SRM JOURNAL OF MANAGEMENT RESEARCH

Volume: 2, Issue: 6, June 2012

Quarterly Blind Referred Journal of SRM B School

ISSN 2231-511X

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Published by: SRM B School
SRM University
Vadapalani
Chennai-600 026

SRM JOURNAL OF MANAGEMENT RESEARCH

June -2012	Volume: 2	Issue-6	ISSN 2231-511X

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ORGANIZATION DEVELOPMENT PRACTICES OF HEAVY ENGINEERING INDUSTRIES IN INDIA

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1.0: Abstract:

Organization development is a long range effort to improve organization's problem solving and renewal processes, particularly through more effective and collaborative management of organization culture-with specific emphasis on the culture of formal workteams-with the assistance of a change agent or catalyst and the use of the theory and technology of applied behavioural science including action research . The purpose of this research is to assess the factors influencing the organization development. In the recent years, organization development has been gaining momentum in management theory. The field of organization development is continuously developing over the years and organizations are reaping huge benefits by strategically and systematically focusing on organizational development factors.

The study has selected seven factors such as Emotional Intelligence, Job satisfaction, Motivation, Leadership, Communication, Decision making and Team building to examine the impact of these factors on the development of organization. The study also gives suggestions to improve the organization in the present globalized environment. It is observed from the analysis, that 99 respondents (38.7 percent) have reported low score and 96 respondents (37.5 percent) for high score for emotional intelligence variable. 127 respondents (49.6 percent) have reported high score for job satisfaction. Similarly, Motivation (44.1 percent), Leadership (48 percent), communication (45.7 percent), Decision Making (40.6 percent) and Team Building (48 percent) have secured high score values.

Key words: Emotional Intelligence, Job satisfaction, Motivation, Leadership, Communication, Decision making and Team building.

2.0: Introduction:

An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals. Business organizations can range in size from two to tens of thousands of employees . There are several important aspects to consider about the goals of the business organization. These features are explicit (deliberate and recognized) or implicit (operating unrecognized, "behind the scenes"). Ideally, these features are carefully considered and established, usually during the strategic planning process. Later, we consider dimensions and concepts that are common to organizations. Organization development is a long range effort to improve organization's problem solving and renewal processes, particularly through more effective and collaborative management of organization culture-with specific emphasis on the culture of formal work teams-with the assistance of a change agent or catalyst and the use of the theory and technology of applied behavioral science including action research.

3.0: Review of Literature:

A number of studies have been conducted in India and abroad to study the development of organizational practices and theories. These studies have been reviewed critically with a view to understand the objectives, research methodology, research findings, etc. and to identify the gap that exists in the literature in this area. Organizational Development encompasses a diversity of concepts and methods for changing organizations. Although several definitions of organizational development have been presented by different philosophers like Beckhard (1969), Bennis (1966), French (1969), Burke (1982), Michael Beer (1980), French and Bell (1990), Schein (1992), Luthans (1998), Robibins (2003), Ogundele (2005), Armstrong (2006) et al., the rapid and enormous growth of new approaches and techniques has blurred the boundaries of the field and made it increasingly difficult to describe.

4.0: Research Methodology:

The purpose of this research is to assess the factors influencing the organization development. In the recent years, organization development has been gaining momentum in management theory. The field of organization development is continuously developing over the years and organizations are reaping huge benefits by strategically and systematically focusing on organizational development factors. The study has selected seven factors such as Emotional Intelligence, Job satisfaction, Motivation, Leadership, Communication, Decision making and Team building to examine the impact of these factors on the development of organization. The study also gives suggestions to improve the organization in the present globalized environment.

4.1: Objectives of the Study

To study the concept of organization development practices at Bharat Heavy Electricals Limited (BHEL), Ranipet, Tamil Nadu

To assess the impact of personal factors (emotional intelligence and motivation) on organization development in the organization.

To evaluate the influence of organizational factors (job satisfaction, team building, decision making, leadership and communication) on organization development in BHEL, Ranipet

4.2: Sampling and Sample Design

To avoid interplant variation, the sample was chosen from only one organization, viz., Bharat Heavy Electricals Limited (BHEL), Ranipet, Tamil Nadu. The desired sample, 256 was obtained with multi stage sampling technique.

5.0: Data Analysis and Results Discussion:

5.1: Score Analysis

The researcher has calculated the score values of each respondent and consolidated them as overall score of each variable (Emotional Intelligence, Job Satisfaction, Motivation, etc). The score values are classified into three categories such as low, average and high based on the quartile values. The following table illustrates the score values of each parameters of the study.

5.2: Score values of Parameters

Variable	Low	Average	High
Emotional intelligence	99 (38.7)	61 (23.8)	96 (37.5)
Job Satisfaction	69 (27.0)	60 (23.4)	127 (49.6)
Motivation	70 (27.3)	73 (28.5)	113 (44.1)
Leadership	69 (27.0)	64 (25.0)	123 (48.0)
Communication	66 (25.8)	73 (28.5)	117 (45.7)
Decision making	68 (26.6)	84 (32.8)	104 (40.6)
Team building	69 (27.0)	64 (25.0)	123 (48.0)

The above table gives score values of the variables taken for the study. It is observed from the table that 99 respondents (38.7 percent) have reported low score and 96 respondents (37.5 percent) for high score for emotional intelligence variable. 127 respondents (49.6 percent) have reported high score for job satisfaction. Similarly, Motivation (44.1 percent), Leadership (48 percent), communication (45.7 percent), Decision Making (40.6 percent) and Team Building (48 percent) have secured high score values.

5.3: Correlation Matrix

Correlation coefficient measures the degree of linear relationship between two variables, usually labeled X and Y. The computation of the correlation coefficient is most easily accomplished with the aid of statistical packages. The correlation coefficient may take on any value between plus and minus one. The sign of the correlation coefficient (+, -) defines the direction of the relationship, either positive or negative. A positive correlation coefficient means that as the value of one variable increases, the value of the other variable increases; as one decreases the other decreases. A negative correlation coefficient indicates that as one variable increases, the other decreases, and vice-versa. Taking the absolute value of the correlation coefficient measures the strength of the relationship. A correlation coefficient of r=.50 indicates a stronger degree of linear relationship than one of r=.40. Likewise a correlation coefficient of r=-.50 shows a greater degree of relationship than one of r=.40. Thus a correlation coefficient of zero (r=0.0) indicates the absence of a linear relationship and correlation coefficients of r=+1.0 and r=-1.0 indicate a perfect linear relationship.

5.4: Chi-Square Test

The researcher has applied Chi-Square statistic to know whether there is any association between job satisfaction and emotional intelligence. The result of the same is produced below.

Chi-Square Test

Job Satisfaction	Emotional Intelligence			Tot	Chi-Sq	P value
	Low	Ave	High			
Low	46	20	3	69	91.39	0.002
Average	33	17	10	60		
High	20	24	83	127		
Total	99	61	96	256		

The above table provides score values for job satisfaction and emotional intelligence. It is observed from the table that 83 respondents have reported high scores for both variables. The calculated chi-square value (91.398) is greater than the table value (2.56) at 5 per cent level of significance. The p value is less than 0.05 therefore the researcher rejects the hypothesis that there is no association between the emotional intelligence and job satisfaction. It is concluded from the study that emotional intelligence and job satisfaction are associated with each other.

Chi-Square Test

Job Satisfaction	Motivation			Tot	Chi-Square value	P value
	Low	Average	High			
Low	21	30	18	69	36.436	0.003
Average	25	19	16	60		
High	24	24	79	127		
Total	70	73	113	256		

The above table gives the cross tabulation for the variables job satisfaction and motivation. The calculated chi-square value (36.436) is greater than table value (2.56). As a result, the researcher rejects the hypothesis that there is no association between job satisfaction and motivation. Further, it is found from the study that job satisfaction and motivation are associated with each other.

Chi-Square Test

Job Satisfaction	Leadership			Total	Chi-value	P value
	Low	Ave	High			
Low	46	19	4	69	148.3	0.002
Average	21	25	14	60		
High	2	20	105	127		
Total	69	64	123	256		

Chi-Square test has been used to test whether there is an association between job satisfaction and leadership. The researcher hypothesized that these two variables are not dependent. The chi-square value (148.318) is greater than the table value at 5 percent of significance. Therefore, the researcher concludes that job satisfaction and leadership are associated with each other.

Chi-Square Test

Job Satisfaction	Communication			Total	Chi-Square value	P value
	Low	Average	High			
Low	43	23	03	69	127.743	0.002
Average	15	29	16	60		
High	08	21	98	127		
Total	66	73	117	256		

From the above table, it is observed that the chi-square value is greater than table value. And the p value is less than 0.05; therefore the researcher rejects the hypothesis that there is no significant association between job satisfaction and communication. It is found from the study there is an association between job satisfaction and communication.

Chi-Square Test

Job Satisfaction	Decision Making			Total	Chi-Square value	P value
	Low	Average	High			
Low	29	25	15	69	24.559	0.001
Average	19	20	21	60		
High	20	39	68	127		
Total	68	84	104	256		

The above table shows the cross tabulation between the variables job satisfaction and decision making. The calculated chi-square value (24.559) is greater than table value (2.56). As a result, the researcher rejects the hypothesis that there is no association between job satisfaction and decision making. So, it is found from the study that job satisfaction and decision making are associated with each other.

Chi-Square Test

Job Satisfaction	Team Building			Total	Chi-Square value	P value
	Low	Average	High			
Low	51	13	05	69	139.834	0.004
Average	13	26	21	60		
High	05	26	97	127		
Total	69	64	123	256		

The above table shows the cross tabulation between the variables job satisfaction and team building. The calculated Chi-Square value (139.834) is greater than table value (2.56). As a result, the researcher rejects the hypothesis that there is no association between job satisfaction and team building. So, it is found from the study that job satisfaction and team building are associated with each other.

5.5: Regression Analysis

Regression analysis studies the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps to understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Regression analysis is widely used for estimation purposes, where its use has substantial overlap with the field of machine learning. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables. However this can lead to illusions or false relationships, so caution is advisable. In this study, the researcher has applied regression analysis to estimate the relationship between organization development and its influencing factors.

Model Summary

R	R Square	Adjusted R Square	Std.Error of the Estimate
0.931	0.867	0.863	0.30862

The above table shows the model summary of regression analysis. The r value represents the correlation between dependent and independent variables. The r value which is calculated for the study is 0.931, shows a perfect positive correlation between the dependent and independent variables. R square is simply the square of R, but it has special significance. The r square value is the proportion of variance in one variable accounted by the other variable. The r square value indicates that 86.7 percent of variance in the overall organization development is accounted by the independent factors (emotional intelligence, job satisfaction, motivation, leadership, communication, decision making and team building)

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std.Error	Beta		
Constant	0.325	0.077		4.204	0.000*
Emotional Intelligence	0.117	0.028	0.122	4.145	0.002*
Job Satisfaction	0.315	0.039	0.320	8.047	0.000*
Motivation	0.061	0.026	0.061	2.390	0.018**
Leadership	0.319	0.039	0.322	8.111	0.000*
Communication	0.062	0.037	0.061	1.687	0.093^{NS}
Decision Making	0.143	0.026	0.138	5.451	0.000*
Team Building	0.162	0.035	0.164	4.647	0.000*

*significant at 1 per cent; **significant at 5 per cent level; NS= Not Significant
Dependent Variable: Overall Organization Development

The coefficients of regression analysis are shown in the above table. The B value represents constants and coefficients for the regression equation and Beta values show the strength of association between the two variables. From the table, it is found that out of seven variables which influence organization development, six variables namely emotional intelligence, job satisfaction, motivation, leadership, communication, decision making and team building have significant influence in the organization development. Communication has also significance at 10 per cent level not 5 per cent level assumed for the study. Therefore, it is treated as insignificant and communication should be developed for the organization development.

Hypothesis 1

There is no association between educational level and emotional intelligence.

H0: There is no association between educational status and emotional intelligence

H1: There is an association between educational status and emotional intelligence

In order to test the hypothesis, the data regarding the same has been collected and chi-square test is used to validate the hypothesis. The results as follows

6.1: Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	17.031	0.002
Likelihood Ratio	16.273	0.003
Linear-by-Linear	14.079	0.000
No of valid cases	256	

The above table gives cross tabulation for emotional intelligence with respect to educational status. It is observed from the table that majority of the respondents have secured medium score values and only few respondents have secured high score values. The calculated chi-square value (17.031) is greater than the table value and the p value is less than 0.05. Therefore, the researcher rejects the null hypothesis that there is no association between educational status and emotional intelligence. It is concluded from the study that there is an association between emotional intelligence and educational status.

Hypothesis 2

There is no significant association between experience and job satisfaction.

H0: There is no association between experience and job satisfaction

H1: There is an association between experience and job satisfaction

In order to test the hypothesis, the data pertaining to the same has been considered and the results are shown below.

Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	8.129	0.084
Likelihood Ratio	9.617	0.047
Linear-by-Linear	1.965	0.161
No of valid cases	256	

The above table gives chi-square value for the two variables namely experience and job satisfaction. Since the p value is greater than 0.05, the researcher accepts the null hypothesis and concludes that there is no association between experience and job satisfaction. It is clear from the test that job satisfaction is not based on only experience and many factors influence job satisfaction.

Hypothesis 3

There is no association between educational status and motivation

H0: There is no association between educational status and motivation

H1: There is an association between educational status and motivation

Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	17.774	0.023
Likelihood ratio	14.019	0.081
Linear-by-Linear Association	3.891	0.049
No of cases	256	

The calculated chi-square value is greater than the table value and therefore the researcher rejects the null hypothesis. As a result, the researcher accepts the alternative hypothesis that there is association between educational level of the employees and motivation.

Hypothesis 4

There is no association between experience and communication

Ho: There is no association between experience and communication

H1: There is an association between experience and communication

Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	2.56	0.671
Likelihood ratio	2.929	0.570
Linear-by-Linear Association	0.55	0.457
No of cases	256	

The researcher has used Chi-Square Test to see whether there is any association between experience and communication. The calculated Chi-Square value is less than table value at 5 per cent level of significance. As a result, the researcher has accepted the null hypothesis that there is no association between experience and communication. Communication is essential for the organization development and it should reach all categories of employees in the organization irrespective of their job status.

Hypothesis 5

There is no association between educational status and leadership

H0: There is no association between educational status and leadership

H1: There is an association between educational status and leadership

Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	14.617	0.006
Likelihood ratio	14.502	0.006
Linear-by-Linear Association	12.768	0.000
No of cases	256	

The calculated chi-square value (14.617) is greater than the table value (2.56) at 5 per cent level of significance and the p value is less than 0.05. The researcher, therefore, rejects the null hypothesis and accepts the alternative hypothesis that there is an association between educational level and leadership.

Hypothesis 6

There is no association between experience and team building

H0: There is no association between experience and team building

H1: There is an association between experience and team building

Chi-Square Test

	Value	Asymp.sig (2 tailed)
Pearson Chi-Square	3.697	0.449
Likelihood ratio	3.889	0.421
Linear-by-Linear Association	0.684	0.408
No of cases	256	

The above table furnishes the chi-square test results of two variables (Experience and Team Building). Since the p value is greater than 0.05, the researcher accepts the null hypothesis that there is no association between experience and team building.

7.1: Findings of the study:

Hypotheses Testing

Six hypotheses have been framed for the study and Chi-Square Statistic was used to substantiate them. The result of the hypotheses testing and the resulting inferences are summarized below;

Hypothesis 1: There is no association between educational status and emotional intelligence.

The chi-square test proves that there is an association between emotional intelligence and educational status.

Hypothesis 2: There is no significant association between experience and job satisfaction.

Chi-Square test supports the hypothesis that there is no association between experience and job satisfaction.

Hypothesis 3: There is no association between educational status and motivation

Chi-Square test rejects the hypothesis that there is no association between educational level of the employees and motivation.

Hypothesis 4: There is no association between experience and communication

Chi-Square test supports the hypothesis that there is no association between experience and communication.

Hypothesis 5: There is no association between educational status and leadership

Chi-Square test result rejects the hypothesis that there is no association between educational level and leadership.

Hypothesis 6: There is no association between experience and team building

Chi-Square test accepts the hypothesis that there is no association between experience and team building

8.1: Suggestions

The following suggestions are offered in the light of the findings of the study:

The overall development of the organization should be improved by paying special attention to the dimensions of Communication, Emotional Intelligence, Leadership and Job Satisfaction. The executives should be fully involved in formulating and implementing important policies and strategies. In order to strengthen and maintain the positive relationship between the organization development and job satisfaction, the management should take steps to make the executives be aware and appreciative of the present policies of the organization. A significant improvement in the overall performance of the executives could be brought about by motivating them properly through personal contact, training programs and meetings. The gap between the subordinates and superiors should be narrowed. This could be achieved by motivating the subordinates in the proper way and by modifying the managerial and personnel policies to meet their expectations.

In general, managerial and personnel policies and practices should be modified in relation to satisfy the expectations of all the executives. In particular, the recruitment policy should be free of favouritism and personal bias. There should be sufficient scope for promotion and career advancement besides instituting satisfactory procedures for handling grievances.

9.1: Conclusion

The growth of any organization depends on its employees, processes, planning, strategies, management vision and the nature of the business environment etc. A single intervention in organization development cannot contribute meaningfully to organizational success. In the long term, each of the variables discussed above contributes its share. The exact measure of the each variable's contribution can be attained only by experience. Public sector undertakings are lacking in this area mainly because of frequent transfers of the key employees between the branches and the sister organizations. However in the interests of the organizations, organizational development has to be ensured through controls and targets at all times. Organizational development can be better implemented in such public sector organizations only through fixing of proper authority and responsibility. The key success factor in public sector undertakings has been the fixing and monitoring of the production targets and financial performance targets of the organizations. However mostly the value of human capital has not been effectively measured to represent the value of the firm in case of public sector undertakings. As we have seen from the results of the study, effective organizational development can greatly improve the value as well as effectiveness of human capital. The focus on personal and organizational factors help the organization to perform better and thereby the financial performance will improve. Thus it is important to focus on the benefits of organizational development while going in for evaluation of any organization. This can help in improving the effectiveness of organizational development practices among the firms leading to increased productivity and profitability of organizations.

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INVESTMENT INDUSTRY IN INDIA: PROBLEMS AND PROSPECTS IN A GLOBAL SCENARIO

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1.1: ABSTRACT

India is one of the most preferred destinations for foreign investment by renowned companies. Best investment in India options are varied, only the investor will have to carefully study the heterogeneous nature of the Indian market before investing his money. There are various elements within the country that work in its favor in attracting global investors. India is the seventh largest country in the world and the second most populous country besides having the fourth largest economy in terms of PPP. The government has also done its bit in attracting overseas investors in India, by undertaking liberalized economic policies. The Indian economy is ideal for big, medium and small companies located abroad. Due to the availability of a huge number of technical and managerial skills in the country, these companies can join hands with Indian enterprises and get the desired results. The low cost of labor is another factor that attracts best investments in India.

Key words: Investment Companies, Current trend in Investment, Investment Advisors.

1.2: DEFINE INVESTMENT

Investment is referred to as "the concept of deferred consumption, which might comprise of purchasing an asset, rendering a loan, keeping the saved funds in a bank account such that it might generate lucrative returns in the future". The options of investments are huge; all of them having different risk-reward trade off. This concludes that the investment industry is really broad and that is why understanding the core concepts of investments and accordingly analyzing them is essential. After thorough understanding of the investment industry, can an investor create and manage his own investment portfolio such that the returns are maximized with the least risk exposure.

1.3: INVESTMENT SCENARIO IN INDIA:

Emerging strong even during the scariest phase of global financial meltdown, India has become one of the favorite investment destinations for the foreign investors across the globe. The investment scenario in India is getting better and better with each passing day due to high confidence level of the investors. Today, India is considered the 4th biggest economy in the world. Its impressive GDP rate, especially in the field of purchasing power, has catapulted it to second position among all the developing nations. According to forecasts, Indian economy will grow to become 60% in size of the economy of US.To know investment environment in India in the best possible way, it will be wise to consider the performance of 3 core sectors including education, infrastructure and security.

1.4: PRIVATE EDUCATION INVESTMENT

Since Independence, Indian education scene has improved for the better. As against 0.1 Million enrollment in 1947, India experienced over 12.5 Million enrollments in 2009-10. At present, the educational sector has become more attractive with its growing enrollment rates and the credit for this can be given to the whole fresh team of education providers, consisting of distance learning course providers, private institutes, foreign education providers and public institutions. Though the Foreign Direct Investment (FDI) in educational sector, comprising higher education, has been allowed by the Indian government, there are still many shortfalls that need to be overcome. An increase in the enrollment figures is being constantly witnessed. But, when it comes to cumulative states expenditure, the scene is quite gloomy. For the period 2009-10, a fall of about 18% has been seen in the total expenditure. Himachal Pradesh has Rs 1777 and Maharashtra and Kerala show Rs 1034 per capita fund flow. Despite good financial performance of many of the states, their spending scenario in educational sector has been found in poor condition.

1.5:INFRASTRUCTUREINVESTMENT:

Investment scenario in India in infrastructure sector is attractive. Many sectors have been allowed to receive private investment, which is truly a turning point. In past few years, many road projects have been launched under National Highway Development Programme. The project costing neared about US$ 12 billion. In this, the foreign construction companies have also been invited to take part. Telecom sector and power reforms have also experienced massive improvement. Telecom and Oil and Gas sector are seeing disinvestments processes. Government is also thinking of introducing a more integrated transport system with chalking out plans for the investment. It cannot be denied that India has been successful in launching plenty of infrastructure projects with encouraging private participation in the sector. The booming IT and BPO sectors of India are the absolute testimony to its success story in the infrastructure projects.The overall outlook of the roads and highways in India has also changed for the better. Many cities and towns have been inter-connected to each other. Both state and central governments have dished out significant amount to the development of highways.

1.6: SECURITY INVESTMENT

Security investment scenario in India is also bright. While several industries in India are grappling with the impact of global meltdown and recent Mumbai attacks by terrorists, the one industry which is predicted to register profits in near future is the Indian security industry. The private security business in India is expected to become Rs 50,000 crore (Rs 500 billion) worth industries. Globalization and Foreign Direct Investment form an integral part of all the developed as well as developing economies. In fact, the growth of the underdeveloped economies is also dependant on these key factors. These components equip any nation with new skills, new items and provide smooth access to markets and technology. Today, every nation across the globe is looking for foreign and overseas investors. Whether it's India or China, everyone wants foreign investments. According to recent trends, India is only second to China in the league of favorite investment destinations.

In the report issued by Department of Industrial Policy and Promotion, the fund inflow to India reached US$ 27.3 billion in the period 2008-09, considered from the month of April 2008 to the month of March 2009. Last quarter of 2008-09 alone witnessed an inflow of approx.US$6.2billion.In the reports issued by Reserve Bank of India for outward investment from India, a growth of 29.6% to US$17.4 billion has been seen in the period 2007-08. India is considered the 2nd highest foreign employer in the United Kingdom after the United States.

1.7: INVESTMENT ADVISORS IN INDIA

Over the years, self-governing consultants have become a prerequisite for recognition of financial scheduling, endowments and administrative issues. Top 10 Investment Advisors in India offers solutions that are highly required for emerging businesses as well as individuals. With their total commitment to customers and shareholders, Indian Investment Advisors build unparallel tie ups with the buyers through proper understanding, creativity and devotion to client specific needs.

Brain Point Investment Centre Pvt Ltd:

A renowned investment advisory company, Brain Point Investment Centre Pvt Ltd was instigated in the year 1996 with an objective of making endowments easier, reasonable and lucrative.

The firm provides customized saving consultation and financial planning facilities to retail investors, corporate, NRIs, organizational investors and greater net worth customers. The private limited centre provides an all-inclusive range of capital products ranging insurance to PO schemes, Capital profit bonds to mutual funds, and fixed deposit schemes to tax saving plans.

First call India Equity Advisors

Dealing with one organization at a time, First call India Equity Advisors are dedicated to providing quality service to their clients by collectively bringing all the company's resources for the purpose. The firm maintains headship ranks in equity research, personalized services to patrons and investment banking. The services offered by the company are assisted by its accessibility to international and domestic network which efficiently resolve its customers' varied financial requirements.

Credit Analysis & Research Ltd

Instigated in the year 1993, Credit Analysis & Research Ltd. (CARE) is a knowledge and consultation service firm endorsed by leading banks such as Canara Bank, Industrial Development Bank of India (IDBI) and Unit Trust of India (UTI). The services offered by the firm range from industrial rating to grading. Its business model CARE Ratings Methodologies is among the best global business practices. In India, CARE has 7 offices in cities like Delhi, Chennai, Kolkata, Mumbai, Hyderabad, Bangalore and Ahmedabad.

G K Management Services (India) Limited

One of the recognized management service firms, G K Management Services Limited provides an all inclusive range of services. Business accounting, auditing and Information Security Auditing are some of the management facilities that the firm offers to its clients. It also has a wide range of clients in Europe and United States. Some of the renowned organizations under G K Management Services are State Bank of India, General Electric and one Fortune 500 firm.

Innosolv

Innosolv features among the premium administration advisory firms in India. Controlling for more than twenty years, the firm has a strong base owing to its enhanced experience and proficiency. At present it is catering to a large number of clients from various sectors. Working towards outshining its competitors in consultation and performance, Innosolv has carved a forte for itself in the distinctive market.

1.8: INVESTMENT COMPANIES IN INDIA

India is being ranked as fifth biggest economy in the world and is considered as one of the preferred hubs for investment prospects among foreign investors, due to its diversity of industries and increasingly expanding financial system. Top 5 Investment Companies in India attract foreign direct investment through tie ups with financial firms, investment markets, technical partnerships and favored allocations. The Indian investment market is renowned for its massive workforce and diverse sectors that generates better opportunities for both expansion and earning competence.

