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## Message

*Editor in Chief / Managing Editor*



Dear Academicians & Research Scholars,

Journal of Management Value & Ethics is publishing different research papers, case studies, book reviews coming from across the world, in the field of management. Many academicians, research scholars & students have approached from different countries like USA, Thailand, Indonesia, Saudi Arabia, Iran, Spain and Nigeria to publish their research work in our esteemed Journal. We have considered most of them to publish after peer blind review process. We have also published many research papers from different management institutes of our country and they are sending regularly for publication in our upcoming issues. In addition to it, there are many academicians, research scholars and institutes subscribing for our journal for reading by students and faculties. There are so many academicians who are approaching for being associated with our editorial & advisory board or as a reviewer expert. We have selected some of them from foreign countries like USA, Nigeria, Uzbekistan and Sri Lanka. The standard of our all research papers like empirical, conceptual, book review and case study is increasing the popularity of this Journal day by day. Our renowned editorial & advisory board is a real mile stone of our success. We thank our board members and editorial team, who are experts from different fields and contributing their valuable experience with us.

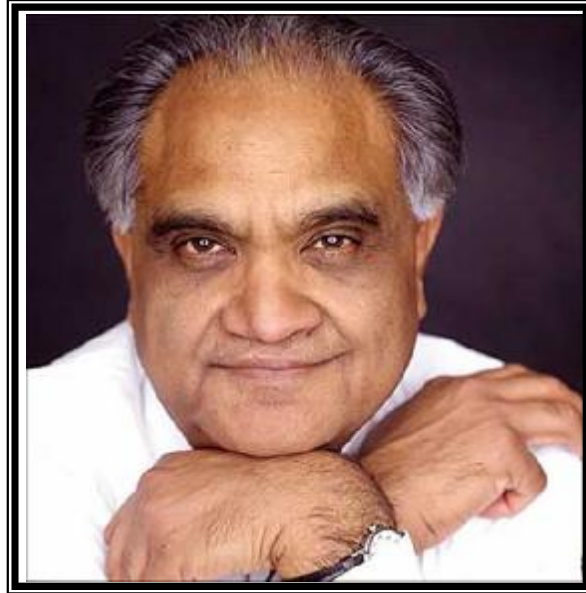
Today, nothing is possible without research. Research based study always support academicians & scholars to upgrade their innovative skill and academic profile as per UGC and AICTE norms. As, we have decided earlier, GMA will publish the success story of our top management Gurus, who are world famous. So, in this series, we are bringing another name of world fame management guru **RAM CHARAN**. He is a well-known personality in the field of management and has published many books & research papers on the management.

I would also like to request those, who are interested to get their research papers published in the field of Retail, Tourism, Hospitality, Event Management, Import and export, HRM, Finance, Marketing, Advertising, Accounting, Economics, Aviation, and IT etc. to send their research papers through email.

With best wishes to all

**Dr.P.S.Bhadouria**

## World Famous Management Guru: RAM CHARAN



- RAM CHARAN, born in 1939 in Uttar Pradesh, used to work in his family's shoe shop while growing up.
- He earned a degree in engineering from Banaras Hindu University and later studied at Harvard Business School, where he was awarded an MBA (1965) and a doctorate (1967).
- Before becoming a full-time consultant in 1978, he taught at the Harvard Business School, the Kellogg School of Management, and Boston University.
- Charan is the author of various popular books on business, including Boards That Deliver, What The CEO Wants You To Know, Boards At Work, Every Business Is A Growth Business (with Noel Tichy), Profitable Growth Is Everyone's Business, Confronting Reality, and Execution (with Larry Bossidy and Charles Burck).
- Charan was elected a Fellow of the National Academy of Human Resources in 2000 and named a Distinguished Fellow in 2005. He is also a director of Austin Industries.
- Image: Ram Charan is a highly acclaimed speaker and advisor.

## THE STUDY OF IMPACT OF INFLATION ON GROWTH: WITH SPECIAL REFERENCE TO NATIONALIZED BANKS

Dr. Harish K. Agarwal<sup>1</sup>, Huma Khan<sup>2</sup>

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### ABSTRACT

*Growth depends upon the economy of country and every country's economy has different factors to judge the economic state of affairs. Among the various economic factors, inflation plays significant role and affects the growth of the institutions as well as country. Where the profitability is major contribution of the financial institutions to enlarge the economy of the country and inflation is the major obstacle to decline. India's inflation rate has grown more than expectations year by year. As we know that India is the 3rd biggest economy in Asia but its economy is still growing due to inflation. Banks also play imperative role to enlarge the economy (i.e. RBI is the control mechanism of the country), any country cannot perform well without financial support of the banks and also become economically strong, because it is said that all banking system is the backbone of the country. In this paper researcher is going to consider nationalize banks and growth rates of economy (GDP) to find out the impact of inflation on growth of nationalize banks as well as country. For this purpose secondary data and different statistical techniques are going to use to find out effect of inflation on growth of the nationalize banks and country and also dig out the relationship between the variables.*

**Key words** –Inflation, Profitability, Bank's Growth and GDP

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### Conceptual Framework

#### Inflation

Inflation refers to incessant rise in general price level which reduces the value of money and purchasing power over a period of time and it is economic situation wherein the price of the goods and services increase steadily measured against standard level of purchasing power, where the supply of the goods and services decline along with the devaluation of money.

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<sup>2</sup> Assistant Professor of LNAM (LNCT Group), Gwalior

### **Firm's Growth**

A company that is growing at a rapid paces as compared to its peers or to the broad economy. Although there is no hard-and-fast rule for defining growth, a growth firm generally has the capability to increase annual revenues by more the industry average over a sustained period. Growth firms have the ability to scale up their business very rapidly. One consequence of this rapid growth is that the firm's balance sheet may come under significant pressure as capital demands escalate in line with business growth.

### **Profitability**

The surplus/profits remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividend is paid. It is the best known measure of success in an enterprise. Profit is reflected in reduction in liabilities, increase in assets, and/or increase in owners' equity. It furnishes resources for investing in future operations, and its absence may result in the extinction of a company. As an indicator of comparative performance, however, it is less valuable than return on investment (ROI). Also called earnings, gain, or income. Profitability of a company is vital for both the survivability of the company as well as the benefit received by shareholders.

### **GDP**

Gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a given period of time.

GDP = consumption + gross investment + government spending + (exports – imports), or,  
 $GDP = C + I + G + (X - M)$ .

### **Literature Review**

**Robinson, Kimberly (2007)**, Inflation is usually deemed a “bad” word in the business world. Small business owners begin with many obstacles. When small business owners hear that inflation is on the rise, they cringe. But, what is inflation, really? How does it impact small business owners? This paper seeks to define inflation. It will also examine the causes of inflation, seek to identify economic indicators of increasing inflation rates and identify its impacts on small businesses.

**Dreger, Christian and Zhang, Yanqun (2011)**, this paper investigates to what extent this process affects output growth and inflation in the advanced countries. The results show that the impact on output growth in the advanced economies can be quite substantial, especially for the Asian region. The expansionary effects in the US and the euro area responses are lower, as trade linkages are less intensive. The multipliers are also reduced by a sizeable effect on inflation, as Chinese firms participate in international production chains.

**Demirgüç-Kunt, Asli and Maksimovic, Vojislav (2002)**, we investigate whether firms' access to external financing to fund growth differs in market-based and bank-based financial systems. However, we find no evidence that firms' access to external financing is predicted by several proxies for relative development of stock markets to the development of the banking system.

**Rousseau, Peter L and Wachtel, Paul (2002)**, in this article, we examine whether the strength of this relationship varies with the inflation rate. We also find that the level of financial depth varies inversely with inflation in low-inflation environments and that disinflation is associated with a positive effect of financial depth on growth.

**Jones, Larry E. and Manuelli, Rodolfo E. (1995)**, in this paper, we study the relationship between the rate of increase of the money supply and the rate of growth of output in an economy. Despite this, the estimated welfare cost of inflation from calibrated examples is similar to that found in exogenous growth models.

### Objectives

- To study the impact of inflation on growth of the 12 nationalize bank.
- To study the impact of inflation on GDP (India's Growth).
- To study correlation between GDP and Nationalize bank's growth.

### Hypothesis

- $H_0$  (null hypothesis) – Inflation does not affect the bank's growth.
- $H_0$  (null hypothesis) – Inflation does not affect the GDP (India's growth).

### Research methodology

The study was empirical in nature and samples of 12 nationalize banks. Individual bank was sampling element that was State Bank of India, Punjab National Bank, IDBI, Bank of Baroda, Syndicate Bank, Bank of India, Canara bank, Union Bank of India, Corporation bank, bank of Maharashtra, Indian Overseas bank and Oriental bank of Commerce, selection was based on random sampling. The study uses one independent variable (inflation) and two dependent variables (Bank's Growth and GDP) for the year 2003 – 2012. Linear regression analysis is used to analyze the effect on inflation on bank's growth and Indian economic growth and also correlation to find out the relationship between GDP and Bank's growth with the help of SPSS software.

**Data Analysis****Inflation (month wise)**

S.N.	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
1	6.55	8.23	8.56	4.39	4.11	6.58	4.3	5.42	6.13	3.66
2	6.95	8.31	9.89	0.44	5.11	6.1	4.02	5.01	5.94	5.04
3	6.89	8.98	9.9	0.26	7.14	5.74	3.24	5.23	0	5.13
4	7.23	8.66	9.59	0.57	7.61	5.66	0	5.64	0	6.17
5	7.55	9.06	10.16	0.13	8.75	4.85	4.68	5.55	4.2	6.03
6	7.25	9.44	10.55	-1.55	11.89	4.27	4.96	4.1	5	5.05
7	6.87	9.22	9.97	-1.58	12.01	4.45	4.82	4.18	6.16	4.65
8	7.55	9.78	8.51	-0.21	12.1	3.52	5.01	4.18	7.94	3.95
9	7.81	9.72	8.62	0.7	11.44	3.26	5.16	3.53	7.8	4.29
10	7.45	9.73	8.58	1.34	10.72	2.97	5.09	4.62	7.1	5.08
11	7.24	9.11	7.48	4.78	8	3.01	5.3	4.32	7.34	4.88
12	7.18	7.47	8.43	7.31	5.91	3.5	5.58	4.62	6.73	5.38

**Source:** Department of Economic Affairs**Bank's Growth Table**

S.N.	Banks	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
1	SBI	9.73	8.55	10.54	12	11.7	10.12	11.2	11.6	9.79	8.52
2	PNB	12.09	14.56	15.64	13.8	12.7	12.53	14.5	13.8	11.5	9.79
3	IDBI	7.99	8.12	5.95	6.71	7.84	8.74	8.47	9.39	5.65	6.3



4	BANK OF BARODA	15.23	17.18	15.37	12.9	10.4	10.22	10.8	9.77	12.1	10.5
5	SYNDICATE BANK	8.05	8.5	7.22	8.83	9.65	10.9	11.6	10.2	11.2	10.2
6	BANK OF INDIA	8.53	10.25	8.59	15.9	14	10.48	8.63	5.08	13.4	11.3
7	CANARA BANK	9.76	15.65	13.77	10.9	9.61	11.6	13.8	12.8	14.7	12.5
8	UNION BANK OF INDIA	11.27	11.27	13.47	12.9	13.2	10.62	10.5	12.5	13.3	10.8
9	CORPORATION BANK	10.43	13.89	14.05	12.9	14.4	14.01	14.9	16.4	18.9	16.3
10	BANK OF MAHARASHTRA	5.52	5.42	8.16	7.88	8.65	9.36	2.18	6.97	11.4	9.09
11	INDIAN OVERSEAS BANK	5.41	8.04	6.14	11.9	13.9	16.18	16.4	14.3	11.4	10.5
12	ORIENTAL BANK OF COMMERCE	6.8	11.6	9.9	9.33	11.4	15.35	12.5	19.4	17	11.9

Source: moneycontrol.com

## GDP (month wise)

S.N.	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
1	6.9	8.6	6.7	9	9.6	9.2	7.8	8.4	6.2	5.3
2	6.1	8.6	7.2	9	9.6	9.2	8	8.4	6.3	5.3
3	6.1	8.6	7.2	9	9.6	9.2	8	8.4	0	5.5
4	6.1	8.6	7.2	9	9.6	9.2	0	8.1	0	5.7
5	5.3	8.5	7.4	9	9.6	9.4	9.5	8	6.9	5.8
6	5.3	8.5	7.4	6.7	9.6	9.4	9.3	8.8	9.4	4.9
7	5.3	8.5	7.4	6.7	9.6	9.4	9.3	9.6	7.5	5
8	5.5	7.7	8.8	6.7	9.6	9.4	9.3	10.4	7.6	5.3
9	5.5	7.7	8.8	6.7	9.6	9.4	8.9	9.3	7.8	5.6
10	5.5	7.7	8.8	6.7	9.6	9.4	8.9	8.8	7.9	5.6
11	5.3	6.9	8.9	6.7	9.6	9.4	9.2	8.8	7.9	5.8
12	5.3	6.9	8.9	6.7	9.6	9.4	9.2	8.4	8.4	5.9

Source: Department of economic affai

**Regression Analysis**

**D)** Regression analysis was applied between inflation (independent variable) and growth of banks (dependent variable).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.138 <sup>a</sup>	.019	-.079	22.72763

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.138 <sup>a</sup>	.019	-.079	22.72763

a. Predictors: (Constant), Inflation

**ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	100.553	1	100.553	.195	.668 <sup>a</sup>
Residual	5165.451	10	516.545		
Total	5266.004	11			

a. Predictors: (Constant), Inflation

b. Dependent Variable: Growth

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	65.871	103.361		.637	.538
	Inflation	.767	1.739	.138	.441	.668

a. Dependent Variable: Growth

$$Y = a + bx \quad Y = 65.871 + .767x + \epsilon$$

Y = Bank's Growth (dependent variable)

X = Inflation

$\epsilon$  = error

The value of adjusted R square is 7.9% that indicates independent variable inflation explains 7.9% variance in dependent variable growth of banks.

The model used for regression has good fit as indicated by F-value 0.195 which is significant at 0.668 level of significance indicating a low predictability of model.

The relationship between inflation as independent variable and growth of banks as dependent variable is indicated by standardized coefficient Beta with a value of 0.138. The significance of beta is tested using T-test and value for model is 0.441 which is significant at 0.668 level of significance indicating low significant relationship between the variables.

### Hypothesis Testing

Hypothesis  $H_0$ : inflation does not affect the growth of banks.

The result indicates that there is no relationship between the inflation and bank's growth ( $p = 0.441 > 0.005$ ). Therefore null hypothesis is accepted.

**II)** Regression analysis was applied between inflation (independent variable) and GDP (dependent variable).

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897 <sup>a</sup>	.804	.785	2.21142

a. Predictors: (Constant), Inflation

### ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	201.103	1	201.103	41.122	.000 <sup>a</sup>

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.897 <sup>a</sup>	.804	.785	2.21142	
Residual		48.904	10	4.890	
Total		250.007	11		

a. Predictors: (Constant), Inflation

b. Dependent Variable: GDP

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	12.570	10.057		1.250	.240
Inflation	1.085	.169	.897	6.413	.000

a. Dependent Variable: GDP

$$Y = a + bx \quad Y = 12.570 + 1.085x + \epsilon$$

Y = GDP (dependent variable)

X = Inflation

 $\epsilon$  = error

The value of adjusted R square is 78.5% that indicates independent variable inflation explains 78.5% variance in dependent variable GDP.

The model used for regression has good fit as indicated by F-value 41.122 which is significant at 0.000 level of significance indicating a low predictability of model.

The relationship between inflation as independent variable and GDP as dependent variable is indicated by standardized coefficient Beta with a value of 0.897. The significance of beta is tested using T-test and value for model is 6.413 which is significant at 0.000 level of significance indicating low significant relationship between the variables.

### Hypothesis Testing

Hypothesis  $H_0$ : inflation does not affect the GDP.

The result indicates that there is relationship between the inflation and GDP ( $p = 6.413 > 0.005$ ). Therefore null hypothesis is not accepted.

### Correlation Analysis

To determine strength of linear relationship between variables correlation coefficients are calculated. These correlation analyses were interpreted on the scale offered by Guilford (1956) (i.)  $R < 0.20$  indicates slight, almost negligible relationship (ii)  $r = 0.20$  to  $0.40$  indicates low correlation, definite but small relationship; (iii)  $r = 0.40$  to  $0.70$  indicates moderate correlation, substantial relationship;  $r = 0.70$  to  $0.90$  shows high correlation and (iv) if  $r = 0.90$  is indicative of very high correlation, very dependable relationship.

Correlations			
		Banks	GDP
Banks	Pearson Correlation	1	.045
	Sig. (2-tailed)		.889
	N	12	12
GDP	Pearson Correlation	.045	1
	Sig. (2-tailed)	.889	
	N	12	12

The relationship between **growth of bank and GDP (growth of country)** is having marked relationship as the value  $r = 0.045$  which according to Guilford (1956) the variables have **no relationship**.

## Conclusion

Banks are the indispensable organ of all the countries. According to this view banks contribute the major parts of the growth to the country's growth. The study was done to explore that whether inflation has an impact on bank's growth and GDP and the relationship between them.

In this study we found the results in case I that there was no impact of inflation on banks growth in larger sense, in case II there was impact of inflation on GDP (country's growth) and also no relation between the dependent variables (that is bank's growth and country's growth).

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## **EMPLOYMENT PATTERN IN TOURISM**

**Dr. Saurabh Dixit\***

Tourism is a multifaceted industry, in which there are many activities. "Tourism is the sum of phenomena and relationships arising from the travel and stay of non-residents in so far as it does not lead to permanent residence and is not connected to any earning activity"<sup>1</sup>

( Hunziker & Krapf, 1942).

Tourism is an activity related to many factors like: seasons, vacations, income, accessibility and facilities. So, it is a sector which employs people for a particular time. In certain cases tourism services are also provided only during a 'definite time period'. These changing demands quite often occur and there are times when proper forecasting is not possible. It becomes a serious problem for businessmen because of un-optimized resource utilization at tourism destination. Very often you hear from tourists, Oh its tourist season". What does it mean? There are tourists around the place and accordingly go avail activities and services. You may have heard a travel agents, event groups or hotelier say, "this time demand is not good" Here, he is not talking about the business climate which did not yield him the expected profits during that particular period. To challenge uncertain demand or to work within its constraints is a destination management and forecasting related an issue that faces tourism planners throughout the world. It is an issue that is recognized particularly in regions of the extreme north or south where climate variation imposes directly on the management of tourism."<sup>2</sup> In this paper an attempt has been made to familiarize a learner in tourism with various matters related to tourism employment pattern. The paper starts with a discussion on various aspects and how they affect the movement of people from the place of origin to destination.

In the present paper data is collected from Ministry of tourism, Govt. of India. Data was also collected through observation. In the present paper following statistical tool are used:

Sample description, Auto correlation, Hypothesis testing, T-test, Graph, bar diagram, Cross table, CAGR (Cumulative Average Graph rate), Time Series Analysis (ARIMA), ANOVA, Posthoc test

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<sup>1</sup> Hunziker, W. and Krapf, K. (1942), *Grundriss der allgemeinn Fremdenverkehrelehre*, Polygraphischer verlag AG, Zurich.

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It further discusses different types of changes, its measurement and impact on destinations. Certain characteristics of destinations have also been listed. Such information equips a tourism professional with the knowledge to cater to his clients or generate awareness. Few places have been developed/ developing as round-the-year inflow intrinsic places due to diverse activities in different season. But, overall experience of tourists is not good. In India, main season of visit of tourist is Oct. to March. Many places in the country like *Manali*, *Shimla*, *Jaipur* are still visited by tourists domestic as-well-as foreigners during peak time. "Variation in demand is a reality for most tourism destinations. To challenge variation or to work within its constraints is a destination management issue that faces tourism planners throughout the world. It is an issue that is recognized particularly in regions of the extreme north or south where climate variation imposes directly on the management of tourism."<sup>2</sup> While determining the segment mix solutions to seasonality and describing the Demand Efficient Frontier, present paper suggests that marketers should select a mix of tourism segments that fall along the Frontier given a demand–risk target.<sup>3</sup> Jang (2004) described seasonality as "cyclical pattern that more or less repeats itself each year". Lundtorp (2001) suggested examining fluctuations in tourism reflected in basic measures such as number of visitors not only on yearly basis, but, also by month's week and days.<sup>4</sup>



Source: Collected by the author

Demand is based on time periods in a year. In a year can be divided into four main periods, recognized in the northern hemisphere as: Spring (21 March to 20 June); Summer (21 June to 22 September); Autumn (23 September to 21 December); Winter (22 December to 20 March). Tourist seasons are important in view of the climatic changes associated with them and their impact on all forms of human life. The average weather conditions prevailing in an area over successive years is taken to be the climate of that region. The

basic elements which constitute the weather conditions are: Type and amount of cloudiness, Temperature, Humidity, type and amount of precipitation, Atmospheric pressure, and Speed, direction of the wind and Pollution.

The variations in climate make significant impact on tourism. Since ancient period people collect information about weather before travelling to the place. There were some traditional methods to predict the weather like: behavior of birds, wind speed etc. The most visible impact is the emergence of tourist seasons because of climatic changes. People move to cooler places (like Sea beaches and mountain resorts) during summer months and to warmer areas during winter (many villages in *Uttarakhand* are still shifting twice in the year). The fast development of hill stations in India is primarily due to this phenomenon. When the temperature goes up in the plains of India, the hill tops are usually pleasant. The Britishers in India, developed a number of hill stations to have a comfortable life during hot weather seasons. These include *Srinagar, Gulmarge, Mussoori, Nainital, Shillong, Darjeeling, Mount Abu, Kodaikanal and Ooty*. Several millions of international domestic tourists visit these hill resorts every year during hot weather season. In fact it is an escape from unpleasant weather at home. Some of them have also become popular for winter sports activities during cold weather seasons.

### **Banchmarking of variability**

The measurement of seasonality in any phenomenon is achieved through time series which is defined as the record of numerical values of the given variable at successive intervals of time. Time series is most popular method. Time series usually consists of the following four components: 1. **Cyclic Movement;** 2. **Trend;** 3. **Seasonal Movement;** 4. **Random Component of Irregular Fluctuations.** There are several statistical techniques (like: regressions, correlation, time series) for the estimation of each of the above components from a time series.

### **Destination and employment**

The largest number of tourists who can stay in an area sets the limits of peak season traffic. The primary concern of destination management is the carrying capacity which is defined as the threshold limit of tourist traffic.

