customer oriented business processes. Certain consideration and practices needs to be taken into account, while executing the CRM strategy

It is crucial to understand the dynamic environment and focus on how to incorporate the changes within the organizational functions. This approach is new to the system, so the people do not have experience and adequate understanding of the operational aspect. Before initiating a CRM system project, Organizations need to recognize the theoretical and practical implications of the business perspective of CRM.During the implementation of the CRM, continuousscrutinization of the operation must be done and employees must be kept informed about the problems. Motivational aspect with regard to the employees need to be taken care off, this has to be stimulated, sothat theyremain optimistic throughout the process of implementation.One of the most significant aspects of the success of CRM is the project manager, who plans, monitors the outcomes of the practice and controls the actual performance. Trainings and consultations should be provided from time to time in order to rectify the mistakes and impart the knowledge about the CRM approach.Nevertheless, the inclination amongst the employees to positively accept the changes must be incorporated in their attitude through the development of organizational culture policies. If organizational culture backs changes, company has better chances to achieve success.

6. CONCLUSION

Realistically, the implementation of CRM programs has encountered failure over a wide range of industries. In totality, the understanding of CRM and its concepts like definition, scope, processes, people and technology is still inadequate. The insight of the fundamental theory of the CRMis very essential and important to strengthen and reinforce the understanding of CRM, before adoption is planned. Proper development of CRM processes and there integration with other business processes for successful implementation of the CRM strategy implementation is the need of the hour. The benefits of the CRM approach can be extended towards two dimensions, firstis to develop long lasting relations with the clients and the second one is the generation of profitability to the organization.A well planned and coordination amongst the business processes ensures the success of the CRM strategy. The basic objective of this work is to analyse the reasons for the failure of the CRM strategy and to deliberate upon the measures which can certify the unbeaten execution of the CRM concept from theory to practical ground which will contribute in declining failure with its devastating loses and in increasing the accomplishments with its incredible benefits of the CRM programs/system.

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