Bajaj Allianz

Collaboration between Bajaj Finserv and Allianz SE, Bajaj Allianz Life Insurance Co. Ltd. is India's internationally renowned asset management company, administering wealth worth over a trillion. Offering life, general and travel insurance in more than 70 nations, the firm is recognized as the fastest expanding insurance consultants in the world. The various customized services offered by Bajaj Allianz are insurance and investment solutions assisted by advanced technology and management. Investment policies and products offered by the firm are: Unit Linked Plans, Pension Plans, Traditional Plans, Women Insurance Plans, Health Plans, Group Plans, and Micro Insurance.

HSBC Asset Management India Pvt Ltd

Outstanding investment solutions along with an excellent track record have made HSBC Global Asset Management Pvt ltd one of the leading fund management institutions in the world. The company has assets worth USD381.4

billion under its supervision across the globe and offices in around 20 nations. It offers an all inclusive range of investment management services such as Mutual Fund and Portfolio Management to its varied patrons and is dedicated to executing steady endowment performance along with world class products for all kinds of investors.

SMC Investment Solution and Services

India's recognized fiscal service provider, SMC Investment Solution and Services is an incorporated firm offering investment solutions across India. In the recent past, the group has been successful in expanding its business operation in international location. At present it has more than 1500 branches spread across 350 Indian cities.

Shah Financial Group

Shah Financial Group was initiated in the year 2004 and is currently involved in distribution trade of individual business, finance and home finance through several financial institutions, banks, FOREX, SENSEX, Debentures buying and selling, Exim, NRI investment, external business loans, etc. The group also offers fiscal, tax relief and finance enhancement facilities to its corporate and non-corporate clients.

Stanrose Mafatlal Investment and Finance Ltd

The chief activity of Stanrose Mafatlal Investments & Finance Limited is to offer investment supervision facilities to its varied clients. It functions through its subordinate Stanrose Mafatlal Lubechem Limited in the capital market and is involved in inter-corporate endowments, fund market operations and financing.

1.9: INVETSMENT PLANS AVAILABLE IN INDIA

Top 5 Investment Plans available in Indian capital market provides a perfect blend of risk-reward transactions. Before buying an investment plan that yields greater results and minimum risks, an investor must acquire detailed understanding of the economic trends. This will help him in creating diversified investment portfolio besides comprehensively evaluating the various investment alternatives.

Reliance Cash Flow Plan:

This investment plan provides double advantage of simple liquidity through down payment of cash besides life assurance. The basic benefit of this policy is the cash flow that it provides during the tenure of the policy.

Minimum and maximum tenure of the policy is 7 years and 34 years exclusively.

Minimum sum assured - Rs 25,000

Tax Benefit: Maturity and death benefits are not valid under IT sec 10(10D) and tax deduction on premium income of up to Rs 1,00,000

An advantage to include two Riders namely: Total and Permanent Disablement Rider and Critical Illness Rider & Accidental Death Benefit.

HDFC Children's Gift Fund Investment Plan

The investment plan produces long term savings expansion through endowments chiefly done in equity and equity linked tools.

Face Value: Rs. 10 Rs/Unit

Minimum Investment: Rs. 5000 (for new investors) and Rs. 1000 for (current investors)

Units valid under lock in period: 3% of exit load if the Units are transferred between 1st and 2nd year, 1% of exit load if units are

transferred between 2nd and 3rd year and no exit loads if units are transferred after 3rd year.

ICICI Bank Fixed Deposit scheme

This investment plans come with an extensive range of term periods, provision of partial extraction and an assortment of fixed deposit investment plans.

Maximum and Minimum Investment limit: NIL

Fixed loans through Fixed Rate Deposit accounts

E-banking for Fixed Deposits accounts

Fixed term deposits offer tax haven and protect investor from features influencing fixed deposits for a longer tenure of calculated tenure.

ICICI Prudential Gilt Fund

The excellent performance of the fund makes, ICICI Prudential Gilt Fund the most sought after investment plan by individuals in greater tax brackets. Greater yields compared to pure fixed deposits. Exit load of 1% on the endowments if the amount less than rs 1 crore is transferred with 1 year of the date of commencement of the plan

Mirae Asset GILT Fund

A Gilt scheme, Mirae Asset Gilt Fund is chiefly invests in public owned securities with flexible maturity dates that are subjected by national and state level administration. It provides highest liquidity exposure to administrative securities which are protected and present greater liquidity.
Capital Market Instruments: 0 - 35% and Existing Expense Ratio: 2.25%
Regular Plan Investment: Rs. 5000/- and Provident Fund Investment: Rs. 10,000/-
Institutional Plan Investment: Rs. 10,00,000/-
Exit Load on Regular Plan is 0.15% if transferred within 15 days, 0.15% on Institutional Plan if transferred within 15 days, 0.15% on Bonus if transferred within15 days and 0.15% on PF if transferred within 15 days.

1.10: CHALLENGES OF INDIAN INVESTMENT INDUSTRY

The investing story in India has not been always that smooth. Pitfalls are sure to co-exist. Infrastructure is India's biggest opportunity as well. The fiscal deficit of India also poses a big threat to the investment industry in India. For an emerging economy like India, it is recommended that an investor always balances the unique risks against the potential for high long-term growth. India Investments has been the major propelling force towards India's attainment of self-sustained growth by way of rapid industrialization. The pioneers of the investment industry has been Foreign Direct Investment (FDI) and Investments made by NRIs. Foreign Direct Investments in India has been gearing up momentum every passing day.

1.11: CONCLUTION

To view an economy which is entirely open to the global markets, the investment industry in India should be groomed in a manner that the maximum returns are achieved. It is advisable that the investment industry's potential should neither be overestimated nor underestimated. We should know how to deal with the complexities of the investment industry and grow along with it.

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EFFECTIVENESS OF ORGANIZATIONAL CULTURE IN SOFTWARE INDUSTRY

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1.1: Introduction:

Organizational culture gains prime importance as it involves as it involves the whole gamut of activities from acquisition, development till optimum utilization. The congruence between individual and organizational goals creates greater bondage of employees with the organization, resulting in loyalty. It is the art of managing people at work in such a manner that they give their best to the organization. According to Decenzo and Robbins (1973), “Organizational culture is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. This is true, regardless of the type of organisation-government, business, education, health, recreation, or social action”. The fastest growing and highly profitable Software industry employs skilled, talented manpower who need to be keenly nurtured, managed and motivated. Human Resource department plays a pivotal role in this regard.

1.2: Statement of the problem

The growth of the Software industry is drastically influenced by the vital factor Human Resources, as the availability of skilled and trained talent pool is imperative. HRD practices and strategies followed by the Software companies are designed to attract and retain the professionals and are formulated to meet the current market conditions. Organizations formulate strong HRD practices along with effective strategies to accomplish goals utilizing human resources to the optimum extent. There has been tremendous change in the HRD policies and practices to leverage the current Software workforce. Many HRD practices study have been conducted across a range of industries. There is no known academic study to ascertain the HRD practices in Software companies in Chennai in general nor there is any study to ascertain the impact of employees’ perception about the Performance appraisal system and Career Growth in particular. The study aims at examining the dimensions of employees’ perception of the organizational culture Performance Assessment System and Career Growth Opportunities in select software Companies in Chennai. Hence this empirical study is directed towards Software companies targeting on the employees perception to trigger thoughts in the minds and find solutions to face the future challenges.

1.3: Need for the study

The in equilibrium existing in the labour market as to the demand and supply of skilled workforce makes the study crucial. Even though India is in a better condition as to supply of Engineering graduates who could be turned into Software professional. The Software companies are finding it difficult to face the challenge posed to convert the fresh graduates to employable and trainable employees. Training the mass to catch up with the market demand places a high pressure on the management and HR department of the Software organizations. Hence, the study relating to training and the perception of employees about training is considered as a critical issue.

Striking a balance between monetary and non monetary incentives across levels is a real challenge to the management. Implementing proper tools to measure performance of employees in the organizations helps to reduce the problem half way. These measurement criteria are to be communicated to the employees once they enter the organization. The hot skilled employees are poached by the competitors adding cost to the company. Differentiating the smart employees from the mass and providing recognition for their hot skills and scope for earlier career growth paves way for developing leadership skills and also to fill vacancies arising in the middle and top level positions.

1.4: Objectives of the study

- To identify the impact of organizational culture on the performance Assessment and Career Growth of employees.
- To analyze the effect of organizational culture in the context of HRD Practices in Software Companies.

1.5: Methodology

The Study is conducted using both analytical and descriptive type of methodology. The study primarily depends on primary and secondary data. The Survey is conducted in Software (IT) Companies located in Chennai city. Chennai hosts a number of Software companies making the study realistic and meaningful. The city consists of software giants, medium and small software units as well.The primary data are collected through survey method. Survey is conducted using well formulated Questionnaire. Multi Stage Random Sampling is applied for generating data. Samples for the purpose of the study are selected systematically. Totally 130 Questionnaires were distributed and 119 collected out of which 100 completed questionnaires were found usable.

1.6: ANALYSIS AND INTERPRETATION FACTORS OF ORGANIZATIONAL CULTURE

The respondents are requested to express their views on ten factors relating to self Evaluation. Their responses relate to the important Self Evaluation Factors like innovation, job knowledge, process orientation and communication. The factors include the responses for team work, the initiative of the employee appraising self, and the reliability of the person. The respondents are asked to rate the work assigned to the individual employee and his achievement over the years of his experience. Their opinion about their colleagues and seniors and its impact on their performance is also obtained.

1.7: PREDOMINANT FACTORS OF MANAGERIAL CAPABILITIES AND CORE COMPETENCIES

Factor analysis is applied on twelve variables of Core Competencies of employees in software companies and the results are as follows:

Table – 1: Variable Loadings of Core Competency

	Comp-1	2
Core Competency3A8	.769	
Core Competency3A9	.745	
Core Competency3A10	.742	
Core Competency3A12	.709	
Core Competency3A7	.684	
Core Competency3A11	.647	
Core Competency3A6	.621	
Core Competency3A5	.589	
Core Competency3A2		.841
Core Competency3A1		.827
Core Competency3A3		.756
Core Competency3A4		.568

* Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 3 iterations.

From the above table, it is extracted that the factor 1 consist of the variables

3A8 Character and Temperament (.769)
3A9 Efforts towards self improvement (.745)
3A10 Discipline, Attendance and Punctuality (.742)
3A12 Problem Solving and Analytical (.709)
3A7 Initiative and Enthusiasm (.684)
3A11 Output of work and achievement target (.647)
3A6 Oral and Written Communication (.621)
3A5 Team work and Interpersonal skill (.589)

Hence, this factor is suitably named Personality Traits.

The Second factor comprises the variable

3A2 Efficiency/Quality of work/Productivity (.841)
3A1 ob Knowledge (Technical / Domain) (.827)
3A3 Adherence to committed schedules (.756)
3A4 Flexibility and Adaptability (.568)

Table – 2: Variable Loading of Managerial Capabilities

Variables	Comp-1	2
Managerial Capabilities3B2	.812	
Managerial Capabilities3B1	.801	
Managerial Capabilities3B3	.793	
Managerial Capabilities3B5	.649	
Managerial Capabilities3B4	.641	
Managerial Capabilities3B9		.807
Managerial Capabilities3B7		.781
Managerial Capabilities3B8		.758
Managerial Capabilities3B6		.740

*Extraction Method: Principal Component Analysis. Rotation Method: Varimax With Kaiser Normalization. A Rotation converged in 3 iterations.

From the above table it is inferred that the factor 1 consists of the variables
3B2 Leadership (.812)
3B1 Ability to priorities (.801)
3B3 Team Building (.793)
3B5 Judgment (.649)
3B4 Intelligence and Creativeness (.641)
So, this factors is appropriately named Prudential Qualities.

The second factor comprises the variables
3B9 Loyalty (.807)
3B7 Determination and Drive (.781)
3B8 Attitude and Co operation (.758)
3B6 Physical and Mental stamina (Stress Management) (.740)

1.8: CONCLUSION

The Organizational culture is considered as the most significant resource activating all other resources in Software Companies which are knowledge driven. The organizational objectives are accomplished by strengthening the number of employees, maintaining their motivational level, to maximize their individual potential. Strong HRD practices initiate creative skills and initiate employees to innovate new product and services. HRD needs are fulfilled through conducive work culture, work environment and climate prevailing in the organization. New dimensions of HRD in the form of work life balance, stress management, fun at work are to be incorporated to retain talent pool.

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A STUDY ON GREEN CONSUMERISM AND ATTITUDE TOWARDS GREEN PRODUCTS

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1.1: INTRODUCTION

According to American Marketing Association, Green Marketing is the marketing of products that are presumed to be environmentally safe. Green marketing refers to the process of selling products or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced or packaged in an environmentally friendly way. In simple, Green marketing is a part and parcel of overall corporate strategy along with manipulating the traditional marketing mix. Although there is a spirited debate about the reasoning behind social accountability, the fact remains that corporations are stepping up to become socially accountable. Part of accountability involves the effect of company's action on the environment of their consumers. It is expected that in the years to come Green products would constitute a significant part of the total market.

1.2: OBJECTIVES OF THE STUDY

1. To understand the need of Green Marketing.
2. To find out the Practical utility of Green Marketing by business concerns.
3. To observe the importance and impacts of Green Marketing mechanism.

1.3: ORIGIN OF GREEN MARKETING CONCEPT

The term Green Marketing came into prominence in the year 1980. The American Marketing Association held the first workshop on "Ecological Marketing" in 1975. The proceedings of this workshop resulted in one of the first books on green marketing entitled "Ecological Marketing". The first wave of Green Marketing occurred in 1980s. Corporate Social Responsibility (CSR) Reports started with the ice cream seller Ben & Jerry's where the financial report was supplemented by a greater view on the company's environmental impact. In 1987 a document prepared by the World Commission on Environment and Development defined sustainable development as meeting " the needs of the present without compromising the ability of future generations to meet their own need" , this was known as the Bruntland Report and was an another step towards widespread thinking on sustainability in everyday activity.

According to Peattie (2001), the evolution of green marketing can be divided into three phases, first phase was termed as "Ecological" green marketing, helps to solve environmental problems through certain remedies. Second phase was "Environmental "green marketing with focus on clean technology that involved designing of innovative new products,which take care of pollution and waste issues. Third phase was "sustainable" green marketing came into prominence in the late 1990s and early 2000 where it becomes necessary for companies to produce environment friendly products and the awareness for such products on the rise as customers are demanding eco-friendly products and technologies. Objectives of green marketing are:

- To minimize the worse effects that affects the natural environment.
- To check the misuse of natural resources and to control wastage.
- To increase awareness about environmental conservation.
- To utilize natural resource as raw materials in a conservative manner.

- To focus on using such materials in packaging, which are biodegradable and do not cause harm to Living organisms.

1.4: CHOICE OF GREEN MARKETING BY MARKETERS

Most of the companies are venturing into green marketing due to the following reasons

Opportunity

In India, around 25% of the consumers prefer environmental-friendly products, and around 28% of consumers are healthy conscious. Therefore, green marketers have diverse and fairly sizeable segments to cater to. We also have Green Buildings which are efficient in their use of energy, water and construction materials, and which reduce the impact on human health and the environment through better design, construction, operation, maintenance and waste disposal.

Social-Responsibility

Various regulations are framed by the government to protect consumers and the society at large. The Indian government too has developed a framework of legislations to reduce the production of harmful goods and by products. These reduce the industry‘s production and consumers consumption of harmful goods, including those detrimental to the environment; for example, the ban of plastic bags, prohibition of smoking in public areas, etc.

Cost-Reduction

Reduction of harmful waste may lead to substantial cost savings. Many firms develop symbiotic relationship whereby the waste generated by one company is used by another as a cost effective raw material.

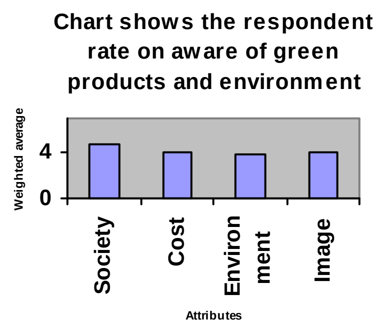
Competitive-Pressure

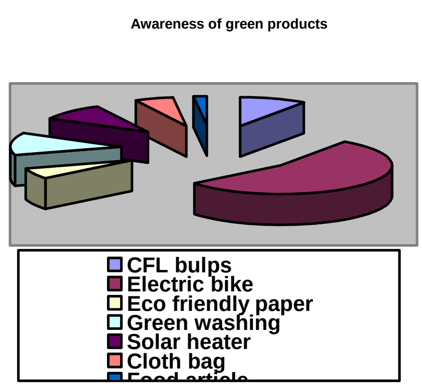
Many companies take up green marketing to maintain their competitive edge. The green marketing initiatives by niche companies such as Body Shop and Green & Black have prompted many mainline competitors to follow suit.

1.6: BENEFITS OF GREEN MARKETING

Today's consumers are becoming more and more conscious about the environment and are also becoming socially responsible. Therefore, more companies are responsible to consumers' aspirations for environmentally less damaging or neutral products. Many companies want to have an early-mover advantage as they have to eventually move towards becoming green. Some of the advantages of green marketing are as follows It ensures sustained long-term growth along with profitability. It saves money in the long run, though initially the cost is more. It helps companies to market their products and services keeping the environment aspects in mind. Most of the employees also feel proud and responsible to be working for an environmentally responsible company.

1.5: DATA ANALYSIS AND DISCUSSION





1.7: PROMOTIONAL EFFECTS OF GREEN ELEMENT MARKETING

The term environment friendly reflects the notion of recycle products, bio-degradable products, eco-friendly products, green products etc. Some promotional effects caused by the green element markets are as follows

LG energy star series of products promise better viewing at low energy consumptions.. The new concepts of scooters that run on battery power that supports solar energy. Nokia's latest promotion to initiate recycling of mobile phones. The 'Save Fuel Yaani Save money' campaign of Hindustan Petroleum helps the company to position itself as a green entity. Walt Disney has a rigorous and extensive waste management programme. The napkins and bags that are used by Mc Donald's are manufactured by using recycled paper. Many countries have banned the use of plastic bags and in reality have been strictly implemented.

1.8: CHALLENGES OF GREEN MARKET

Green products require renewable and recyclable material, which is costly

Requires a technology, which requires huge investment in R & D

Water treatment technology, which is too costly

Majority of the people are not aware of green products and their uses

Majority of the consumers are not willing to pay a premium for green products

1.9: CONCLUSION

Green Marketing refers to a holistic marketing concept where in the production, consumption and disposal of products and services happen in a manner that is less detrimental to the environment. With growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants, etc. both marketers and consumers are becoming increasingly sensitive to the need for switching to green products and services. Green market emphasis a vital role played by various organizations on focusing the Environment. The objective is to make the market aware of the growing concern over the environment as well as to promote the effective use of the green products. It also keeps in mind the society's long term interest, for a better future. The outlook and the communications should be wholly consumer oriented and it must become the duty of the green advertisers to create that level of awareness and consciousness about saving our environment.

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SPECIAL THANKS

Editor, SRM Journal of Management Research is pleased to inform that, our journal have successfully completed one of its journey and entered in to second year with adding colour of online availability in our university web portal. In this occasion I express my gratitude and heartfelt thanks to each one of the following officers for their kind support and encouragement in publishing a quarterly peer reviewed journal as per schedule.

1. Hon.Chancellor, SRM University
2. Hon.Chairman, SRM University
3. Hon.President, SRM University
4. Hon.Vice-Chancellor, SRM University
5. Hon.Pro-Vice Chancellor (P&D),
6. Hon.Director (E&T),
7. Hon.Director (VDP Campus),
8. Dean-SOM, SRM University,
9. Dean(E&T)- (VDP Campus).
10. Head- B-School(VDP Campus),
11. The review committee members
12. The Staff members of B-School,
13. The Press.

AN OVERVIEW OF FINANCIAL CRISES IN STOCK – A HISTORICAL PERSPECTIVE

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1.0: Abstract

The 'Great Moderation' in economic performance, however, ignored the possibility of catastrophic failures in a market economy. All these manifested themselves in the form of the worst-ever global financial crisis. Against the above backdrop, this paper discuss in detail the crisis of stock in a historical perspective, thus in the present context, an analysis of the financial crises witnessed by the global economy in the past is crucial in understanding and analyzing the recent crisis.

1.1: INTRODUCTION

The world economy witnessed a truly global crisis since mid 2010. This crisis has tested the contours of the functioning of the global financial landscape, while the interlink ages between the financial and the real economy were magnified. The problems that surfaced in the US sub-prime market in August 2009 reached their peak during September 2010 when some of the prime Wall Street financial institutions collapsed, leading to a worldwide failure of confidence. Thus, what started off as a subprime crisis in the US housing market in August 2011 turned successively into a global banking crisis, a global financial crisis and then a global economic crisis on stock? The period prior to the unraveling of the crisis was generally characterized by relatively steady growth and low and stable inflation in advanced economies and rapid growth and development in EMEs, popularly known as the period of 'Great Moderation' (Bernanke, 2004). This prolonged period of macroeconomic stability was attributed to free markets and successful globalisation.

1.2: Literature Review

One feature common to all financial crises has been that they have often arrived with fierce force and departed with important lessons for policy makers. Kindleberger (1978) has aptly called financial crisis a "hardy perennial". Monetarists like Freidman and Schwartz (1963) have linked financial crises with banking panics and concluded that banking panics result in monetary contractions which, in turn, lead to severe contractions in economic activity. Financial crisis events which did not result in banking panics were not classified as a financial crisis by the monetarists and they termed these events "pseudo- financial crises". The opposite view of financial crises has been outlined by Kindleberger (1978) and Minsky (1972) whose definitions of financial crises are broader. In their view, financial crises either involve sharp declines in asset prices, failures of large financial and nonfinancial firms, deflations or disinflations, disruptions in foreign exchange markets, or some combination of all these.

1.3: Research Methodology

Statement of the problem

Financial crises on stock are admittedly difficult to define and often have no precise beginning or end. It indicates stress on the financial system, on banks and other financial intermediaries, usually resulting in failures of systemically important institutions and sharp contractions in the national economy. An attempt is made to analyse the financial crises in stock on witnessed by the global economy in the past in understanding and analyzing the recent crisis.

Objectives of the study

The primary objective of the study of financial crises of stock has been to better comprehend the underlying analytics of a crisis so that future occurrence may be predicted and minimized.

Methodology

The literature has, in general, categorized financial crises into the following: debt crises, banking crises, currency crises, and crises due to financial contagion. An economy may be affected by any of these crises or may simultaneously experience the occurrence of more than one variant of the economic crisis. Financial crises experienced in the past 150 years can be classified as one of these variants. An attempt is made to classify the Incidence and Frequency of Major financial crises experienced from 1873-2010 to analyze the recent crisis.

Data Source

This study is based on secondary data which is taken from RBI Report on Currency and Finance 2009-10.

1.4: DATA ANALYSIS AND DISCUSSION:

Incidence and Frequency of Financial Crises

The history of financial crises during the period 1880-2000 has been examined in detail by Bordo et al. (2001) as well. Drawing from their analysis, the period between 1875 and 2007 can be broadly divided into four periods: Gold Standard Era: 1875-1913; Inter-War Years: 1919-1939; Bretton Woods Period: 1945-1971; and Recent Period: 1973-2010.

Gold Standard Era: 1875-1913

The Gold Standard Era has been relatively benign of the four periods even though capital markets were globalised during this period. The occurrence of crises was low during the Gold Standard Era (1873-1913). During this period there were 35 episodes of sovereign default. The defaulting nations were largely Latin American with some European countries like Greece (1893), Portugal (1890), Russia (1885) and Spain (1882). Banking crises were relatively infrequent during this period; the most notable banking crisis was in the US which started in 1873. The US faced another major banking crisis in 1893 and once again in 1907.

Inter-War Years: 1919-1939

The Inter-War Years (1919-1939) were quite turbulent. This is not surprising as the Great Depression took place during this period banking crises and currency crises were widespread during the Inter-War years. There were 21 episodes of banking crises during this period and they spread across all continents including North America, Europe, Africa and Latin America. Asia was the only exception. Sovereign defaults were also common during this period with 30 episodes of external debt crisis.

Bretton Woods Period: 1945-1971

There was relative calm during the late 1940s to the early 1970s (Bretton Woods's period). The first post-1945 global crisis was the breakdown of the Bretton Woods system of fixed exchange rates. This calm may be partly explained by booming world growth, repression of domestic financial markets (in varying degrees) and the use of capital controls that followed for many years after World War II. The financial markets were not very open till the end of the 1960s due to a combination of regulation, lack of capital mobility, diverse standards, and the limits of technology that created geographic barriers in the global economy. Banking regulation was made stringent and many banks were brought under state control. There was strict regulation of competition between banks and other types of financial institutions, and many countries used their financial systems to directly promote export industries and protect domestic producers and distributors. As a result, there were few banking crises during this period, with the exception of the twin crises in Brazil. However, currency crises were a regular feature of the financial landscape during the Bretton Woods Period as a fixed exchange rate was almost inconsistent with the macroeconomic policies followed during the period. The controls on capital flows in suppressing currency crises were less efficacious. During this period, 14 countries faced external debt/currency crises; the majority of the countries were in Latin America.

Recent Period: 1973-2010

The post-Bretton Woods Period (1973- 2010) has, however, been crisis-prone. An analysis of the data regarding the incidence of financial crisis reveals that the number of financial crises around the world has risen during this period, and even more sharply over the past thirty years. Since the early 1970s, with the liberalisation of capital account in the advanced countries, episodes of banking crises have increased. After a long hiatus, the number of countries facing banking difficulties first began to increase in the 1970s (Reinhart and Rogoff, 2008). The 1970s were characterized by the Latin American debt crisis and its impact on banks. Apart from the break-up of the Bretton Woods system of fixed exchange rates, sharp spikes in oil prices also catalyzed a prolonged global recession, resulting in financial sector difficulties in a number of advanced economies as well. There were seven episodes of banking crises during the 1970s, viz., in Uruguay (1971), UK (1974), Chile (1976), Central African Republic (1976), Germany (1977), South Africa (1977) and Venezuela (1978).