### **Review of Literature**

Many authors have written about seasonality. *Harssel Jan Van* (1994) writes that unemployed construction workers in Mexico are not easily absorbed in Hotel sector. Quality of job is also relatively low in tourism. Compounding to this problem seasonality which plagues the tourism industry and it causes part time or temporary jobs. In Tunisia, most of the horticulture, agriculture products are supplied locally. The seasonality of tourism has social impact. Either employment is supplemented by some other job or workers are unemployed during off season.<sup>5</sup> *Doswell Roger* says that tourism suffers from

the problem of seasonality in most countries. The Caribbean's exploits the winter market from north America and also attract Europeans during traditional summer break.<sup>6</sup> Cook et. First issue is related to marketing perspective, how can more visitors be attracted during less popular shoulder seasons and how can they be encouraged to spend more time and money during their visit? Second from a management perspective, how can large number of employees be recruited and trained to deliver high quality services? Finally from a financial perspective, how can cash flow are managed so that enough money is available to meet payroll and other operating expenses during the busy periods while retaining enough funds to meet maintenance and administrative expenses that occur on a year round basis? Attraction operators address these concern through a variety of activities.<sup>7</sup> Authors conduct an econometric analysis to separate three factors with different spatial impacts on revenues and expenditures: those due to the residential locations of new tourism employees, those due to the business location of new tourism enterprises and those due to the pattern of increased traffic caused by new visitor travel.<sup>8</sup> The time- varying parameter model performs relatively poorly in forecasting seasonal tourism demand. This empirical evidence suggests that the methods of seasonality treatment affect the forecasting performance of the models and that the pre-test for seasonal unit roots is necessary and can improve forecast accuracy.<sup>9</sup>

### Research framework

In the present paper data is collected from Ministry of tourism, Govt. of India. Data was also collected through observation. In the present paper various statistical tool are used: Sample description, Auto correlation, Hypothesis testing, T-test, Unit root Test, Regression ( OLS), Graph, bar diagram, Cross table, CAGR ( Cumulative Average Graph rate), Time Series Analysis ( ARIMA), ANOVA, and software used are SPSS, Excel, E-views.

### Pattern of foreigner Tourist visit

Foreigner's visit to India is dependent on change in weather, global economic conditions and political stability. Following tables denotes month wise arrival of foreigners in India.

**Table 1.0: Pattern of foreigner Tourist visit**

						%	chang e			
Month	2005	2006	2007	2008P	2009P	2005	2006	2007	2008	2009
Jan	385977	459489	535631	591337	487262	9.85	10.33	10.54	10.4	-17.6
Feb	369844	439090	501692	561393	501885	9.44	9.87	9.87	11.9	-10.6

March	352094	391009	472494	541478	471627	8.99	8.79	9.3	14.6	-12.9
April	248416	309208	350550	384203	370756	6.34	6.95	6.9	9.6	-3.5
May	225394	255008	277017	300840	295124	5.75	5.73	5.45	8.6	-1.9
June	246970	278370	310364	340159	340839	6.30	6.26	6.11	9.6	0.2
July	307870	337332	399866	429456	--	7.86	7.59	7.87	7.4	
August	273856	304387	358446	391423	--	6.99	6.85	7.05	9.2	
September	257184	297891	301892	330874	--	6.56	6.70	5.94	9.6	
October	347757	391399	444564	452566	--	8.87	8.80	8.75	1.8	
November	423837	442413	532428	521247	--	10.82	9.95	10.48	-2.1	
December	479411	541571	<b>596560</b>	521990	--	12.23	12.18	<b>11.74</b>	<b>-12.5</b>	
Total	3918610	4447167	5081504	5366966	--	100.00	100.00	100.00		

P= Provisional

Source: Ministry of Tourism, Govt. of India

**Table 1.1- Arrival in India from main 14 countries**

	Nationality	Recessive month (%)	Busy month (%)
1	USA	Sep( 4.69)	Dec.-13.9
2	UK	May ( 3.69)	Jan-12.67
3	Bangladesh	Sep( 6.81)	Dec.-10.90
4	Canada	May (4.21)	Dec.-15.39
5	France	May-4.15	Feb.-11.21
6	Sri Lanka	May-5.89	Aug.-13.44
7	Germany	June-4.56	Nov.-12.06
8	Japan	May-5.86	Feb.-10.02
9	Australia	May-4.88	Dec.-15.40
10	Malaysia	July-5.87	Nov.-13.45

11	Pakistan	Sep.-4.42	Dec.-10.72
12	Italy	June-4.09	Aug.-12.87
13	Singapore	Sep-6.28	Nov.-12.98
14	China ( main)	June-6.43	Dec.-11.17

Source: Immigration Bureau, India

It is visible from the above table that tourist's arrival was maximum in winter (31%, Oct.-Dec.) and minimum during summer (18.4%, April-June).

### Test of Homogeneity of Variances

Tourists

Levene Statistic	df1	df2	Sig.
5.635	11	42	.000

### ANOVA

Tourists

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2003828837768.433	11	182166257978.949	.824	.617
Within Groups	9286099228694.890	42	221097600683.212		
Total	11289928066463.330	53			

### Robust Tests of Equality of Means

Tourists

	Statistic(a)	df1	df2	Sig.
Welch	11.484	11	16.148	.000

a Asymptotically F distributed.

The series has fifty (58) observations to test the first assumption of randomness of the observations auto-correlation is checked by using the method of serial co-relation/auto-correlation developed by durbin-waston in the form of D-W stat where if the value is 2 or near to 2 then there is no auto-correlation and data quality the first assumptions of randomness on which hypothesis testing can be done.

Result:

Sample Size-58

Method: Last Square

D-W State Value – 2-003151

Analysis:

The result shows that there is no auto-correlation.

#### 1. Time Series data

For forecasting purpose & to see the volatility time series data is taken or generated for the present study the available data is time series data and to see the quality of data t-test is used with null hypothesis. HO: There is no time series data.

Results/Findings: T-Statistics- 4.718756

R-Square-0.00000

#### 2. Standard error (S.E>) - Probability value to see the significance of null-hypothesis.

If probability value is less than 0.05 then null hypothesis Ho is rejected at 99% of level and 5% level of significance. The result gives probability value as 0 ( zero) so alternate hypothesis ( H1) is accepted which explain time series data.

Heteroskedasticity:

Since there is only variable so the problem of hetroskedasticity cannot or need not to be worried.

#### 3. Patiala Correlation

The graph shows that there is unit root.

#### 4. Unit root is tested to see the stationarity of the series at 90% level of confidence, 95%, 99% level of confidence by Dickey-fuller test. The result shows

H0 says that there is unit root.

T-test value = - 5.280797 which is away from one trial test at 1%,5% & 10% significance of level it rejects that there is no unit root.

## 5. Seasonality of data

Residual show that there is seasonality in data

## 7. Standard error (SE) & significance

In the series while using the technique the value of standard error in AR (Auto regressive) and MA (Moving Average), value is under control and as per central limit theorem the t-test value is insignificant at 95% level of confidence.

## ANOVA

While using ANOVA to see the various differences between tourist arrival in different month ANOVA is used.

The F-test value is 48.27 for different years and F value is 51.56 for different month with probability value less than 0.05 which is near to zero so result suggests that there is significant difference between tourist arrivals in different months.

Further, to make month –month analysis Post-hoc test is used (Tamhane's Test is used)

\*Tanhane's Test, Welch, Mean plot homogeneity variance test

## Impact of changes

Normally, it is found that there is long term impact of variability of demand of tourism business. It could be listed as:- 1. Unemployment during lean season. Most of the tourist guides, handicraft workers are unemployed during lean season. Hence, their future is uncertain; 2. Low business volume, 3. Unregulated tourists traffic is a cause of destruction of a place. *Manali, Shimla, Goa, Rajsthan* are not fully utilized in lean season and overcrowded in peak season; 4. Difficult to plan. Once, Govt. of Goa issued an advisory that tourists should not visit the place because of no room availability.

## Conclusion

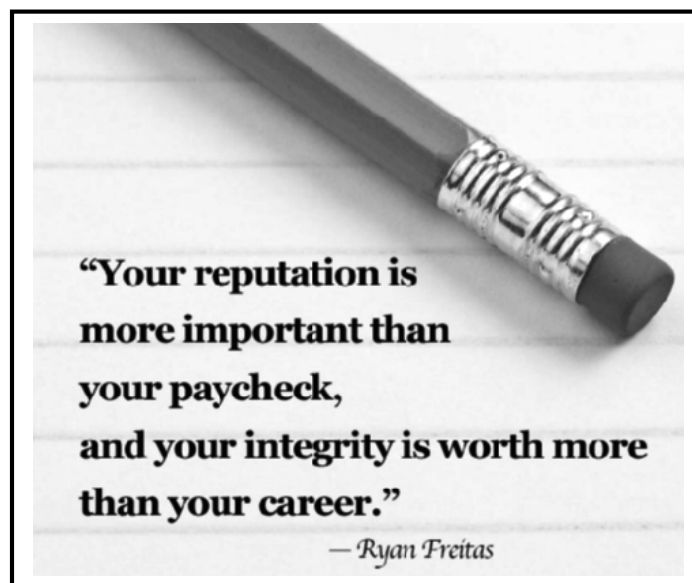
It is concluded that main tourist demand in India in Oct. to March i.e. the peak time of Tourist's arrival. But, following measure can be taken to stretch season and attract tourists for longer period of time.

1. Season based attractions like Shimla is attracting honeymooners and winter sports lovers in winter.
2. Development of information Systems for Destination Management Organizations.
3. Development of niche Tourism products like: Winter sports to up-keep on tourist traffic round the year.

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## IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT UPON FUTURE PROSPECT

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### ABSTRACT

*In this challenging business environment faced by organizations throughout the world today customer relationship management (CRM) is one of the best strategies to get success. Customer relationship management is a business philosophy which provides a vision for the way your company wants to deal with your customers. To deliver that vision, every business organization needs a customer relationship management strategy which gives shape to the sales, marketing, customer service and data activities. With the help of customer relationship management, most of the companies maximize profitable relationship with customer by increasing the value of the relationship for both the vendor and customer. But, now a days meeting the customer's demands and managing the customer relationship is becoming ever more complex as the number of channels through which interactions can take place.*

*The purpose of this study is to observe the relationship between customer relationship management and Successes and to examine the impact of both on Futures*

**Keywords:** Customer, Relationship, Successes, Future, Organization, Business.

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### Introduction

Customer relationship management solutions provide you with the customer business data to help you provide services or products that your customers want provide better customer service, cross-sell and up sell more effectively, close deals, retain current customers and understand who the customer is. Technology and the Web has changed the way companies approach CRM strategies because advances in technology have also changed consumer buying behaviour and offers new ways for companies to communicate with customers and collect data about them.

According to one industry view, CRM consists of:

- Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns and generate quality leads for the sales team.

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- Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing processes (for example, taking orders using mobile devices)
- Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits; identifying the most profitable customers and providing them the highest level of service.
- Providing employees with the information and processes necessary to know their customers, understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

### Definitions

“Customer Relationship Management is a term for the methodologies, technologies and e-commerce capabilities used by firms to manage customer relationship. In particular, CRM software packages aid the interaction between the customer and the company, enables the company to co-ordinate all of the communication efforts so that the customer is presented with a unified message and image” (Lancaster and Jobber. 2006).

“Customer Relationship Management (CRM) is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction. More specifically, CRM involves acquisitions analysis and use of knowledge about customers in order to sell more goods or services and to do it more efficiency” (Boss. 2002).

### Review of Literature

According to the Agrawal M.L. (2004) risk mandates not only a better management of macro parameters of the economy but also necessitates a new strategy at the firm level. Parvatiyar Atul and Sheth Jagdish N. (2001) Customer relationship management (CRM) has attracted the expanded attention of practitioners and scholars. More and more companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective customer relationship management. Amofah Patrick and Ijaz Amer (2005), Customer Relationship management (CRM) is actually a tremendous step forward in creating a system that can provide a means for retaining individual loyalty in a world of about 6 billion population. Desai Darshan et al, (2007) There is a growing body of academic and practitioner literature on Customer Relationship Management (CRM), most of the research in this field being conducted in the Western context. According to Berfenfeldt Jens (2010), Business are in a constant race to increase profits, keep the current customers and gain or poach new ones, competing for customers on a globalised market like never before. Mathur Meena and Samma Sumbul, (2009). The most challenging and exciting time to live in be on the cusp of change. And that is where India is today. Shainesh Dr. G. and Mohan Ramneesh, (2001). Relationship marketing is

emerging as the core marketing activity for businesses operating in fiercely competitive environments. Payne Adrian and Frow Pennie, (2005). However, despite an increasing amount of published material, most of which is practitioner oriented, there remains a lack of agreement about what CRM is and how CRM strategy should be developed.

### Objectives

Main objective of this study is to evaluate that how and whether a customer relationship management increases successes given by an organization which further increases Futures.

### Other Objectives

- To design and develop a standardized measure to evaluate customer relationship management, successes, Futures.
- To establish cause and effect relation between customer relationship management and successes.
- To establish cause and effect relation between customer relationship management and futures.

### Observation and Results

#### Reliability Test for All Variables

Reliability test for all the three variables were carried out by using SPSS software and the reliability test measures are given below:

Variables	Cronbach's Alpha	No of Item
Customer Relationship Management	.847	5
Successes	.801	5
Futures	.811	5

It is being considered that reliability should be more than 0.7 as it can be seen in both table that the reliability through cronbach alpha test is more than the standard value, hence the three questionnaires were highly reliable.

### Regression Analysis

#### Linear Regression between Customer Relationship Management and Successes

The regression was calculated by taking the total of Customer Relationship Management on Successes by using SPSS software. In this the Customer Relationship

Management was independent variable and Successes was the dependent variable. Therefore, regression is calculated by taking dependent and independent variable.

**Null hypothesis ( $H_0$ ):** There is no significant Role of Customer Relationship Management on Successes.

**Alternative hypothesis ( $H_1$ ):** There is significant impact of Customer Relationship Management on Successes.

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.698 <sup>a</sup>	.614	.610	5.81440	1.253

a. Predictors: (Constant), CRM

b. Dependent Variable: Successes

#### ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	11376.932	1	11576.932	216.383	.000 <sup>a</sup>
Residual	9031.856	198	46.085		
Total	23203.243	199			

a. Predictors: (Constant), CRM

b. Dependent Variable: Successes

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	9.633	1.898		5.638	.000
CRM	.647	.026	.698	14.335	.000

Dependent Variable: Successes

$$Y = a + bx$$

$$Y = 9.633 + .647x$$

Where,

X = CRM (independent variable)

Y = Successes (dependent variable)

The model having Customer Relationship Management as independent variable and Successes as dependent variable has good fit as indicated by F-test value which is 216.383 significant at 0.000a level of significance. The result of regression from the coefficient table indicates that Customer Relationship Management has strong relationship with Successes having beta value of .698 tested through t-test having t-value of 14.335 which is significant at 00.0% level of significance. The model summary table indicates that Customer Relationship Management has 61.40% effect on Successes since the r square value of table is .614 which means Customer Relationship Management has a greater impact on Successes.

#### **Linear Regression between Customer Relationship Management on Futures.**

The regression was calculated by taking the total of Customer Relationship Management on Futures by using SPSS software. In this the Customer Relationship Management was independent variable and Futures was the dependent variable. Therefore, regression is calculated by taking dependent and independent variable.

**Null hypothesis (H<sub>0</sub>1):** There is no significant Role of Customer Relationship Management on Futures

**Alternative hypothesis (H<sub>0</sub>1):** There is significant Role of Customer Relationship Management on Futures

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.422 <sup>a</sup>	.398	.322	1.379

a. Predictors: (Constant), CRM

b. Dependent Variable: Futures

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.206	1	20.206	10.631	.002 <sup>a</sup>
	Residual	93.128	49	1.901		
	Total	113.333	50			

a. Predictors: (Constant), CRM

b. Dependent Variable: Futures

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

**Model Summary**

Model	R	R Square	Adjusted R Square		Std. Error of the Estimate		
1	.422 <sup>a</sup>	.398	.322		1.379		
1 (Constant)			1.678	.360		4.667	.000
CRM			.485	.149	.422	3.261	.002

a. Dependent Variable: Futures

$$Y = a + bx$$

$$Y = 1.678 + .458x$$

Where,

X = CRM (independent variable)

Y = Future (dependent variable)

The model having Customer Relationship Management as independent variable and Futures as dependent variable has fit as indicated by F-test value which is .10.631 significant at 0.002 level of significance. The result of regression from the coefficient table indicates that Customer Relationship Management has relationship with Futures having beta value of .422 tested through t-test having t-value of 3.261 which is significant at 00.002% level of significance. The model summary table indicates that Customer Relationship Management has 39.8% effect on Futures since the r square value of table is .398 which means Customer Relationship Management has no direct impact on Futures.

### Discussion

According to results researcher proved customer relationship management play vital role for successes and future. The result of regression from the coefficient table indicates that Customer Relationship Management has strong relationship with Successes. Another result of regression from the coefficient table indicates that Customer Relationship Management has relationship with Futures. The research has proved that all kinds of organizational successes mostly depend on the customer relationship. The management of customer relationship provides better business opportunities.

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## THE USE OF INTERNET IN ONLINE COUNSELING-A DESCRIPTIVE STUDY

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### ABSTRACT

*The advent of information and communication technology has opened a new era in the counseling profession. This paper highlighted the use of internet in counseling. A survey was conducted among engineering students in Madhya Pradesh. The primary data has been collected through online system and analysis by SPSS. The result shows that the use of internet as an information source plays an important role in online off-campus counseling to compilation of information.*

**Keywords-***Online system, Statistical Package for Social Sciences*

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### 1. Introduction

The department of Technical education, government of Madhya Pradesh allotted admission to engineering courses via online counseling to the academic year 2010-2011. Before 2010, on campus counseling was conducted by Rajiv Gandhi Technical University. The admission to various colleges is granted on the basis of the MP PET score and rank. Meritorious students are given a choice for the preferred college and program. The counseling session closes when all the qualifying students have been allotted their preferred colleges and programs. A candidate will be required to fill in his/her choices of preferred colleges & programs on the basis of the marks secured in the Pre-engineering test. Once the choices are filled in and locked, no changes in the choices will be entertained. Therefore it is extremely important to make wise choices at the time of counseling. To get admission in the allotted institutes, candidates need report at the college in the specified span of time. Keeping a track of the seat status during the online process is extremely important. **Averil M. Loague, et.al. (2010)**, have focused Internet use among teenagers, 12-17, is now at 93%. Sixty-two percent are going online for current events, 48% for shopping, and 31% to find information on health related issues. Like all other professions, counseling has recognized the role technology can play in providing information and services. [1] **Fu Jinwei (2010)**, has proposed a FAQ online system based on wiki engine. The goal of this system is to reduce the counseling workload in China University. [2] **Jennifer A Weber Kelly D Bradley** has focused Strengths and Weaknesses

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of Conducting Web-based Surveys.[3] **Yolanda V. et al** has focused the use of computer technology increasingly gained importance in the counseling profession[4] **National Board for Certified Counselors**, have focused the rapid development and use of the Internet to deliver information and foster communication has resulted in the creation of new forms of counseling.[5]

## 2. Research purpose

- To determine the allocation of internet as an information source in online counseling.

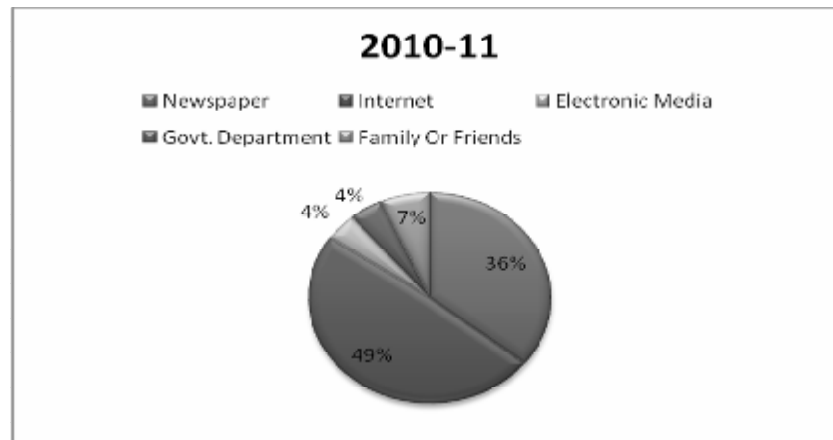
## 3. Method

The survey questionnaire was created on the basis of consulted literature and it comprised the following constructs: Where did you get information about online counseling? The options are (1) Newspaper (2) Internet (3) Electronic Media (4) From a Govt. Department (5) From family or friends (6) Any Other Source. For that purpose we have chosen a sample of 437 first year engineering students of 2010-11 batches who volunteered to participate in the online admission called online off campus counseling. The opinions of this question obtain from online system due to large number of engineering college in the state of Madhya Pradesh. In this paper only gender wise and age wise analysis has been reported.

**Table 1 – Frequency Distribution of different information sources**

Year	Freque ncy	Percent	Valid Percent	Cumulative Percent
2010-2011    Valid    News paper	156	35.7	35.7	35.7
Internet	214	49.0	49.0	84.7
Electronic media	18	4.1	4.1	88.8
From a Govt. Department	20	4.57	4.57	93.37
From family or friends	29	6.63	6.63	100.0
Total	437	100.0	100.0	

**Source-Field Data**



**Figure 1- Responses for online counseling information sources**

From the above table and figure, about 49.0% of the students in the year 2010 – 11, received information from internet. News paper (36%) is the second largest medium which plays an important role for scattering information of counseling procedure among students and their parents. Family or friends (7%) also contribute to scatter information among students of online counseling process.

In order to determine whether there is a significant difference between the agreements of the respondents regarding awareness of online counseling information sources, a chi square test for equal proportions has been applied. The null and alternate hypotheses are as follows,

**Null Hypothesis  $H_0$ :** There is no significant difference between the agreements of the respondents regarding awareness about different information sources with respect to uniform distribution.

**Alternate hypothesis  $H_1$ :** There is significant difference between the agreements of the respondents regarding awareness about different information sources with respect to uniform distribution

Let us assumes that information received by the students from various sources is distributed uniformly. Chi-Square test of goodness of fit with respect to uniform distribution for the **Year 2010-11**, is as follows-

Score	Observed Frequency ( $O_i$ )	Expected Frequency ( $E_i$ )	Residual
1	156	87.4	68.6
2	214	87.4	126.6
3	18	87.4	-69.4
4	20	87.4	-67.4
5	29	87.4	-58.4
Total	437	437	383.31

#### Test Statistics

Year 2010-11	Information Source
Chi-Square	383.31
df	4

The tabulated  $\chi^2_{0.05}$  for 4 d.f = 9.488

#### 4. Results and Discussion

Since the calculated value of  $\chi^2$  is much greater than the tabulated value, this result is statistically highly significant at the 0.05 level & we reject the null hypothesis. Thus we conclude that there is no significant difference between the agreements of the respondents regarding awareness about different information sources with respect to uniform distribution. There is another strong domain or most utilized source where students gain information i.e through internet (49%).

## Variable wise Statistics

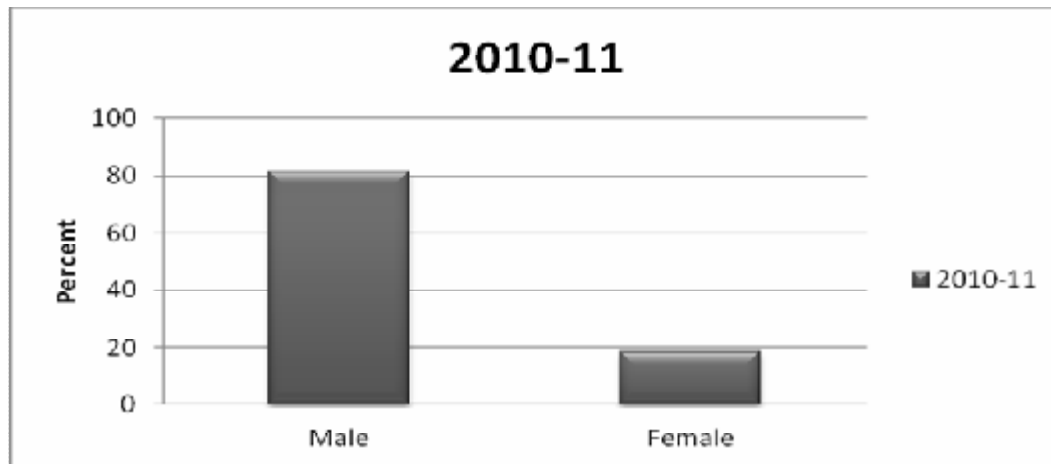
### 1. Gender

**Data Presentation-**The data has been presented with Table 2 & Figure 2

**Table 2– Gender wise Statistical data of online counseling**

Year		Frequency	Percent	Valid Percent	Cumulative Percent
2010 - 2011	Valid Male	356	81.5	81.5	81.5
	Female	81	18.5	18.5	100.0
	Total	437	100.0	100.0	

From the following table we can observe that about 81.5% of the male students and 18.5% female students in year 2010 – 2011 received information from internet. Following chart also shows larger percent corresponding to the same.



**Figure 2- Responses of Gender about online counseling information sources**

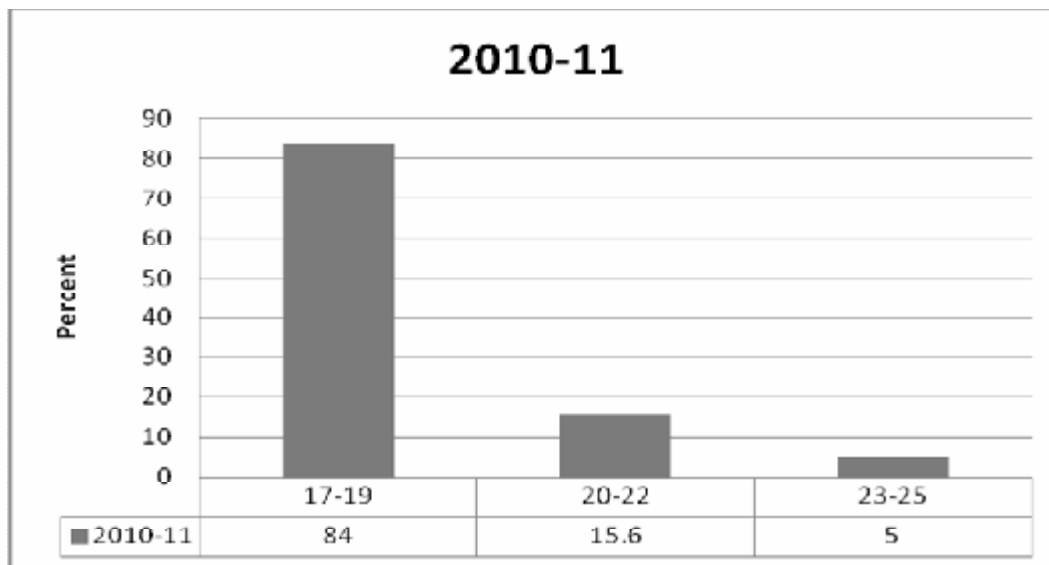
## 2. Age

**Data Presentation-**The data has been presented with Table 3 & Figure 3

**Table 3- Age wise Statistical data of online counseling**

Year	Frequency	Percent	Valid Percent	Cumulative Percent
2010 - 2011 Valid 17 - 19	367	84.0	84.0	84.0
20 - 22	68	15.6	15.6	99.5
23 - 25	2	.5	.5	100.0
Total	437	100.0	100.0	

From the above table we can observe that about 84.0% of the students of the age 17-19 years in 2010 – 2011 received information from internet. Following bar chart also shows larger percent corresponding to the same.



**Figure 3– Response of students (Age wise) of online counseling**

## 5. Conclusion

The online counseling is an e-governance initiative by the government of Madhya Pradesh. Since the department of technical education has first time introduced online off campus counseling in the state, therefore socialize information of the services among stakeholder's was fundamental issue. The finding of the present study shows that most of the students received information through internet. Print media (Newspaper) is second largest medium to scatter information among stakeholders. Because whenever technology involve, its benefit should come within reach of common people due to demographic condition of the states. The result also shows that internet users in the state of Madhya Pradesh has increased.

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## AUTOMOBILE INDUSTRY IN INDIA: AN ANALYSIS

Nitin Bhargava\*

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### ABSTRACT

*India's automobile market is one of the fastest growing auto markets in the world. It is one of those manufacturing industries which have grown significantly since the liberalization of India's economy. The industry is also known for innovations. The paper undertakes a detailed survey of the differential performance of domestic and MNCs within the industry. It then analyses the sources of these innovations in terms of internal and external sources. The resulting analysis shows that while the domestic firms have relied on internal sources, the MNCs have relied far more heavily on external sources.*

**Keywords:** FMCG, MNC

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### Introduction:

India's automotive industry is one of the successful cases of India's economic liberalisation strategy set into motion since 1991. The industry which was dominated by a few domestic manufacturers was hardly known for any innovations before 1991, but is now one of the fastest growing manufacturing industries not just in India but globally as well. In 2010, India has emerged as the second fastest growing car market in the world next only to China. Sales of two wheelers crossed 10 million units during the year, a first, with all major two-wheeler manufacturers registering high double digit growth. India in 2010 is the largest tractor manufacturer, second largest two-wheeler manufacturer, fifth largest commercial vehicle manufacturer and the eleventh largest car manufacturer in the world.

There are many instances of innovations in the industry, the Tata's Nano car being one of the celebrated examples of these innovative efforts. All told, it is an industry that is truly successful in introducing a range of new products not just in the domestic market but in the international market as well.

In the context, the purpose of this study is to understand the internal and external sources of information on innovation to the firms within this industry some of which are domestic while others are affiliates of well-known automotive MNCs.

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### Development and structure of the industry

The auto industry consists of two separate industries: (i) The automobile industry; and (ii) The auto components or parts industry. The automobile industry in turn has three sub sectors: (a) two-wheelers; (b) three-wheelers; and (c) four-wheelers (passenger vehicles and commercial vehicles).

**Table 1: Phases in the evolution of India's Automotive Industry**

Phases	Main features
Phase 1: 1947-1983	<ul style="list-style-type: none"> <li>• Closed market</li> <li>• Growth of market limited by domestic supply</li> <li>• Very few innovations, outdated model, fuel inefficient</li> <li>• Number of firms: 5</li> </ul>
Phase 2: 1983-1993	<ul style="list-style-type: none"> <li>• Joint Venture between Government of India and Suzuki to form Maruti Udyog</li> <li>• Number of firms: 6</li> </ul>
Phase 3: 1993-	<ul style="list-style-type: none"> <li>• Industry delicensed in 1993</li> <li>• Major MNC Original Equipment Manufacturers (OEMS) commenced assembly in India</li> <li>• Implementation of the Value Added Tax (VAT)</li> <li>• Imports allowed from April 2001</li> <li>• Number of firms: &gt;35</li> </ul>

Source: India Brand Equity Fund (2010)

### Trends in production

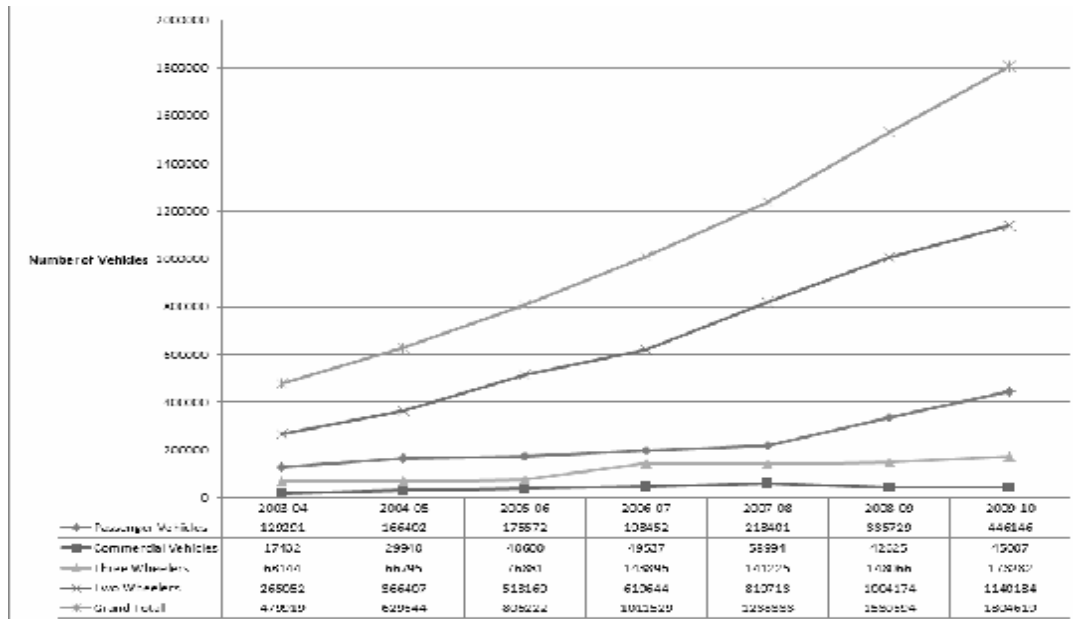
The rates of growth of output had plummeted, due essentially to the financial crisis, in 2008-09, it has picked up in all categories the very following year and indications are that this high growth rate will be maintained during 2010-11 as well.

There are two important findings. First, is that two wheelers account for the lion's share of production (in numbers) followed by passenger vehicles (cars). So the driving force behind the spectacular growth of the industry is the output of two-wheelers (motor cycles and scooters) and cars. Second, is that, over the time, India has become a base for exports of automobiles. Again most of the exports are accounted for by cars. In fact India has become a base for the manufacture of compact cars.

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Three Wheelers	Growth rate (%)	Two Wheelers	Growth rate (%)	Grand Total
2003-04	989560		275040		356223		5622741		7243564
2004-05	1209876	22.26	353703	28.60	374445	5.12	6529829	16.13	8467853
2005-06	1309300	8.22	391083	10.57	434423	16.02	7608697	16.52	9743503
2006-07	1545223	18.02	519982	32.96	556126	28.01	8466666	11.28	11087997
2007-08	1777583	15.04	549006	5.58	500660	-9.97	8026681	-5.20	10853930
2008-09	1838593	3.43	416870	-24.07	497020	-0.73	8419792	4.90	11172275
2009-10	2351240	27.88	566608	35.92	619093	24.56	10512889	24.86	14049830

### Trends in Exports

Exports too have registered some appreciable increases (Figure 1). Overall about 11 per cent of the total out is exported although the export intensity varies across the various categories ranging from as high as 24 per cent in the case of three-wheelers to as low as 9 per cent in the case of commercial vehicles. Much of the exports, in quantitative terms, is accounted for by cars and motorcycles reflecting their proportionate share in domestic production. What is interesting is that India has now become base for the manufacture and exports of compact cars.

**Figure 1: Trends in exports of automotive from India, 2004-2010**

**Source:** Society of Indian Automobile Manufacturers

### Structure of the industry

Here, we focus only on the vehicle producing sector. This consists of two sets of firms, domestic and affiliates of a large number of MNCs. Although the industry was largely domestic for a long time, MNCs entry to the industry started with the joint venture Maruti Suzuki's plans to build small compact cars. Gradually over time, a number of MNCs have established their manufacturing activities in the country. Maruti itself has diluted its domestic equity held by the union government in favour of a larger shareholding by its parent firm. Over time and especially since 1991, there has been entry to the industry by a large number of MNCs. MNCs are focusing much more on passenger cars and motorcycles, while the domestic firms have their presence across the entire spectrum of vehicles. In terms of total sales the industry is roughly divided between the two the segments although on an average over the last decade or so, the domestic firms have a slightly higher share (Table 3), as the two large commercial vehicle firms are in the domestic sector.

But on the export front, the foreign firms have not only a higher level but also higher export intensity as well (on an average two times). This shows that the MNCs are actually using India as a base for their exports.

**Table 3: Sales and exports of automobiles: Domestic Vs MNCs (Rs in Crores)**

Year	Exports of Goods(Rs Crores)		Sales (Rs Crores)		Exports of Goods to Sales (%)		Ratio of Domestic to MNC	
	Domestic	MNC	Domestic	MNC	Domestic	MNC	Exports	Sales
2000	1077.46	2433.72	22298.37	19519.52	4.83	12.47	0.44	1.14
2001	1197.82	2501.76	21883.20	20993.81	5.47	11.92	0.48	1.04
2002	1001.55	2157.87	22122.72	19789.59	4.53	10.90	0.46	1.12
2003	1001.57	3229.19	26227.74	21440.01	3.82	15.06	0.31	1.22
2004	1699.89	2428.32	34330.25	30308.19	4.95	8.01	0.70	1.13
2005	2535.77	3512.2	40455.42	39256.1	6.27	8.95	0.72	1.03
2006	3483.47	3726.4	47276.37	44637.8	7.37	8.35	0.93	1.06
2007	4540.04	4192.76	61429.95	53514.79	7.39	7.83	1.08	1.15
2008	7426.48	4891.48	75810.47	55992.37	9.80	8.74	1.52	1.35
2009	7593.78	27610.06	70464.44	63379.07	10.78	43.56	0.28	1.11
2010	7389.76	17246.04	89928.63	55402.27	8.22	31.13	0.43	1.62
<b>Average</b>					<b>6.67</b>	<b>15.17</b>	<b>0.67</b>	<b>1.18</b>

**Innovations in the automotive industry**

There have been many instances of new product development in the Indian automotive industry. To name a few:

- The development of the Nano, the innovative US\$2,250 car, has showcased India's ability to innovate and design;
- Reva, India's first electric car, is also an example in this case;
- Companies like M&M and the Hero Group are planning to develop electric vehicles;

- In the commercial vehicles space, Tata Daewoo, a subsidiary of Tata Motors, has recently developed an LPG-based MCV (4.5 ton), the Novus, which conforms to Euro V emission norm;
- Ashok Leyland has developed India's first six-cylinder CNG engine for buses, which uses the multipoint fuel injection system and conforms to Euro IV emission standards ; and
- Two-wheeler manufacturers Bajaj Auto, Hero Honda and Mahindra are in discussions with Energetek, a provider of absorbed natural gas products, for technology that will enable two-wheelers to run on natural gas instead of gasoline.

The auto industry is one of the largest R&D spenders within India's industrial establishment closely following the leader in this sphere, namely the pharmaceutical industry. See Table 4.

**Table 4: Relative share of India's automotive industry in total private sector in-house R&D expenditures (Rs in Crores)**

	In-House R&D expenditure	Rate of growth (%)	R&D Intensity	Total private sector industry	Auto industry as a share of private sector industry
1998-99	420.62		0.87	2177	19.32
1999-00	431.37	2.56	0.73	2178	19.80
2000-01	451.96	4.77	0.77	2411	18.74
2001-02	528.61	16.96	0.81	2787	18.96
2002-03	434.27	-17.85	0.77	2785	15.60
2003-04	546.50	25.84	0.80	3643	15.00
2004-05	862.80	57.88	0.99	5076	17.00
2005-06	1047.20	21.37	1.07	6268	16.71

Note: Rs 1 core = Rs 10 million.

Source: Department of Science and Technology (2009)

Two indicators are developed: (i) R&D to sales ratio signifying the research intensity of the sector (Table 5); (ii) Ratio of R&D expenditure to cost of purchasing technology from abroad signifying relative importance of domestic technology generating efforts (Table 6). These ratios are presented separately for domestic and MNCs.

**Table 5: Research Initiative : Domestic Vs Foreign firms (Values are in Rs Crores)**

Year	R&D Expense(Rs Crores)		Sales (Rs Crores)		R&D to Sales (%)		Ratio of Domestic to MNC	
	Domestic	MNC	Domestic	MNC	Domestic	MNC	R&D	Sales
2000	146.83	164.56	22298.37	19519.52	0.66	0.84	0.89	1.14
2001	159.31	77.45	21883.20	20993.81	0.73	0.37	2.06	1.04
2002	292.18	62.84	22122.72	19789.59	1.32	0.32	4.65	1.12
2003	364.79	51.47	26227.74	21440.01	1.39	0.24	7.09	1.22
2004	439.92	102.96	34330.25	30308.19	1.28	0.34	4.27	1.13
2005	751.54	123.24	40455.42	39256.1	1.86	0.31	6.10	1.03
2006	900.35	106	47276.37	44637.8	1.90	0.24	8.49	1.06
2007	1301.71	103.39	61429.95	53514.79	2.12	0.19	12.59	1.15
2008	1939.72	120.6	75810.47	55992.37	2.56	0.22	16.08	1.35
2009	2663.34	154.6	70464.44	63379.07	3.78	0.24	17.23	1.11
2010	2401.38	210.87	89928.63	55402.27	2.67	0.38	11.39	1.62
<b>Average</b>					<b>1.84</b>	<b>0.34</b>	<b>8.26</b>	<b>1.18</b>

Although the R&D expenditures for both the sets of firms have increased, it is the domestic firms that have registered faster growth rates in the absolute levels of intramural R&D investments, but also in its intensity. In contrast the R&D intensity of MNCs has hardly shown an increase but just inter-year fluctuations.

Consequently the main source of technology to the foreign firms is the technical knowhow that they import from their respective parent firms and as such their ratio of in-

house R&D to technology purchase from abroad is significantly less than unity in all the years and is also significantly less than that for domestic firms.

**Table 6: Average propensity to adapt: Foreign vs Domestic firms**

Year	R&D Expenses(Rs Crores)		Forex spending royalty/Technical know how (Rs Crores)		Average propensity to adapt, R&D to Tech Know how(%)	
	Domestic	MNC	Domestic	MNC	Domestic	MNC
2000	146.83	164.56	53.95	164.7	2.72	1.00
2001	159.31	77.45	51.66	208.11	3.08	0.37
2002	292.18	62.84	63.25	224.68	4.62	0.28
2003	364.79	51.47	51.26	330.29	7.12	0.16
2004	439.92	102.96	44.69	377.08	9.84	0.27
2005	751.54	123.24	114.34	657.86	6.57	0.19
2006	900.35	106	111.77	879.73	8.06	0.12
2007	1301.71	103.39	227.03	1134.65	5.73	0.09
2008	1939.72	120.6	247.89	1258.95	7.82	0.10
2009	2663.34	154.6	313.61	1554.52	8.49	0.10
2010	2401.38	210.87	278.75	1488.66	8.61	0.14
Average					<b>6.61</b>	<b>0.26</b>

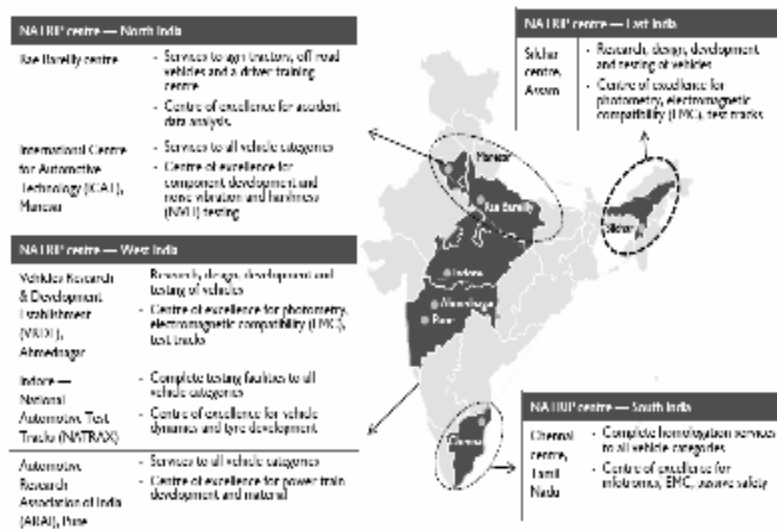
#### Source of innovation: Internal vs External factors

In other words, while domestic firms have relied much more on internal sources of technology the MNCs have relied more on external sources. We now proceed to elaborate on these internal and external sources.

- Internal- in-house R&D efforts: In Tables 4 and 5, it is already seen that the firms and especially the domestic firms have invested rather robustly in in-

house R&D. These investments have been increasing over time. India's auto policy announced in 2002 had a number of fiscal incentives for domestic R&D.

This policy was further elaborated in the *Indian Auto Mission Plan (AMP)*. AMP(2006-16) is a ten year vision document launched by Government of India in January, 2007 with the vision to make India emerge as a destination of choice in the world for design and manufacture of automobiles and auto components with output reaching a level of US\$ 145 billion and providing additional employment to 25 million people by 2016. The most critical intervention of the government thus far in the automotive sector has come in the form of an ambitious project on setting up world-class automotive testing and R&D infrastructure in the country in the form of *National Automotive Testing and R&D Infrastructure Project (NATRIP)*. NATRIP<sup>1</sup> envisages setting up of world-class automotive testing and homologation facilities in India with a total investment of Rs 17 billion by 2011. The principal facilities will come up in the three automotive hubs of the country, in the south, the north and the west. See Figure 2 for the geographic distribution of the NATRIP centres within the country.



Source: India Brand Equity Fund (2010)

The project aims at (i) creating critically needed automotive testing infrastructure to enable the Government in ushering in global vehicular safety, emission and performance standards, (ii) deepening manufacturing in India, promoting larger value addition leading to significant enhancement of employment potential and facilitating convergence of India's strengths in IT and electronics with automotive engineering, (iii) enhancing India's



considerably low global outreach in this sector by debottlenecking exports; and (iv) removing the crippling absence of basic product testing, validation and development infrastructure for automotive industry. The project envisages setting up of the following facilities:-(i) A full-fledged testing and homologation centre within the northern hub of automotive industry at Manesar, Haryana. A full-fledged testing and homologation centre within the southern hub of automotive industry a location near Chennai, Tamil Nadu. (iii) Up-gradation of existing testing and homologation facilities at Automotive Research Association of India (ARAI), Pune and at Vehicle Research and Development Establishment (VRDE), Ahmednagar, Maharashtra. The investment of Rs. Rs 17 billion is proposed to be funded jointly by the Government and the industry based on the following manner:-

**External sources:** Regarding external sources, I could identify at least five sources. These are:

(i) Licensing of technologies; (ii) Joint Ventures; (iii) Spillovers from MNCs; (iv) Merger and acquisition deals; and (v) Certification schemes. Of these five, it is the MNCs that have been relying, relatively speaking, more on licensing of technologies and on joint ventures. The domestic firms, on the contrary, have been using mergers and acquisition as a way of securing state-of-the art technologies. Some of the major acquisitions are listed in Table 7.