In the early 1980s, the collapse of global commodity prices combined with high and volatile interest rates in the United States contributed to a spate of banking and sovereign debt crises in emerging economies, most famously in Latin America and then Africa. There were 40 episodes of banking crises during the decade of the 1980s compared with 73 episodes during the 1990s. The early 1980s witnessed crises in Chile and Morocco. The 1980s saw the United States experiencing the 'savings and loan associations' (S & L) crisis.

In the 1990s, many economies including Nordic countries like Sweden, Finland, and Norway and most of the transitional socialist economies were hit by the crisis. The Nordic countries witnessed banking crises following a sharp surge in capital inflows and real estate prices. India faced a balance of payments crisis in 1991 in the wake of domestic imbalances, the Gulf War and the break-up of the USSR. Several countries including UK that formed part of the European Exchange Rate Mechanism suffered crises in 1992-93 and were forced to devalue or withdraw from the mechanism. In 1994-95, it was the Tequila crisis that impacted Mexico followed by Brazil and Venezuela; in 1997, Thailand, Indonesia, Korea, and Malaysia faced crises popularly known as East Asian crisis). In 1998, Russia's default sent tremors that had an impact as far away as Brazil.

Following the asset price bubble burst in the late 1980s and early 1990s, Japan also experienced a banking crisis which started in 1992 and lasted for almost a decade. In the current decade, various emerging market economies, viz., Turkey (2001), Paraguay (2002), Uruguay (2002), Argentina (2001, 2002) and Moldova (2002) experienced financial crises. Notably, Argentina, Uruguay and the Dominican Republic faced triple crises. The US witnessed the dot-com meltdown in 2001 which impacted world demand severely.

The incidence of financial crisis has been the highest over the past three decades or so (Table 3.1). According to the database compiled by Laeven and Valencia (2008), there were 124 episodes of banking crisis, 211 episodes of currency crisis and 64 episodes of sovereign debt crisis. Of these 42 were twin crises and 10 were triple crises (Table 3.2).

Table 3.1 Incidence of Financial Crisis

Period	Number of Crises
1875-1913	58
1919-1939	51
1945-1971	17
1973-2010	399

Source: Laeven & Valencia (2010). Reinhart and Rogoff (2010).

Table 3. 2 Frequency of Financial Crisis : 1973-2010

Year	Banking Crisis	Curren cy Crisis	Sovereign Debt Crisis	Twin Crisis	Triple Crisis
1970s	4	26	7	–	–
1980s	40	74	42	11	4
1990s	73	92	7	27	3
2000s	7	19	8	4	3

Note: Twin crisis indicates a banking crisis in Year t and a currency crisis in Year (t-1, t+1). Triple crisis indicates a banking crisis in Year (t-1, t+1) and a debt crisis in Year (t-1, t+1). Source: Laeven and Valencia (2010).

The incidence of crises has been frequent under different monetary and regulatory regimes. Financial crises have impacted both advanced as well as emerging market economies in varying degrees. An analysis of the incidence of financial crisis over the past 150 years reveals that though crisis occurs without warning, the incidence can largely be explained in terms of the prevailing macroeconomic conditions, the financial regulatory regime, currency regime, fiscal discipline and global capital and trade flows.

1.5: Conclusion

In the early models, crises were thought of as monetary events with few real consequences. However, an analysis of the history of financial crises reveals that most of the recessions have been caused for the most part by financial crises. One important example is the Great Depression, which was preceded in many countries by bank runs and stock market crashes. The most severe panic episodes were in 1857, 1873, 1893, 1907 and 1930-33, which resulted in the most severe economic contractions in 1857-58, 1873-79, 1893- 94, 1907-08 and 1929-33. An analysis of the causes of the financial crises reveals that though the trigger points differ, some common threads run through the financial upheavals: first, an excessive use of credit; second, a discernible lowering of credit standards; and third, heavy reliance on leverage. Institutional weaknesses typically aggravate the crisis and complicate crisis resolution. An analysis of the history of financial crises indicates that imbalance in the real economy combined with weakness in the financial sector, ebbs and flows in international money and capital, and asset mis-pricing generally contribute to a crisis. Financial crises have generally been followed by severe economic contractions. An analysis of the impact of financial crises which occurred in the past 150 years reveals that there are several channels through which the financial crisis, the associated increase in risk aversion and the ensuing recession have affected the macro economy. To sum up, financial crises have been a part of the economic landscape since the beginning. The definition and categorization of financial crises has evolved with time. The crisis chronologies suggest that financial crises have been chronic problems not only in the present era but in earlier periods as well.

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EMOTIONAL INTELLIGENCE OF MANAGERS IN BANKING SECTOR: AN EMPIRICAL STUDY

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1.0: Abstract

Banking system occupies an important place in a nation's economy. In the multicultural scenario, role of managers is vital in leading banks successfully. The performance of a bank depends upon the style of functioning of managers. Managers are the potential leaders who help in the credential improvement of the banks. Thus this study is primarily aimed at identifying the level of emotional intelligence among managers in banking sector. With a help of a specially designed questionnaire an attempt is made to evaluate the emotional intelligence among the managers of the public, private and modern banks in order to examine whether the emotional intelligence of them differs across banks. Data were obtained from 390 bank managers of the two southern districts of Tamilnadu, namely, Tuticorin and Kanyakumari. It was observed that there exists a significant difference in the level of emotional quotient among bank managers of public, private and modern banks. That is, managers of public sector banks have better Emotional Competence Intelligence (ECI) compared to managers of private and modern banks.

1.1: Background

A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The operation of the banks records the economic pulse of the economy. The importance of banks in directing the economic activities is indeed overwhelming. In the globalised and competitive era, success of the bank is mainly depends upon the efficiency of the bank managers. For that, in the multi national scenario, not only Intelligence Quotient, Emotional Quotient is also need to become a successful manager. E.I has become a major topic of interest in scientific circles as well as the lay public. Emotional Intelligence also called as E.I. and often measured as an E.I Quotient or E.Q. The ability to understand emotions entails appreciating emotional dynamics and blends of emotions and how these influence thinking and behavior.

Goleman (1995) popularized the term emotional intelligence and brought it before the mass media and business world as "the underlying premise for all management training" (1998, p.8). Emotional intelligence may contribute to the quality of people's relationships at work because, emotions serve communicative and social functions, conveying information about thoughts and intentions, and helping to coordinate social encounters. Emotion related abilities should help people choose the best course of action when navigating social encounters. The ability to manage emotions contributes to favourable social encounters, in part through emotional contagion (Hatfield, Cacioppo & Rapson, 1994).

1.2: Objectives

The study is primarily aimed at identifying the level of emotional intelligence among managers in banking sector. The specific objectives of the study are:

To evaluate the emotional intelligence among the managers of the selected banks.

To identify the difference in the emotional intelligence among managers of various types of banks.

1.3: Methodology

After selecting the problem for investigation, the researcher finalized the variables and developed a tool for the investigation to study the interpersonal, intrapersonal, stress management, adaptability and general mood of the bank managers in public, private and modern banks. The tool compressed 5 divisions and sixteen sub divisions. The tool was a five point Likert's scale with positive statements with textual response format ranging from "not true of me" (1) to "true of me" (5). The validity of the questionnaire was tested by a pilot study. Expert's opinion was also drawn to develop the questionnaire. Data were obtained directly by using a well framed questionnaire. The sample size was 390. Area selected for the study includes Southern districts of Tamilnadu such as Tirunelveli, Tuticorin and Kanyakumari Districts in India. The collected data were analyzed with the help of mean, standard deviation, 't'test, ANOVA and Chi-square test.

1.4: Emotional intelligence scores among managers of different types of bank

A question of different level of emotional intelligence based on type of bank arises though they are equally treated in the society. The type of bank wise classification of the bank managers under the study is presented in table 1.

Table 1: Type of bank-wise classification of the sample respondents

S.No	Type of Bank	N	%
1	Public	312	80.00
2	Private	54	13.85
3	Modern	24	6.15
Total		390	100.00

From Table 1, it is found that out of 390 bank managers, 312 bank managers (80.00%) are working in Public sector banks, 54 bank managers (13.85%) are working in Private sector banks and the remaining 24 bank mangers (6.15%) are working in modern banks. In order to find out whether there is any significant difference in the emotional quotient among the bank managers in different type of banks, the "ANOVA" test is applied.

Table 2: Differences in the emotional intelligence scores among managers of different types of bank

H_0 : There is no significant difference in the emotional intelligence scores among mangers of different types of bank.

Emotional Quotient	'F' Value	Table value
Self-Regard	16.662*	3.020
Self-Awareness	3.017	3.020
Assertiveness	27.663*	3.020
Independence	2.037	3.020
Self-Actualisation	16.637*	3.020
Intra-Personal	16.442*	3.020
Empathy	4.286*	3.020
Social Responsibility	3.341*	3.020
Inter Personal Relationship	2.998	3.020
Inter Personal	3.007	3.020
Stress Tolerance	0.168	3.020
Impulse Control	9.029*	3.020
Stress Management	2.431	3.020
Reality Testing	0.764	3.020
Flexibility	4.446*	3.020
Problem Solving	10.469*	3.020
Adaptability	5.571*	3.020
Optimism	5.655*	3.020
Happiness	11.905*	3.020
Vigour	13.762*	3.020
General Mood	13.610*	3.020
Emotional intelligence	10.587*	3.020

* H_0 is rejected at 0.05.

The calculated 'F' values of the emotional intelligence factors namely, self-regard, assertiveness, self-actualization, Intrapersonal, empathy, social responsibility, impulse control, flexibility, problem solving, adaptability, optimism, happiness, vigour, general mood and Emotional intelligence (over all) are greater than the table value of 3.020. It indicates that there exist significant differences among the means scores of emotional quotient factors such as self-regard, assertiveness, self-actualisation, Intrapersonal, empathy, social responsibility, impulse control, flexibility, problem solving, adaptability, optimism, happiness, vigour, general mood and Emotional intelligence (over all) of bank managers with respect to type of bank. Hence the null hypothesis, “There is no significant difference among the mean scores of EI factors such as self-regard, assertiveness, self-actualisation, Intrapersonal, empathy, social responsibility, impulse control, flexibility, problem solving, adaptability, optimism, happiness, vigour, general mood and Emotional intelligence (over all) of bank managers with respect to type of bank” is rejected.

1.5: Levels of emotional intelligence for all respondents

Table 3 shows the levels of emotional intelligence of bank managers.

Table 3: Levels of E.I. for all respondents

Variable	Low		Medium		High	
	N	%	N	%	N	%
Emotional Intelligence (Total)	81	20.77	241	61.79	68	17.44
Intrapersonal	77	19.74	250	64.10	63	16.15
Interpersonal	58	14.87	254	65.13	78	20.00
Stress Management	68	17.44	253	64.87	69	17.69
Adaptability	58	14.87	270	69.23	62	15.90
General Mood	60	15.38	273	70.00	57	14.62

It could be seen from Table 3, out of the sample of 390 bank managers, 81 (20.77%) come under the category of low level emotional intelligence, 241 (61.79%) fall under the category of medium level emotional intelligence and 68 (17.44%) are in the category of high level emotional intelligence. 77 (19.74%) come under the category of low level intrapersonal, 250 (64.10%) fall under the category of medium level Intrapersonal and 63 (16.15%) are in the category of high level intrapersonal. 58 (14.87%) come under the category of low level interpersonal, 254 (65.13%) fall under the category of medium level interpersonal and 78 (20%) are in the category of high level interpersonal. 68 (17.44%) come under the category of low level stress management, 253 (64.87%) fall under the category of medium level stress management and 69 (17.69%) are in the category of high level stress management. 58 (14.87%) come under the category of low level adaptability, 270 (69.23%) fall under the category of medium level adaptability and 62 (15.90%) are in the category of high level adaptability. 60 (15.38%) come under the category of low level general mood, 273 (70%) fall under the category of medium level general mood and 57 (14.62%) are in the category of high level general mood.

1.6: Type of bank and level of emotional intelligence

Table 4: Type of bank and level of emotional intelligence of bank managers

Type of Bank	Level of Emotional Intelligence							
	Low Level		Medium Level		High Level		Total	
	N	%	N	%	N	%	N	%
Public	56	69.14	205	85.0	51	75.0	312	80.
Private	19	23.46	23	9.54	12	17.65	54	13.85
Modern	6	7.41	13	5.39	5	7.35	24	6.15
Total	81	100	241	100	68	100	390	100

Table 4 reveals that out of 81 bank managers having low level emotional intelligence, 56 (69.14%) are working in public sector, 19 (23.46%) are working in private sector and the remaining 6 (7.41%) are working in modern banks; out of 241 bank managers having medium level emotional intelligence, 205 (85.06%) are working in public sector, 23 (9.54%) are working in private sector and the remaining 13 (5.39%) are working in modern banks; and out of 68 bank managers having high level emotional intelligence, 51 (75%) are working in public sector, 15 (7.35%) are working in private sector and the remaining 5 (7.35%) are working in modern banks.

Table 5: Type of Bank and Level of EI

Particular	df	Chi-Squ. Value		Result
		Cal.	Tab	
Level of Emotional Intelligence and Type of Bank	4	12.11	9.49	Significant

Table 5 shows that the calculated value of Chi-square is greater than the table value at 5% level of significance. Hence, the null hypothesis, “The level of emotional intelligence of bank managers is independent of type of bank" is rejected. Hence, it would be concluded that the level of emotional intelligence of bank managers is dependent of type of bank.

1.7: Findings and Discussion

As regard to the type of bank, the respondents were categorized into public, private and modern banks. Most of the respondents are at public sector banks (80%). 13.85% of the respondents belongs to private sector banks and 6.15% of respondents are at modern banks. There was no significant difference in the mean scores in the sub-components self-awareness, independence, interpersonal relationship, stress tolerance and reality testing. Significant difference was found in self-regard, assertiveness, self-actualization, empathy, social responsibility, impulse control, flexibility problem solving, optimism, happiness and vigour.

Respondents 56 out of 312 belong to private sector banks, respondents 19 out of 54 belong to private sector banks and respondents 6 out of 24 belong to modern banks are having low level EI. Respondents 51 out of 312 belong to public sector banks, respondents 12 out of 54 belong to private sector banks and respondents 5 out of 24 belong to modern banks are having high level EI. Most of the bank managers irrespective of the type of bank are having medium level EI. On the whole, the level of EI of the bank managers is dependent to the type of bank. The application of EI has got more advantages towards organizational effectiveness in the areas of leadership, organizational learning, career development and organizational performance. By being able to develop both the logical and emotional side of the self, one can achieve a substantial break in the whole range of business and career. Outcome contains broader scales of general health, quality of life, relationship quotient and optimal performance and encourages organization to increase trust, to increase the capability of the team to work under pressure and to create the future through engendering initiative in people. To conclude that Emotional intelligence is positively related with performance, and since most of the bank mangers are at medium level of EI, they may need to focus on development of EI.

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"CHALLENGES FOR SMALL AND MEDIUM ENTERPRISES (SME)" IN AUTOMOBILE INDUSTRIES IN TAMIL NADU

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1.0: ABSTRACT
The paper analyzes the small and medium enterprises (SME) engaged in manufacturing automobile components in Tamil Nadu. It studies the past and present of automobile industry and tries to predict the future of this industry. The objective of this research is to analyze the performance of small and medium enterprises engaged in manufacturing automobile components in Tamil Nadu and to evaluate available opportunities and challenges for them in Tamil Nadu. The literature review describes the overall Indian economy and factors affecting its growth. Interviews with managers and helped us to understand and satisfy the aims and objectives of this research. The results from the interviews have been discussed and analyzed.

Key words: Small and Medium enterprises, Automobile manufacture, Opportunities, Challenges.

1.1: INTRODUCTION
Small and Medium Sized Enterprises (SME) play and major role in the economic development of a country. SME comprise of a widely divergent spectrum of establishments, engaged in economic activities ranging from micro and rural enterprise to modern industrial units. Such enterprises exist in the form of factories, workshops, trading and service organizations. Ownership patterns range from proprietorship and partnership to companies and co-operatives. Small and Medium Enterprises are today recognized as a priority in almost all countries. There is a relationship between SME and the gross domestic products (GDP) growth of the country. The Role of Automobile Industry in India GDP has been phenomenon. The Automobile Industry is one of the fastest growing sectors in India. The increase in the demand for cars, and other vehicles, powered by the increase in the income is the primary growth driver of the automobile industry in India.

1.2: BACKGROUND TO THE PROBLEM:
The purpose of this study is to analyze the past present and future of Indian SMEs concentrating on Automobile sector. The researcher intends to study the Performance of these SMEs and bring out available opportunities and challenges for them in Tamil Nadu.

1. To identify, analyze and evaluate performance of SMEs engaged in Automobile sector.
2. To analyze opportunities available in this industry.
3. To analyze challenges in this industry.
4. To study the future prospects of automobile sectors SMEs.

2.1: REVIEW OF LITERATURE
According to a recent revision of the SME act to Micro, Small and Medium Enterprises (MSME) Development Act 2006 firms will now be categorized as micro small and medium units. Those enterprises that are engaged in production will be called micro if the investment in plant and machinery does not exceed 2.5 million rupees. Small enterprises will henceforth be the units with investment in plant and machinery in the range of 2.5 million rupees to 50 million rupees and medium enterprises with an investment of at least 50 million but not exceeding 100 million rupees. According to Reserve Bank of India (2006), "Small and Medium Enterprises can be

defined as investments ranging from Rs 2.5 million to Rs 10 million and manpower ranging from 25 persons to 400 persons. Enterprises with capital upto Rs 10 million are treated as small scale industries (SSIs) and those with capital over Rs 10 million and upto 100 million as medium enterprises."

2.2: AUTOMOBILE INDUSTRY IN INDIA

Automobile Industry is by far the biggest and the most prominent service industry in India. It currently accounts for almost ~2.2 of India's GDP. There are more than 10 major foreign companies with global operations to small companies focusing on exports or the domestic markets. The industry has recorded a phenomenal growth in terms of revenues and employment generation over the past few years.

2.3: INDUSTRY SIZE

It is estimated that the automobile sector employ more than 13 million people directly and indirectly. As a result, the job opportunities in this sector are going to remain huge, especially for trained professionals involved in key production areas. Foreign firms looking to capitalize on the local talent are likely to offer attractive remuneration and provide accelerated growth prospects for ambitious individuals, and local firms hoping to grow their footprints are also likely to step-up their hiring and upward movement of staff.

2.4: SMALL AND MEDIUM ENTERPRISES IN AUTOMOBILE INDUSTRY

Auto component SMEs are one of the fastest growing within the SME category of industries. These units are key contributors to the total production of auto components and also have a significant share in the exports of the industry. As part of a highly fragmented industry; these companies mostly are part of the unorganized sector. They operate in a tier framework, and most of the companies in the SME segment are in the Tier II or below. Few of the suppliers to original equipment manufacturer (OEMs) are medium scale enterprises.

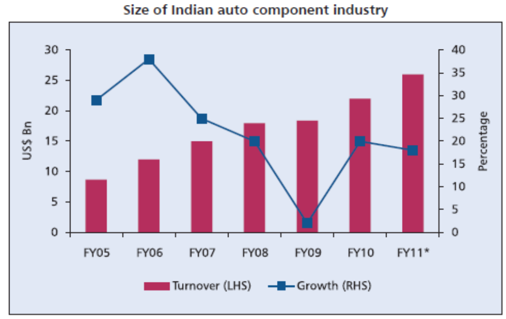
2.5: CHALLENGES CHARACTERISING THE SMEs

The Indian auto component industry is one of the few sectors that have a distinct global competitive advantage in terms of cost and quality. It is also one among the fastest growing industries in India. The Indian auto component industry gradually transformed from a local supplier to a global auto parts supplier to major global automobile companies. India's cost-competitiveness in raw material and labor and its established manufacturing base is a compelling attraction for global Original Equipment Manufacturers (OEMs) to outsource components from India.

3.0: INDUSTRY STRUCTURE

The Indian auto component industry grew robustly at 19.9% Compound Annual Growth Rate (CAGR) over (financial year) FY05-FY11 and reached ` 1368 bn in FY11. The remarkable growth can be attributed to government initiatives and incentives, additional subsidies, formation of various clusters, gradual increase in the per capita income as well as disposable income giving a boost to the demand of automobile industry and in turn auto component industry. Indian auto components manufacturers can be broadly divided into organized and unorganized players. The organized sector accounts for three fourth of total production. The focus of the organized sector is high, value-added precision engineering products; a large unorganized sector characterizes the lower value-added segments.

Size of Indian auto component industry

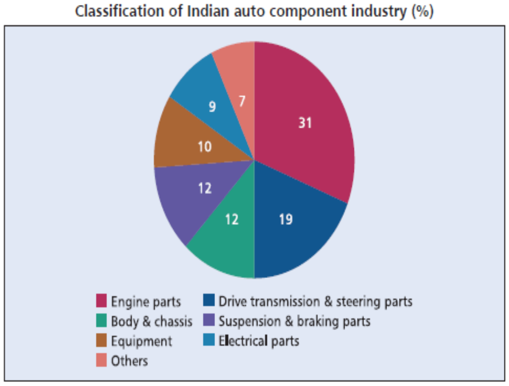


Source: Automotive Component Manufacturers Association of India (ACMA)

3.1: INDUSTRY CLASSIFICATION

The Indian auto component industry can be classified into various product ranges of which eight components contribute majority to the industry. Engine parts contributed remarkably 31% towards the auto component industry in FY11 followed by drive transmission and steering component manufacturing. Electrical parts contributed only 9%, lowest in the Indian auto component industry.

Classification of Indian auto component industry (%)



Source: Annual Report FY11, ACMA

The Indian auto component industry is categorized based on their class and size of their location as Tier I, Tier II and Tier III firms. Tier I firms mostly include large firms. Tier II comprises medium-sized companies and the smaller, single-auto component manufacturing firms, mostly unorganized players, form Tier III. The facilities provided and technology used in manufacturing varies across the three tiers. Tier I is referred to as an advanced region and most OEMs operate here. They are equipped with high-end technology on par with global standards. Further, most companies here have high-end research and development centers to carry out new innovation. On the other hand Tier II and III regions have less access to the latest technology and they generally use traditional technology and methods to manufacture various components.

3.3: Demand

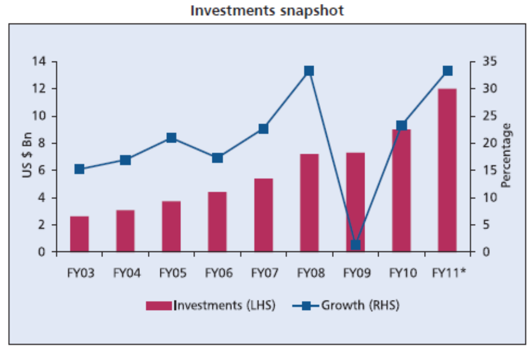
Demand for auto components directly relates to demand for automobiles. Hence, demand drivers for automobiles indirectly influence those for auto components. Factors that influence original equipment demand for auto components differ from those that influence replacement demand for components. The key demand drivers are listed below:

- Economic growth
- Infrastructure development
- Easy availability of finance and sales promotion offers
- Inadequate public transport
- Freight rates.

4.0: Supply Dynamics

Raw materials constitute a major cost component in the auto components industry, accounting for ~60% of total expenses, followed by labor charges with ~10%.Indian auto components manufacturers have been focusing on R&D, innovation, design, and engineering to meet global quality standards and emerge as full-service providers to OEMs. Investments in the industry increased from US$ 3.10 bn in FY04 to US$ 9 bn in FY10, growing at 19.40% CAGR. Investments are estimated to have increased to US$ 12 bn in FY11. Major foreign companies have been investing in the domestic industry through joint ventures and partnerships or by setting up their own production plants. Domestic component players are also investing heavily in the industry to reap

Investments snapshot



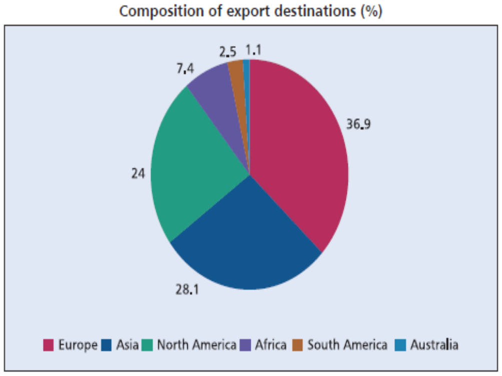
**Estimated*
Source: ACMA

benefits of long-term growth prospects.

4.1: Exports Scenario

Exports constitute 15% of the Indian auto components industry's total turnover. Exports of auto components from India grew from US$ 1.69 bn in FY05 to US$ 5 bn by FY11at 19.80% CAGR. Exports were flat in FY10 at US$ 3.80 bn primarily due to slow recovery in developed countries. However, they once again bounced back in FY11, registering sharp growth of 32%. During FY11, global OEMs/tier-I manufacturers accounted for 80% share in the Indian auto component industry's exports and global after markets accounted for the rest. Europe accounted for nearly 37% of India's exports and continues to be one of the major export destinations, followed by Asia.

Composition of export destinations (%)



Source: ACMA

5.0: Issues and Challenges

The auto components industry is in a robust growth phase. However, the industry faces certain challenges to growth that include:

Technological capability not enough to match global standards

Surging raw material prices putting pressure on profit margin

Slowdown in global economy affecting exports

Players losing bargaining power with larger OEMs

Increasing rivalry among players with numerous small firms targeting the same customer segments

FTAs signed with other developing countries increasing bulk imports of cheaper auto components.

5.1: Way Forward

Going forward, the Indian auto components industry is well poised to achieve strong growth owing to rising domestic demand in the OEM market and expanding replacement market. The export market for auto components is also likely to see strong traction once the global market stabilizes and the economic uncertainty diminishes. According to the Auto Components Manufacturers Association (ACMA), the Indian auto components industry is likely to grow to US$ 110bn by 2020 with the domestic market share of ~US$ 80 bn. The share of the auto components industry in the country's GDP is likely to increase to 3.60% by 2020, up from 2.10% in FY10. Given good long term demand prospects in the domestic market and with India emerging as a favored low-cost sourcing destination, auto component manufacturers are likely to invest in increasing production capacities and technological capabilities. Further, companies would continue to diversify their product portfolio to de-risk their businesses. However, competition is expected to increase and prices of raw material are likely to follow an upward trend. This is expected to exert pressure on the industry's profit margins. In such a scenario, cost control programmers would assume greater significance for the industry players, both big and small.

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BEHAVIOURAL CHANGES OF WOMEN CONSUMERS IN TWO WHEELER INDUSTRY

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1.0: Abstract

In recent years, India is witnessing a change in consumerism. The product is now predominantly consumer driver, consumer is given many options to decide. Two wheeler segment is no exception to this general trend. This article presents a frame work that studies the relationship between the growth of two wheeler industry on behavioral changes of women consumers. This paper is a sincere endeavor to gain insight into the growth of two wheeler industry and driving factors that influence purchase decision of women consumers of two wheelers. The study reveals that demand for women two wheelers has been influenced by a number factors such per capita income, cheap consumer financing, models with different features, comfort, economy, changes in demographic file, and gender difference- This frame work concludes that consumer behavior plays a vital role in marketing of women Two wheeler. There is more scope for extensive research in this area, which can be used as a template for marketers seeking to understand their consumers.

1.1: Introduction:

The Indian Market is one of the emerging economics and it has a unique set of challenges that are significantly different from developed markets. The success of marketing efforts hinges largely upon the ability of the marketing department to study buying behavior of their present and prospective customers and to deal with them accordingly. The study of consumer behavior is necessary to segment the market in new ways and serve them with different marketing mixes. Therefore in depth analysis and knowledge of customers is a pre- requisite for marketing. Automobile is one of the largest industries in the global market. Being the leader in product and process technologies in the manufacturing sector it has been recognized as one of the drivers of economic growth.(Source: Dripto Mukhopadhay, NCAERT).The liberalization polices leads to continuous increase in competition has ultimately resulted in modernization line with the global standards as well as to substantial cut in prices. India manufactures over 18 million vehicles and exports more than 2.3 million every year.(www.imagenmor.com). . It is the world's largest manufacturer of motorcycles. There are eight key players in the Indian market that produced 13.8 million units in 2010-2011 (Source:CMIE)

Two wheelers have a special place on the Indian Roads. They are popular and Versatile not only as passenger carriers but also as Goods carriers. The Indian motor cycle Industry has been gaining momentum in the last two decades. The growing middle class population, prosperous rural India and the paucity of reliable public transport system is leading to a large number of two wheelers added to the roads every day. Indian roads in most cities, villages and towns are narrow. Two wheeler allow people to navigate such roads easily. Fuel efficiency is a high advantage. Two wheeler makes the daily travel both affordable and convenient. Easy availability of auto finances at attractive schemes has made a two wheeler is a must in most urban and rural homes. Now an attempt is made to trace the evolution and growth of two wheeler industry, which is given below:

2.1: Evolution of Two-Wheeler Industry:

The Two-wheeler and Three-Wheeler segments are one of the biggest in the overall automobile sector in terms of users as well as producers. It is estimated that of the world's two-wheeler around 78% are produced in

India.(Source:Sowmiya.H.2001).. As a result of this India becomes the second large market for two-wheelers. The need for the transportation, rather than desire for leisure vehicles, has largely driven the demand for two-wheeler in India.

The structure of the Two-Wheeler is changing rapidly. The Britannica Encyclopedia describes a motor cycle as a bicycle or tricycle propelled by an internal – combustion engine .The 1900's save the conversion of many bicycles or pedal cycles by adding small, centrally mounted spark ignition engines. The two wheeler industry consists of three segments (i.e.) scooters, motor cycles, and mopeds. The two wheeler industry in India has to a great extent shaped by the evolution of the industrial policy of the country. Regulatory policies like FERA and MRTP caused the growth of some segments in the industry like motor cycles to stagnate. During 1960-1969 the growth of the two wheeler industry was fostered through foreign collaborations. (Source: Anujkumar, 2011)

Motor cycle production started in 1952 with Royal Enfield as the only producer till the early sixties, with the production of 2500 units per annum.(Source:Rameshkumar,2004). 1972 – 79 was a period of slow down for motor cycle segment due to lower fuel efficiency.With rural sector and urban youth driving incremental demand, the shift in demand from scooters to motorcycles will continue. Until 1990, metal body, geared scooters whose sales equaled the combined sales of motor cycles and mopeds, dominated the two wheeler industry. (Source: Sowmya, H,2001). With the launch of lighter 100-cc motorcycles, there occurred a significant shift.

2.2: Growth of two-wheeler industry.

The Indian two wheeler industry has shown a rapid rate growth in last one decade. Its store in automobile industry has increased from 15% in 2001 to 17% in 2010. (Source:Aunjkumar 2011). Changing life styles, commuting to work, fun and leisure and the emergence of upwardly mobile youngsters who like to associate themselves with motorcycle brands to reflect their lifestyles in urban markets are the main reason for the increasing demand for this type of two wheelers. For the rural area people two wheeler is not only a mode of personal transport but also a mode of transport for small family. For the vendor it serves as a means for transport of goods. The expected rise in house hold income, easy availability of consumer finance, growing replacement demand, frequent introduction of newer trendy models by players and the growing aggressiveness by key players are the factors aiding the growth of two-wheelers market. As a result, the demand for motorcycles surpassed that of scooters for the first time in the second half of 1998-99.(Source:Sowmya.H.2001)

Six players mainly dominate the Two-Wheeler segment. They are Hero Honda (Hero), Bajaj Auto Ltd, TVS Suzuki (TVS), Kinetic motors, Yamaha Motors Ltd and LML Ltd. All these companies have foreign collaborations mainly with well known Japanese Firms, These ventures were setup in the mid 80s, suffered heavily due to sharp depreciation in rupee. All these players were now well established with very high level of indigenization and widening their product base to include 4-stroke Vehicles which conform to Euro-environmental norms. The forgoing studies reveal that the two wheeler industry has shown a rapid growth. Hence the study of the trend in sales volume and demand of two wheeler is essential, which is analyzed below:

3.1: Trend in Sales volumes of the Indian Two-wheeler Industry:

The Indian Two-Wheeler Industry recorded a sales Volumes of 3.4 million units n Q3, 2011-12, a growth of 11.0% (yoy). The growth has been supported by various structural positives associated with domestic two-wheeler Industry including favorable demographic profile, moderate two-Wheeler penetration levels, under developed public Transport system, growing urbanization, etc.. Table: 1 shows the trend in sales volumes of the Two-Wheeler Industry.

Table 1: Trend in sales volume of the two wheeler industry

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	VOLUMES (Units, Nos)					YOY Growth (%)				
Domestic	2009-10	2010-11	Q1 2011-12	Q2 2011-12	Q3 2011-12	2009-10	2010-11	Q1 2011-12	Q2 2011-12	Q3 2011-12
Motorcycles	7341122	9019090	2464143	2558515	2556782	25.90%	22.90%	17.50%	15.40%	9.20%
Scooters	1462534	2073797	532867	650155	659643	27.40%	41.80%	13.30%	29.00%	21.60%
Mopeds	564584	697418	190672	192859	186472	30.90%	23.50%	21.00%	7.00%	2.60%
Total domestic	9368240	11790305	3187682	3401529	3462897	26.00%	25.80%	17.00%	17.30%	11.00%
Exports	2009-10	2010-11	Q1 2011-12	Q2 2011-12	Q3 2011-12	2009-10	2010-11	Q1 2011-12	Q2 2011-12	Q3 2011-12
Motorcycles	1102978	1480983	482566	492408	448090	13.60%	34.30%	27.10%	31.70%	21.80%
Scooters	30125	52312	20949	24696	23950	16.70%	73.60%	100.40%	88.50%	92.00%
Mopeds	6905	6295	1461	3478	2796	-5.40%	-8.80%	-44.00%	159.20%	188.00%
Total exports	1140008	1539590	504976	520582	474836	13.50%	35.00%	28.60%	34.00%	24.50%

Source: ICRA RATING FEATURE, FEBURARY 2012..

Trend in the sales volume of the two wheeler industry during 2009-10 to 2011-12 can be observed from table 1. The domestic motorcycles segment recorded a volume growth of 9.2%,yoy in Q3 2011-12.and the export of two wheeler has recorded a growth of 24.5%,yoy in Q3 2011-12.Although the yoy volume growth of the industry remained in double digits, the pace of growth during the Ist quarter was at its lowest gear in the last three years.

3.2: Forecast of demand for Motor cycles and scooters for 2011-12

The All India and Region-wise projected growth trends for the motorcycles and scooters are presented in Table 2. The IMF has portrayed a sustained global recovery in World Economic Outlook households from the lower income group to the middle income group in recent years. The finance companies are more aggressive in marketing,. Combining all these factors ,a forecast of higher growth rate in two-wheeler demand is presented in Table 2 particularly for the motor cycle segment.

TABLE 2: DEMAND FORECAST FOR MOTORCYCLES AND SCOOTERS FOR 2011-12

Segment	REGIONS				
	South	West	North-Central	East & north	Total
Motor Cycle	2835 (12.9)	4327 (16.8)	2624 (12.5)	883 (11.1)	10669 (14.0)
Scooter	2.03 (2.6)	219 (3.5)	602 (2.8)	99 (2.0)	1124 2.08)

Source: Indian Automobile industry; Optimism in the air insight, NCAER
Note: Compound annual rate of growth during 2002-2012 is presented in paranthesis.

It can be observed from the table 2 that, at the all India level, the demand for motorcycles will be almost ten times of the scooters. The same, in the western region will be almost twenty times.

3.3: Growth of Women Two-Wheeler:

The success of the Marketing Progress rests on the decision of the buyers or the ultimate users. Today, the Indian Urban Women is an active partner in the family. She is the major factor in all purchase decisions of her family. She has become family's purchasing agent.. Indian manufacturers realized the need of her patronage and hence communicate with her and try to convince her through every possible media. They plan the marketing strategy to attract this segment, satisfy their need and return them. In recent years, Indian Automobile Industry has seen a dynamic growth especially two-Wheeler segment. The automobile giants compete with each other by providing cute looks, advanced technology and great designs. Another major segment in the two-Wheeler section is the Scooter and Mopeds. With the increase in working women population, more and more women are looking for easy commuting options and want to be self dependent. Many companies are targeting women to boost-up their Two Wheeler sales. They are coming up with latest models, new designs, new features, cutting edge technology, etc.Scooters are a form of motorcycle that has set up through frame and a platform to place the foot of the driver. Scooter either has the manual gear box or automatic gear box. The scooter and mopeds engine now can be fined through kick start or with electric self start. Scooters and Mopeds use petrol as their fuel source and very economical. They are very convenient, easy to maintain and cheap form of transport. Licensing requirements for scooters are easier and less expensive than those for cars in most parts of the World and insurance is generally cheaper. Following passage describes the changes in the models of women two wheelers.

3.4: MODELS

In 1894, Hildebrand & Wolf miller produced the first motorcycle that was available for purchase. Scooter-like trait began develop in motorcycle designs around 1900s. Only a few hundred bikes were built. Due to high prices and Technical difficulties, the production was stopped. Number of scooter manufacturers and designs increased after World War I. The production started in 1915 and ended by the mid of 1920s. Hence that period is called as first generation. After World War II, the Cushman Company started producing motor scooters from 1936-1965. The Salisbury competed Cushman Company and ended their production at 1965. Hence this period is called Second generation. After World War II, war time manufacturers were forbidden from making aircraft and had to find other products to make to stay in business. In post World War II, Piaggio Vespa become the standard for scooters and has remained for 60 years. Patented in April 1946, it used aircraft designs and materials. This period is called Third generation and beyond. Post World War II

The first generation (1915-1930- After World War I) :

The Moped entered production in 1915 and followed by Autoped. Autopeds were made in Ling Island, New York. Number of scooter manufacturers and designs increased after World War II. Their reputation was damaged because of unstable machines and too expensive.

The Second generation (1936-1968 – After World War II):

The Salsbung Motor Glide, "a scooter with seat" above an enclosed drive train was produced in 1936 in California. In 1938, a more powerful scooter with a continuously variable transmission was introduced. The Motor Glide Set the Standards for all later models like Cushman Scooter, Harley Davidson Topper. After World war II, Mitsubishi introduced the C10 the first of its line of Silver Pigeon Scooters. The Fuji Rabbit was also developed with a high level technological content.

The Third Generation (1946-1964 and beyond-Post World War II);

In post world War II, Italy the Piaggio Vespa become the Standard for Scooters and has remained so for over 60years.In India, Bajaj Auto manufactured its line of scooters from 1972 to 2009, which included the Chetal, Logend, Super and Priya. Another Vespa Partner in India was LML Motors. Beginning as a joint Venture with Piaggio in 1983, LML produced the P-Series Scooters for the Indian Market. In 1980, New Version of Scooters began to be released and become popular. The classic styling of the Vespa never lost its popularity and remains the most popular and most imitated scooter design.

4.1: BEHAVIOURAL CHANGES OF WOMEN TOWARDS TWO WHEELERS:

This section discusses actual and anticipated changes in women's consumer behavior towards two wheelers. The behavioral changes in women brought about by the continuing evolution in women roles, have affected and will continue to affect all aspects of our society. The changes in women's consumer behavior are due to four major factors which are evident in demographic data which are delayed age of marriage, women's employment, decreasing fertility rate and women's headed family.(Source: Mary lou Roberts, 1981). Now-a-days, the marketer's strategy is highly influenced by the activities of women who have become the family's purchasing agent. Her growing education level, good degree of awareness of changes in the environment andgrowth in media has contributed to this behavioral change. Also free gift, price, quality, performance guarantee etc influence their purchase decision. In urban India the television and auto player are the entry-level durables. Two wheelers and telephones are the next. (Source: Business World, 2006)

Over the last few years, two wheeler is emerging as a niche segment towards women commuters. The product has gone for a complete revamp and this consists of gearless products. This segment is now dominated by Japanese manufacturers. Due to the changes in the two wheeler market it has become imperative to have a fresh perspective on the consumer's shifting problems of purchase. The demand for the women two wheelers has been influenced by a number of factors over the past five years. The key buying factors responsible for the growth and increasing mobility of the women two wheelers are:

Increase in per capita income. Over the past five years there is a steady increase in per capita income. This results in high disposable personal income. Changes in the level of income have a direct relation on buying habits. Now-a-days both husband and wife are working, which increase their level of disposable income. This is one of the reasons for purchasing the two wheelers(Source:.Ranjit Mandu,2000)

Cheap consumer financing: 'Buy now and pay later " plays its role effectively in the rapid growth of market for both four wheeler and two wheeler. Working women can easily avail the various loan schemes available for the two wheelers.(Source: Senthil kumar.s., 2010)

Models with different features: Now –a-days increasing number of models with different features helps to satisfy diverse consumer needs. Its evident that female commuters show preference for number of features like mobile charger, headlight designs, waterbottle holder, colour and sleek structure.(Souce: Ranjit Mandu,2000)

Comfort: The female commuters also give importance to the comfort level, that the vehicle offers them. They prefer the two wheelers with average height, low weight, body balance, good pick up, convenient distance between seat and handle and good for handling.(Source: Ranjit Mandu,2000)

Economy: The female commuters tend to base their buying decision on the price, especially for the population that has less annual income. The difference between motorcycle and car prices makes the two wheelers as a entry level vehicle. Also women seek to give importance to longevity and less maintenance, high mileage, proper servicing and spare availability. They are concerned with getting best value of money.(Source: Beacon management review)

Changes in demographic file: The changes in demographic file happens because of high number of college going girls and greater participation of women in urban in urban work force. They like to be self dependent and prefer personal Transportation. Increasing urbanization, inadequate public transportation system especially in the Semi-urban and rural areas creates a need for personal transportation. (Source: Senthilkumar.S. 2010)

Gender Difference: Women can easily take in more and different kind of information from the environment than men do. Women value unique products and brands that they can use to define their individuality. Female seek new style and fashion trends to a larger extend than men. This leads to changes in the models and features of Two-wheeler for women. (Kishore.N.choudhary, 2011).

5.1: Conclusion

This article provides a framework that studies the relationship between the growth of two wheeler industry on behavioural changes of women consumers. Two wheelers have a special place on the Indian roads. Two wheeler makes the daily travel convenient and affordable. The Indian two wheeler industry has shown a rapid rate of growth in last one decade. Changing life styles and easy consumer finance are the main reason for the increasing demand for the two wheelers. This study shows the behavioural changes of women towards the two wheelers. Women are not out of range while talking about speed and bikes. They love fast but safe driving. Bike manufacturers design the products as per the Indian women consumer and according to Indian roads. This women two wheeler segment is dominated by Japenese manufacturers.The key buying factors responsible for the growth and increasing mobility of the women two wheelers are increase in percapita income, cheap consumer financing, models with different features, comfort, economy, change in demographic file and gender difference. It can be concluded that study of behavioural changes of women consumers is necessary in marketing women two wheelers. This helps the marketers to identify the target groups and frame a strategic planning for the two wheeler industry to satisfy the needs of these target groups.

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THE DYNAMICS OF CRM-TOOL FOR TANGIBLE BENEFITS IN INDIAN RETAIL BANKING SECTOR

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1.0: ABSTRACT

The profitability of individual banks depends on marketing skills, efficient operations, and good risk management. Achieving that is difficult enough in a normal economy. Now a day's banker supposed to optimize these competency areas by driving efficiency improvements and cost savings through effective CRM concepts. The banking industry of India is now running in a dynamic challenge concerning both customer base and performance. Today, many banks are rushing to become more customer focused. A key component of many initiatives is the implementation of Customer Relationship Management (CRM) concept. CRM has its origin in the basic paradigm of bank marketing, i.e. to satisfy customers with the best possible alternative in the market through a relational exchange process. This paper reports on a research study of the adoption and use of CRM in banking sector and is just a small step in understanding the multi dimensional construct of customer relationships and its implications in competitive environment particularly in Indian Retailing Sector. The study comprises two parts. The first part called the CRM best practices survey involves the use of descriptive research design. The second part viz. case study research involves the use of embedded customer loyalty survey. The hypothesis testing based on literal and theoretical replication is done using the concept of pattern matching. The results also imply that going for CRM deployment may not be a profitable strategy for retail banks, particularly in the Indian context.

Keywords: Indian Banking Sector, Customer loyalty, Dynamics of CRM.

1.1: INTRODUCTION

CRM has developed into a major corporate strategy for many organizations. It is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life time value. It is said that CRM is not a product or service, it is an overall business strategy that enables companies to effectively manage relationships with their customers. It provides an integrated view of a company's customers to everyone in the organization. With the intensified competition, companies realized that they have to treat their customers with respect. Customers have a lot more choices and they do not have to be loyal to any company. Companies are now trying to figure out ways to manage customer relationships effectively, not only to acquire new Customers but also to retain their existing customers. Relationship marketing is emerging as the core marketing activity for businesses operating in fiercely competitive environments. On average, businesses spend six times more to acquire customers than they do to keep them (Gruen, 1997). Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customer's purchases. Worldwide service organizations have been pioneers in developing customer retention strategies. Banks have relationship managers for select customers, airlines have frequent flyer programs to reward loyal customers, credit cards offer redeemable bonus points for increased card usage, telecom service operators provide customized services to their heavy users, and hotels have personalized services for their regular guests.

2.1: BACKGROUND AND LITERATURE

Identifying the benefits derived from information systems implementations has been the focus of scholarly research interest over many years (Legare 2002, Shang & Seddon 2002, Staehr et al 2002, Holsapple & Sena 2005, Staehr 2008). However whilst there has been some progress in understanding, these studies continue to identify that organizations do not always achieve the benefits they desire from their investments. Recent practitioner reports and surveys also conclude that identifying and realising the benefits of enterprise systems implementations remains a challenge (CSC 2010; McDonald 2009). Achieving the expected benefits from IT investments ranked as the second most critical issue overall for organisations of all sizes (McDonald 2009:14) and return on IT investments remains an issue with 43 % of respondents reporting low, negative or unknown returns (McDonald 2010:17).Until recently, most marketers focused on attracting customers from its target segments using the tools and techniques developed for mass marketing in the industrial era. In the information era, this is proving to be highly ineffective in most competitive markets. Slowing growth rates, intensifying competition and technological developments made businesses look for ways to reduce costs and improve their effectiveness. Business process reengineering, automation and downsizing reduced the manpower costs. Financial restructuring and efficient fund management reduced the financial costs. The practice of relationship marketing has the potential to improve marketing productivity through improved marketing efficiencies and effectiveness (Sheth and Parvatiyar, 2009).

3.1: RESEARCH OBJECTIVES

The current research was aimed at determining the approach being adopted by banks in India for relationship marketing. The research focused on the following major issues – To find out the managers believe s that their processes are customer centric and find the technology based on an understanding of customer needs and find whether they empowered their employees to deliver superior service and also to know customer knowledge strategy of bankers specifically their managing style of customer relationships. This mainly focuses the dynamics of CRM concepts and the method of using in Indian retail banking industry for its growth.

3.2: METHODOLOGY

The research was exploratory in nature and adopted a two-stage process. During the first stage, few managers of service firms operating in India were surveyed through respondent administered questionnaires.The data for the study are collected through a structured questionnaire from 12 bank customers in the state of Orissa of India. Initially 120 samples were planned covering 300 customers each of both private and public sector banks. Because of the small number of branches of private banks and their urban concentration, unwillingness of the customers to provide data, time and budgetary constraints restricted the sample size to 12, out of which 4 from public banks and 8 from private banks. A questionnaire for customer survey is designed keeping the broad parameters in mind, which is pretested before finalization. The data regarding perceptions and expectations of customers are collected in interval scales (in a 4 – point scale), and for measuring the importance they attach to different factors for selection of a bank, a 7 – point scale is used. Apart from this, some qualitative data like demographic background, reasons for opening an account, views regarding staff, etc. are collected.

3.3: VALIDITY AND RELIABILITY

The CRM best practices questionnaire comprises 29 best practices limited to the domain of CRM as explained by well known researchers (e.g., Parvatiyar and Sheth, 2001; Jackson, 1985; Sin *et al*., 2005), each of which is different from any other. Factor analysis can be used to determine the broad underlying constructs of a scale. However, it also mandates that the minimum number of observations should be five times the number of variables (Hair *et al.*, 2006). In this study, the actual number of observations (49 observations) is much less than the minimum requirement of 145 observations and, therefore, factor analysis is not feasible. Further, the questionnaire was pre-tested with a set of five bank managers similar to those targeted to participate in the research. The pre-testing results indicated that the questionnaire was clearly understandable and unambiguous leading to the conclusion that the questionnaire had adequate content validity. We can safely infer that the findings can be further generalized to the larger Indian retail banking sector. Reliability was computed using Cronbach's coefficient alpha for the entire set of 29 best practice statements and was found to be 0.95, which is much higher than the threshold value of 0.65. Therefore, the scale can be considered to be reliable (Nunnaly, 1978).

4.1: ANALYSIS AND INTERPRETATION

Regarding personal profile of the consumer, the above table shows that 55% respondents are female; the maximum respondents (35.5%) are in business; and only 09.5% respondents lies in the age group of 50 Years & above. Table 2 shows that, the respondents of various age groups (below 30 years, 30-40 years, 40-50 Years and 50 years & above) regarding pre-transaction services shows the F value 0.722 at the significance level of 0.540. The F value for during transaction services is 0.748 at 0.525 significance level. The F value for post transaction services is 1.179 at 0.319 significance level. The F value for behavioural factor is 1.031 at 0.380 significance level. To conclude, the significance level in the last column is more than .05 in all the CRM dimension. So, the null hypothesis is accepted. Therefore, it is clear that there is no significant difference in the opinion of respondents of various age groups.

This study reveals that all the CRM dimensions are interrelated with each other. The table shows significant correlation among all the dimensions (specially between Post-transaction services & Pretransaction services and during-transaction services). However, specifically there is higher degree of correlation among the following dimensions.

TABLE-1: General Profile of the Respondents

Factors	Classification	N	%
Sex	Male	55	45
	Female	75	55
Age	Below 30	29	24.5
	30 – 40 Yrs	38	29
	40 – 50 Yrs	44	37
	Above 50 Yrs	9	9.5
Occupation	Service	23	31.5
	Business	51	35.5
	Student	21	15.5
	Housewife	18	14
	Others	7	3.5

Pre-transaction services dimension is positively correlated with post-transaction services (0.137) and is negatively correlated to during-transaction services (-0.006). During-transaction services dimension is positively correlated with post-transaction services (0.077) and is negatively correlated with pre-transaction services (-0.006) and behavioural factors (-0.028). Post-transaction services dimension is positively correlated with pre-transaction services (0.137). Behavioural factors dimension is positively correlated with pre-transaction services(0.111) and is negatively correlated with during-transaction services (-0.028).Its is reveals that, significance level in the last column is more than .05 in all the CRM dimensionswith F-value 0.320, 1.456, 0.600, 0.438 at the significance level of 0.562, 0.239, 0.540, 0.509respectively for pre-transaction services, during transaction services, post transaction services and behavioural factors . So, the null hypothesis is accepted. Therefore, it is clear that there is no significant difference in the opinion of respondents of both sexes. shows that significance level in the last column is greater than .05 in all the CRM dimension.The F value regarding pre transaction services is 0.125 at the significance level of 0.924. The F value for during- transaction services is 1.855 at 0.216 significance level. The the F value is 0.785 at significance level of 0.366 for the post transaction services. Finally, for behavioural factors the F value is 0.219 at 0.785 significance level. So, the null hypothesis is accepted. Therefore, it is clear that there is no significant difference in the opinion of respondents of various occupations.