**Table 7: Major acquisitions in the Indian Auto Industry**

Recent outbound deals primarily driven by acquisition of technological know-how		
Acquirer	Target Company	Rationale
Amtek Auto	UK-based Triplex Ketlon Group for US\$ 39.9 million	The acquisition will provide Amtek with access to superior technology and expand its precision machining operations (Nov 2007)
Bajaj Auto	Increased its stake to 30% in Austria based KTM Power Sports	The acquisition will give the company access to KTM's technology and distribution network across Europe (Feb 2009)
Mahindra and Mahindra	Italy-based motor cycle design developing company,	The acquisition will provide M&M with

	Engines Engineering, for EUR 8.5 million	access to technological expertise to widen its engineering and design services and an exposure to the international markets (June 2008)
Tata Motors	50.3% stake in Norway-based Miljo Grenland for INR 94 million	The acquisition is in line with the company's strategy of developing convenient, affordable and sustainable mobility solutions through electric and hybrid vehicles (Oct 2008)

Source: Ernst and Young (2010), p. 24

Further the completion from MNCs has been an important source of technological improvements for the domestic manufacturers. Finally conformity with various international certification schemes have been an important source of information on innovation for the auto parts firms especially.

### **Conclusions:**

The Indian automotive industry has now emerged as one of the most innovative industries in India. There are many instances of new product development not just in the auto industry but also in the auto parts industry. The sales of the industry are almost equally divided between the domestic and foreign firms. Our analysis of the innovative behaviour of the industry showed that it is the domestic firms that have been more innovative and the main route they have adopted for improving their respective innovative activities can be divided into internal and external sources. Of the internal sources, the most important one is investments in R&D. These investments have registered some sharp increases during the period under consideration. Government too have encouraged this by offering a number of fiscal incentives.

**Annexure 1: List of Automobile Firms in India**

SI No	Company Name	Group Affiliation	Industry	Ownership
1	Andhra Pradesh Scooters Ltd.		Scooters	Domestic
2	Ashok Leyland Ltd.	Hinduja (Ashok Leyland) Group	Heavy commercial vehicles	Domestic
3	Asia Motor Works Ltd.	Private (Indian)	Heavy commercial vehicles	Domestic
4	Atul Auto Ltd.	Private (Indian)	Three wheelers	Domestic
5	Bajaj Auto Ltd.	Bajaj Group	Motorcycles	Domestic
7	Defence Land Systems India Pvt. Ltd.	Mahindra & Mahindra Group	Commercial vehicles	Domestic
8	Eicher Motors Ltd.	Eicher Group	Motorcycles	Domestic
9	Electromags Automotive Products Pvt. Ltd.	Wadia (Bombay Dyeing) Group	Automobiles	Domestic
10	Force Motors Ltd.	Firodia Group	Light commercial vehicles	Domestic
13	Gujarat Narmada Auto Ltd.	Public Sector	Scooters	Domestic
15	Hindustan Motors Ltd.	Birla C.K. Group	Passenger cars	Domestic
19	International Cars & Motors Pvt. Ltd.	Private (Indian)	Utility Vehicles incl. jeeps	Domestic
20	Kabirdass Motor Co. Ltd.	Private (Indian)	Automobiles	Domestic
21	Kerala Automobiles Ltd.	Public Sector	Three wheelers	Domestic
22	Kinetic Engineering Ltd.	Firodia Group	Mopeds	Domestic
23	Kinetic Motor Co. Ltd.	Firodia Group	Scooters	Domestic
24	Kranti Automobiles Ltd.	Private (Indian)	Three wheelers	Domestic
25	L M L Ltd.	LML Group	Scooters	Domestic
26	Maestro Motors Ltd.	Private (Indian)	Passenger cars	Domestic
27	Maharashtra Scooters Ltd.	Bajaj Group	Scooters	Domestic
28	Mahindra & Mahindra Ltd.	Mahindra & Mahindra Group	Utility Vehicles incl. jeeps	Domestic
29	Mahindra Navistar Automotives Ltd.	Mahindra & Mahindra Group	Light commercial vehicles	Domestic
30	Mahindra Nissan Allwyn Ltd. [Merged]	Mahindra & Mahindra Group	Light commercial vehicles	Domestic
31	Mahindra Two Wheelers Ltd.	Mahindra & Mahindra Group	Two wheelers	Domestic
32	Majestic Auto Ltd.	Hero (Munjals) Group	Mopeds	Domestic
33	Man Force Trucks Pvt. Ltd.	Firodia Group	Commercial vehicles	Domestic
36	Monto Motors Ltd.	Private (Indian)	Two wheelers	Domestic
37	New Holland Fiat (India) Pvt. Ltd.	Vinod Doshi Group	Passenger cars	Domestic
38	Pal-Peugeot Ltd.	Vinod Doshi Group	Passenger cars	Domestic
39	Scooters India Ltd.	Public Sector	Three wheelers	Domestic
40	Shree Chamundi Mopeds Ltd.	Private (Indian)	Mopeds	Domestic
41	Shriram Automall India Ltd.	Shriram Transport Group	Commercial vehicles	Domestic
42	Sooraj Automobiles Ltd.	Private (Indian)	Motorcycles	Domestic
43	Standard Motor Products Of India Ltd.	Private (Indian)	Light commercial vehicles	Domestic
44	Sunku Auto Ltd.	Private (Indian)	Three wheelers	Domestic
46	T V S Motor Co. Ltd.	T.V.S. Iyengar Group	Two wheelers	Domestic
48	Tata Motors Ltd.	Tata Group	Heavy commercial vehicles	Domestic
49	V C C L Ltd.	LML Group	Scooters	Domestic
50	V E Commercial Vehicles Ltd.	Eicher Group	Commercial vehicles	Domestic
52	Yamaha Motor India Pvt. Ltd.	Private (Foreign)	Motorcycles	MNC
6	Daewoo Motors India Ltd.	Private (Foreign)	Passenger cars	MNC
11	Ford India Pvt. Ltd.	Private (Foreign)	Passenger cars	MNC
12	General Motors India Pvt. Ltd.	Private (Foreign)	Passenger cars	MNC
14	Hero Honda Motors Ltd.	Hero (Munjals) Group	Motorcycles	MNC
16	Honda Motorcycle & Scooter India (Pvt.) Ltd.	Private (Foreign)	Scooters	MNC
17	Honda Sael Cars India Ltd.	Private (Foreign)	Passenger cars	MNC
18	Hyundai Motor India Ltd.	Private (Foreign)	Passenger cars	MNC
34	Maruti Suzuki India Ltd.	Private (Foreign)	Passenger cars	MNC
35	Mercedes-Benz India Pvt. Ltd.	Private (Foreign)	Passenger cars	MNC
45	Swaraj Mazda Ltd.	Private (Foreign)	Light commercial vehicles	MNC
47	T V S-Suzuki Ltd. [Merged]	T.V.S. Iyengar Group	Two wheelers	MNC
51	Yamaha Motor Escorts Pvt. Ltd.	Private (Foreign)	Motorcycles	MNC

Source: Centre for Monitoring Indian Economy, *Prowess Dataset*

**Annexure 2: Summary Data on Export, Research and Import Intensity, 2000-2009**

Year	Ashok Leyland			Tata Motors			Force Motors		
	Export Intensity	Research Intensity	Import Intensity	Export Intensity	Research Intensity	Import Intensity	Export Intensity	Research Intensity	Import Intensity
Mar-00	5.62		0.33	7.07	1.24	1.99	1.23	1.01	1.27
Mar-01	6.08	0.86	1.16	9.13	1.14	0.22	0.76	0.00	0.05
Mar-02	5.87	0.93	0.86	7.18	1.07	0.48	0.67	2.18	2.91
Mar-03	6.48	0.97	0.95	4.49	1.35	0.93	1.49	2.28	0.37
Mar-04	7.36	1.22	0.50	6.62	1.00	0.39	1.05	2.32	1.35
Mar-05	10.65	1.88	1.27	7.19	1.95	1.50	1.10	2.80	1.70
Mar-06	7.28	1.69	1.33	9.37	2.03	1.52	1.48	5.20	4.36
Mar-07	7.39	1.84	3.18	8.67	2.57	2.13	2.50	3.51	2.32
Mar-08	8.22	2.20	1.93	8.49	3.69	4.58	3.53	2.60	0.49
Mar-09	12.64	3.89	6.12	7.74	5.18	3.58	3.38	2.48	0.00
Mar-10	7.48	2.90	3.90						
AVG	7.73	1.84	1.96	7.59	2.12	1.73	1.72	2.44	1.48

Year	Mahindra			TVS Motors			Bajaj Auto			Asia Motor Works		
	Export Intensity	Research Inten	Import Intensity	Export Intensity	Research Inten	Import Intensity	Export Intensity	Research Intensity	Import Intensity	Export Intensity	Research Intensity	Import Intensity
Mar-00												
Mar-01	1.72	0	1.75	1.04	0.97	3.28						
Mar-02	2.16	0	1.87	0.85	0.89	1.50						
Mar-03	2.91	1.75	0.70	0.76	1.35	1.68						
Mar-04	4.51	1.65	0.58	0.79	1.89	2.38						
Mar-05	3.69	1.47	0.06	2.09	2.32	1.57						
Mar-06	4.08	1.44	0.55	3.62	2.16	1.82						
Mar-07	4.97	1.49	0.31	4.73	1.81	0.48					0	
Mar-08	5.28	1.43	0.71	5.60	1.90	0.95					0.12	
Mar-09	5.87	1.83	1.07	8.37	1.91	0.39	20.89	1.21	0.66		0	
Mar-10	4.21	3.91	0.56	12.45	1.94	0.08	27.53	1.20	3.25		1.03	
Average	3.62	3.34	1.24				26.18	1.09	0.34			

Source: Centre for Monitoring Indian Economy, *Prowess Dataset*

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## CHALLENGES FACED BY INDIAN BANKING SECTOR IN RURAL AND URBAN AREAS

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### ABSTRACT

*The banking industry in India has a huge canvas of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, banking in India has been through a long journey. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. Nevertheless, the fundamental aspects of banking i.e., trust and the confidence of the people on the institution remain the same. The majority of the banks are still successful in keeping with the confidence of the shareholders as well as other stakeholders. However, with the changing dynamics of banking business brings new kind of risk exposure.*

*In this paper an attempt has been made to identify the general sentiments, challenges and opportunities for the Indian banking industry. This article is divided in three parts. First part includes the introduction and general scenario of Indian banking industry. The second part discusses the various challenges and opportunities faced by Indian banking industry. Third part concludes that urgent emphasis is required on the Indian banking product and marketing strategies in order to get sustainable competitive edge over the intense competition from national and global banks.*

*This article is a small seed to existing branch of knowledge in banking industry and is useful for bankers, strategist, policy makers and researches.*

**Keywords:** *rural market, risk management, global banking, employee and customer.*

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### INTRODUCTION

In recent time, we have witnessed that the world economy is passing through some intricate circumstances as bankruptcy of banking and financial institutions, debt crisis in major economies of the world and euro zone crisis. The scenario has become very uncertain causing recession in major economies like US and Europe. This poses some serious questions about the survival, growth and maintaining the sustainable development.

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However, amidst all this turmoil India's banking industry has been amongst the few to maintain resilience. The tempo of development for the Indian banking industry has been remarkable over the past decade. It is evident from the higher pace of credit expansion; expanding profitability and productivity similar to banks in developed markets, lower incidence of non-performing assets and focus on financial inclusion have contributed to make Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling.

In this paper an attempt has been made to review various challenges which are likely to be faced by Indian banking industry.

### **HISTORICAL BACKGROUND**

Bank of Hindustan was set up in 1870; it was the earliest Indian bank. Later, three presidency banks under presidency bank's act 1876 i.e., bank of Calcutta, bank of Bombay and bank of Madras were set up, which laid foundation of modern banking in India. In 1921, all presidency banks were amalgamated to form the imperial bank of India. Imperial bank carried out limited number of central banking functions prior to establishment of RBI. It engaged in all types of commercial banking business except dealing in foreign exchange.

Reserve bank of India act was passed in 1934 & reserve bank of India (RBI) was constituted as an apex body without major government ownership. Banking regulations act was passed in 1949. This regulation brought RBI under government control. Under the act, RBI got wide ranging powers for supervision and control of banks. The act also vested licensing powers and authority to conduct inspections in RBI.

In 1955, RBI acquired control of the imperial bank of India, which was renamed as state bank of India. In 1959, SBI took over control of eight private banks floated in the erstwhile princely states, making them as its 100% subsidiaries.

It was 1960, when RBI was empowered to force compulsory merger of weak banks with the strong ones. It significantly reduced the total number of banks from 566 in 1951 to 85 in 1969. In July 1969, government nationalized 14 banks having deposits of Rs.50 crores and above. In 1980, government acquired 6 more banks with deposits of more than Rs. 200 crores. Nationalization of banks was to make them play the role of catalytic agents for economic growth. The Narasimha Committee report suggested wide ranging reforms for the banking sector in 1992 to introduce internationally accepted banking practices. The amendment of banking regulation act in 1939 saw the entry of new private sector banks.

Banking industry is the back bone for growth of any economy. The journey of Indian banking industry has faced many waves of economic crisis. Recently, we have seen the economic crisis of US in 2008-09 and now the European crisis. The general scenario of the world's economy is very critical.



It is the banking rules and regulation framework of India which has prevented it from the world economic crisis. In order to understand the challenges and opportunities of Indian banking industry, first of all, we need to understand the general scenario and structure of Indian banking industry.

### **GENERAL BANKING SCENARIO IN INDIA**

The general banking scenario in India has become very dynamic now-a-days. Before pre-liberalization era, the picture of Indian banking was completely different as the government of India initiated measures to play an active role in the economic life of the nation, and the industrial policy resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

The reserve bank of India was nationalized on January 1, 1949 under the terms of the reserve bank of India (transfer to public ownership) act, 1948. In 1949, the banking regulation act was enacted which empowered the reserve bank of India (RBI) "to regulate, control, and inspect the banks in India". The banking regulation act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

By the 1960s, the Indian banking industry had become an important tool to facilities the speed of development of the Indian economy. The government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit of delivery. With the second dose of nationalization, the government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged new bank of India with Punjab national bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. After this, until the 1990s, the nationalized banks grow at a pace of around 4%, closer to the average growth rate of the Indian economy.

In the early 1990s, the then narasimha rao government embarked on a policy of liberalization licensing a small number of private banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for foreign direct investment, where all foreign investors in banks may be given voting rights which could exceed the present cap at 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (borrow at 4%; lend at 6%; go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of

working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

### STRUCTURE OF INDIAN BANKING INDUSTRY

Banking industry in India functions under the sunshade of reserve bank of India- the regulatory, central bank. Banking industry mainly consists of:

- Ø Commercial banks.
- Ø Co-operative banks.

The commercial banking structure in India consists of: scheduled commercial banks unscheduled bank. Scheduled commercial banks constitute those banks which have been included in the second schedule of reserve bank of India (RBI) act, 1934.

RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (60) of the act. Some co-operative banks are scheduled commercial banks although not all co-operative banks are. Being a part of the second schedule confers some benefits to the bank in terms of access to accommodation by RBI during the times of liquidity constraints. At the same time, however, this status also subjects the bank certain conditions and obligation towards the reserve regulations of RBI.

For the purpose of assessment of performance of banks, the reserve bank of India categories them as public sector banks, old private sector banks, new private sector banks and foreign banks.

**FIGURE 1: The commercial banking structure in India**

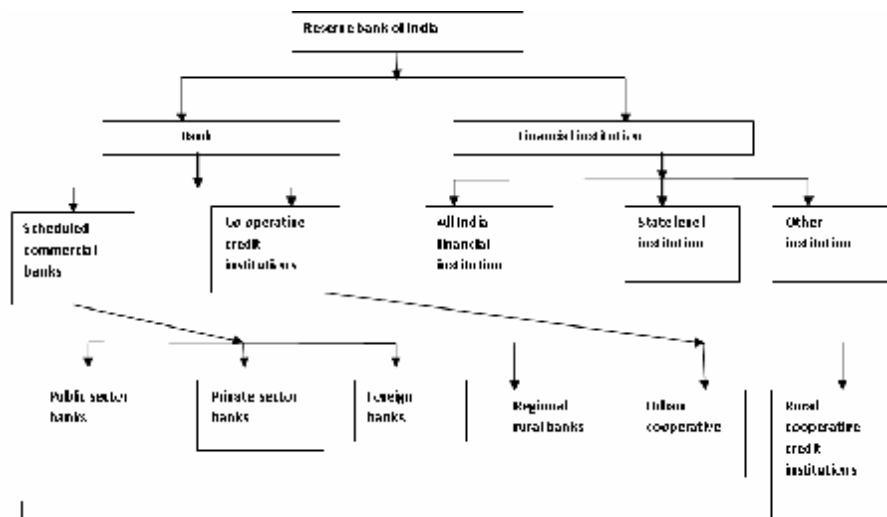




TABLE 1: scheduled commercial banks operating in India

s.no	Nationalized banks	Old private sector banks	New private sector banks	Foreign banks
1	Allahabad bank ltd.	Catholic Syrian bank ltd.	Axis bank ltd	Abu Dhabi commercial bank
2	Andhra bank ltd.	City union bank ltd.	Development credit bank ltd.	American express bank
3	Bank of borada ltd.	Dhanalakshmi bank ltd.	HDFC bank ltd.	Bank of America ltd.
4	Bank of India ltd.	Federal bank ltd	ICICI bank ltd.	Bank of America NA
5	Bank of Maharashtra ltd.	ING vysya bank ltd.	IndusInd bank ltd.	Bank of Ceylon
6	Canara bank ltd.	Jammu and Kashmir bank ltd.	Kotak Mahindra bank ltd.	Bank of nova Scotia (Scotia bank)
7	Central bank of India ltd	Karnataka bank ltd.	Yes bank ltd.	Bank of Tokyo Mitsubishi UFJ
8	Corporation bank ltd.	Karur vysya bank ltd		Barclays bank PLC
9	Dena bank ltd.	Lakshmi Vilas bank ltd		BNP Paribas
10	IDBI bank ltd.	Nainital bank ltd.		Calyon bank
11	Indian bank ltd.	Ratnakar bank ltd.		Chinatrust commercial bank
12	Indian overseas bank ltd.	SBI commercial and international bank ltd.		Citibank N.A.
13	Oriental bank of commerce ltd.	South Indian bank ltd.		DBS bank
14	Punjab and sind bank ltd.	Tamilnad mercantile bank ltd		Deutsche bank AG
15	Punjab national bank ltd.			HSBC
16	Syndicate bank ltd.			JPMorgan chase bank
17	UCO bank ltd.			Krung Thai bank
18	Union bank of India ltd.			Mashreq bank psc
19	United bank of India ltd			Mizuho corporate bank
20	Vijaya bank ltd.			Royal bank of Scotland
21	State bank of Bikaner and jaipur ltd.			Shinhan bank
22	State bank of India Hyderabad ltd.			Societe generate
23	State bank of India ltd.			Sonali bank

24	State bank of Mysore ltd.			Standard chartered bank
25	State bank of patiyala ltd.			State bank of Mauritius
26	State bank of Travancore			UBS
27				VTB

Source : [http://finance.indiamart.com/investment\\_in\\_india/scheduled\\_commercial\\_banks.html](http://finance.indiamart.com/investment_in_india/scheduled_commercial_banks.html)

### CHALLENGES FACED BY INDIAN BANKING INDUSTRY

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of information technology and competition. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations.

Now, the existing situation has created various challenges and opportunity for Indian commercial banks. In order to encounter the general scenario of banking industry we need to understand the challenges and opportunities lying with banking industry of India.

#### (1) Rural market

Banking in India is generally fairly mature in terms of supply, product range and reach, even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region.

Consequently, we have seen some examples of inorganic growth strategy adopted by some nationalized and private sector banks to face upcoming challenges in banking industry of India. For example recently, ICICI bank ltd. merged the bank of Rajasthan ltd. In order to increase its reach in rural market and market share significantly. State bank of India (SBI), the largest public sector bank in India has also adopted the same strategy to retain its position. It is in the process of acquiring its associates. Recently, SBI has merged state bank of Indore in 2010.

#### (2) Management of risks

The growing competition increases the competitiveness among banks. But, existing global banking scenario is seriously posing threats for Indian banking industry. We have already witnessed the bankruptcy of some foreign banks.

According to Shrieves (1992), there is a positive association between changes in risk and capital. Research studied the large sample of banks and results reveal that

regulation was partially effective during the period covered. Moreover, it was concluded that changes in bank capital over the period studied was risk-based [1].

Wolgast, (2001) studied the merger and acquisition activity among financial firms. The author focused bank supervisors in context with success of mergers, risk management, financial system stability and market liquidity. The study concluded that large institutions are able to maintain a superior level of risk management [2].

AI-Tamimi and AI-Mazrooei (2007) examined the risk management practices and techniques in dealing with different types of risk. Moreover, they compared risk management practices between the two sets of banks. The study found the three most important types of risk i.e. commercial banks foreign exchange risk, followed by credit risk, and operating risk [3].

Sensarma and Jayadev (2009) used selected accounting ratios as risk management variables and attempted to gauge the overall risk management capability of banks. They used multivariate statistical techniques to summarize these accounting ratios. Moreover, the paper also analyzed the impact of these risk management scores on stock returns through regression analysis. Researchers found that Indian bank's risk management capabilities have been improving over time. Returns on the banks stocks appeared to be sensitive to risk management capability of banks. The study suggest that banks want to enhance shareholder wealth will have to focus on successfully managing various risks [4].

### **(3) Growth of banking**

Zhao, Casu and Ferrari (2008) used a balanced panel data set covering the period of 1992-2004 and employing a data envelopment analysis (DEA) based malmquist total factor productivity (TFP) index. The empirical study indicated that, after an initial adjustment phase, the Indian banking industry experienced sustained productivity growth, which was driven mainly by technological progress. Bank's ownership structure does not seem to matter as much as increased competition in TFP growth. Foreign banks appear to have acted as technological innovators when competition increased, which added to the competitive pressure in the banking market. Finally, our results also indicate an increase in risk-taking behavior, along with the whole deregulation process [5].

It was found in the study of Goyal and Joshi (2011a) that small and local banks face difficulty in bearing the impact of global economy therefore, they need support and it is one of the reasons for merger. Some private banks used mergers as a strategic tool for expanding their horizons. There is huge potential in rural markets of India, which is not yet explores by the major banks. Therefore ICICI bank ltd. has used mergers as their expansion strategy in rural market. They are successful in making their presence in rural

India. It strengthens their network across geographical boundary, improves customer base and market share [6].

#### **(4) Market discipline and transparency**

According to Fernando (2011) transparency and disclosure norms as part of internationally accepted corporate governance practices are assuming greater importance in the emerging environment. Banks are expected to be more responsive and accountable to the investors. Banks have to disclose in their balance sheets a plethora of information on the maturity profiles of assets and liabilities, lending to sensitive sectors, movements in NPAs, capital, provisions, shareholdings of the government, value of investment in India and abroad, operating and profitability indicators, the total investments made in the equity share, units of mutual funds, bonds, debentures, aggregate advances against shares and so on [7].

#### **(5) Human resource management**

Gelade and Ivery (2003) examined relationships between human resource management (HRM). World climate and organizational performance in the branch network of a retail bank. Significant correlations were found between work climate, human resource practices, and business performance. The results showed that the correlations between climate and performance cannot be explained by their common dependence on HRM factors, and that the data are consistent with a mediation model in which the effects of HRM practices on business performance are partially mediated by work climate [8].

Bartel (2004) studied the relationship between human resource management and establishment performance of employees on the manufacturing sector. Using a unique longitudinal dataset collected through site visits to branch operations of a large, the author extends his research to the service sector. Because branch managers had considerable discretion in managing their operations and employees, the HRM environment could vary across branches. Site visits provided specific examples of managerial practices that affected branch performance. An analysis of responses to the bank's employee attitude survey that controls for unobserved branch and manager characteristics shows a positive relationship between branch performance and employees satisfaction with the quality of performance evaluation, feedback, and recognition at the branch-the "incentives" dimension of a high-performance work system. In some fixed effects specifications, satisfaction with the quality of communications at the branch was also important [9].

#### **(6) Global banking**

It is practically and fundamentally impossible for any nation to exclude itself from world economy. Therefore, for sustainable development, one has to adopt integration

process in the form of liberalization and globalization as India spread the red carpet for foreign firms in 1991. The impact of globalization becomes challenges for the domestic enterprises as they are bound to complete with global players.

If we look at the Indian banking industry, then we find that there are 36 foreign banks operating in India, which becomes a major challenge for nationalized and private sector banks. These foreign banks are large in size, technically advanced and having presence in global market, which gives more and better options and services to Indian traders.

### **(7) Financial inclusion**

Financial inclusion has become a necessity in today's business environment. Whatever is produced by business houses, that has to be under the check from various perspectives like environmental concerns, corporate governance, social and ethical issues. Apart from it to bridge the gap between rich and poor, the poor people of the country should be given proper attention to improve their economic condition.

Dev (2006) stated that financial inclusion is significant from the point of view of living conditions of poor people, farmers, rural non-farm enterprises and other vulnerable groups. Financial inclusion, in terms of access to credit from formal institutions to various social groups. Apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, the author conclude that role of the self-help group movement and microfinance institutions is important to improve financial inclusion. The study suggested that this requires new regulatory procedures and de-politicization of the financial system [10].

### **(8) Employee's retention**

The banking industry has transformed rapidly in the last ten years, shifting from transactional and customer service-oriented to an increasingly aggressive environment, where competition for revenue is on top priority. Long-time banking employees are becoming disenchanted with the industry and are often resistant to perform up to new expectations. The diminishing employee morale results in decreased revenue. Due to the intrinsically close ties between staff and clients, losing those employees completely can mean the loss of valuable customer relationships. The retail banking industry is concerned about employee retention from all levels: from tellers to executives to customer service representatives because competition is always moving into hire them away.

The competition to retain key employees is intense. Top-level executives and HR departments spend large amounts of time, effort, and money trying to figure out how to keep their people from leaving.

Sekaran, U. (1989) studied a sample of 267 bank employees, this study traced the paths to the job satisfaction of employees at the workplace through the quality of life factors of job involvement and sense of competence. Results indicated that personal, job, and organizational climate factors influenced the ego investments or job involvement of people in their jobs, which in turn influenced the intra-psychic reward of sense of competence that they experienced, which then directly influenced employees job satisfaction [11].

Mitchell, Haltom, Lee and Graske (2001) asserted in their study that people often leave for reasons unrelated to their jobs. In many cases, unexpected events or shocks are the cause. Employees also often stay because of attachments and their sense of fit, both on the job and in their community [12].

Saxena and Monika (2010) studied a case of 5 companies out of 1000 organizations and 8752 respondents surveyed across 800 cities in India by business today. The survey was on nine basic parameters like career and personal growth, company prestige, training, financial compensation and benefits and merit based performance evaluation. It was concluded that the biggest challenge for organizations is that when new employees appointed, it is difficult to merge them in organizational culture. Each organization has its own unique culture and most often, when brought together, these cultures clash. When there is no retention, employees point to issues such as identify, communication problems, human resources problems, ego clashes, and intergroup conflicts, which all fall under the category of “cultural differences” [13].

#### **(9) Customer retention**

Levesque and McDougall (1996) investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. They identified the determinants which include service quality dimensions (e.g. getting it right the first time), service features (e.g. competitive interest rates), service problems, service recovery and products used. It was found, in particular, that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch [14].

Clark (1997) studied the impact of customer-employee relationships on customer retention rates in a major UK retail bank. He revealed that employee and customer perceptions of service quality are related to customer retention rates and that employee and customer perceptions of service quality are related to each other [15].

Clark (2002) examined the relationship between employee's perceptions of organizational climate and customer retention in a specific service setting, viz. a major UK retail bank. Employee's perceptions of the practices and procedures in relation to customer

care at their branch were investigated using a case study approach. The findings revealed that there is a relationship between employee's perceptions of organizational climate and customer retention at a micro-organizational level. He suggested that organizational climate can be subdivided into five climate themes and that, within each climate theme, there are several dimensions that are critical to customer retention [16].

Hansemark and Albinsson (2004) explored how the employees of a company experience the concepts of customer satisfaction and retention. They used phenomenological method, allowing the informants own interpretations to be discovered. Satisfaction was discussed from three perspectives: definition of the concept, how to recognize when a customer is satisfied, and how to enhance satisfaction. The informants experience pertaining to these three categories varied, and a total of seven ways to define, recognize or enhance satisfaction were discovered. These were: service, feeling, chemistry, relationship and confidence, dialogue, complaints and retention. All except the first two of these categories of experience were found to enhance retention, implying that the informants have found that strategies for enhancing both satisfaction and retention are similar [17]. The strongest connection between retention and satisfaction strategies turned out to be in terms of relationship and confidence.

#### **(10)Environmental concerns**

It is quite clear from the recently formed Copenhagen climate council (CCC) that there is a severe need for environmental awareness among all the countries of the world. CCC published thought leadership series on climate change which is a collection of inspirational, concise and clearly argued pieces from some of the world's most renewed thinkers and business leaders on climate change. The objective of the pieces is to assist in enhancing the public and political awareness of the actions that could have a significant impact on global emissions growth and to disseminate the message that it is time to act. The thought leadership series was aimed at explaining and spreading awareness of the key elements in the business and policy response to the climate problem. The rationale for the thought leadership series was to change the focus of people.

#### **(11) Social and ethical aspects**

There are some banks, which proactively undertake the responsibility to bear the social and ethical aspects of banking. This is a challenge for commercial banks to consider the aspects in their working. Apart from profit maximization, commercial banks are supposed to support those organizations, which have some social concerns.

Benedikter (2011) defines social banks as “banks with a conscience”. They focus on investing in community, providing opportunities to the disadvantaged, and supporting social, environmental, and ethical agendas. Social banks try to invest their money only in endeavors that promote the greater good of society, instead of those, which generate private profit just for a few. He has also explained the main difference between mainstream banks and social banks that mainstream banks are in most cases focused solely on the principle of profit maximization whereas, social banking implements the triple principle of profit-people-planet [18].

Goyal and Joshi (2011 b) have concluded in their study on social and ethical aspects of banking industry that banks can project themselves as a socially and ethically oriented organization by disbursement of loans merely to those organizations, which has social, ethical and environmental concerns [19].

## **CONCLUSION**

Over the years, it has been observed that clouds of trepidation and drops of growth are two important phenomena of market, which frequently changes in different sets of conditions. The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some challenges.

The article discusses the various challenges and opportunities like rural market, transparency, customer expectations, management of risks, and growth in banking sector, human factor, global banking, environmental concern, social, ethical issues, and employee and customer retentions. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies.

## **SUGGESTIONS**

As per the above discussion, we can say that the biggest challenge for banking industry is to serve the mass market of India. Companies have shifted their focus from product to customer. The better we understand our customers, the more successful we will be in meeting their needs. In order to mitigate above mentioned challenges Indian banks must cut their cost of their services. Another aspect to encounter the challenges is product differentiation. Apart from traditional banking services, Indian banks must adopt some product innovation so that they can compete in gamut of competition. Technology up gradation is an inevitable aspect to face challenges.



The level of consumer awareness is significantly higher as compared to previous years. No-a-days they need internet banking. Mobile banking and ATM services.

Expansion of branch size in order to increase market share is another tool to combat competitors. Therefore, Indian nationalized and private sector banks must spread their wings towards global markets as some of them have already done it. Indian banks are trustworthy brands in Indian market; therefore, these banks must utilize their brand equity as it a valuable asset for them.

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## CORPORATE SOCIAL RESPONSIBILITY (CSR) – THE JOY OF SPREADING SMILES

Sanjeev Kumar Khare\*

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### ABSTRACT

*Corporate Social Responsibility also called Corporate Conscience is a voluntary and inbuilt mechanism in the business model to embrace through various activities like primary education, women empowerment, hospitals, free drinking water, rehabilitation etc, for fulfilling Corporate's obligation towards the society at large. Of late there has been a lot of innovation and improvisation and many organisations are encouraging their employees to actively participate in CSR initiatives. Philanthropy and CSR are not synonymous; while Philanthropy is an act of benevolence, emanating from compassion, CSR is deliberate. Though India's GDP has grown by 9%, the rift between rich and poor is widening; the wealth has not percolated to the poor and marginalised. This is not a good sign and environment for Corporate's survival and prosperity. The Companies Act 1956 now contain provisions for compulsory CSR. Both Private and Public Sector which would be required to spend 2% of net profits. Though not mandatory but as an unwritten rule the CSR activities are included in Director's Reports. Global Reporting Initiative (GNI) is incorporated in the financial reporting routinely. The format is accepted by about 1550 organisations across 63 countries and about 48 companies in India.*

**Keywords:** *Corporate, Corporate Social Responsibility, Philanthropy, Global, Ministry of Corporate Affairs, Global Reporting Initiative.*

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### INTRODUCTION

This article ponders over the salient features of Corporate Social Responsibility(CSR), how it is different from Philanthropy and the paradigm shift from traditional models to Social innovations, It also dwells on the transitory phase from the voluntary efforts to mandatory compliances, in the wake of recent amendments to The Companies Act 1956, making CSR compulsory. The article further deals with the broad comparison between Indian and Global Scenario.)

1. Prologue:

1.1 Corporate Social Responsibility (CSR)- The art of giving:

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Corporate Social Responsibility also called Corporate Conscience is a voluntary and built in mechanism in the business model to embrace through various activities undertaken in the public interest for fulfilling Corporate obligation towards the society. Though the exact origin of CSR is not known but it gained popularity in the late 1960s and early 1970s more so with the advent of Multi National Corporations (MNCs) in India and the world over. Corporate Social Responsibility is driven by the strong desire to look beyond the shareholders and take care of the welfare of different stakeholders including that of the society at large. Interestingly some corporate houses look at CSR as an investment which will help them in the long run towards brand building and brand equity.

## **1.2 CSR v/s Philanthropy;**

CSR and Philanthropy are many times considered as synonymous. CSR is not benevolence or charity. Philanthropy is an act of kindness, emanating from compassion, while CSR is deliberate. It is the urge of the corporate to give back in return to the society to which it legitimately owes. It is the thought that radiates from the philosophy to pay back to the society of which the corporate is an integral part. While CSR is directly related to all the corporate organizations operating in India, whether it is Indian or foreign company, the Philanthropy knows no bounds, the entire world is the society for Philanthropists. Bill & Melinda Gates have been the trendsetters in Global CSR and the Foundation established by them is really doing commendable work in INDIA and other underdeveloped countries. Similarly Michael & Susan Dell Foundation are also doing laudable work in India since 2006. There is certainly a dividing line between the Philanthropy and CSR, which may become thinner & thinner, get blurred at times but will never disappear. There is another school of thought and the corporate who subscribe to this school argue that Philanthropy through their public charity trusts should be considered as CSR so that they will be able to fulfill the obligation in the wake of Compulsory CSR.

## **2. Literature Review:**

The Literature on the subject is not in abundance, hence extensive literature review could not be undertaken. Most of the information is available with the websites in public domain and that of the individual organizations.

Bindu Prasad Mohanty, a CSR expert, in his research paper "Sustainable Development vis-a-vis Actual CSR," remarked that the passionate attitude of corporate houses towards people and planet, will bring lot of changes in business of the organization.

Yeosun Yoon, Zeynep Gurham, Norbort Schwarz; in their article- (Journal of Consumer Psychology, Vol 16, 2006), have to say "CSR Activities improve companies image, even the companies with bad image are benefitted by CSR in their business".

Abigail McWilliams, Donald S Siegel and Patrick M Wright - (Journal of Management Studies -Wiley on line Library) Vol 43, (2006), commented that " The

corporate leaders are Mindful of the facts that business norms and standards, regulatory framework and stakeholders demand can vary across the Nations, Regions and Lines of business but the purpose broadly remains the same and so the CSR has remained inescapable."

Shashank Shah in his paper "CSR in Indian Public Sector Organisations-case study of Bharat Petroleum Corporation Ltd," *Journal of Human Values- Vol 16, October 2012.-* says that BPCL has taken community rehabilitation a CSR innovative initiative. It has realized the importance of society and the consumer who are hailing from the society.

Kenel Kassel-same *Journal-* argues that the epistemologies of economic consideration in industrial practices will successfully avert global crises and help the human life.

Sanjay K Agarwal in his book -*CSR In India*" (2008) opines that "CSR can be used as a marketing tool and for business benefits. It has roots in philanthropy. It will help organizations for long term sustainability.

### **3. Genesis and Scope of CSR:**

#### **3.1 Genesis:**

The rationale that drives the CSR initiatives is simple. Though our country's GDP' has grown by 9% the wealth has not percolated to the poor and marginalized. The rift between the rich and poor is widening and this is certainly not a good sign and environment for the Corporate to survive and prosper. The Corporate creates wealth for themselves and a privileged few say members of the Board. While the owners should enjoy the wealth they have earned with their hard work, business acumen and skill, they need to payback the societal debt. The Corporate have to invest in manpower which is coining from different stratum of the society in order to combat the growth boom. Merely writing the cheque is not enough but all the Corporate that are financially healthy should invariably earmark at-least 1-2% of their annual profit for CSR. It is sad that we need a Warren Buffet, Bill and Melinda Gates or Dell to tell our Corporate the need and significance of CSR.

#### **3.2 Scope of CSR:**

The scope of CSR is gargantuan. encompassing the large spectrum of activities, ranging from primary education, women empowerment, building roads, houses, provision of free drinking water, community centers, laying down roads, providing transport, rehabilitation following the aftermath of natural catastrophes like flood, tsunami, earthquake, famine or man-made tragedies like fire, accidents, to generating employment avenues for the downtrodden, disabled and unprivileged. In the field of education activities such as building schools, classrooms, providing free furniture, uniforms, books, giving

scholarships, school buses etc, can be included in the list. In health care sector activities like building hospitals, primary health centers, providing mobile vans, ambulances, organising medical camps, distribution of free medicines, donating beds and equipments to hospitals are covered. The comparatively newer areas are conservation of environment and ecology; which has extended the spectrum of CSR i.e. giving back to the nature and the community, promoting cooperative farming, establishing sports academy, bringing world class higher education to the villages et al. Many corporate prefer to partner with the NGOs so that they can get involved though indirectly and at the same time monitor the projects. But the Thermax Director ANU AGA is skeptical about taking the NGO route. She feels transparency is a big issue with many, and they guzzle a larger chunk of sponsorship money in the veil of administrative costs leaving very little for the CSR initiatives.

### **3.3 CSR and Reporting in India:**

It is not mandatory to write the CSR activities in the Annual Report but it has become an unwritten rule to include the same. In-fact many Corporates highlight the CSR activities prominently in their Annual reports to steal the popularity. When it comes to reporting, the Corporate do not follow the principles even in case of charity the left hand should not know what the right hand does, and indulge in publicity gimmick by disguising the charity as CSR though both are poles apart. Practically it is not unethical to report the CSR initiatives which are genuine but trying to garner huge publicity even for constructing a toilet is not at all desirable. Many are of the opinion that reporting is merely window dressing or an attempt to pre-empt the role of Government as a watchdog over powerful Corporate.

### **4. International Scenario in the CSR:**

1. The format which is widely accepted in the International circles is Global Reporting Initiative (GRI). It is incorporated in the financial reporting routinely. The format is accepted by more than 1550 organizations across 63 countries. In India about 48 companies follow this format. There is one more format namely Nasdaq OMX CRD Global sustainability Index. The areas, activities covered in this Index appear to be more rational like carbon credits, energy usage or savings, water consumption, employee safety, hazardous and non hazardous waste, community investing. The corporate have to show the impact of these activities on their performance and revenue generation. The Sarbanes-Oxley Act popularly known as SOX Act (section 404) makes reporting mandatory for the US companies. They have to just spell out social spends in the financial statements, no amount is fixed by the Government. Besides the Exchanges have different parameters and indices to assess the company's performance. In the UK most of the top listed corporate report their CSR accomplishment to London Stock Exchange. It is a voluntary exercise. Sustainable development activities are

considered important to valuation of the company and it also adds credence to the P & L performance.

2. It is an recent phenomenon in Australia which is a wealthy country with extensive government social support including universal health care. There is no clear consensus in Australia about the CSR in fact the term has not been defined. CSR has a recent history an traditionally seen revolving round sponsorship (cultural, Sports etc), and other philanthropic acts or cash donation. Largely "PAT-A- POOR - PERSON " approach. The turning point was the extensive coverage by media in 1994 how the OK Tedi Mines in PAPUA-NEW-GUINEA operated by Australia's largest company BLIP caused environmental hazard by dumping more than 80,000 tonnes of wastes a day in to the OK Tech River spoiling 1558 square Km of vegetation. The Corporation Act 2001 contains references about CSR, but both the Act & the Australian Constitution clots not regulate CSR and leave it to companies.
3. Finnish companies in Finland are proactive and take CSR quite seriously. Today CSR an important agenda in their Board Moms. In the new era the CSR activities in Finland mainly relate to Human Rights, Child Labour. Quality of life at workplace and surrounding communities. Many Finnish companies work in tandem/sync with NGOs. Most of the progressive Finnish companies synergies CSR within business and communities.
4. Dramatic development has taken place in Sweden in the last decade in the turf of CSR. Now it embraces of various activities like health care, free kindergarten and recreation zones for citizens etc.,
5. CSR landscape in Belgium:- It is a small country/ federal state with high population density. In Belgium CSR reporting is mandatory. There are alternative methods, but the most common being Global Reporting Initiative.
6. Saudi Arabia a special tax @5% is levied by the Government (Department of Revenues). The amount so collected is spent on the socially beneficial projects. It is therefore a CSR tax rather than CSR.
7. In China CSR is purely voluntary and as far as reporting is concerned many MNCs and companies featuring in Fortune 500 list, adopt GUI guidelines. Government companies include CSR reports in their Balance Sheets.
8. In Japan the reporting is voluntary. Companies have been seriously following the norms and the reporting has been a part of their annual disclosures since 1990s.

## **5. Marquee of CSR Corporate:**

### **5.1 Gallery of India Inc:**

#### **Down the memory lane- The pioneers:**

1. 1857 Sir Jamshedjee Jeejeebhoy established JJ School of Art, has about 126 notable Public Charities.
2. 1892 JN Tara endowment scheme for higher education was established much before Rockefeller and Carnegie set up their philanthropic foundations in US.
3. 1932 Dorabji Tara established the Sir Dorabjee Tara Trust non sectarian philanthropic organizations in India.
4. 1942 Jamanalal Bajaj Seva Trust set up. JBIMS set with the donations from the trust.
5. 1952 At the invitation of PM Jawaharlal Nehru. Ford Foundation opens office in India.

#### **TOP 10 Givers (in terms of PAT) :**

6. In terms of donation to PAT ratio the top ten Indian corporate are JSL Stainless, Sabha Developers. Hindusthan Construction Corporation. Mundra Port & SEZ, Elecon Engineering, Gujrat Narmada Valley Fertilisers, Torrent Power, Jaiprakash Associates, Gujrat Alkalies & Chemicals ranging from 31.2% to 3.1%

### **5.2 Gallery of International Corporate and Icons:**

#### **The Corporate:**

1. 1981 French author Dominique Lapierre sets up City of Joy Aid.
2. 1998 Steve Waugh becomes the patron of Calcutta Girls foundation.
3. 2000 Gates Foundation announces \$30 million to support polio vaccinations.

#### **The Icons:**

**Lance Armstrong** 6 time Tour de France winner who survived testicular cancer that metastasised to his lungs and brain went on to become a powerful symbol of man's fighting spirit donated about \$31 million in 2010 for cancer patients.

**Rockefeller Foundation** was set up for modernization of agriculture in developing countries. It gave amazing results by doubling of Mexican food production between 1943-63 and that of India between 1951-71.

**Michael Jackson** the legendary pop singer and charitable fund raiser for AIDS donated \$1.5 million to Michael Jackson Burn Centre for children at Bauman centre.



**Sting** the musician, cofounded The Rainforest Foundation to save rainforests in South America. A species of Columbian tree frog, *Dendropsophus stingi* was named after him.

**Hyundai boss Chung Mongkoo** 73 donated \$656 million [710 billion won] as charity to Hyundai Glovis from 2007 to 2011. It will be interesting to note here that he was awarded a three year suspended jail term in 2006 for breach of trust & embezzling more than \$100 million in company funds to raise slush funds. Source-PTI 28/8/2011

**Vinoba Bhave** began Bhoodan movement in India in 1951.

### 5.3 The world Rankings:

In world ranking the top position is occupied by Australia & Newzeland, Ireland and Canada on no 3. Switzerland and USA at no 5, Netherland on 7, UK and Sri Lanka on 8<sup>th</sup> spot.

In terms of % of giving money Australia in on the top followed by New Zeland, Ireland, Canada with India at no 14.

In terms of % of giving time again the same slots are occupied with India at no 12.

The rankings as charity contribution %to GDP USA -2.20% and India with 0.60% while China has 0.10%

## 6. CSR Spectrum:

### 6.1 Latest trends- The broadening Horizons:

It is really overwhelming to see how tile corporate have innovated and improvised the traditional methods of CSR and how they have invented myriads of new methods. Some of the leading examples are given below:-

1. Leading Car manufacturer BMW on behalf of employees is sponsoring 375 children through World Vision India -Source PTI July 11 2011- Child Sponsorship Program. It is working in 12 villages of Karnataka in the areas of education like giving school bags, books and also providing infrastructure in schools. Since 1991 it is operating 14 special projects for the HIV & AIDS, located in high prevalence states and districts.- @With more than 50 years of experience at grass root level, world vision provides end-to-end solutions for CSR projects and development initiatives across the country.
2. **Coca- Cola** in collaboration with World Vision, constructed 20 rain water harvesting tanks in Barabanki UP.
3. **HCL Technologies** Chairman SHIV NADAR, Padma Bhushan gifted a million shares of HCL Technologies to Sri Sivasubramania Nadar College started by him



in Chennai in 1996. Set up \$600 million Shiv Nadar University in UP to chart a new course in higher education.