Table 2: Showing ANOVA Results

CRM Dimensions	Sum of Squares	Df	Mean Square	F	Sig.
Pre Transaction Services	11.222	4	2.740	0.225	0.924
During Transaction Services	66.488	4	16.650	1.825	0.126
Post Transaction Services	22.671	4	5.343	0.848	0.496
Behavioural Factors	6.783	4	1.471	0.319	0.865

5.1: FINDINGS

Table 1 describes the customer profile and the type of banks they have chosen for their transactions. It is evident from Table 1 that 67.48 per cent of the young respondents transact with public sector banks, while, 32.5 per cent with private banks. All the respondents in different age groups have shown similar behavior, except 40-60 years age group; where the dominance of public sector banks (91.23 %) is visible. This may be due to the fact that they have an account with public sector banks before the entry of private banks into Orissa in mid-1990s. The value is significant at 1 per cent level of significance indicating age-groups of the respondents and their choices of the bank are dependent on each other. It is observed from the same table that less educated customers (93.94 %) have a choice for public banks and the post-graduates more inclined to private banks. This trend is observed may be due to the large presence of public banks with wide ranges products more suitable for lower income groups, while private banks are offering value-added services for special group of customers (massbanking vs. class-banking approaches). The table - value is significant at 1 per cent level of significance indicating the dependence between type of education and choice of a bank. More or less the behavior in gender is similar, and the table value for gender variation is not significant.

Overall, customer perceptions are far more positive in the context of the bank employing CRM as compared to that not employing CRM. No noteworthy differences were found between perceptions of individual and organizational customers. The detailed report is as under.

Customer Perceptions of Service Quality : In all the items under reliability, two thirds of the respondents strongly believe that CRM bank is better than excellent banks while the corresponding figure for the other bank is only about one-fifth (Table 1). The items falling in under the factor are-

1. CRM bank users (6.58) believe more strongly as compared to non-crm bank users (4.95) that the bank always abides by its promises of service quality and delivery; the difference is statistically significant (prob < .000).
2. CRM bank users (5.82) believe more strongly as compared to non-crm bank users (4.82) that the bank performs the services right at first time; the difference is statistically significant
3. CRM bank users (7.5) believe more strongly as compared to non-crm bank users (4.82) that the bank provides the services at the time it promises to do so; the difference is statistically significant (prob < .003).

4. CRM bank users (6.87) believe more strongly as compared to non-crm bank users (4.93) that the bank has an easy to access communication network and means for all its customers irrespective of their location; the difference is statistically significant (prob < .000).

5.2: CONCLUSION

Customer Relationship Management (CRM) refers to a conceptually broad business activity becoming increasingly significant for banks in India. Foreign banks have captured a large customer base in India due to their fast and efficient working style and better customer service. The study shows that there is no significant difference in the perception of respondents of various age groups in all the CRM dimensions. As far as gender and occupation levels of the customers are concerned, there also exists no significant difference in their perception towards all the CRM dimensions. However, perception towards all the CRM dimensions is interrelated with each other. No bank can sustain itself for long without customers' support and loyalty. So every bank always attempts to maintain a cordial relationship with its customers to effect output and thereby to generate input. Banks adopt different strategies to accomplish their goals. One such strategy practiced by banks is CRM. Its aim is to gain and retain customer's loyalty in lieu of goods and services for their optimum satisfaction. With increasing competition and pressure on margin, banks need to practice CRM to enhance customer base for increasing capabilities of targeting market programs along with greater flexibilities to adopt processes and working methods to meet customers' expectations. Through this study we can proudly state that CRM is a dynamic tool that used to build the image of banks, maintain the loyalty of customers and maximizing the benefits of Indian retail banking Industry.

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CORPORATE SOCIAL RESPONSIBILITY IN INDIAN AUTOMOBILE INDUSTRY

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1.0: ABSTRACT:

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Companies have become more transparent in accounting and in display 'Public reporting' due to pressures from various stakeholders. It has become possible for companies to behave in the ethical and responsible manner towards consumers, employees, communities, stakeholders, and environment. Companies have started incorporating their CSR initiatives in their annual reports. CSR was predominantly taken up MNCs and giant companies in order to promote their respective products and as well as to get public attention. The phenomenon growth of CSR has rooted its present even in small medium enterprises. The Indian automobile industry is one of the largest in the world and one of the fastest growing globally. India's passenger car and commercial vehicle manufacturing industry is the sixth largest in the world. At a growth rate of 16-18 percent, India has set to overtake Brazil in terms of largest producer of passenger cars and Asia`s third largest exporter of passenger cars, behind Japan and South Korea. The present study explores the CSR activities taken up by top automobile companies in India. The data collected is based on the secondary data sourced from journals, magazines, articles and media reports.

Keywords: CSR, Corporate Social Responsibility, Indian Automobile Industries.

1.1: Introduction:

Corporate Social Responsibility has turned out be one of the most promising "management fashions" and business key words of the last decade. The subject of corporate social responsibility (CSR) is rapidly becoming a budding initiative on the domestic as well global agenda of the corporate sector. The last decade has witnessed a substantial growth of awareness in corporate responsibility both among major companies and across society. Demand for greater transparency, accountability and public reporting are gradually increasing. There has been an steep increase in demand from stakeholder groups for greater corporate transparency regarding financial as well as non financial indicator. External pressures from stakeholders are not exclusively accountable for the emergence of metrics concerned with CSR performance. Significant internal pressures are also a key driving force. This pressure has played a central role for the increasing popularity of CSR in the business community, as a means of demonstrating and communicating non financial performance to a variety of stakeholders. Though the idea of corporate social responsibility is not new to Indian businessmen, through the ages, demonstrated varying degrees of responsibility to society. However this concept covers a wide spectrum of topics, issues and methodologies. Effective CSR reporting provides the vehicle by which a company is able to consider, manger and balance actual and perceived performance. In response to this trend, companies are also showing great willingness to incorporate ethical, social and environmental issues into their corporate reports either separately or as an indispensable part of their annual reports. The biggest challenge faced by companies is to develop a CSR strategy to find tangible and business focussed metrics linked to ethical, social and environmental performance in order to meet stakeholder demands and expectations.

1.2: CSR – Concept:

The slogan Corporate Social Responsibility was coined in 1953 with the publication of Bowen`s `Social Responsibility of Businessmen`, which posted the question `What responsibilities to society can business people are reasonably expected to assume? Bowen Conceptualized CSR as social obligation – the obligation 'to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society' (Bowen in Maignan & Ferrell 23004,p.4). Carroll has described Bowen as the modern 'Father of Corporate Social Responsibility' and believes that his work marks the beginning of the modern period of literature on CSR. (Carroll 1999, p270). Bowen took a broad approach to business responsibilities, including responsiveness, stewardship, social audit, corporate citizenship and rudimentary stakeholder theory (Windsor 2001, p.230). The nature and scope of corporate social responsibility has changed over time. Corporate Social Responsibility (CSR) is used to describe businesses' integration of social and environmental issues into decisions, goals, and operations and in their interaction with their stakeholders on a voluntary basis. The concept of sustainability is defined as "Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs." Philip Kotler stated that CSR is a commitment to improve community well being through discretionary business practices and contribution of corporate resource. According to world business council for sustainable development "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders."

Corporate: A corporate is a business entity whose operations are recognised by the law. Is is often regarded as separate and independent entity and its vision and mission are profit oriented.

Social Responsibility: Social responsibility can be viewed as a part of the social contract in that is the responsibility of each entity whether is is state, government, corporation or individual that they are contributing to society at large, or on a smaller scale.

Organisational Culture: Organisational Culture is a combination of the founders, past leadership, current leadership, crisis, events, history and size. It is the routines, rituals and the "way things are done" in an organization.

2.1: Automobile Industry in India:

India is home to a vibrant automobile of more than 40 million passenger vehicles. After the de-licensing in July 1991 Indian Automobile industry is growing at a spectacular rate. It has been one of the few worldwide which saw growing passenger car sales during the recession of the past two years. In fact, in 2009 – 10 it has recorded its highest volumes ever. It is believed this upward trend will be sustained in the foreseeable future due to a strong domestic market and increased thrust on exports. The Indian economy has grown at an average rate of around 9 percent over the past five years and is expected to continue this growth in the medium term. This is predicted to drive and increase in the percentage of the Indian population able to afford vehicles. India`s car per capita ratio (expressed in cars per 1,000 population) is currently among the lowest in the world`s top 10 auto markets. The twin phenomena of low car penetration and rising incomes, when combined with increasing affordability of cars, are expected to contribute to an increase in India`s automobile demand. According to the Society of Indian Automobile Manufacturers, annual vehicle sales are projected to increase to 5 million by 2015 and more than 9 million by 2020.

3.0: CSR Practices of Auto Companies:

3.1: CSR in TATA Motors : Tata Motors through its CSR provides opportunities to engage with employees across all levels. These initiatives supplement the industrial relations and hyman resources policies and schemes for employee welfare. In 1973 Tata started the community development centre in Pune called Kalasangam in order to bring out the talents of the family members belonging to the employees. In 1978, started ASHA KIRAN in Jamshedpur, a school for the children with special needs. In 1999 introduced WATSAN (Water and Sanitation) project in 254 of Potka and Jamshedpur blocks of Jharkhand in partnership with District Administration and UNICEF. In 2010 CSR activities started in Sanand with the view of starting TATA NANO car. It provided 100% sanitation in 2 villages, healthcare to 3400 patients , vocational training of 60 village youth, formation of 7 Self Help Groups and installation of smokeless chullas in 6 villages.

3.2: CSR in Maruti Suzuki India Ltd: Maruti Suzuki has adopted a CSR policy, which serves as a guiding tool for the management and the employees in steering Maruti Suzuki towards long term sustained growth in harmony along with the interests of the stakeholder. The role of the CSR department is to professionalize CSR activities in Maruti Suzuki and strengthen the mechanisms involving the activities. Significant efforts have been taken to contribute to society at large, through its corporate activities, especially in the areas of Road Safety and Vocational Training. Maruti Suzuki has set up dedicated teams with requisite expertise to steer the social projects. Over 187000 persons trained in safe driving in 2010-2011, opened 83 new Maruti Driving Schools, taking the total to 166.

3.3: CSR in Bajaj Group: The wide spectrum of community development endeavors undertaken by Bajaj Auto Ltd — embracing everything from health and education to women empowerment and more — has touched, and changed, many lives. But the real credit for positive change is always to those whom they have enabled on the path of "Sustainable & Inclusive growth" & well being. The main focus giving on rural development activities which include distribution of solar-lantern & solar cookers, Installation of bio-gas plants, deepening and widening of wells and drinking water scheme, tree Plantation/ Horticulture / Kitchen Gardens, Centre of Child Labour Welfare.

3.4: CSR in Ford India: Ford India's CSR activities are focused primarily on the community around our manufacturing facility in Chengalpattu, Chennai and are focussed in four key areas: road safety, education, healthcare, and environment. Here are some of the key Ford India initiatives in 2010, Driving Skills for Life (DSFL), Blood Donation, Global week of Caring (GWC).

3.5: CSR in Hero Motors : Hero Honda Motors takes considerable pride in its stakeholder relationships, especially ones developed at the grassroots. The Company believes it has managed to bring an economically and socially backward region in Dharuhera, Haryana, into the national economic mainstream. Some of the CSR activities include, Installation of deep bore hand pumps to provide clean drinking water, constructing metalled roads and connecting these villages to the National Highway (NH -8), renovating primary school buildings and providing hygienic water and toilet facilities, ensuring a proper drainage system at each of these villages to prevent water-logging, promoting non-conventional sources of energy by providing a 50 per cent subsidy on biogas plants.

3.6: CSR in Mahindra & Mahindra: Companies still thinking about the environment as a social responsibility rather than a business imperative are living behind the times. Corporate Social Responsibility is a voluntary decision that the entrepreneurial leadership of every company must make on its own.In Mahindra & Mahindra they sincerely believe that the actions of the organisation and its community are highly interdependent. As their Corporate Social Responsibility we actively implement programs and initiatives for the betterment of society, communities, and the environment. Projects like Mahindra Hariyali includes mass tree plantation, Project Nanhi Kali was initiated in 1996 to provide primary education to underprivileged girl children in India and Life Line Express, a free of cost hospital-on-wheels to provide better and faster health care services.

3.7: CSR in Ashok Leyland: Being a socially responsible and sensitive corporate citizen has always been part of business at Ashok Leyland. The effort has been to produce vehicles that are eco-friendly, pioneer the research and development of alternative fuels, provide comprehensive on- and off-road training to drivers, address the health concerns of the trucking community and reach out to the community through a number of small initiatives that have had far-reaching benefits for the Company's stake holders.Ashok Leyland has rented a small two-room space for the Alcoholics Anonymous group to conduct alcohol rehabilitation programme for truck drivers and their families - a gap identified by Ashok Leyland to complete the comprehensiveness of driver outreach in Namakkal. Awareness programme on HIV prevention and management is being conducted for convoy drivers at the manufacturing units on a continuing basis.

3.8: CSR in Hyundai Motor India Limited: Hyundai Motor India Foundation (HMIF), the Corporate Social Responsibility arm of Hyundai Motor India Limited, today further reiterated its' commitment to Tamil Nadu by launching fresh initiatives. HMIF launched two new programs" Project Go Green" and "Adoption of Model Villages" . These two programs are the latest addition to other ongoing projects such as community development, road safety, education and healthcare.

3.9: CSR in Yamaha Motor Group: The Yamaha Motor group believes the Corporate Social Responsibility (CSR) to be expected to contribute to sustainable development of society through the business activities based on their "Corporate Philosophy". Their areas include Environmental conservation, Improving Road Safety, providing eco-projects and addressing community issues.

4.0: The Challenges of CSR:

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and undeveloped staff are additional problems for reduced CSR initiatives. General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it. The increasing demand for more transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also inevitable for the companies. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

5.0: Suggestions:

Automobile companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities. Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organisation's contribution further. Government regulations which are supporting in this direction could attract more response from organisations. All this would also lead to benchmark CSR activities. Automobile companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

6.0: Conclusion:

In the era of globalization, CSR has emerged as a major responsibility and challenge of our times. Corporate sustainability is an evolving process and not an end. In a world of ever changing challenges, corporate sector across the world is shifting its approach from compulsory financial reporting toward innovative voluntary corporate sustainability reporting. CSR is the result of vision of growing sense of responsibility of the business community to improve transparency and accountability to the wider community, and not just to stakeholders. CSR has gone main stream for the many of the world's companies and is headed in the same direction in India also. India has emerged as a prominent country paying an ever-increasing attention towards corporate social responsibility (CSR) disclosure. The Companies bill is a good initiative on the part of the government however what would be included in 'spending' on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives

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INVESTMENT BEHAVIOUR OF INVESTORS IN CUDDALORE DISTRICT, TAMILNADU

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1.1: Back ground to the study:

Indian investor today have to endure a sluggish economy, the steep market declines prompted by deteriorating revenues, alarming reports of scandals ranging from illegal corporate accounting practices like that of Satyam to insider trading to make investment decisions. Stock market's performance is not simply the result of intelligible characteristics but also due to the emotions that are still baffling to the analysts. Despite loads of information bombarding from all directions, it is not the cold calculations of financial wizards, or company's performance or widely accepted criterion of stock performance but the investor's irrational emotions like overconfidence, fear, risk aversion, etc., seem to decisively d rive and dictate the fortunes of the market.

1.2: Dimensions of Investor Behaviour

The most fundamental change in investor behaviour in recent times is increased investor activism. However, there is a problem in defining investor activism. Merely taking the time to understand what's going on in the company and vote is a form of activism, as is any kind of proactive approach to company mismanagement. But much of the action is done behind closed doors. We define investor activism as the use of power by an investor either to influence the management processes of a given portfolio company or to evoke large-scale change in management processes across multiple companies through the symbolic targeting of one or more portfolio companies. All such actions can be described as the engagement process. Through these engagement processes, activist investors attempt to affect the strategic direction and performance of portfolio companies.

2.1: Basic review of literature on investor behaviour:

Literature suggests that major research in the area of investors' behavior has been done by behavioral scientists such as Weber (1999), Shiller (2000) and Shefrin (2000). Shiller (2000) who strongly advocated that stock market is governed by the market information which directly affects the behavior of the investors. Several studies have brought out the relationship between the demographics such as Gender, Age and risk tolerance level of individuals. Of this the relationship between Age and risk tolerance level has attracted much attention.

Horvath and Zuckerman (1993) suggested that one's biological, demographic and socioeconomic characteristics; together with his/her psychological makeup affects one's risk tolerance level. Malkiel (1996) suggested that an individual's risk tolerance is related to his/her household situation, lifecycle stage and subjective factors. Mittra (1995) discussed factors that were related to individuals risk tolerance, which included years until retir ement, knowledge sophistication, income and net worth. Guiso, Jappelli and Terlizzese (1996), Bajtelsmit and VenDerhei (1997), Powell and Ansic (1997), Jianakoplos and Bernasek (1998), Hariharan, Chapman and Domain (2000), Hartog, Ferrer-I-Carbonell and Jonker (2002) con cluded that males are more risk tolerant than females. Wallach and Kogan (1961) were perhaps the first to study the relationship between risk tolerance and age. Cohn, Lewellen et.al found risky asset fr action of the portfolio to be positively correlated with income and age and negatively correlated with marital status. Morin and Suarez found evidence of increasing risk aversion with age although the households appear to become less risk averse as their wealth increases.

3.1: Research Methodology:

The present study is descriptive in nature. The study is titled as "Investment Behaviour of Investors in Cuddalore District, Tamilnadu". The primary objective of the study is to find out and analyze the investment patterns and the factors influencing investment decisions and the preferred investments and the motives behind in the selection of selected investment avenues and to the investors' exposure to the modern investment avenues in the sample area. The study is centered in collecting and compiling the individual characteristics impact on the investment behaviour and patterns in the sample area. The study covers the entire district of Cuddalore includes the investors from primary sector, employees, businessmen, service sector. The parameters used to measure the investment behaviour are the level of awareness, investment preferences; factors influencing investment behaviour, investment climate, issues in selection of a particular investment avenue, motivating factors in the selection of investment avenue, market influence on the investment selection and Demographical parameters influence is also studied to understand the role of demographics in investment patterns and behaviour.

Objectives of the study:

* To assess the factors influencing investment behavior of the investors in the sample area.
* To explore the relationship between the investment climate, motivating factors and investment behavior among the investors in the sample area.

3.2: SAMPLING DESIGN

The study is mainly based on primary data which was collected from the 394 investors selected from in through convenient sampling technique. The sample respondents were selected from the urban, semi urban and rural areas in Cuddalore district. In order to improve the validity of the questionnaire the equal sample representation is taken from the sample area covering all the directions of the district. On the other side, it is also considered that the sample representing the all the potential investment age groups, income levels, occupations, and risk tolerance levels of the investors. The sample size is fixed by considering the appropriate population size, investment potential of the respondents. The sample respondents are having at least one investment at the time of responding the questionnaire. This is taken into consideration to test the level of awareness on investment avenues and to weigh the degree of awareness on modern investment avenues. Conventional investments are common in nature, but the changing times made the investor's preference towards modern investment avenues due to flexibility, lesser tenure of maturity and attractive growth rate of returns. The sample area profile is presented below for the better understanding of the geographical and demographical nature of the Cuddalore district. This can help in drawing the logical understanding of the investor's level of awareness, investment behavior, factors influencing investment behavior, motivating factors for investments, investment climate and investment environment improvement in the sample area.

3.3: Pilot Study and Reliability Test

Initially a pilot study was conducted with 100 investors (50 from urban and 50 from semi-urban and rural area). The relevance of some questions was slightly modified for final version of questionnaire. The reliability coefficient of the questionnaire is computed using Corn Bach's Alpha and the value is 0.87, which shows that the instrument is reliable.

3.4: Limitations of the Study

The present study is conducted only in the state of Tamilnadu covering Cuddalore district, and the second line towns and townships in the district. The sample size is restricted to only 394. Approaching investment environment and avenues awareness, connectivity, time and cost for the selected sample is yet another limitation.

4.1: DESCRIPTIVE ANALYSIS:

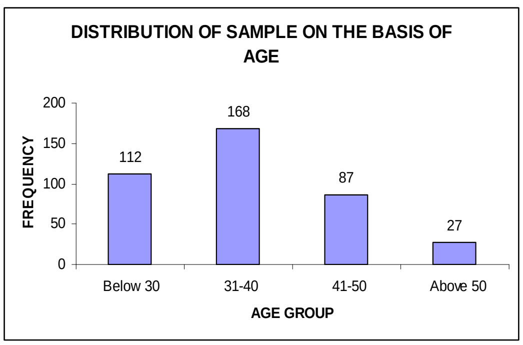
Percentage analysis is one of the statistical measures used to describe the characteristics of the sample or population in totality. Percentage analysis involves computing measures of variables selected of the study and its finding will give easy interpretation for the reader.

TABLE 4.2.1 FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF AGE GROUP

Age group	N	%
Below 30	112	28.4
31-40	168	42.6
41-50	87	22.1
Above 50	27	6.9
Total	394	100

Source: Primary data/Questionnaire.

CHART4.2.1: SHOWING THE DISTRIBUTION OF SAMPLE ON THE BASIS OF AGE GROUP



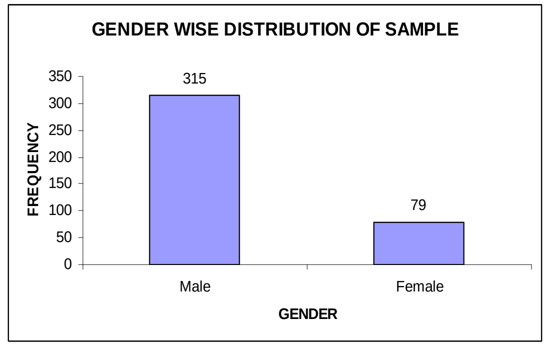
Age plays a major role in determining many aspects in an individual's life. The present study on investment patterns of the individual investors in the cuddalore district, in the state of Tamilnadu reveals the age pattern of the sample as a potential group. The study reveals that, 42.6 percent of the sample is belongs to 31-40 years age group and another 22.1 percent are belongs to 41-50 years age group. It accounts nearly one third of the sample is high level of income earning age and potential savings group. This indicates the savings potential and investment capacity of the sample area. It is always noted in many studies, the earnings potential and savings potential goes together with direct relationship. This has been observed in the present study along with the empirical evidences.

TABLE 4.2.2: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF GENDER

Gender	N	%
Male	315	79.9
Female	79	20.1
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.2: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF GENDER



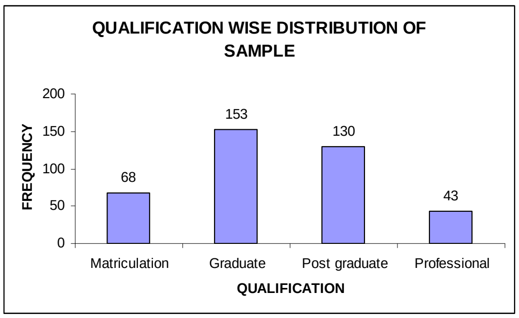
It is noted from the table 4.2.2 that, the sample consists 79.9 percent of male and the remaining 20.1 percent are female. The investment patterns of the men is different from the women in general, but the quantity of investment and the investment decisions and other related aspects of investment like awareness on investment avenues, information on availability and accessibility may be well known to men. This is due to exposure of men in public is better when compared to women. Women play many roles and responsibilities at home, and her exposure to general public and investment avenues and operating mechanism may be little less when compared to men. This has no way connected with the level of investments. In general investment decisions are taken in consultation with the family and majority of times the women decisions are dominated. In addition the observation on investment preferences is women prefers to invest in liquid, marketable and movable assets where as men is favoured towards fixed and long term investment avenues having both short run and long run capital gains.

TABLE 4.2.3: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF EDUCATIONAL QUALIFICATION

Educational qualification	N	%
Matriculation	68	17.3
Graduate	153	38.8
Post graduate	130	33.0
Profession	43	10.9
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.3: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF EDUCATIONAL QUALIFICATION



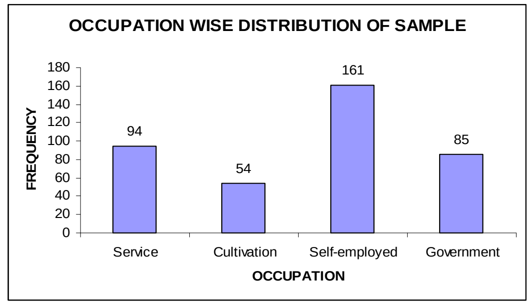
It is found from the table 4.2.3, that, the sample consists of 38.8 percent are graduates, 33 percent are belongs to post graduates, 10.9 percent are belongs to profession and 17.3 percent are belongs to matriculation category. It indicates the cent percent of the sample is educated and favoured towards investments in the sample area. It indirectly indicates the literacy rate of the Cuddalore district and the investment awareness and investment patterns of the sample respondents and the potential is high.

TABLE 4.2.4: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF OCCUPATION

Occupation	N	%
Service	94	23.9
Cultivation	54	13.7
Self-employed	161	40.9
Government	85	21.6
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.4: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF OCCUPATION



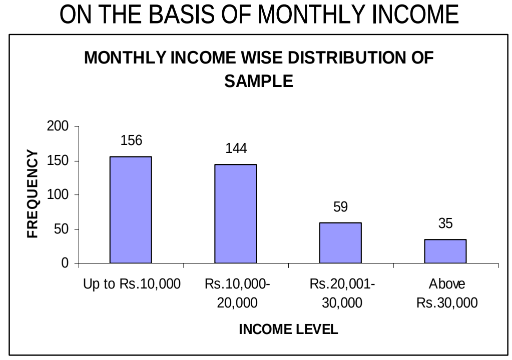
It is observed from the table 4.2.4, that 40.9 percent of the sample respondents are belong to self employed, 21.6 percent are in government service, 23.6 percent is in service industry and only 13.7 percent of the sample respondents is in cultivation. This indicated the regular flow of funds in the form of salary, business income and service charges to majority of the individuals in the sample area. It indicates the high level of savings potential. Individuals depending on the cultivation may not be having regular income, but the percentage is small and negligible.