4. **The AV Birla Group** adopted a village called Kharach in Gujrat and in collaboration with village panchayat built schools and other facilities. It also provides mid-day meals to 25,000 children in Rajasthan through NAANDI an NGO.
5. **TVS** works for sustainable development in SST (Srinivasan Service Trust) Villages and helped 40% families to earn Rs10,000/- a month.
6. **Vedanta** also provides food to 250,000 children through NAANDI in Rajasthan, Chhattisgarh and Orissa.
7. **ITC Hotels** and Eureka Forbes provided employment to 300 & 60 people with disabilities respectively, while Costa Coffee and KFC outlets plan to give employment to 400 such people.
8. **Mahindra** has a goal to plant 150,000 trees in Borgad forest in Nashik by 2013.
9. **ICICI** finances the waste management in Maharashtra, Rajasthan, Tamil Nadu, Markham', Bihar and Orissa.
10. **Hindustan Uniliver** has plans to improve farmer's livelihood through water conservation while ITC is providing additional water for irrigation in Rajasthan, MP, Bihar, Tamil Nadu and Andhra Pradesh.
11. **WCL** 3 Nagpur based coal mining CPSU, subsidiary of Coal India Ltd. has recently disclosed plans to spend Rs 23.17 Crores on CSR- The Hitavada English Daily Nagpur 12/7/2011.

There are many NGOs and lesser known organizations who are doing commendable work in the area like education for underprivileged children, providing sewing machines to village ladies, health care at cheap rates, cheap lighting for tribal villages,

## 6.2 CSR- Public vis a vis Private Sector an overview:

It is certainly debatable as who should be credited for being pioneer in the CSR but undoubtedly the erstwhile TISCO should be crowned for planning and building a beautiful and meticulously architected city like Jamshedpur I now Tata Nagar I in 1908, which runs without any municipal corporation even today. The Public Sector Enterprises (PSEs) by default have been engaging in the CSR activities as they are funded by public money. For many PSEs it rather becomes necessary as their performance is always under scanner by multiple Government agencies, Parliament, State Assembly, JPC, C&AG etc.,. The recent studies have shown that PSEs normally follow the practice of triple bottom line TBL

or 3BL i.e. People, Planet and Profit or the 3 Pillars. Conversely for the Private Sector Corporate it becomes a matter of survival in the era of cut throat competition and it helps them to keep gleaming in the public eye. Although the comparisons in this sphere are incongruous, yet a good number of corporate both in Public & Private sector have done a laudable job in CSR.

### **6.3 Motivating Employees for CSR:**

There has been a lot of innovation & improvisation in CSR related activities. Many organizations are encouraging their employees to actively participate either directly or indirectly in CSR initiatives.

**At IBM** a month's leave with full salary, all expenses paid trip abroad known as social sabbatical is the in thing under the aegis of CSC Corporate Service Corps". The employees are sent abroad to work with NGOs or some social group for various social welfare programs. The selection process is very rigorous and only top performers are sent. Few of the Indian companies have joined the bandwagon and sincerely thinking of Global CSR as their business operations are spread across the continents.

**Bharti Airtel** has established Bharti Foundation, which has started 240 schools in remote areas, and are encouraging their employees to get associated with these schools mainly in the capacity of a teacher. The experience has been mesmerizing for many employees and changed their life, besides Fostering a sense of belongingness and loyalty towards the employer. Source Economic Times page 23 Aug 7-13

**M&M** donates 1% out's PAT to social activities which are administered by it's employees known as ESOPS Leader & ESOPS Champion. The major areas of activity are health, education community & environment.

**LG India** too solicits voluntary participation from it's employees.

Few of the Indian companies have joined the bandwagon and sincerely thinking of Global CSR as their business operations are spread across the continents.

## **7. CSR and Company Law:**

### **7.1 The Companies Act 1956:**

In its present form does not contain any provision for making CSR compulsory. It is left to the individual organizations' conscience to realise CSR as moral responsibility and to fulfill it to the best of their financial capacity. Unlike the Report of the Board of Directors which must contain a paragraph on Corporate Governance: the Act does not make it compulsory to include some write up on CSR. The trend however is to highlight the CSR activities in the Director's Report to the shareholders. As the annual report of public limited companies is a public document the corporate can certainly draw some

mileage and use it for brand equity from the real footage showcasing their CSR initiatives. The position has however undergone change and the new companies bill 2011, which is passed by the Cabinet on 4<sup>th</sup> October 2012, contains provision for the compulsory CSR which is discussed in the following para. The provisions of the bill are reproduced below:-

**Social Responsibility (Clause 135)** – "Every company, having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Corporate Social Responsibility Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and the Board of every company referred to in sub-section (1). shall make every endeavor to ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount."

## 7.2 CSR Blues:

It will be worthwhile to peep into the background of the compulsory CSR that lead the pedestal in the Companies Bill 2011. The MOCA [Ministry of Corporate Affairs/ decision to make CSR compulsory stirred a hornet's nest and given birth to lot of hullabaloo among the India Inc. It was the then Minister of Corporate Affairs Mr Murli Deora in the recent Cabinet reshuffle Mr Sachin Pilot has been made Minister of State of MOCA.] who said that mandatory CSR for Corporate will ensure inclusive economic growth. There have been wild reactions from the corporate honchos and czars calling it an totally undemocratic to unconstitutional move. J. J. Irani of Tata Sons called it a misplaced concept and feels that many companies will cook up the figures and present it in their reports. Naresh Chandra one of the India's most respected Independent Directors, termed it as an Tax. Top corporate lawyer S.S Shroff feels it can be challenged in the court by the Companies. Azim Premji of WIPRO has termed it as undemocratic. Rahul Bajaj feels CSR is a question of conscience and can not be made mandatory. According to Chandrajit Banerjee Director General of CII the move will prove counterproductive. Many fed that it will lead to artificial spend. CSR [read C for compulsory I origin can be traced to the BJP's India Shining campaign through which it bombarded the entire electorate through TV channels (footage repeated almost every 2- 3 minutes) till they dropped dead deaf. The term entered bureaucratic lexicon when the then Finance Minister Yashwant Sinha mooted

the idea which eventually got into the redraft of Companies Bill. The MOCA is yet to spell out the modalities. While the private sector Corporates are cynical, the MOCA finds full support and solace from the entire Public Sector clan. Most of the PSUs are believed to be spending more than 2% already. The Director General of SCOPE (Standing Conference on Public Undertakings) U.D. Choubey, fully justifies the Government's stand. He feels if such a policy is not announced, an order of the Supreme Court may not be far away like it happened in case of Environment Protection. It is an irony that while MOCA gets full support from PSUs, Planning Commission's Deputy Chairman Montek Singh Ahluwalia opposes compulsory CSR leaving the government in a catch 22 situation. He has in a way lent a shoulder to private sector to lean on. In his opinion it almost tantamount to TAX and suggested that the Government instead should increase Corporate Tax from 30% to 32%. According to the SMC Global report an estimated amount of Rs 8.700 Crores per year will be spent by India Inc, which is massive by any standard and unless there is proper system in place to monitor, the misuse of funds can not be tided out. Source PTI. CSR has to be related to your core business feels Roel Nieuwenkamp-Chair on Investment and CSR Organisation for Economic Co-operation and Development [OECD]. He is also of the opinion that CSR should not be enforced through legal enactments. Business world 29/8/2011 pages 43 & 45.

### 8. Scope for Further Research:

The subject of CSR is very significant and challenging in the present scenario particularly when the MOCA has made it mandatory for the corporate sector in India. Thus both the public as well as private sector will have to abide by the provisions laid down in the Bill, soon going to become an Act. CSR has now become an integral part of the Board of Directors agenda and it has to be taken up with full seriousness and sincerity. There are many experts both at individual and company level who render advice on CSR projects and activities. The author feels that there is a good scope for further in depth research in this field which will certainly add value and volumes to the existing literature and also help the government agencies to chart the future course of action and the effective implementation of the law of the land.

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NB :- The word corporate indicates single as well as plural meaning.

## INFORMATION TECHNOLOGY IN INDIAN BANKING SECTOR

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### ABSTRACT

*The banking sector is in a transitional mode towards a vibrant global market and sophisticated information technology. Due to this changing scenario, banks are paying more attention to expanding their activities from just lending and borrowings to other ends like, insurance merchant banking, leasing, and electronic banking etc. even though these changes were expected after the nationalization of banks in 1969, it was noticed that it had only slow and steady progress necessitating a total revamping of the banking sector. Various reform measures were taken to strengthen the foundation of the system by improving asset quality, enhancing capital and improving profitability along with structural changes in the system. During this transition, banks have seen fierce competition, risk, and revolutionary changes forcing them to take immediate steps to retain market share, redress the grievances of customers as fast as possible by maintaining good ambience, rendering courteous services to customers with the help of latest technological innovations and products like internet banking, ATM, debit/credit cards, EFT, E-cheque, phone banking, mobile banking etc.*

**Key words:** e-banking, electronic fund transfer (EFT), electronic clearing services (ECS).

### INTRODUCTION

The term “information technology” describes the phenomenon created by the convergence of technologies associated with computing, communication and office systems. In the past, most accounting procedures in banks were paper oriented. With the advent of new techniques like computers, electronic equipments and communication network, the modern accounting systems have undergone a sea-change both in their preparation and presentation. The traditional system of preparing the account at quarterly, half yearly and annual lost their relevance since the information are constantly up-dated

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and made available at anytime and anywhere. The information technology enabled the banking organizations to redesign and restructure their functioning.

These services provided by using electronic technology and media are called information technology or electronic banking or e-banking. E-banking has given an opportunity for banks to find solutions to management problems like saving time money and energy or customers by reducing/minimizing paper works, waiting in queues, lack of communication and lack of efficiency. e-banking has provided ease and flexibility in banking operations. The recommendations of Narashimham Committee (1998), for the free and liberal entry of foreign banks in India have further improved the scope for e-banking. As many foreign banks and private sector banks like CITI bank and ICICI, HDFC banks brought with them IT based products like ATM, credit cards, debit cards, on-line banking etc. this forced the public sector banks and other banks to think on the same lines as these services would help banks to retain their customers, target on banking products and services more effectively to customers.

### **Application of information technology in banking sector**

The banking sector is in a transitional mode towards a vibrant global market and sophisticated information technology. Due to this changing scenario, banks are paying more attention to expanding their activities from just lending and borrowing to other ends like, insurance merchant banking, leasing, and electronic banking etc. even though these changes were expected after the nationalization of banks in 1969, it was noticed that it had only slow and steady progress necessitating a total revamping of the banking sector. Various reform measures were taken to strengthen the foundation of the system by improving asset quality, enhancing capital and improving profitability along with structural changes in the system. During this transition, banks have seen fierce competition, risk, and revolutionary changes forcing them to take immediate steps to retain market share, redress the grievances of customers as fast as possible by maintaining good ambience, rendering courteous services to customers with the help of latest technological innovations and products.

Globalization and liberalization have forced the banks to think in terms of technology benefits and quality service to customers as future is full of challenges and survival will be a difficult task. The entry of IT infrastructure in the corporate world of banks has brought with it many innovations, in particular the internet. Though these changes had started with Narasimham Committee's (1992) suggestions for computerization and were followed by Saraf Committee's (1994) recommendations for electronic fund transfer (EFT), electronic clearing services (ECS) and automatic data capture, the banks were actually required to use the BANKET and RBINET and internet to accommodate itself to the innumerable transactions that had resulted as a result of globalization and liberalization.



The Indian banking industry is not lagging behind; it has started providing services electronically over the internet. These services rendered over electronic media include:

- ✓ Internet banking
- ✓ Automatic teller machines (ATM)
- ✓ Plastic cards
- ✓ Electronic fund transfer (EFT)
- ✓ Special electronic fund transfer (SEFT)
- ✓ National electronic fund transfer (NEFT)
- ✓ Real time gross settlement (RTGS)
- ✓ Money transfer service scheme (MTSS)
- ✓ Electronic clearing service (ECS)
- ✓ Electronic data interchange (EDI)
- ✓ E-cheques
- ✓ Point of sale (POS)
- ✓ Dematerialization
- ✓ Phone banking
- ✓ Mobile phone banking

**Internet banking:**

Online banking, e-banking, electronic banking, net banking or banking over the internet are the buzzwords of business today-they are commonly used in the banking industry. It is the information technology which has revolutionized the way of the banking both at the local, national and international level. It is a cutting edge technology, a new business paradigm. E-banking is a concept which will enable anyone to conduct business with a bank from the comforts of the home or office. ATM, telephone and personal computers are the delivery channels for the e-banking system.

**Automatic teller machines (ATM):**

ATM's used as spring board for electronic fund transfer. ATM itself can provide information about customers account and also receive instructions from customers-ATM cardholders. An ATM is an electronic fund transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay bills. ATM operates through plastic cards. Bank customers can use banking transaction in ATM at anytime and anywhere. There are more than sixty thousand ATM outlets are there in our country.

**Plastic cards:**

Plastic cards are credit/debit cum ATM cards used at ATM and in mercantile establishments for electronic banking transactions.



**Credit card**

Credit card is one of the forms of plastic money. It is also one of the services of e-banking system. A credit card is a plastic card with a magnetic strip on which the required vital information of identity like the name of the card holder, account number, credit limit, date of validity, issuing organization, specimen signature of the card holder etc are enclosed. A credit card enables the holder the cashless purchase of goods and services at selected places. Credit card can be called as an equivalent of a loan sanctioned by the bank to the customer. Credit card facilitates and makes it possible to 'use first and pay later'. Survey of credit card industry reveals that around 180 lakh credit cards are in circulation in our country. RBI release that the value of transaction done through credit card is registered as 96,614 crores.

**Debit card:**

Debit card is of recent origin issued to the account holder in order to save time and then do all cash transaction easier through computerized method. A debit card is a piece of plastic bearing the name and computer number of the holder, its validity period and other particulars. It also bears the signature of the holder.

Debit card is used to withdraw cash up to a certain limit through ATM centre. Banks also give discount on making purchased of goods by using debit cards in mercantile establishment through point on sale (POS) terminal. The debit card market has been seeing a remarkable growth over the years in Indian payment card industry. The number of debit cards issued by banks registering around 29 crores at the end of 2011-12 financial years. The value of transaction done through debit card is registered as 53,432 crores.

**Electronic funds transfer (EFT):**

Electronic funds transfer is a system of processing and communication of payment through electronic methods. EFT assumes greater significance in the banking system as the RBI also encourages the commercial banks to adopt this technique. Inter and intra bank transfers of funds are now made through this EFT mechanism. Transactions of high value i.e., at least more than one lakh is now made through this cost effective and quick system of settlement. Normally, payments are made through cash, cheques, drafts and credit cards. The latest in this process are the debit/credit card system, digital cash, and electronic purse and so on.

**Special electronic fund transfer (SEFT):**

The SEFT scheme was introduced by RBI in 2003 for inter-bank transfer of funds. The settlement takes place at Mumbai. The SEFT is distinct from the now defunct electronic fund transfer scheme and it covers many cities providing quicker transfer of funds in a safe and secure electronic mode.

**National electronic fund transfer (NEFT)**

NEFT helps to transfer of funds from the customer account of one bank to other bank customer without any delay or procedural hassles. RBI acts provider and transfers the credit other bank's account. This system is introduced by RBI mainly to sent small value payments at nominal cost. It is an electronic payment system to transfer from one part of the country to any other part of the country.

**Real time gross settlement (RTGS)**

RTGS is a system through which electronic instructions can be given by banks to transfer funds from one their account to the account of another bank on a 'real time' basis. This system helps to transfer funds quickly and safely. RTGS facility is enabled only in specific bank branches in India.

**Money transfer service scheme (MTSS)**

The RBI has issued the guidelines for money transfer service scheme. MTSS is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India through authorized banks, fully fledged money changers (FFMCs) or registered non-banking financial companies (NBFCs) and approved travel agents.

**Electronic clearing services (ECS)**

Electronic clearing of funds from one centre to another for handling bulk transactions like salary, interest, dividend, commission etc., has dispensed the cheques. A part of electronic clearing service is computerized clearing of cheques at metropolitan centres and linking with international communication system of SWIFT. These services have contributed in a great way towards improving the customer's services globally. ECS was introduced in India in 1996. It has made it possible for customers to get the funds next day itself.

**Electronic data interchange-EDI:**

EDI refers to the electronic exchange of structure information using telecommunication like payment orders, debits credits, statement of account etc. as part of EDI, satellite communication network is also entering the banks. EDI will very soon do away with branch banking and the customer's will be identified as ban customer and not branch customer.

**E-cheque:**

Digital cheque used by the payer to the payee through internet is called e-cheques. Electronic versions of cheques are issued, received and processed. Most of the banks use e-cheques. A secure means of operation is provided for collecting, payments, and

transferring cash flows through this method. The payer issues a digital cheque to the payee and the entire transactions are done through internet.

**Point of sale (POS) terminal:**

Payment card at a retail location for electronic transfer of fund is called POS. the client enters his personal identification (PIN) and confirms the amount due. customer account is automatically debited with the amount of purchases and it credits the retailers account. POS installed at petrol stations and large retail houses are linked to banks network. The value of transactions done through POS is registered.

**D-mat accounts:**

Transacting shares business through electronic media is called D-mat. Investor opens an account called d-mat accounts with DPS. They get shares in electronic form. Then they send the actual shares to the investors. Investor pays for the opening, maintenance and collection of shares. This has reduced the paper work, bad deliveries; loss of shares and less transaction cost. However delays in demating, higher cost charged by the investors as not given a good start for the growth and scope of d-mate in India. Depository participant sometimes make illegal money at the cost of investors. SEBI should find ways of overcome this to give a good scope for d-mate in India.

**Phone banking**

Bank on phone, provides easy access for customers to have large businesses through telephone. Data are exchanged over the phone regarding any queries, to issue instructions on balance transfer, statement of account, cheque-book, stop payments, new schemes, interest rates etc. at any convenient time and place. Tele banking has gone a long way in providing maximum customer satisfaction within the limited infrastructure.

**Mobile phone banking:**

Conducting banking operations using the mobile phone has been fast catching up around the world for its convenience. One can do their banking operations sitting anywhere, anytime. It is discreet, personalized and on phone. It is an empowering and user-friendly mode of accessing the bank account. The mobile banking service will be available to all customers having a satisfactory running account (current/savings). The customers will have to register for the services. The service will be carrier-agnostic i.e., all customers can avail the mobile banking service with the bank irrespective of the service provider for their mobiles. The service is free of charge. Mobile payments are any monetary transactions that take place with the help of a mobile phone. Mobile payments are done through various types of methods as like

- **M-Commerce**  
Mobile phones linked to credit/debit cards can be used to make payments typically for transportation, vending machines etc.
- **E-Money**  
Cash loaded in the mobile phones at service provider outlets. Consumers use this virtual cash as real value for all types of transactions.
- **Banking channel**  
Mobile phone used for accessing the bank accounts. All payments are routed through the bank.

### Conclusion

The current trends are quite comforting for customer-but it does pose threats and problems to banks. As we find information technology invading the banking sector, only banks, which used the right technology, could come out with success. Banks are required to 'restructure', re-invent and reengineer themselves go meet the necessary performance improvement and get the competitive edge due to the introduction of information technology (e-banking) being an important output of information technology has ushered in an era which is transforming the entire functioning of banks.

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## **E- GOVERNANCE IN INDIA**

**Balbir Kaur<sup>1</sup>, Neha Gupta<sup>2</sup>**

### **INTRODUCTION AND MEANING:**

E-Governance is the use of modern Information and Communication Technologies such as Internet, Local Area Networks, mobiles etc. by Government to improve the effectiveness, efficiency, service delivery and to promote democracy. In other words E-Governance is a process of reform in the way Governments work, share information, engage citizens and deliver services to external and internal clients for the benefit of both government and the clients that they serve. Government harnesses information technologies such as Wide Area Networks (WAN), Internet, World Wide Web, and mobile computing to reach out to citizens, business, and other arms of the government, to Improve delivery of services to citizens, businesses and employees engage citizens in the process of governance through interaction empower citizens through access to knowledge and information and make the working of the government more efficient and effective results in enhanced transparency, convenience and empowerment less corruption; revenue growth; and cost reduction. E-governance is the application of information and communication technology (ICT) for delivering government services, exchange of information communication transactions, integration of various stand-alone systems and services between government-to-citizens (G2C), government to business (G2B), government to government (G2G) as well as back office processes and interactions within the entire government framework. Through e-governance, government services will be made available to citizens in a convenient, efficient and transparent manner. The three main target groups that can be distinguished in governance concepts are government, citizens and businesses/interest groups. In e-governance there are no distinct boundaries. Generally four basic models are available – government to customer (citizen), government to employees, government to government and government to business. Green initiative in corporate governance.

In order to save trees and environment by cutting down the consumption of costly paper habits, the Ministry of Corporate affairs (MCA) has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliance by the Companies under the provision of the Companies Act, 1956. Indian Corporate Regulators have recognized the electronic mode to comply various provisions of Companies Act, 1956. Vide its circular dated April 21, 2011, MCA, stated that a company is in compliance with Section 53 of the Act, if the service of document has been made through electronic mode. In such case, the

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company is required to obtain email addresses of its members for sending the notice / documents through email by giving an advance opportunity to every member to register his/ her email address and changes therein, if any, from time to time with the company.

**DEFINION OF E- GOVERNANCE:**E-governance does not have a standard definition. Different people define it differently, few of the definitions of e-governance are as follow:

According to the WORLD BANK “E-Government refers to the use by government agencies of information *technologies (such as Wide Area Networks, the Internet, and mobile computing)* that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions.”

This definition emphasises on the use of information technologies in improving citizen-government interactions, decreasing cost and increasing revenue and transparency.

The UNESCO definition ([www.unesco.org](http://www.unesco.org)) is: “E-governance is the public sector’s use of information and communication technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective. E-governance involves new styles of leadership, new ways of debating and deciding policy and investment, new ways of accessing education, new ways of listening to citizens and new ways of organizing and delivering information and services. E-governance is generally considered as a wider concept than e-government, since it can bring about a change in the way citizens relate to governments and to each other. E-governance can bring forth new concepts of citizenship, both in terms of citizen needs and responsibilities. Its objective is to engage, enable and empower the citizen.”

This definition stress on the use of the electronic medium, increasing transparency and efficiency.

According to COUNCIL OF EROUPE “the use of electronic technologies in three areas of public action:

- *relations between the public authorities and civil society*
- *functioning of the public authorities at all stages of the democratic process (electronic democracy)*
- *the provision of public services (electronic public services)”*

This definition focuses on making use of electronic technologies in order to encourage better interaction between government and citizens, promote democracy and provide public services.

US E-Government Act of 2002 defines “electronic Government” to mean (Section 3601) “*the use by the Government of web-based Internet applications and other information technologies, combined with processes that implement these technologies, to-*

*(A) enhance the access to and delivery of Government information and services to the public, other agencies, and other Government entities; or*

*(B) bring about improvements in Government operations that may include effectiveness, efficiency, service quality, or transformation”.*

This definition emphasis on the use of ICT in improving Government operations and enhancing the access and delivery of information and services to citizens and government entities.

#### **E-GOVERNANCE OBJECTIVES**

- Greater attention to improve service delivery mechanism
- Enhancing the efficiency of production
- Emphasis upon the wider access of information
- Provide single window system for delivery of services and information to citizens.
- Provide integrated and simplified services to citizens on any time, anywhere basis.
- Decentralize service delivery and improve accessibility of information to citizens.
- Increase the efficiency and productivity of ULBs.
- Re-engineer processes for better service delivery.
- Integrate data and services of various departments.
- Enhance efficient inter-departmental coordination.
- Provide timely and reliable management information relating to municipal administration for effective decision-making
- Adopt a standards-based approach to enable integration with other related applications

#### **KINDS OF E-GOVERNANCE**

E-governance is the application of information and communication technology (ICT) for delivering government services [http://en.wikipedia.org/ wiki/ Government\\_](http://en.wikipedia.org/wiki/Government_)

services, exchange of information communication transactions, integration of various stand-alone systems and services between government-to-citizens (G2C), government to business (G2B), government to government (G2G) Government to Employees (G2E)

**G2C (Government to Citizens)** –Government to citizens is the communication link between a government and private individuals or residents. A link is created between the government and citizens which helps the citizens to take advantage of a large range of public services. This expands the availability of public services and also improves the quality of services. Citizens can interact with the government at any time, means services are available to them 24x7, they can interact from anywhere like from their home, workplace, service centre etc. and for all this they can go with internet, fax, telephone, email, face-to-face, etc. and this makes government and citizen friendly to each other. It will be helpful in the areas like E-education, E-registration, E- Transport, E-Medicine.

**G2G (Government to Government)** –It refers to the internal or external Government to Government data communications. Information and Communications Technology is used to restructure the governmental processes and also to increase the flow of information and services within and between different entities. This kind of interaction can be horizontal like between different government agencies and can be vertical like different levels within the organization or between national and local government agencies. And this way it helps in increasing efficiency, performance and output. It will be helpful in the areas like E-court, E-police, E- secretariat.

**G2B (Government to Business)**–Government to Business is the online non-commercial interaction between local, central government and the commercial business sector. It helps in reducing operational costs, saving time, and in cutting red tape. It creates a more transparent business environment when dealing with the government. The G2B initiatives can be transactional like licensing permits, and revenue collection. They can also be promotional in trade, tourism and investment. This provides a congenial environment to businesses to enable them to perform more efficiently.

**G2E (Government to Employees)**–It is the online interactions through instantaneous communication tools between government units and their employees. It provides e learning to the employees. And promote the knowledge sharing among them. G2E services also include software for maintaining personnel information and records of employees. Government is like an employer and it has to interact with its employees on a regular basis. This is a two-way process between the employer and the employee. Use of ICT helps in making these interactions fast, efficient and in increasing satisfaction levels of employees.



**REVIEW OF LITERATURE:**

SHINU VIG (September 2012) in “ Ensuring better corporate governance through e- governance through e-governance” studies the role of e-governance in ensuring better corporate governance and also highlights the present status of the usage of e-governance in administration of company law and corporate governance.

PROF. SARIKA. R. LOHANA (2012) in his paper “e – corporate governance: a prototype shift in public sector” observed that there is strong need of E-corporate governance in public sector as weak internal corporate governance mechanism, the lack of transparency in the procedures, for corporate acquisitions and control, reveal the information punctually, adequately, clearly, accurately and comparably, should be easy for the stakeholders to access.

ROBERT KRIMMER, MELANIE VOLKAMER “bits or paper? comparing remote electronic voting to postal voting” In analysis they assessed the level of security in remote e-Voting compared to postal voting in a multi-channel election.

SINGH AND ASSOCIATES (nov.2012) in “e-voting a new mandate for listed companies” observed that there are advantages of e-voting but the same may be subject to misuse if a proper watch is not kept on the entire process by the regulators

SEN (2011) in his study seeks to determine the extent to which Indian listed companies disclose their Corporate Governance practices by examining the annual reports of 50 listed companies. Also, the determinants of disclosures have been looked into. His paper concludes that there is a substantial scope for improvement in the Corporate Governance disclosure practices and the size of the company is a significant determinant of disclosures.

GUPTA, NAIR AND GOGULA (2003) studied the Corporate Governance reporting practices of 30 listed companies in Bombay Stock Exchange (BSE), Sensex by extracting Corporate Governance section from the annual report. According to them although the companies provided information related to all dimensions there was considerable variance in the extent & quality of disclosure made by the companies in the annual report.

CHANDRA (2008) in his paper attempts to analyze that good Corporate Governance is a must for today’s complex and dynamic business environment to ensure long-term sustainability. So, it should be cultivated and practiced regularly within the current structure of the business.

SHANKARAI AH AND RAO (2004) in their study attempt to discuss the practice of accounting standards for good Corporate Governance, as it is regarded as one of the

important relevant issues of Corporate Governance, with an objective to make accounting standards useful to ensure better disclosure for good corporate governance.

SHANKARAIHAH AND RAO (2002) envisage the accounting standards and their practices in India, with a view to strengthen the accounting standards and improve their practices for good Corporate Governance. The data for their study are obtained from the annual reports (published during 2001-02) of forty Indian companies of different nature, selected from the top 100 companies in terms of assets.

CHAKRABARTI AND SARKAR (2010) advocate the cross-sectional variation in individual stock returns in India on two specific days when the market was hit by news of significant Corporate Governance failure in a major Indian company that made national headlines for extended periods. They investigate whether the variation can be explained by Corporate Governance variables frequently mentioned in the literature particularly those related to the 'Board', 'Ownership patterns' and 'Auditor/Audit Committee' variables. These are also generally the measures that the Indian stock market regulator SEBI, like its peers elsewhere in the world, has focused on in bringing about Corporate Governance reforms in recent years.

Bhattacharyya, Raychauduri and Vivek Rao (2005), explained the SEBI regulation on Corporate Governance and studied the economic impact of the Regulation in India, one of the biggest emerging markets. The results show that there has been significant reduction in the beta of the experimental group of companies.

CHAKRABARTI (2007) envisages the recent spate of corporate scandals and the subsequent interest in Corporate Governance, a plethora of Corporate Governance norms and standards that have sprouted around the globe. Several committees and groups have looked into this issue that undoubtedly deserves all the attention it can get.

MOLLS AND SHEN (2011), this paper attempts to analyze the value-relevance of accounting measures. The conceptual attempt to clarify the relationship between accounting and capital markets are limited in some respects. The author deals with the problem by referring to and analyzing the findings of empirical studies. It becomes obvious that the current status of the international empirical research is not able to explain the value-relevance of accounting measures. In fact, several restrictions and inconsistent results limit the explanatory power of the previous studies. Therefore, conclusions for the process of standard setting as well as for individual portfolio decisions are hardly to derive.

KHAN (2011), the author reviews the collection of volume of research on Corporate Governance and advocates the significance of effective Corporate Governance. The aim of his review is to check the effectiveness of Corporate Governance and its effective mechanism in running and managing the business operations. The issue of ownership and control and the principal-agent problem and its effect on Corporate

Governance is the main area of research in the review. The findings of the most studies show that effective Corporate Governance reduces the ownership and control problems and draws a clear line between the shareholder and the manager. Finally from the discussion from all articles Khan Reviews provides a general overview of principal-agent problem and ownership and control for the researchers and academic practitioners in the domain of Corporate Governance.

There are many limitations in the review conducted in the paper which can be associated with the lack of time. First, due to shorter period of time the study is conducted only by focusing on studies taking from the perspective of different countries. Each country is located in separate region and the cultural aspect of different nations can influence the practices of the business and its Corporate Governance. Second, less attention is paid on the practical aspect of the Corporate Governance and its practices in real business environment.

SAMEER SACHDEVA (Dec.2002) expresses in a paper entitled "White Paper on E-Governance Strategy in India" the broad issues surrounding the e-readiness for E-Governance in India. It looks into the relationship and application of information, knowledge, information systems, and information and communication technologies in the process of government

### **E-GOVERNANCE IN INDIA**

The concept of e-governance is a reality for India now. We are moving from pilot e-governance projects to Mission Mode projects. The strategy for this is to move ahead in a systematic manner, and to achieve success step by step.

The National e-Governance Plan (2003-2007) of Indian Government lay down the foundation for long-term growth of e-Governance within the country. The plan seeks to create the right governance and institutional mechanisms, set up the core infrastructure and policies and implement a number of Mission Mode Projects at the center, state and integrated service levels to create a citizen-centric and business-centric environment for governance. In 2005, the World Bank signaled its willingness to increase funding further (if required) for a range of e-governance initiatives in India as part of the first phase of the country's National e-Governance Plan (NeGP).

### **NeGP VISION**

*"All Government services accessible to the common man in his locality through a One-stop-shop (integrated service delivery) ensuring convenience, efficiency, transparency & reliability"*

### **NEGP APPROACH**

- Focus on Public Service Delivery & Outcomes

- Process Re-engineering & Change Management are critical
- Radically change the way government delivers services
- 
- Centralized Initiative, Decentralized Implementation
  - Implementation framework accordingly
  - Project Implementation in Mission Mode
  - Empowered Mission Teams - professionals & domain people

***The focus of NeGP is on the following.***

- Adequate weightage must be given for quality and speed of implementation in procurement procedures for IT services.
- Incorporation of a suitable system of incentivisation of states to encourage adoption.
- The trend of delivery of services through common service centers should be encouraged and promoted.
- Wherever possible, services should be outsourced.
- The full potential for private sector investment should be exploited.
- Connectivity should be extended up to block level through NICNET/ SWANs.
- NeGP also envisages significant investments in areas such as government process re-engineering, capacity building, training, assessment and awareness. The plan is to be executed over a four-year period. An apex committee under the Cabinet Secretary is already in place for providing the strategic direction and management oversight.

## **E-GOVERNANCE PRODUCTS AND SERVICES IN INDIA**

NIC is providing network backbone and e-Governance support to Central Government, State Governments, UT Administrations, Districts and other Government bodies. It offers a wide range of ICT services including Nationwide Communication Network for decentralised planning, improvement in Government services and wider transparency of national and local Governments.

Listed below are the few products and services supported by NIC to the e-governance in India:

- AGMARKNET

AGMARKNET aims at connecting agricultural produce wholesale markets in the country for sharing market information. AGMARKNET portal has been evolved to strengthen interfaces among Agricultural Marketing related Government and Non Government organizations, farmers, traders, exporters, policy makers, academic institutions etc. (<http://www.agmarknet.nic.in> )

- **BHUIYAN - Land Records Computerisation**

The web enabled software facilitates the online retrieval of land information. These details of land are generally required by a farmer to apply for a loan from time to time and this software facilitates the easy retrieval of these details from kiosks spread over the state. The other feature is the Administrator can view the abstract of Khasara, Khatauni, Area wise details, Farmer wise details, Revenue collection details of a particular land. (<http://cglrc.nic.in>)

- **ePOST**

Messages can be sent any where in India through Post Offices using the ePOST software. (<http://indiapost.nic.in> )

- **Examination Results Portal**

The First Source of Examination Results on the web, the portal is a one-stop source to get online results of various Academic, Entrance and Recruitment examinations conducted by various government agencies. Some of the important results published on this portal include CBSE, State Education Boards, Universities, Professional Institutes (Engineering, Medical, MBA, CA, etc). (<http://results.nic.in>)

- **Gyandoot e-Governance Project**

Data entry/ updation, Report module, Query module. (<http://www.gyandoot.nic.in> )

- **JUDIS**

JUDIS is comprehensive online library of caselaw that contains all reportable judgements of the Supreme Court of India and various High courts of India. (<http://www.judis.nic.in>)

- **Passport Website**

The site provides general information about Passport visa and other coucellor servises of CPV division, Ministry of External Affairs. Site is backed by a central passport database for the daily status queries. (<http://passport.nic.in>)

- RuralBazar

This Product is used to strengthen the marketing efforts & showcase and sell the products produced by rural poor/ Artisans. (<http://ruralbazar.nic.in>)

- Value Added Tax (VAT)

The VAT application s/w is used by the Taxation Department to monitor the Revenue generated by the State Government in the form of Collecting Taxes and Monitoring of the Sales Returns from the Commercial Establishments in the State. The modules that are ready for implementation are the Registration, Challan, Way Bill, Transit Documents etc. (<http://megvat.nic.in>)

#### LIST SHOWING THE E-GOVERNANCE PROJECTS:

PROJECTS	STATUS
MCA21	Project implemented in 2006
INCOME TAX	Project implemented in 2008
PASSPORT SEVA KENDRA	Project implemented in 2010
IVFRT	Project to get completed by 2014
E-Biz	Project to get completed by 2012
UID	600 million Indians to be enrolled by 2014

#### ADVANTAGES OF E-GOVERNANCE

There are numerous benefits of implementation of e-governance, in order to serve the citizens more and more public internet service centers are building up. Some of its benefits are as follow:

1. Reducing the costs to society: e-governance cut down the administrative costs by reducing the paper work. If government forms and other information are available online it saves the time and money to get it from government offices
2. Increasing efficiency of government: it helps in increasing the efficiency of government in a number of ways, like online meetings can be held, helps in video conferencing which improves the overall efficiency of the government.
3. Transparency: due to e-governance government procedures and responsibilities has got transparent as citizens are more aware of their powers as detailed

information is given on the sites. E-governance allows the government to serve better and allows the citizen to demand more from the government.

4. **More Awareness:** By e-governance people are getting more internet friendly and also their IT exposure has been increased. It produces a major thrust in making citizens aware of IT as an everyday tool not just as a luxury item.
5. **Nation Image:** With the implementation of e-governance the nation's image can be enhanced as it contributes to the enlistment of society. It can be visualized as the country moving towards more and more IT usage, it is moving to the development stage.

### **CHALLENGES OF E-GOVERNANCE**

Some of the challenges faced due to implementation of e governance are as follows:

1. **Lack of key manpower:** As e-governance is new area and more usage of electronic appliances are there, there is lack of key personnel to the related area.
2. **Lack of integrated Services:** Most of the e-governance Services being offered by state or central governments are not integrated. This can mainly be attributed to lack of communication between different departments. So the information that resides with one department has no or very little meaning to some other department of Government.
3. **Different Language:** One of the challenges of implementing e-governance is the diversity of languages present in our country. Ensuring e-governance in local language is a big task to achieve.
4. **Population:** This is probably the biggest challenge. Apart from being an asset to the country it offers some unique issues, an important one being Establishing Person Identities. There is no unique identity of a person in India. Apart from this, measuring the population, keeping the database of all Indian nationals (& keeping it updated) are some other related challenges.
5. **Reluctance in people:** People are afraid that it can make them jobless as they are closed to the new technique.
6. **Lack of Resources:** The internet connectivity is low in many areas of our country. Even for peripheral works like bill submission etc most of the time server is down. So proper internet connectivity and more resources are needed for its proper usage and implementation.

## CONCLUSION

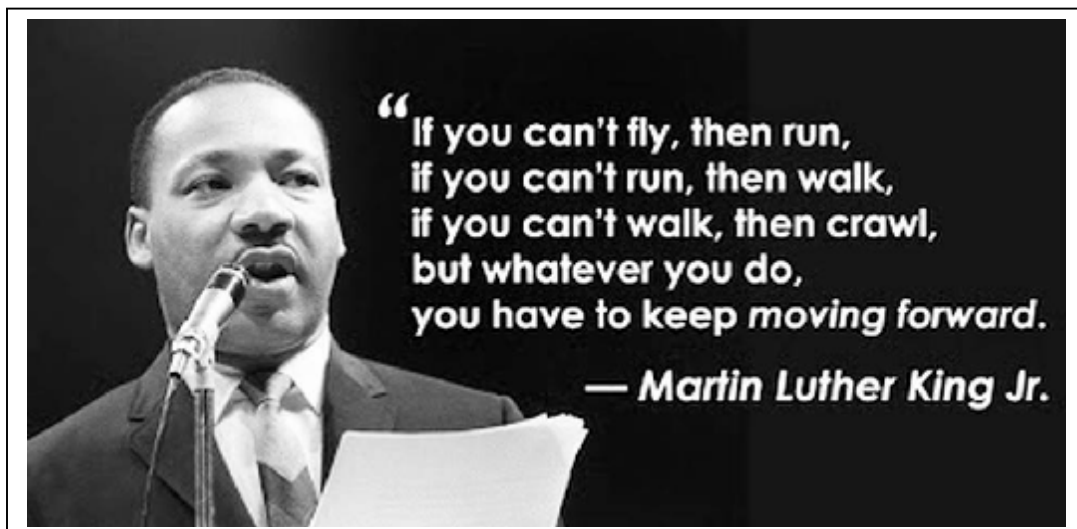
E-Governance is a process of reform in the way Governments work, share information, engage citizens and deliver services to external and internal clients for the benefit of both government and the clients that they serve. It is a good change and government should not stop moving towards its implementation. Through e-governance, government services will be made available to citizens in a convenient, efficient and transparent manner. It provides single window system for delivery of services and information to citizens. It helps in increasing the efficiency of government in a number of ways, like online meetings can be held, helps in video conferencing which improves the overall efficiency of the government. Instead of having numerous advantages it is facing some of the challenges also like the internet connectivity is low in many areas of our country. Even for peripheral works like bill submission etc most of the time server is down. So proper internet connectivity and more resources are needed for its proper usage and implementation. But with the implementation of e-governance the nation's image can be enhanced as it contributes to the enlistment of society. It can be visualized as the country moving towards more and more IT usage, it is moving towards the development stage.

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## INSIGHT: MARKETING MECHANISM FOR SELLING PRODUCTS AND SERVICES IN RURAL MARKETS :( WITH SPECIAL REFERENCE TO INDIAN RURAL MARKET)

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### ABSTRACT

*Agricultural commodities are gaining a higher acceptance in terms of higher prices and thus enabling the rural population to earn a higher income, this rises great scope for advanced and breathless efforts to be displayed by the marketers. In India especially rural marketing is gaining more and more importance day by day as reforms in agricultural sectors have highlighted the availability of huge untapped potential, which attracts marketers from India as well as MNCs in India selling their products and services in urban areas. This has also been supported by the infrastructure to go rural and market. Any strategy among the business level strategies would focus on accessibility, affordability and availability. There is a need to be more attentive so that the uncertainty reduction in management of this market place can be achieved with the market research. Moreover it has been observed that the price elasticity in such markets is highly dominating other elastics. Hence there is no second thought that the division is visible between rural Indian market and urban Indian market. This article tries to examine differential suitable strategies and their scope for rural marketing and to highlight the issues and challenges with the current and commonly used generic strategies in rural marketing.*

**Keywords:** Rural market; rural potential; marketing strategies.

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### INTRODUCTION

The term rural marketing differs from person to person and that is where it leads to a poor diagnose practice for rural marketing and hence gives a misunderstanding in context with the prescriptions to treat such illness. As far as marketing structure is concern the rural marketing and urban marketing are pretty identical. However the rural marketing and rural markets have their own characteristics and difficulties to drop and select among the

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available opportunities. The rural market is more demanding and asks marketers to put in more efforts because of the noticeable increase in the income, at the same time they also need such products and service which will further increase the agricultural produce so that income once again can be increased.

There are ample of opportunities for marketers due to vastness and demand base in rural market. Approximately two third of the country resides in rural areas and approximately 50 percent of the income comes from agricultural produce hence it is clear that in India rural markets are the major stakes in the overall Indian Market. India consists approximately 455 districts and approximately 640000 villages, which any marketer may further highlight in reference with demographical parameters, thus this special stake dominates the remaining Indian market's stakes, which is looking forward for expansion of marketing practices in this category not only because it dominates but also they aspire a better life and welfare in rural areas.

With the help of the rural micro finance, agricultural reforms and advancement in the agricultural technologies, rural market is offering tremendous untapped chunk which can be converted into profit. Development plans like MNREGA and other social securities offered through the governance within the boundaries of health, education, agriculture, allied activities, communication, and rural electrification has changed the lifestyle of rural population which is still under acceptable literacy rate from lower income group and have seasonal employment opportunities, based on these symptoms this would not be incorrect to forecast that in future the rural markets will dominate the sales figures of urban market. Since the urban market is no more offering rise in sales figures beyond a certain limit and those who still have some room to increase the sale figure may not have the same characteristics in future, hence the executives are getting attracted and never mind to include the rural sales in their existing marketing profile to enlarge the market share. This idea has almost occupied most of the corporate, companies like Godrej Group which is present from personal care products and services to agri foods do not hesitate in such engagements. And it just looks like that the rural consumers are careless about the quality and branding which is a myth. National Council for Applied Economic Research indicates that the rural income is maintaining the pace with the urban income. As compared with the urban income in 1994-95 from 55% to 58% the rural income has shifted up by 63% to 64% in 2001-02 and has touched approximately 66% by 2004-05. The 12% growth is visible in rural middle class which compliments urban income growth i.e. 13% and the upper income class especially those with the household income above than the Rupees one million per year is expected to further rise up to Rupees twenty one million by the year 2009-10 from four million in 2001-02. And this consists of 23% to 24% rural share. Hence higher rural income means bigger markets.

Rural Indian market pays approximately 1.7 billion US Dollars for automobiles purchases and more than one billion US Dollars for durables. In total this market representing value of about 27 billion US Dollars.

Even MNCs are focussing on rural India and have planned a long term pool generation which will yield long lasting revenue. Few years ago Coke created venture with hinterland and now its rural growth is approximately 37% where its urban growth is in contrast reflects 24%. Coke is pioneer in tempting rural lure, its global competitor Pepsico took a wider aspect to trade and commerce and has allowed to set shop in late 80s and invested in food processing & farming which was pre-condition for the entry.

To push Unilever products in to its surroundings all over the country, Project-Shakti along with self help groups was used as a basic tool, its four dimensional proposal throws income generation for rural women, best practices in health and hygiene was spreader which enables improvement in rural quality of life, strengthen the rural community by crafting access to adequate information with the help of community portals and this also supports NGOs in spreading literacy. In 12 states covering approximately 61400 villages at present there are about 15500 entrepreneurs with the project Shakti and women are in majority as far as numbers of entrepreneur are concern.

All such facts and figures are attracting bigger business houses to rush and enter into rural business in order to expand. Mahindra and Mahindra is a well known name in farm equipment, its unit Mahindra Shubh Labh is operating in 11 states and leverages a concrete Mahindra brand name, there is 410 plus dealer network with 700000 Mahindra tractor customers, with a vision to offer entire range of products/services to enhance farming results and it also bridges/simplifies the commodity market supply chain. Its retail unit Mahindra Krishi Vihar has been sensitive enough in a significant increment in the groundnut farming in Rajasthan this was made possible because of a new seed which was bought from Maharastra, also in Maharastra variety of grapes was introduced under the same umbrella. Estimated rural India is worth 27 billion US Dollar. There is no second thought that even MNCs are going bold enough to accept the fact that the rural India would be source of their survival. Broadly rural marketing includes the marketing of rural industries products, agricultural products and many services which are closely related with the rural occupation pattern. State agencies, cooperatives, processors are some of the recurring trade channels which are present in rural areas. Anyhow a village economy or a social cluster itself cannot be developed in absence of rural marketing, negligible planning for rural marketing is present, where as the marketing in itself is a dynamic state of indulge and is just a portion of whole economy. Hence two facets of coin which is village economy are production and marketing. Rural marketing is the nervous system of rural development activities.

Rural marketing is anyways a two way marketing system where flow of products and services is not only towards rural areas but it also encompasses the movement of products from rural areas to urban areas; hence rural marketing can be defined as a practice of identification of need of rural consumer in respect with the routine as well as professional life, which tries to catch the satisfaction in form of utility related with the agriculture produce of indirect influence over the agricultural produce, by supplying the goods as services in accordance”.