TABLE 4.2.5: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF MONTHLY INCOME

Monthly Income in Rs.	N	%
Up to Rs.10,000	156	39.6
Rs.10,000-20,000	144	36.5
Rs.20,001-30,000	59	15.0
Above Rs.30,000	35	8.9
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.5: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF MONTHLY INCOME



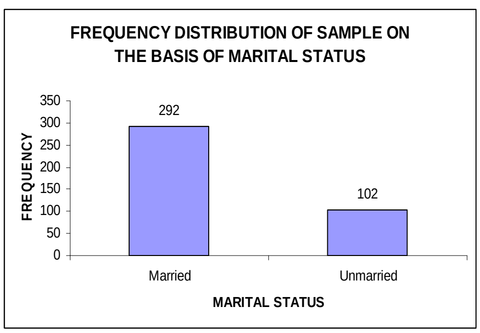
It is observed from that table 4.2.5, that 39.6 percent of the respondents are coming under the income level of Rs.10000 and less group among the sample. Another 36.5 percent comes under the income level of Rs.10000-Rs.20000 group. It indicates that the 3/4th of the sample is coming under the lower and upper lower income earnings group in the sample area. It also represents the savings potential and investment behaviour of the sample. At the higher end 8.9 percent of the sample represents the high income level with the rage of above rs.30000 income per month. In general the level of income shows a positive relationship with the level of savings. However in the recent past, due to increased level of awareness on the future contingencies and the precautionary motive among the individuals make the above said hypothesis null. Is observed that, savings potential, savings pattern and the level of savings is uniform among the individuals belongs to different level of income groups. It is inferred that, the level of income is not a factor determining the level of savings, it is the individual's plan for future and the level of awareness on future contingencies influences the level of savings. It holds well in the sample area.

TABLE 4.2.6: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF MARITAL STATUS

Marital status	N	%
Married	292	74.1
Unmarried	102	25.9
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.6: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF MARITAL STATUS



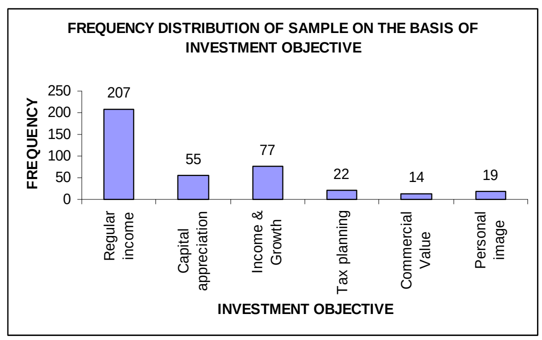
It is noted from the table 4.2.6, that the 74.1 percent of the sample respondents are married and the remaining 25.9 percent are unmarried among the sample respondents. The marital status is a social status for recognition in the society and also brings revolutionary changes in the life style and spending and investment patterns of an individual. The need for money and the value of savings can be better understood by being a responsible house hold than the bachelor. In addition the planning for future contingencies is an idea conceives in a family. In addition the income from the spouse side and the ideas and information related to investments and investment avenues pave better prospects to plan better on both savings and investment parlance. Hence, it is inferred that, marital status influences the investment behaviour of an individual.

TABLE 4.2.7: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF INVESTMENT OBJECTIVES

Investment objective	N	%
Regular income	207	52.5
Capital appreciation	55	14.0
Income & Growth	77	19.5
Tax planning	22	5.6
Commercial Value	14	3.6
Personal image	19	4.8
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.7: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF INVESTMENT OBJECTIVES



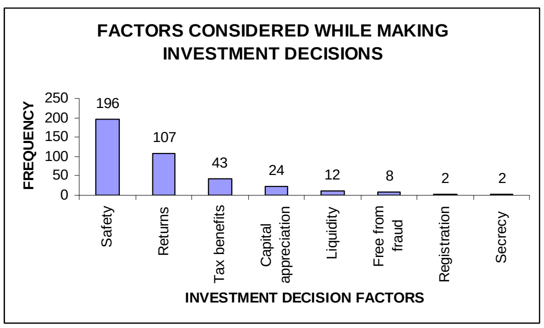
It is observed from that table 4.2.9, that the primary objective of the investments elected by the investors in the sample area is regular income with 52.5 percent score, income and growth with 19.5 percent and capital appreciation with score of 14 percent among the survey. A notable feature here is , the percentage of investors saving and investing with the objective to save taxes is only 5.6 percent among the sample. A merger percentage of the sample represented the savings and investments are made with the objective of commercial value and personal image. It indicates that, regular income and capital growth is expected out of the investments. Such investment avenues potential will be high when compare to others among the sample.

TABLE 4.2.8: FACTORS OF INVESTMENT DECISIONS

Factors	N	%
Safety	196	49.7
Returns	107	27.2
Tax benefits	43	10.9
Capital appreciation	24	6.1
Liquidity	12	3.0
Free from fraud	8	2.0
Registration	2	.5
Secrecy	2	.5
Total	394	100.0

Source: Primary data/Questionnaire.

CHART 4.2.8: FREQUENCY DISTRIBUTION OF SAMPLE ON THE BASIS OF FACTORS CONSIDERED WHILE MAKING INVESTMENT DECISIONS



It is found from the table 4.2.19, that the factors considered while taking the investment decision are in the order of priority represented by the sample is safety with 49.7 percent, returns with 27.2 percent, tax benefits with 10.9 percent, capital appreciation with 6.1 percent, liquidity with 3 percent, free from fraud with 2 percent and registration and secrecy with 0.5 percent each among the sample respondents. This clearly conveys a message that the safety for the investment and returns on it are the prime decision factors in any one of the investments. It is clearly observed in the selection of investment avenues by the sample respondents as bank deposits.

4.2: Data Analysis Using Friedman Test:

Hypothesis-I:

Ho: There is no significant difference between the mean ranks between the levels of awareness on the investment avenues among the sample respondents.

Types of investments	Mean Rank	Chi-square value	p-value
Bank deposits	11.96	727.18	0.000**
Chit funds	9.47		
Private finance	8.24		
Real estates	8.68		
Commercial halls	7.57		
Retail business	7.97		
Commission business	7.83		
Mutual funds	7.30		
Equity investments	7.57		
Debt investments	7.15		
Insurance	9.07		
Bullion market	7.01		
Derivatives market	6.32		
Online trading	7.17		
Commodities	6.69		

Note: ** indicates the rejection of hypothesis at 1% level of significance.

Since P value is less than 0.001, the null hypothesis, There is no significant difference between the mean ranks between the levels of awareness on the investment avenues among the sample respondents is rejected at 1% level of significance. Hence, it is concluded that, there is a significant difference between the mean ranks of the level of awareness on the investment avenues among the sample respondents. Based on the mean value high level of awareness is observed for the investment avenues like bank deposits with mean of 11.96, chit funds with mean of 9.47, private finance with mean of 8.24, real estates with mean of 8.68 and insurance with mean of 9.07 among the sample respondents.

The average level of awareness is observed on investments like commercial halls, retail business, commission business, mutual funds, equity investments, debt investments, bullion market, derivatives market, online trading and commodities market investments among the sample. The mean score range of these investments is observed at 7.97 to 6.32. This clearly indicates the potential for conventional and safe and well known investments potency in the sample area. The time has come to go for modern investments and to gain optimum returns with the minimum possible risk by hedging the risk and joining and participating in the new age investment avenues. Still the trust factor stands as a barrier to the investors along with the moderate level of awareness on the modus operandi of the investment avenues. A clear promotional strategy can help to come out of this situation and to set a new paradigm shift in the pattern of investments in the sample area.

Hypothesis-II:

Ho: There is no significant difference between the mean ranks of factors influencing investment behavior of the investors in the sample area.

Factors Influencing Investment behaviour	Mean Rank	Chi square value	p-value
Salary form my job and earnings is likely to grow significantly in the coming years	13.35	393.607	0.000**
If I were to decide how to invest contributions in my retire plan, I would choose investments which give fixed yields and stability	11.56		
I believe investing in today's volatile stock markets is very risky	10.46		
Based on the return from my investment avenue I will change my investment preference	10.07		
Return from the investment will have an influence on the degree of risk I am willing to take	9.59		
I want and need to reduce overall level of debt in my personal portfolio	8.99		
While making investment, i am willing to settle for a lower yield if the return guaranteed as opposed to higher yields that are less certain	8.91		
Investments should be free from financial frauds	9.00		
Government assurance on the repayment of principal and returns	9.60		
Free from anti social element activities like encroachments	9.61		
Diversified portfolios are preferred than the single and large investments	9.02		
Local investments are better when compare to other places	9.39		
Investing through and with known people is the preferred option	9.41		
Investing in the group investments is better when compare to others	9.21		
Legal aspects and litigations are the prime concerns in investment decisions irrespective of duration	9.68		
Investing with gilt edged securities is better in long run	9.28		
Investments should be in a position to give financial protection to the family	11.18		
Simplified procedures should be there in investments	10.38		
Small investment options are more attractive than bigger ones	11.32		

Since P value is less than 0.001, the null hypothesis, There is no significant difference between the mean ranks of factors influencing investment behavior of the investors in the sample area is rejected at 1% level of significance. Hence, it is concluded that there is a significant difference between the mean ranks of factors influencing investment behavior of the investors in the sample area. Based on the mean value the factors influencing the investment behaviour of investors in the sample area is broadly classified in to three categories namely, most influencing factors with the mean score of above 10; moderately influencing factors with the mean score of 9.5 and above but below 10 and finally least influencing factors with the mean score of below 9.5 in the sample survey.

The most influencing factors of investment behaviour of the investors in the sample area are: Salary form my job and earnings is likely to grow significantly in the coming years with the mean score of 13.35; If I were to decide how to invest contributions in my retire plan, I would choose investments which give fixed yields and stability with the mean score of 11.56; I believe investing in today's volatile stock markets is very risky with the mean score of 10.46; Based on the return from my investment avenue I will change my investment preference with the mean score of 10.07; Investments should be in a position to give financial protection to the family with the mean score of 11.18; Simplified procedures should be there in investments with the mean score of 10.38; and Small investment options are more attractive than bigger ones with the mean score of 11.32 is observed in the sample survey.

Moderately influencing factors of investment behaviour of investors in the sample area are: Return from the investment will have an influence on the degree of risk I am willing to take with the mean score of 9.59; Legal aspects and litigations are the prime concerns in investment decisions irrespective of duration with the mean score of 9.68; Government assurance on the repayment of principal and returns with mean of 9.6; and Free from anti social element activities like encroachments with mean of 9.61 is observed in the sample survey.

The least influencing factors of investment behaviour of the investors in the sample area are: Investing with gilt edged securities is better in long run with mean of 9.28; Diversified portfolios are preferred than the single and large investments with the mean of 9.02; Local investments are better when compare to other places with the mean of 9.39; Investing through and with known people is the preferred option with the mean of 9.41; Investing in the group investments is better when compare to others with the mean of 9.21; I want and need to reduce overall level of debt in my personal portfolio with the mean of 8.99; While making investment, I am willing to settle for a lower yield if the return guaranteed as opposed to higher yields that are less certain with the mean of 8.91 and Investments should be free from financial frauds with the mean of 9.0 is observed in the sample survey.

Hypothesis-III:

Ho: There is no significant difference between the mean ranks of motivating factors influencing the investment behaviour of the investors in the sample area.

Motivating factors for investments	Mean Rank	Chi square value	p-value
Creation of financial and investment awareness	14.48	226.240	0.000**
Introduction of financial inclusion	12.20		
Establishment of institution in rural areas	11.01		
Control on the transactions of investment companies	10.89		
Introduction of technology in rural areas	10.75		
Government control on the financial markets	10.77		
Strict control on financial services	10.33		
Government participation in the process of financial inclusion	10.85		
Control on the entry of financial service providers	10.52		
Improving professionalism	10.37		
Imparting proper training and control the agents	10.49		
Standardization of products	10.68		
Standardization of charges and commissions	10.31		
Control on returns and risk levels	10.69		
Control on insider trading	10.63		

Financial regulation and reporting	11.23		
Speedy disposal of legal issues	11.26		
Promotional agency for financial inclusion	10.91		
Autonomous body to control financial frauds in rural areas	10.96		
Rural investment growth planning by the government	10.89		
Incentives for rural investments	10.78		

Since P value is less than 0.001, the null hypothesis, There is no significant difference between the mean ranks of motivating factors influencing the investment behaviour of the investors in the sample area is rejected at 1% level of significance. Hence, it is concluded that, there is a significant difference between the mean ranks of motivating factors influencing the investment behaviour of the investors in the sample area.

Based on the mean value the motivating factors of investment behaviour of the investors in the sample area are classified in to two types. The factors having above 11.0 mean score is titled as Predominant factors; the factor having mean score below 11.0 is titled as Attractive factors.

The factors loaded with mean score of 11.0 and above and titled as predominant factors are: Creation of financial and investment awareness with mean score of 14.48; Introduction of financial inclusion with mean score of 12.20, financial regulation and reporting with mean of 11.23; speedy disposal of legal issues with mean of 11.26 and Establishment of institution in rural areas with mean score of 11.01 is observed in the sample survey.

Attractive factors with the mean score of below 11.0 are: Control on the investment transactions of investment companies with the mean score of 10.89;Introduction of technology in rural areas with the mean score of 10.75; Government control on the financial markets with the mean score of 10.77; Government participation in the process of financial inclusion with the mean score of 10.85; Control on the entry of financial service providers with the mean score of 10.52; Standardization of products with the mean score of 10.68; Control on returns and risk levels with the mean score of 10.69; Control on insider trading with the mean score of 10.63; Promotional agency for financial inclusion with the mean score of 10.91; Autonomous regulatory body to control financial frauds in rural areas with the mean score of 10.96; Rural investment growth planning by the government with the mean score of 10.89; Incentives for rural investments with the mean score of 1078; Standardization of charges and commissions with the mean score of 10.31; Improving professionalism with the mean score of 10.37; and Strict control on financial services with the mean score of 10.33 is observed in the sample survey.

4.3: FACTOR ANALYSIS:

In order to find out the dimensions of investment behaviour in the sample, Principal Component Analysis with Varimax rotation is used. In this part of the analysis, the scholar is trying to group the items into factors. Factors determining investment behaviour of the investors in the sample area The sample adequacy for the factor analysis is found by using Kaiser Mayer Olkin sample adequacy test and the result is found adequate at 0.869 i.e. (86.9%). Each of the items is measured with Lickert's scale on the level of agreement and grouped by using the Principal component analysis. Five factors are emerged in the analysis; the results along with the loading are presented below

Table showing the items influencing the investment behaviour of the investors in the sample area with the calculated mean, SD and Initial extraction values of factor analysis

Factors influencing Investor behaviour	Mean	SD	Initial Extract
Salary form my job and earnings is likely to grow significantly in the coming years	4.10	.883	.604
If I were to decide how to invest contributions in my retire plan, I would choose investments which give fixed yields and stability	3.79	.795	.691
I believe investing in today's volatile stock markets is very risky	3.62	.909	.549
Based on the return from my investment avenue I will change my investment preference	3.52	.997	.539
Return from the investment will have an influence on the degree of risk I am willing to take	3.44	1.095	.577
I want and need to reduce overall level of debt in my personal portfolio	3.32	1.104	.700
While making investment, i am willing to settle for a lower yield if the return guaranteed as opposed to higher yields that are less certain	3.31	1.054	.626
Investments should be free from financial frauds	3.30	1.101	.658
Government assurance on the repayment of principal and returns	3.44	1.111	.604
Free from anti social element activities like encroachments	3.42	1.075	.643
Diversified portfolios are preferred than the single and large investments	3.34	1.058	.513
Local investments are better when compare to other places	3.40	1.041	.552
Investing through and with known people is the preferred option	3.40	1.071	.615
Investing in the group investments is better when compare to others	3.38	1.076	.510
Legal aspects and litigations are the prime concerns in investment decisions irrespective of duration	3.43	1.092	.550
Investing with gilt edged securities is better in long run	3.34	1.085	.514
Investments should be in a position to give financial protection to the family	3.70	1.020	.536
Simplified procedures should be there in investments	3.56	1.010	.739
Small investment options are more attractive than bigger ones	3.73	.963	.606

Table showing the items loaded as groups along with the designated factors names

Item.No	Items	Factor loading	Name of the factor
Q22.18	Simplified procedures should be there in investments	.822	Operational factors
Q22.19	Small investment options are more attractive than bigger ones	.734	
Q22.17	Investments should be in a position to give financial protection to the family	.607	
Q22.16	Investing with gilt edged securities is better in long run	.586	
Q22.10	Free from anti social element activities like encroachments	.786	Safety Factors
Q22.9	Government assurance on the repayment of principal and returns	.753	
Q22.8	Investments should be free from financial frauds	.585	
Q22.11	Diversified portfolios are preferred than the single and large investments	.574	
Q22.6	I want and need to reduce overall level of debt in my personal portfolio	.796	Risk factors
Q22.7	While making investment, i am willing to settle for a lower yield if the return guaranteed as opposed to higher yields that are less certain	.746	
Q22.5	Return from the investment will have an influence on the degree of risk I am willing to take	.566	
Q22.4	Based on the return from my investment avenue I will change my investment preference	.475	
Q22.13	Investing through and with known people is the preferred option	.702	Trust factors
Q22.14	Investing in the group investments is better when compare to others	.618	
Q22.15	Legal aspects and litigations are the prime concerns in investment decisions irrespective of duration	.553	
Q22.12	Local investments are better when compare to other places	.501	
Q22.1	salary form my job and earnings is likely to grow significantly in the coming years	.772	Contingency factors
Q22.2	If I were to decide how to invest contributions in my retire plan, I would choose investments which give fixed yields and stability	.757	
Q22.3	I believe investing in today's volatile stock markets is very risky	.678	

Based on the analysis and loadings, the items were grouped in to five factors. Each factor explains a different dimension of an investor, which influences the investment behaviour in the sample area. The factors are Operational factors, safety factors, risk factors, trust factors and contingency factors. Operational factors is discussing the variables related to modus operandi of an investment, safety factors are focused on explaining the investment safety and returns guarantee and assurance in the future, risk factors explaining the risk associated with the each type of investment and the probability of future risks, trust factors explains the need for trust and proximity of the guarantors in the investment process and their ability to give protection from risks, and finally contingency factors covers the future aspects related to risk of an investments. The grouping is done exactly as per the nature of the items and one can say the results are highly reliable in explaining the variables determining the investment behaviour of investors.

5.1: SUGGESTIONS:

* It is the matter of creating the awareness on the modern financial products, modus operandi, how these are better than conventional investments, safety part, regulatory information, risk protection mechanism and rights and duties of an investor in the light of financial reforms inculcating by the financial regulatory bodies can help in creating a massive improvement in the level of awareness among the investors. The mode of publicity should be word of mouth and printed format, small screen can help us creating agenda for the plan of action.

Another factor is investment objective found as follows: It is noted from the table 4.2.15, that the primary objective to go for investments by the investors in the sample represented as for buying a house by 34.8 percent, children's education purpose by 34 percent, children's wedding purpose by 10.9 percent, to provide financial protection to the family by 12.7 percent of the sample.

Hence, investment behaviour can be modified if the factors considered by an investor in decision making along with the preferred investment tenure, risk bearing capacity and investment objective suitability with the type of products launching in the market. It is necessary to do the market study, the investor's requirements and expectations relating to investments and designing products and services accordingly can help in improving the positive behaviour among the investors in the sample area.

* Investment climate generally depends on the size of the market, existence of public and private investment companies, nature of competition, number of investment companies. Period of existence, the type of investment products offered, the tenure of the investments, average returns, flexibility in the products etc. Investment climate is associated with the competition and demand for the money. Another observation is commercial activities size and the occupational patterns will determine the investment climate of a particular geographical area. Private investments are high in the commercial areas, where business entities dominate the investment firms by paying attractive rates of interest on private financing. The risk factor is compensated with personal guarantees and muscle power mechanism.

Investment institutions regulation and control is necessary to improve the investment climate and safety factor to the individual investments in the sample area. It is observed in the sample survey that hassle free investment avenues needs to be designed and launched by the investment companies. The items grouped and designated as Hassle free motivators are: Social and financial security to the family with the loading score of 0.733; Freedom from legal hassles with the loading score of 0.730; The items grouped and designated as Risk mitigation motivators are: Just to diversify current holding with the loading score of 0.770; Best investment options offered by the companies with the loading score of 0.740;. The items grouped and designated as Safety motivators are: No threat form fly by night activities with the loading score of 0.744; Low rate of interest rates on government securities with the loading score of 0.723; Fluctuating and low level of interest rates of bank deposits with the loading score of 0.555 and Flexibility in payment of total investment in installments with the loading score of 0.510 is recorded in the sample survey among the investors in cuddalore district.

Suggestions for technological innovations

Technology is the key and vital for the success of any enterprise today. The need for technological set up is represented in the survey as a group of items designated as Technological factors includes, Increased cyber crimes and investment frauds with the score loading of 0.711; Insider trading with the score loading of 0.707; Beaurocracy behavior with the score loading of 0.678 and Lack of responsible investment behavior with the score loading of 0.250 in the sample survey. The existing set up needs to be upgraded and maintained in a proper manner from time to time.

Suggestions to improve customer service quality

It is note worthy to have an observation and suggestion on the service quality of the financial services, especially investment avenues. In the sample survey The items grouped and designated as Product factors includes Lack of control on risk and returns with the score loading of 0.790; No proper governance in financial investments with the score loading of 0.744; Lack of consistency with the score loading of 0.724 and Lack of awareness on technology with the score loading of 0.563 in the sample survey. The items grouped and designated as Governance factors includes, Improper structure of financial products market with the score loading of 0.688; Privatization leads to cut throat competition with the score loading of 0.665; Lack of rational market behavior with the score loading of 0.631; False promises on risks and returns with the score loading of 0.511; Poor growth rates of financial services in rural with the score loading of 0.509; High level of hidden investment costs with the score loading of 0.153 and Market failures with the score loading of 0.107 in the sample survey. The items grouped and designated as Convenience Factors includes, Lack of availability with the score loading of 0.618; Low level of awareness with the score loading of 0.581 and Lack of standardization with the score loading of 0.540 in the sample survey.

6.0: Conclusion:

The researcher concludes his work by saying if the regulatory body and the government is stringent, financial markets, institutions and financial products and services can flood in the market and collect funds for the developmental activities of an economy. Proper planning, organization and operating is need of the hour. Regulation should come first, markets, institutions and products can follow the route map given by the regulatory body. No second chance in interpreting in a different way is needed by evaluating and controlling the market environment and financial institutions business from time to time. Simple to stringent penalties and prosecution needs to be put in place to delay the decisions on the mal practices and to show a way forward. All these can definitely put the investment behaviour of the investors of cuddalore district in a well defined and progressive dimension and the investors of this country at large. Let's hope for the same to be happening at the earliest for the benefit of the investors in specific and the economy at large.

A STUDY ON BANKING HABITS OF PEOPLE IN RURAL AREA WITH REFERENCE TO THIRUVALLUR DISTRICT, TAMILNADU

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1.1: INTRODUCTION

The thesis is a study of banking habits among the rural people of India especially in state of TamilNadu. Economic development of nations largely depends on the growth of infrastructure facilities such as telecommunication, banking, transport, etc. Banking sector plays crucial role in the economic development as it facilitates trade. It is one of the many institutions that impinges on the economy and affect its growth and development. Economists have expressed a variety of opinions on the effectiveness of the banking system in promoting economic development. As an economic agent, the bank is expected to be more directly and more positively related to the performance of the economy than most non-economic agents. Therefore, banks are considered to be the mart of the world, the nerve centre of economies and finance of a nation and the barometer of its economic perspective. They are not merely dealer in money but are in fact dealers in economic development.

The period from 1967 to 1991 was characterized by major developments, *viz*., social control on banks in 1967 and nationalization of 14 banks in 1969 and six more in 1980. The nationalization of banks was an attempt to use the scarce resources of the banking system for the purpose of planned development. The task of maintaining a large number of small accounts was not profitable for the banks as a result of which they had limited lending in the rural sector. The problem of lopsided distribution of banks and the lack of explicit articulation of the need to channel credit to certain priority sectors was sought to be achieved first by social control on banks and then by the nationalization of banks in 1969 and 1980.

Social Responsibilities of Banks

Two of the three major disquieting features related to banking at the time of independence, *viz.*, nexus between the banks and industry and neglect of agriculture continued to cause concern to the authorities even after 20 years of independence. There was apprehension that a few business houses might acquire control over a significant proportion of country's banking assets through the banks associated with them. Besides, such control might also jeoparadise the interests of the depositors if, as a consequence, banks became overexposed to individual firms or business groups.

In order to address these concerns, the concept of social control over banking was introduced in December 1967 through the Banking Laws (Amendment) Act 1968, which came into force on February 1, 1969. In terms of the Act, not less than 51 per cent of the total members of the board of directors of a bank were to consist of persons who had special knowledge or practical experience in one or more of matters such as accountancy, agriculture and rural economy, banking co-operation, economics, finance, law and small scale industry. In addition, every bank was to have a whole-time chairman who was not an industrialist but was a professional banker and had special knowledge and practical experience of banking (including financial institutions) or financial, economic or business administration; his term was not to exceed five years at a time.

Customer Service

The Reserve Bank initiated various measures to improve the customer service from time to time. A major policy initiated in this regard was the setting up of Banking Ombudsman at various offices of the Reserve Bank. Recognizing the institutional gap in measuring the performance of the banks against codes and standards based on established best practices, the Reserve Bank in its Annual Policy Statement for 2005-06 announced the setting up of the Banking Codes and Standards Board of India (BCSBI). It was set up as an autonomous and independent body adopting the stance of a self regulatory organization. The BCSBI provided for voluntary registration of banks with the Board as its members and committing to provide customer services as per the agreed standards and codes. The Board, in turn, monitored and assessed the compliance with codes and standards which the banks agreed to.

Statement of the problem

Banking is the back bone of economic activity of any economy. Without banking sector, the fruit of the economic development would be the dream and no economic activity could be taken place. Banking sector not only facilitates trade but also help the economic to be run faster as creating multiple employment opportunities by expanding branches in rural and urban areas and offering novel services. It is view that rural people don't enjoy the benefits of banking services as enjoyed by urban customers. There are many reasons may be stated for poor banking habits of rural people.

Earlier days, the financial institutions were reluctant to establish their branches in rural area as they find financially unviable. But the trend has changed over due to competition. The open economy policies have paved the way for intensive competition in all sectors of the economy. Due to competition, the banking institutions aim to add up their customer base and therefore they started or expanded their branches in rural areas. The rural people are poor and predominately agriculturist, they have poor savings capacity and creditworthy. Since the people in rural areas are illiterate and unaware many modern banking services. This fact is further igniting the need for the research on banking habits in the state at micro level and to find out the reasons for poor banking. Banking is important in one's life to have a social protect to him/herself and to the dependents in their absence.

Scope and limitations of the study

The study covers various aspects of functioning of banks and also identified the bottlenecks of growth of banking in rural areas. The study also examined the conditions of banking sector in the liberalization period. The study covers entire villages in Thiruvallur District and 400 samples have been drawn from various clutches of villages in Thiruvallur District.

2.1: REVIEW OF LITEWRATURE

Ballabh, (2001) analyzed challenges in the post-banking sector reforms. With globalization and changes in technology financial markets, world over, have become closely integrated. For the survival of the banks they should adopt new policies/strategies according to the changing environment.

Vashist, (2004) studied recent global developments, which has transformed the environment in which commercial banks operate. Globalization ha s expanded economic interdependence and interaction of countries greatly. Under the regime of globalized environment, the financial performance of the commercial banks has changed and the commercial banks will face new challenge and also new opportunities in the coming years.

Wahab, (2001) has analyzed the performance of the commercial banks under reforms. He also highlighted the major issues need to be considered for further improvement. He concluded that reforms have produced favorable effects on performance of commercial banks in general but still there are some distortions like low priority sector advances, low profitability etc., that needs to be reformed again.

2.2: Studies on financial services awareness

Goyal and Thakur (2008) concludes that public sector banks that have no monopoly licenses are to be given to new public sector banks and foreign banks. However, when the public sector banks realized that government was no longer there for them, they started devising various strategies for survival and growth. In the present study, the researcher has taken 3 public and private sector banks.

Uppal and Kaur (2007) study customers' awareness of various e-channels used by banks and suggest some measures for making e-banking services more effective, which could contribute to transformation of Indian banks. The paper concluded that most of the customers of e-banks are satisfied from the different e-channels and their services, but the major obstacle to accept e-channels is the lack of awareness about these e-channels and especially their operational part.

Jain and Jain (2006) show that the Indian banking industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. There has been a great surge in retail banking. The study based on responses received from 200 customers of HDFC bank, ICICI bank and some other private and nationalized banks in Varanasi identified the various types of services offered by banks, the level of satisfaction about different types of services, expectations about these services and the level of segmentation among the services offered.

Bhaskar (2004) analyzed that when good service is extended to a customer, a loyal customer will work as an ambassador to the bank and facilitate growth of business. Customer service is the base for business expansion because of the stiff competition prevalent in the banking industry. The survival of banking business is dependent on customer service. To conclude, the banking industry is active in India, due to technological revolution. Banks have to utilize this opportunity to become strong organizations providing essential service.

Hasanbanu (2004) pointed out that rural customers do not have any idea as to how much time is required for any type of bank services. The rural customers are not aware of the purpose availability of loan and how they can be availed, since they do not know the complete rules and regulations and procedures of the banks, and as such, bankers reserve them for themselves and do not find interest in educating the customers. The study is based on secondary and primary data. The secondary data were collected from technical books, articles, previous studies, committee reports, IBI bulletins, RBI bulletins, staff training college of the state bank of India and data relating to banks, while the primary data related to customers banking services were collected with the help of questionnaires. Nonetheless, the study was based on a sampling method.

Singh (2004) analyzed the level of customer services, and explained that customers' satisfaction is determined by branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redress and very importantly, staff skills, attitude and responses.

Karlan and Zinman (2009) explains that, Micro credit seeks to promote business growth and improve well-being by expanding access to credit. We use a field experiment and follow-up survey to measure impacts of a credit expansion.

2.3: Studies on Financial Inclusion

Financial inclusion in policy and academic circles tended to revolve around the extension of institutional credit at the expense of providing savings, in spite of evidence that poor people save (Basu, 2005; Dev, 2006; Mohan, 2006). 2 If this trend continues, a myopic focus on credit could lead to detrimental, long-term outcomes such as over-indebtedness and wasteful use of scarce resources (Committee for Financial Sector Reforms, 2008). Encouragingly,

the RBI-led drive for financial inclusion is thus significant in that it attempts to extend savings bank accounts to 'unbanked' households.
There are many metrics to measure financial inclusion including population per bank branch or using the percentage of adult population. The next section discusses the latter in some detail. We have chosen to highlight this method for two reasons. Firstly, it is the most popular method in common usage. Secondly, the financial inclusion drive attempts to increase access to finance by increasing the number of adults having bank accounts.

3.1: Research Design

Descriptive method is being used up in this research design. The research method for a study has different stages and strategies to work on the issue. The ways by which the data is collected are called research tools. These are important though different in different studies. Based on the nature of the study the most appropriate methods are used that can answer the questions related to the objectives and hypotheses of the study. In this study, the research tools are a combination of different techniques; primary data and secondary data have been used and analyzed using statistical techniques.

3.2: Hypothesis

During the process of literature review, many predictions were highlighted. It was not easy to make it clear that what results can be expected options from the study. Keeping in view all this, at this stage it was necessary to formulate hypothesis. The hypothesis is a statement of what is expected to find according to predictions from theory. It predicts a relationship between or among different variables. In this study, it is assumed that increasing bank branches and extension of banking services would attract rural people to have fidelity in banking operations and made them to be the customer.

3.3: Sample Method

The most frequently used approaches for statistical analysis of survey data and estimation of input/output relationship using regression analysis are based on a simple random sample for data collection. Unfortunately simple random sampling is rarely practical in large scale surveys. A multi-stage procedure can greatly simplify construction of a sample frame. While ensuring the survey population is adequately covered.

However, the conventional formulae yield biased population parameter estimates for samples that are not randomly selected. Alternative, and often far more complex formula are required to reduce or eliminate biases. The sampling framework developed for the current study is multi-stage sampling method. In the first stage, the study area is selected under lottery ticket method, second stage, the villages in the study area are chosen on the basis of area, population and banking branches, thirdly respondents are selected based on account holders in the study area. 400 samples have chosen from the study area and collected samples were scrutinized to check the validity and found 41 questionnaires as defective and they are removed finally 359 sample was taken for the purpose of the study.

3.4: Research area

The research or Sample areas are Tiruttani, Gummidipoondi, Pooneri, Madavaram, Ambattur, Poonamalle, Pallipattu, Uthukkootai, and Thiruvallur. All these areas are very important places of the Thiruvallur district of TamilNadu, India. These areas though comes under rural area it has a wide business, educational surrounding. The main occupation of the district is agriculture and allied activities. Nearly 47% of the total work force is engaged in the agricultural sector. The major crops grown in the district are rice, kambu - ragi, green gram, black gram, sugar cane and groundnut. Apart from this, certain horticultural crops like mango, guava and vegetables have also bean cultivated successfully. Out of 32 districts in TamilNadu, Thiruvallur district is the one of the main and preferred district in TamilNadu, India.

Basically the customers are from agriculture sector and a few may include the self help groups, small and medium size business holders. The activities of the businesses are closely related to the farm sector and allied farm sector. The customers includes both male and female, belongs to different age groups, educational qualification, occupations, levels of income, type of living place, purpose of visiting a bank, tenure of account holding with a particular bank etc. All the customers are belongs to rural areas and some way or the other related to farming sector. Very few customers are into retail and self skilled businesses. These customers are also visiting a bank for farming loans and to avail the other services offered by a bank.

3.5: Data collection

The study used both primary and secondary sources of data. The primary data has been collected from the structured questionnaire. To ensure the quality of data, the researcher personally conducted the survey. The questionnaire consists of the details regarding socioeconomic background, Awareness on banking services, usage of functional services and barriers acquire them, reasons for poor banking habits, importance of the banking services, satisfaction on the banking services and motivating factors in availing banking services.The secondary data for the study collected from journals, magazines, reports, working papers and research dissertations and websites.

4.1: Data Analysis Results and Discussion

The analysis of the present study is made through the appropriate statistical tools in consultation with the expert statistician. The study is presented at two stages for better understanding of the reader. The present study is focused on the role of RRBs in the upliftment of socio economic status of the rural population in the sample area. It also covers the level of awareness of banking services, widely used services, technology impact on service quality and availability and the present state of banking services and the suggestions to improve the availability and accessibility of the same in rural areas. This study can gives a real picture of the banking services and its impact on the society in the sample area. This can help the policy makers to review certain policy matters and to device operational strategies for the better performance of the banks and to provide the quality service to the wide public. The study is descriptive in nature and the results are discussed based on the results of the survey.

Profile of Respondents on the basis of Occupation

Occupation	N	%
Cultivation	174	48.5
Business	122	34.0
Family Occupation	53	14.7
Service Organization	10	2.8
Total	359	100

Source: Sample Survey

The table shows the occupation wise distribution of the respondents. It is observed from the table that out of 359 respondents, 174 respondents (48.5 per cent) were cultivators; 122 respondents (34 per cent) were the business people; 53 respondents (14.7 per cent) were doing family occupation and 10 respondents (2.8 per cent) were working in the service organizations. It is inferred from the observation that majority of the rural folk are depending on the primary sector and its allied activities. It indicates the need for change into regular income activities in a gradual manner. Primary sector gives only seasonal returns and that too are uncertain due to crop failures or monsoon failures and natural calamities. This can be changed by providing information on the alternative allied activities available to have a regular income to the farming sector customers.

Income Distribution of the respondents

Income (in `)	N	%
Below 1 Lakh	53	14.8
1 – 3 Lakhs	198	55.1
3 – 5 Lakhs	95	26.5
Above 5 Lakhs	13	3.6
Total	359	100

Source: Sample Survey

The table provides income details of the respondents. It is seen from the table that below ` one lakh is earned by 53 respondents (14.8 per cent); 198 respondents (55.1 per cent) have reported that their income falls between `1-3 lakhs; 95 respondents (26.5 per cent) have reported that their income is between `3-5 lakhs; and above `5 lakhs is earned by 13 respondents. It is evident from the observation that sizeable number of respondents' income level is between `1-3 lakhs.

Tenure of Account

Tenure	N	%
Less than 5 years	166	46.2
6 – 10	143	39.8
11 – 15	21	5.9
16 – 20	14	3.9
More than 20 Years	15	4.2
Total	359	100

Source: Sample Survey

The detail regarding the period of account holder in bank is reported in table the table. It is observed from the table that 166 respondents (46.2 per cent) reported that they are being account holders of the bank for less than 5 years; 143 respondents (39.8 per cent) informed that they are being account holders for 6-10 years; 11-15 years reported by 21 respondents (5.9 per cent) and above 16 years reported by 29 respondents (5.1 per cent). It is interesting to note from the observation that majority of the respondents have account in banks below 10 years.

Factor Analysis: Usage of Banking Services

The researcher has used factor analysis in order to estimate the latent relationship within the variables. The factor analysis tools like Principal Component Analysis (PCA) with Varimax rotation are used for the same. Kaiser Mayer Olkin sample adequacy test has been administered to estimate the sample adequacy for factor analysis and Cronbach alpha test used for reliability of the statements.

BANKING SERVICES	COMPONENTS				
	1	2	3	4	5
Demat Services	.971				
Agency Functions	.971				
Investment Advice	.971	UTILITY SERVICES			
Mutual Funds	.971				
Reference Services	.971				
Credit Card Services	.774				
Online Services		.938			
Funds Transfer		.904			
ECS Payments		.904	E-SERVICES		
Insurance Products		.892			
Housing Loans			.941		
Mobile Banking Services			.902	INCOME AND INVESTMENT SERVICES	
Tax Collections			.860		
Educational Loans				.999	SOCIAL SERVICES
Pension Payments				.999	
Granting Loans					.949
Deposits Collection	PRIMARY SERVICES				.947

Based on the loadings, all the items are segregated into five desired major services of a bank. The factors are named as utility services, E-services, Income and investment services, Social services and Primary services. The grouping is similar to the grouping of banking services by RBI and the Indian bankers association. Only variation is the level of awareness on certain basic services is low and the advanced and technology oriented services are observed at high among the respondents and the same is observed statistically in the table. Based on the customer survey no single strategy can be adopted in promoting all the banking services. Independent strategies with specific goals can help in enhancing the banking services in the rural areas and it can help in economic upliftment of the rural areas of the study area.

Factor Analysis: Problems in Availing Banking Service

In order to find out the problems in availing the banking services, among the rural customers, Principal Component Analysis with Varimax rotation is used. The sample adequacy for the factor analysis is found by using Kaiser Mayer Olkin sample adequacy test and the cronbach alpha value for all the variable is 0.673 (67.3 per cent). Four factors are emerged in the analysis; the results along with the loading are presented below.

Factors loading for problems in availing banking services

PROBLEMS	LOADING	FACTOR NAME
Poor Customer Response	.983	FUNCTIONAL PROBLEMS
Poor Proximity To Bank	.983	
No Proper guidance	.983	
No Regularity in Functioning	.983	
Poor Usage Of The Service In A bank	.918	
Poor Governance Of Complaints	.918	
Limited Services Offered	.927	AVAILABILITY AND ACCESSIBILITY PROBLEMS
Lack of co-operation Form Banker	.927	
No Trained Staff	.919	
Lack Of Awareness	.919	
Lack Of Availability	.816	
Lack Of Guarantee On Performance	.962	CONTROL PROBLEMS
Risk Of Cyber Crime	.962	
Hidden Costs	.962	
Lack Of Uniformity	.962	
Lack Of Transparency	.999	BEHAVIOURAL PROBLEMS
Poor CRM	.999	
Autocratic Behaviour	.999	

The Problems faced by the customers are broadly classified into four types, namely, functional problems due to poor customer response and poor guidance, availability and accessibility problems due to Lack of co-operation from the banker and lack of trained staff, Control problems due to risk of cyber crimes, hidden costs and finally behavioral problems due to autocratic behaviour, lack of transparency and poor customer relationship management.

H_O: There is no significant difference between ages with regard to level of awareness on the banking services.

ANOVA Test Result

ANOVA with Friedman's Chi-square Test						
		Sum of Squares	df	Mean Square	Friedman's -Square	p-value Sig
Between People		1835.159	357	5.141		
Within People	Between Items	7465.117[a]	20	373.256	3471.439	.004**
	Residual	7932.026	7140	1.111		
	Total	15397.143	7160	2.150		
Total		17232.302	7517	2.292		

ANOVA					
	Sum of Squares	df	Mean Square	F	p-value Sig

Between People		1835.159	357	5.141		
Within People	Between Items	7465.117	20	373.256	335.986	.003**
	Residual	7932.026	7140	1.111		
	Total	15397.143	7160	2.150		
Total		17232.302	7517	2.292		
Grand Mean = 2.54						

Note: ** denotes significant at 1 per cent level

It is found that the probability value is less than 0.01, and therefore, the researcher rejects the null hypothesis that there is no significant difference between ages with regard to level of awareness of banking services. As a result, the researcher accepts the alternative hypothesis that there is a significant relationship between age and level of awareness of banking services.

Hypothesis : Educational standard improves better access of banking services

H_O: There is no significant difference between educational with regard to level of awareness of the banking services.

ANOVA with Friedman's Test						
		Sum of Squares	df	Mean Square	Friedman's Chi-Square	p-value Sig
Between People		1827.152	357	5.118		
Within People	Between Items	7599.962[a]	20	379.998	3573.936	.004
	Residual	7625.753	7140	1.068		
	Total	15225.714	7160	2.126		
Total		17052.867	7517	2.269		

ANOVA						
		Sum of Squares	df	Mean Square	F	p-value Sig
Between People		1827.152	357	5.118		
Within People	Between Items	7599.962	20	379.998	355.793	.003
	Residual	7625.753	7140	1.068		
	Total	15225.714	7160	2.126		
Total		17052.867	7517	2.269		
Grand Mean = 2.49						

Since the p value is less than 0.01, the null hypothesis is rejected at 1 per cent level. As a result, the researcher accepts the alternative hypothesis that there is a significant difference between educational qualifications with regard to level of awareness of the banking services. The result indicates that if a respondent has higher educational standard, he could access or aware of banking service easily. Educational qualification may improve the level of awareness, but the usage of the service requires savings potential and the need for usage of the banking service.

Z-test: Large Sample Test

In order to find out the degree of satisfaction on the banking services offered by the banks, among the sample respondents, Z-test is administered on the data. The descriptive statistics along with the results of the Z-test is presented in the following tables.

Table Z test for level of satisfaction on the banking services

Knowledge Factor	Mean value	Z value	P value
Collection Deposits	3.301	62.542	0.000**
Granting loans	2.359	44.703	0.000**
Agency Functions	2.696	51.089	0.000**

Customer utility services	2.696	51.089	0.000**
Technological Services	2.975	56.367	0.000**
Customer Relationship Management	2.861	54.203	0.000**
Safe Vault Facilities	3.081	58.372	0.000**
Fund Transfer Services	2.359	44.703	0.000**
Online Banking	3.212	60.853	0.000**
Grievance handling	3.136	59.428	0.000**

Note: ** denotes significant at 1 per cent level

The service quality of the banking services are taken as a base in ranking the above services and collecting deposits ranked as highly satisfied and granting loans are ranked as poor service. This is a customer analysis and true to some extent, because banks are dealing with others money and very much interested in collecting deposits and conservative in granting loans.

Since the p value is less than 0.001, the null hypothesis, There is no significant difference among the perceptions of the customers with respect to level of satisfaction on the collecting deposits, granting loans, agency functions, utility functions, technical services, customer relationship management, safe vault facilities, fund transfer services, online banking and grievance handling provided by the banks in the sample area is rejected at 1% level of significance. Hence, there exists a significant difference among the perceptions of the customers with respect to level of satisfaction on the collecting deposits, granting loans, agency functions, utility functions, technical services, customer relationship management, safe vault facilities, fund transfer services, online banking and grievance handling provided by the banks in the sample area.

Chi-Square Statistics

The researcher has applied chi-square statistic to find out the dependency between the variable. The researcher has attempted to test whether is there any association between education standards and motivating factors to utilize banking services. The result of the analysis is shown below.

Null Hypothesis: There is no association between educational standard and motivation factors to utilize banking service

Chi-Square values

Motivating Factors	Chi-value	P value
Safety to the funds	8.217	0.51NS
Future contingencies	6.936	0.86 NS
Financial protection	9.358	0.67 NS
Builds confidence	4.097	0.98NS
Any time money can Draw	20.757	0.54NS
Helps in need	6.752	0.68NS
Easy way of usage	10.708	0.55NS
Creates financial awareness	9.765	0.63NS
Value for money can realized	10.959	0.53NS
Protection to the family	4.640	0.86NS

The above table highlights the chi-square value for educational standard with respect to motivating factors. Since the p value is greater than 0.01, the researcher accepts the null hypothesis that there is no association between education standard and motivating factor. It can be inferred from the analysis educational standard did not influence the motivational factor to utilize the banking services as the both variables are independent. The researcher has applied the same chi-square statistic to know the association between the occupations with respect to motivating factors for banking service.

Ho: There is no association between occupation and motivating factor to utilize Bank.

Chi-Square values

Motivating Factors	Chi-Square value	P value
Safety to the funds	20.515	0.01*
Future contingencies	8.514	0.744NS
Financial protection	8.092	0.778NS
Builds confidence	12.534	0.404NS
Any time money withdrawn	5.462	0.941NS
Helps in need	23.396	0.005*
Easy way of usage	11.398	0.495NS
Creates financial awareness	13.055	0.365NS
Value for money can realized	7.787	0.802NS
Protection to the family	6.607	0.678NS

NOTE: NS NON SIGINIFICANT * SIGINIFICANT

The result of the chi-square analysis is presented in the above table. It is clear from the table that except two motivating factors such as safety to the funds and helps in needs, other factors did not have any association as the p value is greater than 0.05. Therefore, the researcher accepts the null hypothesis that there is no association between occupations with respect to motivational factor for banking services except two factor described above.

5.1: FINDINGS OF THE STUDY:

The present chapter gives summary of the findings of the study along with policy implications. India holds enormous human resources, vast natural resources, world's third largest stock of scientific and technical manpower and cheap skilled labour. Unemployment, poverty, hunger and dichotomies in growth are still relevant issues in socio-economic planning in India. Despite five decades of planned development, more than 67 percent of the Indian populations depend on agriculture and allied activities. Nearly 72 percent of the rural population belong to the weaker sections live in backward regions and depend almost entirely on agriculture and village crafts.

6.1: SUGGESTIONS

The study elaborated number of issues concerning various measures for banking habits of rural people. On the basis of the findings and conclusions, the following suggestions emerged from the present study.

* The demographic profile of the rural is salient in nature and evident for the lot of untapped potency for the banking services. The grand strategy needs to be drafted covering all sections of the individual sin the rural areas to enhance the banking services to them. The strategy should be simple in nature and viable for implementation with limited efforts. Such products and services needs to be drafted by all the banks as a unique solution package to the rural branches and this can help in improving the banking patterns in the rural areas. It requires lot of time and folk knowledge about the customs and traditions associated with the saving patterns of the rural mass.

*The level of awareness on banking services is low in rural areas due to lack of availability and accessibility. In rural areas banks may not implement all the services due to non viability of the implementation and lack of feasibility. Such phenomenon needs to be changed by effective promotional activities and by encouraging the public through participating in social activities. Banks needs to interact with the rural customers to identify their needs not only funding needs and the other financial service requirements and there by necessary steps has to take to come out with new services. This can reach the public as faster as possible and helps the bank to operate such services with out interruption.

*Customer relationship management is another important problem in rural branches. This can be resolved through systematic behavioural training sessions to the employees, establishment of information desks to the customers, providing simple and easy technology, having an eye on cyber crimes and by creating a safe financial environment in the bank. In addition, some of the private banks are employing private agents to sell the banking products to the customers by out sourcing the marketing functions. Such initiatives with strong strategy can bring lot of change in the rural banking system in the country.

*The poor usage of certain banking services is observed in the study. It can be addressed through providing the clear information on the usage of such services in the form of handouts with visuals on the steps to be followed while using such services can help the customer to go through and make an attempt to use such services. A flow chart on the process of a particular service can help much better than thousand words of explanation. Such innovative customer friendly practices can help in reaching the customers and to improve the usage patterns on the banking services in the rural areas.

* Motivating factors of banking services in rural areas are to be observed from time to time and accordingly the product design needs to be done. The features of a financial service should follow

General AIDA principle of marketing. The needs of the customers are changing from time to time; every new banking service and product serves the class of customers in a bank and motivates a class of potential customers to avail the service. Such environment should be created in a rural bank. This can help in attracting many customers in the rural areas and can tap the rural potential.

7.1: Conclusion

There is general impression that banks in rural areas are not functioning well due to lack of infrastructure and lack of awareness among the rural people about banking services. However, it is quite interesting to note that the bank branches in rural areas have increased drastically and size of banks customers were increased multifold. It has been observed that due to changes in economy the banking industry is in challenging task as many multinational banks have started their operation in India and therefore it becomes difficult for sustaining of Indian banks. The foreign banks especially targeting to increase size of customer base by offering advance and quick services to the customers.

All these measures simultaneously with a well defined time frame can help in bringing the expected change in the rural banking practices and there by economic empowerment through banking systems among the priority sector customers in the rural areas. This in turn helps to strengthen the socio economic phase of the country as a whole. The social banking in rural areas needs to be imparted for the better society and for the better sustainability of an economy. The responsibility of the government in this regard is unavoidable in nature for the cause of balanced regional development and sustainable development of the country in long run. We hope such change should happen in the country at the earliest possible time for the benefit of the rural mass and for the economy at large.

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PERFORMANCE OF AQUA FEED INDUSTRYIN INDIA A COMPREHENSIVE ANALYSIS

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1.0: Abstract:

Indian aqua industry is opened its gates to the global players with its attractive growth potential and profit margins. In the same lines the aqua feed industry too emerges as an attractive market place. Initially the paper is trying to exhibit the growth trends of aqua industry in the Indian context and the growth patterns at different points of time. In the later part, it is focused on analyzing the prospects of aqua feed industry in India among the Southeast Asian countries and what challenges may force in the years to come. It also focused to raise some debate on the strategies to overcome the market hits by the domestic players and to compete with the global players.

Key words: Aqua feed markets- Market potency- Market size- Fisheries- Allied feed products.

1.1: Introduction:

Global fisheries production reached 130.2 million tonnes in 2001, having doubled over the last thirty years (FAOSTAT, 2004). However, this expansion largely reflects the growth of aquaculture. While output from capture fisheries grew at annual average rate of 1.2 percent, output from aquaculture (excluding aquatic plants) grew at a rate of 9.1 percent. The latter is a faster rate not only than capture fisheries, but other animal food producing systems such as terrestrial farmed meat (FAO, 2003). Excluding aquatic plants, aquaculture output in 1970 accounted for 3.9 percent of total fisheries production, by 2001 that proportion had grown to 29 percent (FAOSTAT, 2004). By 2002, aquaculture output, excluding plants, reached 39.8 million tonnes compared with 2.6 million tonnes in 1970 (FishStat Plus, 2004).