Because of the two ways process visible in rural marketing, this paper tries to point the issues and challenges associated with the strategies for rural marketing, it also covers rural produce and strategies thereof followed to end the process with satisfaction with special reference if Indian Rural Market.

### **STUNTS/STRATEGIES FOR RURAL MARKETING**

About two decades ago the biggest problem for the corporate was to prioritize the target location this was due to the unstructured rural market however rural market has changed in last few years, earlier agro based companies were able to concentrate in this market with a negligible promotional campaigns and innovative strategies, weak distribution system was present at the same time lack of technology and literacy were the prominent forces for poor availability of products and awareness among the villagers about the availability of such solution which will satisfy their need. Gradually by the companies it was realized that there was dispersion, stiff competition and disorder in the urban market, and it was experienced that the demand in rural areas has been built up. With the figure that the approximately 72% of population in Indian lives in rural areas, companies started focusing on this high potential and unexplored cluster. Companies started offering products like two rupees Parle g tikki pack biscuits, one rupee sachet chic shampoo, customized televisions by LG, Marico's shanti Amla hair oil and all such offers shown a positive response in the sales figures. “Project Bharat” campaign by Hindustan Lever in 1999 offered the trails across the country and estimation said that the 30% of the total personal care products are growing at the rate of 50% with the five years time frame, and the target in first phase was to increase awareness by 41% over a set of population of approximately 11.55 million rural households.

Second phase began with the “Project Jagruti” by Colgate Palmolive in the year 2001 which was solely dedicated to the village consumers contact programme, and this uplifted the penetration of dental cream offered by the Colgate Palmolive from 33000 to 55000, with a reach of one million household. Such plans are feasible enough for the penetration increment in rural areas.

This resulted in a practical and visible association of various categories and brands which were occupying their places in rural stores and such retail out were also multiplied by the significant number in the rural areas. The high assembly areas like fairs/Mela etc. are taken as the effective marketing tool as a huge population can be captured as a target audience. In marketing location plays an important character. Hence if a product is been targeted for kids the places like anganwadi and schools are the best places in order to bind the kids and mothers who will act as the influencers. Similarly for branded products village influencers and mandis are the best option to push the products.

### **SOME POPULAR AND CURRENTLY USED STRATEGIES IN RURAL MARKETING**

#### **Quality perception with the best possible Promotion**

Use of new technology which helps companies to communicate in context with the products and services offered. There exist a trade off between communication by company and quality perceived by the customers. Therefore such positioning of technology becomes very important. The Indian customers' perception about the expected product is changing, now the customers can understand the difference between utilities derived from a product/services and product/services. Indian rural customers always want the balance between money paid and utility derived and the current market scenario especially with the companies offering services the value for money has a different equation and the variables like recurring value derived from the product and services defines that how this equation would be balanced.

With the case of Celebrity Endorsement, use of right person such as Indian Models and actors for promotion of products and services certifies that the manufacturer is of Indian origin. Omega, a multinational and a premium brand in quartz clock manufacturing have chosen Diana Hayden and Shahrukh Khan for the advertisements despite of the fact that they have Cindy Crawford as another ready option, and this helps Omega to display that there are of Indian origin, another case where Pantene Shampoo manufacturers have chosen Penelope Cruz for the advertising which could have been taken as more effective by the use of Indian Celebrity.

#### **Rural Market and effective Communication**

Companies for communication in Rural Market have selected the local language for promotion of the products and services; this is visible by the different wall painting (as advertisement) and other outdoor Medias, by telecommunication companies in rural areas where concept of quality has been promoted with the effective and understandable manner of communication and this is more effective with the use of local language.

**Strategies as per the rural consumer Dynamics**

Today the rural customer need more and more branded products and excellent services. Value for money has been the prime area of concern with the rural market customer and they were never price sensitive, they can pay for premium products and services offered by the expensive brands provided that the brand offers them additional utility. In context with the Social and Cultural values with the rural customers, companies have realized that they hold very strong stimuli on the customers in rural markets, hence regards should be displayed in reference with their cultural and social values in order to promote the products and services in rural markets.

**Practice to track the need of customer and offering the same**

Companies calculate the additional amount of the value which has been expected by the customers due to the tendency in customers of computation of value for money regardless of the additional value associated along with the products, they aim for essential functionality. However in case seller is offering frills without any additional charges then customers feel delighted. Apart from the knowledge acquired by the sellers that what is needed by the customers, it is also necessary to track that which is the stimuli which will create positive feeling within the customer and this will also help them to act as influencers. This is end of core marketing practice where companies will have to only and only indulge themselves in finding out the real satisfaction area by consuming the product and services.

**Products/Services and devotion towards nation**

Nokia introduced the ring tone “Sare Jahan Se Accha” with the model 5110, this shows their concern about the nation and this way they have also associated themselves with patriotism, then this also invites rural consumers that the purchase of such products by them must be priority and a devotion towards their nation. Also some companies do advertising on occasion Republic Day and Independence Day associating the forum of such celebrations which is again sensitive enough to create the feeling of association with the nation. Hence such promotional stunts are result oriented and ensure the presence of products in rural markets.

**Sport spirit Impact: Cricket team and product promotion**

Hero Honda launched a campaign during the cricket world cup with a slogan “Dhak Dhak Go”, this way they have associated themselves as the supporter of Indian Cricket team and this sensation actually started supporting product and manufacturer seven after the event is over. Companies are also indulging in co sponsoring and sponsoring Indian cricket teams so that the association of company with the mega and popular event can be cashed. Some other events like film fare award distribution ceremonies are also not free enough with such stunts, and initiate the purchase habits among the rural customers. This is a general tendency of human that he/she tries to associate himself/herself with such



products and services with which they and others visualize themselves with the event and by this they also become loyal towards company and products.

### **Niche Marketing and Segment based positioning**

Samsung's cellular phone model GT-E1200T offer approximately 10 days standby battery backup and has been especially designed for rural customers and offers an uninterrupted connectivity to rural customers even when there are long power cuts. Electrolux is trying to develop a refrigerator which can offer a long lasting cooling even with the long power cuts. Hence this is another area where companies are trying to find out the specific needs of the customers, with the special circumstances lying with customers, and the companies position themselves with the help of segments and positioning their products in front of rural market with such strategies.

### **Communication and efficiency of Medias**

Tradition media used by the marketers is puppetry, folk theatres and melas for the promotion and communication; whereas the modern media includes Television, e chaupals, radio, and promotional SMS through the cell phones and recorded call to the cell numbers who are not registered as Do Not Disturb (DND) numbers. LIC and Government of India uses puppet in order to educate rural masses, while ITC's e chaupal has been an exceptional initiative in Indian history, where approximately 1.5 million of the rural population gets in range of the communicator and it has presence over five states with approximately 2500 chaupals. The use of such electronic chaupal kind of platforms and mass communication with the SMS alerts and recorded calls are gaining much popularity in the field of rural communication hence there lies an ample opportunity to use such medias and craft the communication strategy with the use of such media presence of products can be ensured in rural markets.

### **Distribution channels and strategy which offers more space for localized channels**

Big supermarkets and glamorous selling floors where customers have ample of merchandise in display and lot many more with air conditioning and fabulous physical evidences will not attract the rural consumers to initiate the purchase and they have the apprehension that such environment is made of their own money and hence will be recovered with high pricing system of the companies selling products and services. The channel which starts right from their life style and traditional routine, is convenient enough and more effective in rural marketing, some of the distribution channels which are commonly used by the companies are Local Panwal, Baniya and Kirana wala, they not only connect the rural customer with companies along with the feeling of affiliation but also appears as some low priced products.



## DIFFICULTIES IN RURAL MARKETING

Indian rural market is more enough in terms of high degree of ethnic, regional and cultural diversity, their basic source of income for their survival is agriculture. The total GDP of India consist of approximately 25% agricultural produce, It also contributes about 14% of India's total export, also approximately 59% of the India's total population gets employment from agriculture which is approximately for 651 million people. Despite of all such relevant facts and contributions, the relative improvement in terms of the rural people's life and their around development is not that satisfactory, they are still surviving with huge power cuts with minimum infrastructural facilities for business as well as for their social obligations.

Rural market has started showing the high demand and is now looks like segment of market which has potential much higher than the urban markets. Rural marketing is all about four Rs

- Ü Reaching customers,
- Ü Reading their wants,
- Ü Realization of distribution channels and ultimately
- Ü Releasing customer satisfaction

It is a myth that the agricultural inputs like fertilizer, seeds, pesticides and agricultural machinery just have the high potential in rural market, However there is a potential beyond the imagination for consumer goods in rural market which is showing growth rate of about five times as compared with the urban counterpart.

### Rural Marketing and Challenges

For any company targeting rural market it is not possible to enter into rural market and occupy larger rural market share, when rural markets in advance offering high degree of fascination:

#### Literacy Rate

Literacy rate is less than 35% in rural areas, where the urban market shows literacy rate of about 52%, this looks like a big threat for companies offering products and services in rural areas where it is really hard to convince customer despite of the fact that every other marketing tool is been well aligned as per the marketing plan.

#### Seasonal Demand

Due to monsoon and other climatic situation the entire income of rural population is fluctuating there by with external and uncontrollable factors, hence the purchasing power is something secondary however the events which are favourable and unfavourable are

primary forces which will sketch of the rural demand, so the irregularity and instability is the prominent feature and challenge in the rural markets.

### **Supply Chain**

There are so many tiers in rural distribution channel which are deliberate in increasing the complexities and unmanageability, the effective distribution scheme requires village shopkeepers, mandal whole sellers/dealers, district level stockiest and companies' own depot for the state distribution and supply, where as the urban market distribution channel is simple despite that it has tier system which works at the same horizon of location.

### **Rural life style and role of Traditions**

New practices and their adoption is not an easy task for rural customers, this can be understood with the imaginary situation when even a rich farmer, who is even educated would avoid wearing jeans and sports shoes.

### **Buying decisions**

Less speed and delayed rural decisions are more visible in rural customers than the urban customers; also they feel more comfortable when they have a trail attempt for the utility of that product and services which need to be purchased. This attempt is necessary to ensure that there is a self endorsed guarantee that the purchase will give the satisfaction about value for money and utility.

### **Promotion and Media**

Television over the Radio holds a unique beneficiary and they both simultaneously show their unmatched features of communication in rural market, however the reach of the both mentioned Medias is relatively lesser over the rural households, and therefore the option left with the companies is only participation in exhibitions and fairs for the promotional activities. This option has effectiveness but is occasional and if somehow the frequency of its occurrence will be increased then its efficiency will be lost. This is another challenging part for the companies targeting the rural market.

### **Career planning in rural market**

Specialized talent is needed in order to build up the career in rural market, it is not that simple and easy to pursue career with rural market in rural market, there are certain customised abilities which groom the personality of a sales person as well as a manager which look after the one rural territory. And lack of such specialized management trainees and their willingness to opt for the rural marketing becomes more challenging for the companies to manage rural markets.

## **Culture**

Shared values, perceptions, and beliefs are even different in one common rural market when there is diversification of rural population with in religion, occupation, caste, age, education, income and politics, and these forces try to insert their own place when decision making comes in context with the product purchase it becomes difficult to control the behaviour of people in rural market. Rural people believe that the formal education is not that important to live life comfortably as the experience is needed, hence they have their own style of mixing the product utility with the practicality of the purchase, they oblige the sales persons who are successful enough in reflecting the practical solutions against the problems, still a tailored training is needed in order to overcome impression that product practicality is not just the way to judge the purchase wisdom but it is also essential that the theoretical aspects about the purchase are inseparable. These trainings will allow sales persons to align themselves in settling down with the rural market operations.

The complete solution is not just the training part but since the rural people are the masses which are heterogeneous, hence the reach till such consumers is also a successive challenge, and then they role of assumptions that such products have a high profit margins hence they should be avoided.

## **Future Trends**

Companies who are not able to generate substantial profit in the urban market can balance their imbalances by exploiting the rural markets, this ways not only the lost volume of profit will be restored but also a new trend can be set with other lines of business with one corporate holding many lines of businesses. If the rural market comes in limelight then the brightness of the industry who is pioneer will also increase.

## **CONCLUSION**

Rural Marketing is a developing thought and is the potential in an economy which is untapped; Marketers' community know that this is going to be the crafting tool of the profitability of almost every business in future. For those who are willing to cater the rural market must look for improved infrastructure and fulfilment of promise is the light of their future. There is very clear that all the macro-level strategies must focus on 3 As (Availability, Accessibility and Affordability). Even scanning and filtration of ideas & plans is a mandate. Spotlight attention is needed in market research for those who want to reduce the uncertainty during the management of these markets. Moreover in rural areas the demand looks like a highly price elastic issue, break in price barrier in rural areas is necessary, and this will ensure the separation of grey area with local brands. There is no second thought that division between urban and rural India exist, however it looks like that the seamless integration of urban and rural markets is on its way along with the path of silent revolution and there are many new and innovative ideas in terms of planning for

rural need to be invented. The comprehensive frame for rural marketing in the form of marketing mix for rural market must be therefore taken into consideration in order to start up the segments with the right product/service, considering value for expenditure in pricing, selection of the appropriate most channels for distribution, preferring the long term relationships with the stakeholders and customers and use of potential of emotional brands. The rural market/segment is not uniform the independent choice in this market is not very big, although the general size is very large. There are demographical, geographical, logistical and statistical differences in rural India. When it comes to formulate the rural market strategy, the realities and positioning in context with the market segments lie and appear different for different clusters. Today rural consumers are not going to nearby cities to buy the branded product and services; this brings in the opportunity for all the global players to ensure their presence in rural market where customers are more throwing opportunities area for especially Fast Moving Consumer Goods or retailing (either banking or insurance). Only 8% to 10% of the rural population has the life insurance coverage this explains that the upcoming scenario will display the maximum opportunities in this stream of rural market. Lot many companies are trying to tap the rural customers and are on the way to develop cost effective channels of distribution. Syndicate distribution, direct selling with the help of delivery vans, construction of temporary stalls in exhibitions/melas are some popular and accelerating examples. Companies like Unilever, Godrej and ITC have found the role of stockiest and its sales force successful enough in direct sales to rural customers. Rural markets are shaping them as emerging direct market centre. Additional and innovative sales channel which has been tried by Hindustan Unilever is the project shakti's association with the Self Help Groups (SHGs) in their current business opportunities, this is done with help of motive that the SHGs will have a belongingness sense with HUL as their small scale distributors, this model is suitable most for the FMGC companies and reduces cost to a greater extent and this is also helpful in penetration of rural markets. Companies must keep this mind that the customer is not magpie, they are just refining their search with a perspective that they would find cheapest product, as they set value for money as priority in every attempt of their purchase. Hence pricing looks like a prime factor which advocates cost opportunity and cost-benefit advantage. Price should be value offer which is affordable, this is supported because price sensitivity is very high and habit to compare price is another feature of rural customers. Budget is not the major constraint for the rural customer but the cash inflow is quite time consuming and lengthier this challenge may be eradicated with the help of small packs/sizes of the products and services which are relatively offering a lesser quantity and hence they can be purchased with minimum burden on the budget, also this area explains that if there is cash inflow crunch the marketer can offer the financial products, solutions or schemes which are suitable for them.

As a concluding remark hence, if a company is willing to occupy the rural market, they should have first the comprehensive and intense analysis of the rural market goal, targeting the predefined characteristics of rural population and employ different marketing strategies in accordance with real situations.

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## **A STUDY TO FIND OUT THE LEVEL OF AWARENESS AMONG THE ACADEMIC RESEARCHERS TOWARDS THE ETHICAL PRACTICES TO DO A RESEARCH.**

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### **ABSTRACT**

*“Ethics” norms for conduct that distinguish between acceptable and unacceptable behaviour. It is a branch of philosophy which seeks to find answers about the moral concepts. If the morality were nothing more than commonsense then why do we have so many ethical issues and disputes in our society?*

*Norms promote the aims of research such as knowledge, truth and avoidance of error. For Example: Prohibitions against fabricating, falsifying or misrepresenting research data promote the truth and avoid error. Therefore it is important for the researchers to learn how to interpret, assess and apply various research rules and how to make decisions and to act in various situations.*

*The purpose of the study is to explain the ethical dilemma inherent in the research process carried out by the academicians so that a fruitful result can be dug out derived. Through this study a general summary of ethical codes are addressed that are essential for the reliable research work.*

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### **LITERATURE REVIEW:**

The basic concepts and fundamental principles of decent human conduct. It includes the study of universal values such as the essential equality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and the natural environment.

Ethics may be divided into four major areas of study:

- Meta-ethics, about the theoretical meaning and reference of moral propositions and how their truth values may be determined.
- Normative ethics about the practical means of determining a moral course of action.

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- Applied ethics draws upon ethical theory in order to ask, what a person is obliged to do in some very specific situation.
- Descriptive ethics, also known as comparative ethics, is the study of people's belief about morality.

Finally, being ethical is not the same as doing "Whatever society accepts". In any society, most people accept standard that are, in fact, ethical. But standards of behavior in society can deviate from what is ethical. An entire society can become ethically corrupt. Nazi Germany is a good example of diplomacy. The University of Oxford is dedicated to the highest standards of research integrity. As set out in its Academic Integrity in Research: Code of Practice and Procedure, it expects all members of the university including staff and students, and those who are not the members of the university but who are conducting research on university premises, to observe the highest standards in the conduct of their research. (Resnik & D, What is Ethics and Why it is important?, 2011) Highlighted the relevance of ethics in academic research. According to (Swazey, Anderson, & Louis, 1993), states that it should be possible to alter some of the institutional conditions that make misconduct more likely to happen and to improve the ways in which both suspected and misconduct are handled. (Massey, 2013) Has stated, "Few things are more damaging to the scientific enterprise than falsehood be they the result of error, self-deception, sloppiness & haste or in the worst case dishonesty. It is the paradox of research that the reliance on truth is both the source of modern science & engineering's resilience & its intrinsic fragility

### **Objectives:**

1. To identify the present level of awareness and advice the code of ethics in academic research of the various academic activities.
2. To provide guidance and academic support to scholars on ethical issues in respect of teaching, research and other academic activities.

### **Methodology:**

The main focus of the research is to highlight the ethical issues in research. The sample size taken for the study is 50. After reviewing the secondary data, a questionnaire was developed keeping in mind the objectives of the study. The response was analyzed and calculated on the basis of actual facts & figures.

### **Need of the study:**

In the present era, various contradictory and misleading statements have come into existence while carrying research work which further falsifies the current data. In order to study this problem, firstly we need to know whether our academic researcher follow the ethical rules applicable for the study or not? As ethics are the base through which we can



interpret and analyze various problems. Therefore, the central theme of the study is to make aware our academic researchers about the ethics to be followed during their research work. The economic development and social growth depends upon the work done by academic people.

## **INTRODUCTION**

Ethics can be defined as a method, procedure, or perspective for how to interpret and analyze the various complex problems and issues.(Resnik & D, What is Ethics and Why it is important?, 2011).

Ethical norms also serve the aims or goals of research and apply to people who conduct scientific research or other scholarly or creative activities. Ethical norms are so omnipresent that one might regard them as simple commonsense. On the other hand, if morality were nothing more than commonsense, then why do we have so many ethical disputes and issues arising in our society? One plausible explanation of these disagreements is that all people recognize some common ethical norms but each interprets and applies in his own way and balances these norms in light of their own values and life experiences.(Wilhite & Fong, 2012)

Ethical norms in research provide the basis to promote the aims of research i.e. knowledge, truth and avoidance of error. It promotes the values that are essential to work with cooperation. It ensures that researcher can be held accountable to the public for the study and further develops a public support, moral and social values for research.(Kamat, 2006)

Various ethical problems and issues have been observed while conducting a research work which makes our study ineffective.

Although codes, policies and principles are very important and useful, like any set of rules, they do not cover every situation, they often conflict, and they require considerable interpretation. It is therefore important for researchers to learn how to interpret, assess and apply various research tools and how to make decisions and to act in various situations.

Various ethical problems and issues have been observed such as falsification, misrepresentation or biasness etc. while conducting a research which makes our study less reliable. To identify the basic problem in today's research scenario we conducted a survey through questionnaire to reach a consensus.



**Data Analysis**

S.No	Statement	Always	Very Frequently	Very rarely	Rarely	Never
1.	Did you ever fabricate, falsify or misrepresented data	10(20%)	8(16%)	12(24%)	8(16%)	12(24%)
2.	Your Primary or secondary data collection techniques are ethical	20(40%)	5(10%)	8(16%)	7(14%)	10(20%)
3.	Were you ever biased in your research work	10(20%)	6(12%)	12(24%)	17(34%)	5(10%)
4.	Did you ever disclose personal or financial interest that may affect research work?	8(16%)	7(14%)	13(26%)	10(20%)	12(24%)
5.	Are you open to criticism	22(44%)	10(20%)	8(16%)	5(10%)	5(10%)
6.	Did you ever share data, results or ideas, tools with other researcher for further work	12(24%)	10(20%)	7(14%)	16(32%)	5(10%)
7.	Did you ever used published data, patent records or confidential reports in your research work	18(36%)	9(18%)	5(10%)	8(16%)	10(20%)
8.	Have you ever discriminated while conducting a research work	7(14%)	8(16%)	12(24%)	9(18%)	14(28%)
9.	Is general motive of your research related with your personal growth?	15(30%)	10(20%)	4(8%)	6(12%)	15(30%)
10.	Can your study be useful rather than justifying it to be universally beneficial?	17(34%)	13(26%)	10(20%)	6(12%)	4(8%)

From the above data, we concluded that most of the researchers had misrepresented the data and had attempted to discriminate during research which reduces the reliability and truthfulness of the data. On the other hand we observed that researchers followed the ethics while conducting their data and were less biased in their work. Although prohibiting the use of published data is a sign of good researcher. The researchers are open to criticism if they found to be following any unethical behavior or if they have ever disclosed their personal or financial interest in their research. From the survey it has been observed that more than fifty percent of the population did not share data, results or tools for further study and neither had they used any published data or confidential reports in their research. According to the data, 70% of the researchers collected the data whether primary or secondary in an ethical manner and 30% used some unethical modes. Therefore it can be concluded that our 70% academic researchers are doing accurate and effective study.

### Conclusion:

Given the above subject to appropriate oversight we can say that as a research objective, the information must be gathered ethically so that meaningful results can be derived. This paper discussed the importance of research, ethical considerations researchers must observe, and the consequences to be faced while violating them. The level of awareness among the various research scholars were observed. It was found that the some researchers adopted few unethical means in order to collect the data related to their contribution in their research. While some are very much clear about the concepts of ethical rules followed while conducting the research. Therefore, it is important for the researchers not only to know how to deal with fraud in research but more importantly to prevent such fraud from occurring it. We should comfort ourselves in such a way that if any suspicion of fraud arises, we must be available with the supported proof in order to justify(Roger, 2013).Therefore, it is advisable that firstly the researchers should imbibe proper guidance of a research expertise. It is to be ensured that the data collected by them for the purpose is not violating any ethical rule and appropriate credit has been given from where the secondary data is being utilized.

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