Much of this aquaculture expansion has been due to China whose reported output growth far exceeded the global average. During the period 1980 to 2000, its 15.5 percent annual average growth rate of output was more than twice that of the rest of the world. Thus, from 28 percent of world aquaculture output in the 1980s, China's share rose to half in 1990 and more than two-thirds by 2000. China's exceptional expansion in absolute tonnage therefore distorts the global aquaculture scene. If it is excluded, world aquaculture output growth during the last twenty years was more moderate with declining rates of expansion (6.8 percent, 6.7 percent and 5.4 percent annual growth rates for the periods 1970 - 1980, 1980 - 1990 and 1990 - 2000 respectively) (FAO, 2003).

The rate of expansion has also slowed down by decades, which is contrary to the scenario when China is included. This difference in growth rates is reflected in increases in annual output: with China, the 1990s saw an average annual increase of more than two million tons in global aquaculture output. Without China, the annual increase was less than half a million. To take account of China's impact, and reported statistical concerns, Table 2 shows global production and average annual growth rates, both with and without China.

1.2: Aquaculture industry: Some statistics:

Table-I: Global aquaculture production (excluding aquatic plants)

	World			World excluding China		
	Output (tonnes)	Annual growth rate (percent)	Average annual absolute increase (tonnes)	Output (tonnes)	Annual growth rate (percent)	Average annual absolute increase (tonnes)
1970	2 555 591			1 783 115		
1980	4 764 481			3 433 025		
1990	13 044 063			6 574 354		
2000	35 611 656			11 138 103		
1970-80		6.4	220 889		6.8	164 991
1980-90		10.6	827 958		6.7	314 133
1990-2000		10.6	2 256 759		5.4	456 375
1970-2000		*9.2*	*1 178 536*		*6.3*	*311 833*

Source: calculated from FishStat Plus, 2004.

1.3: Future global aquaculture production

Forecasts of global demand for fishery products suggest that aquaculture output will have to continue increasing. Reduction fish accounts for approximately a third of output from the fisheries and capture fisheries provide more than 60 million tonnes of food fish, up from approximately 45 million tons in the early 1970s. However, most capture fisheries are at or near their limit of close to 100 million tons. Even if output were to continue to grow (at 0.7 percent annually), they will be incapable of meeting the projected demand for food fish.

Table 4: Regional actual (2001) and forecasts of food fish from aquaculture for 2020

	Actual 2001		IFPRI Output Forecast for 2020[2]				Alternative Forecast	
	Output (10^6 tonnes)	Share of global output (percent)	Output (10^6 tonnes)	Growth rate 2001-20[1] (percent)	Output (10^6 tonnes)	Growth rate 2001-20[1] (percent)	Output (10^6 tonnes)	Growth rate 2001-20[1] (percent)
China	26.1	68.8	35.1	1.6	44.3	2.8		
Europe[4]	1.3	3.4	1.9	2.0	2.3	3.0	1.5[5]	0.8
India	2.2	5.8	4.4	3.7	6.2	5.6	4.6[6], 3.3[7]	8.5[6], 8.2[7]
L. Am./C.	1.1	2.9	1.5	1.6	2.1	3.5	24.8[3]	18
S. Asia (excl India)	0.7	1.8	1.2	2.9	1.7	4.8		
S-East Asia	2.9	7.7	5.1	3.0	7.3	5.0		
S-S Africa	0.06	0.1	0.1	4.6	0.2	8.1		
Global	37.8	100	53.6	1.9	69.5	3.3		

In the region, per capita consumption of food fish has stagnated at a low 8 kg a year over the last three decades and IFPRI's forecasts to 2020 suggest that only under the most favourable circumstances (i.e. rapid global aquaculture expansion) will it increase. This has clear implications for food security because of the importance of fish as a source of animal protein in some African countries (Ye, 1999). However, driven by a desire to maintain (if not increase) per capita fish consumption, a population that could increase by 50 percent to 1.2 billion by 2020 and accelerated urbanisation, demand for fish food is projected to more than double in both North Africa and sub-Sahara Africa by 2030 (Ye, 1999).

1.4: Asian market: Some inputs:

India, Bangladesh, Indonesia, the Philippines, Thailand and Viet Nam have quantified projections and these countries are amongst the top twelve producers in the world. Together, they accounted for 13.8 percent of world aquaculture output (excluding aquatic plants) in 2002 (Fishstat Plus, 2004). Comparing their forecasts with actual historical expansion allows us to gain insights into their aquaculture ambitions.

Table 5: Historical and forecast aquaculture output in Asia (excluding aquatic plants)

	2000 output (tonnes)	Actual growth rates (percent)		Forecast growth rates (percent)
		1980 - 1990	1990 - 2000	
China	24 473 553	17.1	33.8	3.7 [2000 - 2010]
Bangladesh	654 745	7.9	12.8	4.1 [2001 - 2010]; 3.5 [2001-2020]
India	2 093 216	11.4	6.8	8.2 [2000 - 2005]; 8.5 [2001 - 2010]
Indonesia	800 682	9.9	5.1	11.1 [2003 - 2009]
Philippines	393 695	6.3	0.3	13.4 [2001 - 2004]
Thailand	716 651	10.2	9.0	1.8 [1996 - 2010]
Vietnam	498 774	11.8	8.5	10.0 [2001 - 2010]

1.5: Indian aquaculture industry: Feed Market Potential:

As the world's second largest aquaculture producer, India is critical to regional and global forecasts. IFPRI forecasts (Table 4) suggest that its output could double by 2020. The higher forecast suggests an output almost three times that of 2001, with output increasing by an average of 200 000 tonnes a year. The growth rates required to meet these targets are lower than past rates. Two more optimistic forecasts, from the government-sponsored Indian Council of Agricultural Research and the Central Institute of Freshwater Aquaculture, are also shown in Table 5. According to their forecasts, production of farmed shrimp and fish, including from freshwater systems, could double by 2010 (Gopakumar, 2003; Gopakumar *et al.*, 1999) with both the expansion of areas under cultivation and increases in yields (respectively +50 and +45 percent for freshwater aquaculture). With limitations in the use of coast lines for intensive shrimp farming, only one fifth of the coastal area available for shrimp culture has been developed, and suitable areas, in particular in West Bengal remain available for exploitation. Inland saline water bodies also have the potential to support shrimp and Cichlids culture and increases in productivity are possible through the introduction of fish cage culture in reservoirs. Inland production (of carp) constitutes the bulk of Indian aquaculture and yields have increased tenfold with the application of modern technology.

On the demand side, it is expected that higher incomes and urbanization are expected to increase per capita consumption, which, in conjunction with population growth, would create a domestic market to absorb increased supply. While the bulk of production is carp, catfish and freshwater prawn production are increasingly adopted as semi-intensive systems by farmers.

Cultured freshwater pearls, along with non-conventional species such as ornamental fish, protein-rich algae and bio-fertilizers, are a new commodities contributing to the diversification of the sector and are potential high income earners.

The plan for freshwater aquaculture development carefully reviews the implications of achieving its targets in terms of necessary natural resources, fish seed and feed, finances, extension, post-harvest infrastructures and specificities (strengths and weaknesses) of each State, but, set against past production trends, forecasts appear unlikely to be realized. As Table 5 shows, despite absolute increases in output, growth rates over the last two decades have declined sharply. Moreover, during the 1990s, the annual average increase in output was under 100 000 tonnes, half the yearly amount needed to meet the higher IFPRI forecast to 2020. Recent data (FishStat Plus, 2004) confirm the slower growth: production figures for 2002 indicated an output that was barely higher than that of 1999, with an annual average increase in output under 20 000 tonnes for the period 1999 - 2001, whereas the meeting of the lower IFPRI forecast would require annual increases of approximately 116 000 tonnes.

1.6: Conclusion

Compared national ambitions, independent projections for China and Latin America appear low, whereas those for South East Asia and Europe of the 15 members pre-2004 appear overestimations. China is clearly critical to regional (and global) production: whilst historic growth rates cannot be maintained, an estimated annual output growth of at least 2 percent until 2020 is plausible. Similarly, aquaculture plans for the two principal producers in Latin America, Brazil and Chile, suggest that IFPRI's projections are underestimates. Governments in both countries plan to promote the sector and, as has been demonstrated in China, this is a key factor in successful aquaculture expansion (Hishamunda and Subasinghe, 2003). Expansion by China and Latin America would be sufficient to offset the slower than anticipated expansion in South East Asia and European Union countries.

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CREDIT DEFAULT SWAPS (CDS) – HOW AN EFFECTIVE CREDIT RISK MANAGEMENT TOOL?

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1.0: Abstract

Credit Default Swaps (CDS) have existed since the early 1990's but its use has become increasingly popular over time. CDS allows financial institutions to manage their exposures in better way and investors benefit from a magnified investment universe. CDS are most popular form of credit Derivative that protects creditors against systemic risk in both the market and in the borrowers. Credit Default Swaps are fast becoming the dominant vehicle for trading credit risk. Since CDS have benefits like enhancing investment and borrowing opportunities and reducing transaction costs while allowing risk-transfers, such product would increase investors' interest in corporate bonds and would be benefited to the development of the corporate bond market in India. Risk is an opportunity as well as a threat and has different meanings for different users. CDS allow users to effectively set credit limits. Credit derivatives allow financial institutions separation of functions of origination and submitting the credit risk. It is an important analytical tool for credit risk management. Credit default swaps can certainly be a helpful tool for hedging the risks associated with holding various assets, particularly corporate bonds and asset-backed securities, but the CDS marketplace lacks necessary protections on which buyers of more traditional types of insurance have come to rely. These protections must be put in place before the systemic risks associated with credit default swaps will have been reduced to a manageable level.

Keywords: Credit Default Swaps, Credit Derivatives, Credit Risk Management, Hedging, Contract, Corporate Bond, Risk Transfer, Insurance, Protection, Over-the-Counter

1.1: INTRODUCTION

Credit Default Swaps (CDS) have existed since the early 1990's but its use has become increasingly popular over time. The market increased tremendously between 2002 and 2007, gross notional amount outstanding grew from $ 2 trillion to $ 62.2 trillion. CDS allows financial institutions to manage their exposures in better way and investors benefit from a magnified investment universe. CDS are derivative contracts between two parties in which the buyer makes a periodic payment to the seller. CDS are most popular form of credit Derivative that protects creditors against systemic risk in both the market and in the borrowers. Credit Default Swaps are fast becoming the dominant vehicle for trading credit risk. Since CDS have benefits like enhancing investment and borrowing opportunities and reducing transaction costs while allowing risk-transfers, such product would increase investors' interest in corporate bonds and would be benefited to the development of the corporate bond market in India.

1.2: CREDIT RISK MANAGEMENT

The word Risk can be traced to the Latin work "Rescum" meaning Risk at sea or that which cuts. Risk can be defined as any uncertainty about a future event. Credit risk is the potential loss that bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The objective of credit risk management is to minimize the risk and maximize bank's risk adjusted return by assuming and maintaining credit exposure within the acceptable parameters. Managing risk systematically and professionally becomes an even more important task because rising global competition, increasing deregulation, introduction of innovative product and delivery channels have pushed risk management to the forefront of today's financial landscape. Credit risk is the risk of loss to the financial institutions in the event of default. Default arises due to counter parties inability and/or unwillingness to meet commitments in relation to lending.

Globalization, Liberalisation and Privatisation have opened up a new method of financial transaction where the risk level is very high. So today's managing financial risk systematically and professionally becomes an even more important task. The foremost thing is to understand the risks run by the bank and to ensure that the risks are properly confronted, effectively controlled and rightly managed. Hence providing real time risk information is one of the key challenges of risk management exercise.Business grows mainly by taking risk, greater the risk higher the profit and hence the business unit must strike a trade off between the two. Risk is inherent in any walk of life in general and in financial sector particular. "Profiting in business without exposing to risk is like trying to live without being born". So everyone knows that risk taking is failure prone as otherwise it would be treated as sure taking. Risk management system is a proactive action in the present for the future. Managing risk is nothing but managing the change before risk manages. Hence the banks and financial institutions should have efficient management framework to mitigate all internal and external risks.

1.3: TOOLS FOR CREDIT RISK CONTROL

The financial sector now wears a relaxed and liberated look. Financial institutions have grown for being a financial intermediary is the past to a risk intermediary at present. So risk management has thus emerged as a new and challenging area in Financial Institutions. Balancing risk and return is not an easy task as risk is subjective and not quantifiable whereas return is objective and measurable. The effectiveness of risk measurement in financial institutions depends on efficient management information system. Computer networking of the branch activity offer its products at a better price than its competitors, strictly adhere to "KYC" (Know your Customer) rules and diversified their funds in efficient and effective way. The various tools for using risk controlling, they are

- Insurance and Hedging
- Diversification of the business
- Transfer the risk to another party at right time
- Securitization and reconstruction
- Fixation of exposure ceiling

Credit risk consists of two components namely viz.

Quantity of Risk: This is nothing but the outstanding loan balance as on the date of default.

Quality of Risk: The Severity of loss defined by both probability of default as reduced by the recoveries that could be made in the event of default. So the credit event is a combined outcome of default risk and exposure risk.

2.1: OBJECTIVES OF RISK MANAGEMENT

- To provide a structural framework for effective strategic planning
- To ensure maximizing of opportunities and minimization of losses
- To optimize the use of resources
- To contribute the improved efficiency and effectiveness of financial institutions
- To promote greater openness in decision making
- To find ways to identify and evaluate risks
- The develop risk management strategies

2.2: RISK MANAGEMENT PROCESS

- Risk Identification
- Risk Assessment
- Measurement and Analysis
- Risk evaluation
- Risk Transparent
- Risk Monitoring and review

MANAGEMENT OF CREDIT RISK

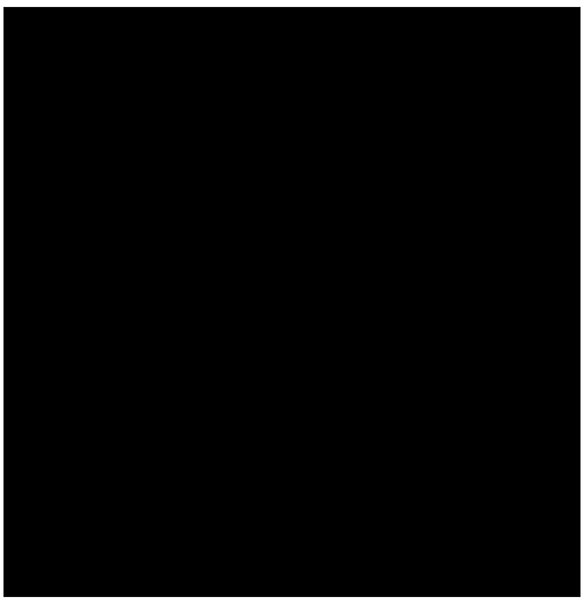
Measurement – Through credit rating/ scoring
Quantification – Estimate of expected loan losses
Pricing – On scientific basis
Controlling – Through effective review mechanism and portfolio management

2.3: CREDIT DERIVATIVE

Privately held negotiable bilateral contracts that allow users to manage their exposure to credit risk, Credit derivatives are financial assets like forward contracts, swaps, and options for which the price is driven by the credit risk of economic agents (private investors or governments). A credit derivative is an OTC (over-the counter) derivative considered to shift credit risk from one party to another. By unnaturally creating or eliminating credit exposures, they allow institutions to more successfully manage credit risks. Credit derivatives take many forms. Three basic structures include

a. Credit Default Swap
b. Total Return Swap
c. Credit Linked Note

Credit Derivatives by region



Source: The Fixed Income Money Market and Derivatives Association of India (FIMMDA) – PDAI 13th Annual Conference 2012

Derivates are primarily a mechanism to transfer a risk of person who wants to avoid the risk associated with the underlying asset to another person who has the appetite for it. Since by definition only a very small portion of the total notional amount is needed to enter into a unidirectional position in the underlying asset derivates becomes a convenient instrument to leverage the position many much beyond that can be observed by risk taker. So credit derivatives are highly used by London region that is (43%) and next highly participated in derivative market was US that are (39%).

3.1: CREDIT DEFAULT SWAPS (CDS)

CDS are insurance for debt securities. CDS are unregulated securities with no central clearing house, privately negotiated between buyer and seller and dominated by major global dealers with limited public disclosures. CDS are OTC instruments the market is not as liquid as an organized equity market. As such the efficient market theory may not apply to the CDS i.e. prices of these instruments are not discovered fairly moreover contractual disputes between buyers and sellers may exist. CDS were written not only on subprime mortgage but also on auto loans, credit cards, accounts receivables, student loans etc. The market Portfolios of CDS in different sectors including financials, housings, automobiles, industrial, energy and consumer staples become popular during 2007-2008 both in the USA and Europe. CDS are linked to many commercial banks, corporations, insurance companies, hedge funds and institutional investors.

Much of the debate regarding the financial crisis involves the especially distractive role that CDS had to play. A CDS is a unique and relatively novel type of credit derivative contract in which a protection buyer pays a premium to a protection seller in exchange for the seller agreeing to compensate the buyer on the happenings of a credit event such as a third party defaulting on a loan (shadab,2009). CDS is a contract which provides liquidity and risk shifting opportunities. But the freedom on contract is beneficial only to the extent that market participants sufficiently internalize the risk inherent in CDS transactions. The deregulation created a CDS market in which market participant does not properly internalize systemic risk, which in turn led to the collapse of AIG and renewed the debate regarding the necessity of CDS regulation.

Outstanding Credit Swaps at end of May 2012

Month and Year	Trade Sides	Trade Sides Notional (USD $ bn)
May 2011	1,905,116	297,386
June 2011	1,916,572	297,674
July 2011	1,900,260	300,617
August 2011	1,960,406	307,382
September 2011	2,029,442	299,895
October 2011	1,951,158	290,445
November 2011	1,999,242	293,066
Dec ember 2011	2,024,922	283,440
January 2012	2,012,795	288,268
February 2012	2,029,517	289,868
March 2012	2,070,134	287,458
April 12	2,146,478	300,218
May 12	2,106,456	297,113

Source: LCH.CLEARNET, UK

3.2: EVOLUTION OF CDS

The different stages of the evolution of CDS markets internationally are preserved below

1. INCEPTION (1995 – 2000)

1995-1996 the concept of a credit protection instrument was created by JP Morgan and Single name CDS starts to trade, in 1998 – First basket trade are made and in 1999-2000 ISDA 1999 Credit derivates definitions cleared up a number of issues in documentation, definition and mechanisms.

2. EXPANSION (2001 – 2005)

ISDA "2003 CDD"- clarity deliverable obligations in Restructuring Credit event – clarity succession in mergers etc, Enhance criteria for Repudiation and default settlement process. In 2004 – They were merged to form iTraxx for Asia and Europe and the DJCDX for North America and in 2005 – ISDA creates definitions for CDS on ABS

3. TRIBULATION (2006 – 2010)

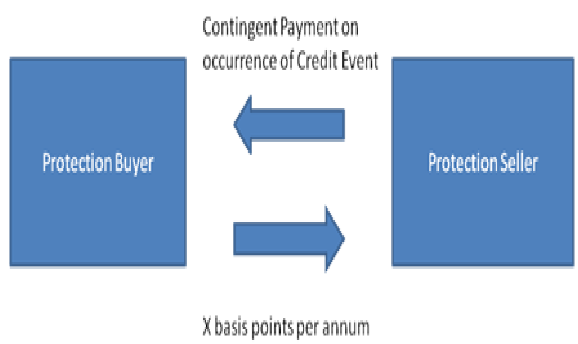
2009 – Comprehensive CDS Performs more standardisation mainly in valuation with the Big Bang and Small Bang Products and remove restructuring US standard credit event in North America CDS, establish central clearing facility. In 2010 – The Chinese market open for Credit mitigation instruments with Credit Risk Mitigation Agreements (CRMA) and Credit Risk Mitigation Warrants (CRMW)

4. MATURATION (2011 ONWARDS)

Dec 2011 an Indian market sees first INR – denominated CDS trades (Rural Electrification Corporation and India Railway Finance Corporation)

3.3: HOW CDS WORKS?

The Protection Buyer negotiates a CDS contract with the Protection Seller and pays a quarterly premium spread to the Protection Seller. The premium spread depends on the risk of the reference entity. If credit event occurs, the protection seller makes a contingent payment to the protection buyers. Since the credit event has occurred the buyer stops making the quarterly payment of the premium to the seller of protection.



One of the advantages to using a CDS is that it allows parties to efficiently manage their exposure to Credit Risk. By isolating specific aspects of Credit Risk, credit derivatives allow the transfer of even illiquid credit exposures. CDS require no consent involvement of the reference entity thus allowing good customer relations to persist.

3.4: CREDIT DEFAULT SWAPS AS A TOOL OF CREDIT RISK MANAGEMENT

The recent introduction of Credit Default Swaps (CDS) is widely expected to have positive impact on the growth and development of the Indian bond market by providing a risk management tool to investors. The increased popularity of the CDS market has provided an alternative, more reliable, cross sectional and time series indicators of credit risk.

Credit risk management is the imperative of modern risk management. Risk management plays a crucial role in achieving profitability and stability of banking and financial institutions. One way to effectively manage of credit risk is the transfer of risk through the credit derivatives. Default Swaps market in recent years has become an indicator of financial instruments risk assessment. The market participants become very clear and accurate information regarding the level of risk and value of debt financial instruments and financial markets become more efficient and transparent.

Risk management is needed for banks and financial institutions mainly because it insures a margin of safety that guarantees a levered financial firm’s solvency. Financial risk management products, derivatives and other such contracts that help hedge and protect the downside interest rate swaps, foreign exchange swaps and other derivative securities. There are dozens of types of risk management related derivative products, the most popular of them credit default Swaps

3.5: ROLE OF CDS

Credit default swaps can be a useful tool for bondholders who want to protect against specific credit events. The ability to write a CDS tailored to the exact needs of the buyer makes them a uniquely useful risk management tool for companies with complex hedging requirements. Events such as bankruptcy, failure to pay restructuring are commonly covered by CDS's. Some portfolio managers will pair ownership of a treasury bond with sale of a CDS against a corporate bond that is in short supply to create what is effectively a synthetic version of that corporate bond. Maximizing the efficiency of capital markets is a primary goal of CDS .It was revealed that trade sides is gradually increasing from may 2011 (1,905,116 billion) to May 2012 (2,106,456 billion).The main role of credit default swaps are,

Hedge, transfer and/or mitigate credit exposure
Synthetically create loan-bond alternative to equity derivatives.
Generate leverage or yield enhancement
Manage regulatory capital ratios
Pro actively manage credit risk on a portfolio basis
Decompose and separate credit risk embedded in financial instruments

3.6: USES OF CDS

CDS are the fastest growing segment of the privately negotiated derivatives business as many firms depend on it to efficiently manage the financial market risks inherent in economic activities. CDS have created a vibrant, liquid market place for trading. The development of the CDS enables more capital to be available for financing.

Through CDS increased capacity to expand their lending.

There is a way to avoid or reduce the risk of losing potential clients by buying a CDS.

CDS can be considered as an opportunity to portfolio diversification and increasing its returns.

Risk is exchange for regular instalments.

CDS is a contract which is a pure credit risk transfer mechanism isolating the credit risk from the interest risk exchange risk and liquidity risk.

CDS provided a better price discovery mechanism, enhanced transferring and were supposed to have completed the credit market by providing option to short on the credit risk of the issuer

Distribute risk widely throughout the system and prevent concentrations of risks

Provide important information about credit conditions

CDS can be used to protection sellers to participate in credit markets, without actually owning assets.

3.7: DRAWBACKS - CDS

In recent years risk management products such as credit derivatives have evolved it to vehicles of speculation it makes irresponsible bets on markets movements

Lack of regulation

Downturn in the housing markets leading to insolvency and systemic failure

Poor understanding of complex instruments

The need for regulation, however is an issue up for debate

There are too many arguments, it create problems

As long as banks and financial institutions use derivative products, such as CDS for hedging purpose only.

3.9: RISK MITIGATION APPROACH

- Risk can be eliminated or avoided by simple business practices.
- Risk can be transferred to other participants
- Risk can be actively managed at the firm level.

4.1: CREDIT DEFAULT SWAPS IN INDIA

There has been demand for CDS in India for a long time. The Reserve Bank of India Department of Banking Operations and Development submitted the report of the working group on the introduction of credit derivatives in India. Based on the report, the RBI began to formulating plans for an official introduction of CDS. The next communication came from the RBI after almost four years under the Governor Dr. Y. V. Reddy, the RBI released draft guidelines for the introduction of CDS. However the hope of its launch was short lived due to the global financial crisis. The RBI finally published the draft report on the introduction of CDS for corporate bonds on its website on August 4, 2010.and subsequently its final report on February 23, 2011.

Credit derivatives have been introduced from Nov-2011, in India in the name of Plain Vanilla Single Name Credit Default Swaps (CDS) for corporate bonds. Press trust of India/Mumbai Dec, 2011 RBI operationalisation new guidance on Credit Default Swaps (CDS), directing market participants to report such trades within 30 minutes to the Clearing Corporation's of India Ltd (CCIL).

5.1: CONCLUSION

Risk is an opportunity as well as a threat and has different meanings for different users. CDS allow users to effectively set credit limits. To optimize the value of credit risk systems though users must ensure compliance with these limits. Risk management, if done in a proper and responsible way can effectively mitigate systemic and market risks that are both inherent in today's global financial market place. Credit derivatives allow financial institutions separation of functions of origination and submitting the credit risk. It is an important analytical tool for credit risk management. It can be concluded that financial institutions through credit derivative instrument of CDS can effectively transfer the credit risk and increase the financial market efficiency. Credit default swaps can certainly be a helpful tool for hedging the risks associated with holding various assets, particularly corporate bonds and asset-backed securities, but the CDS marketplace lacks necessary protections on which buyers of more traditional types of insurance have come to rely. These protections must be put in place before the systemic risks associated with credit default swaps will have been reduced to a manageable level. They include capital requirements for writers of CDS's, tough reporting on the positions of market participants and greater standardization of instruments so they can be understood by experts, rated, and traded in a liquid secondary market.

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3.8: MARKET CONSTRAINTS FOR USING CDS

Source: The Fixed Income Money Market and Derivatives Association of India (FIMMDA) – PDAI 13th Annual Conference 2012