RNI – MPENG/2011/46472 **ISSN-2249- 9512**

Journal of Management Value & Ethics

(A quarterly Publication of GMA)

Editorial, Advertisement, Administration, Publication, Circulation & National office :
Executive Director GMA
C-17 Kailash Nager, Near New High Court, Gwalior-M.P. 474006 (INDIA)
Phone No. 0751-2230233,9425121133

C O N T E N T S

Vol. 4 No. 3 **July.-Sept. 2014**

*Publisher/Printer/Owner/Editor-in-Chief :**Dr. Prabhakar Singh Bhadouria,***
Gwalior Management Academy
Regd. Office: C-17 Kailash Nagar Near New High Court Gwalior M.P. INDIA-474006,
e-mail : jmveindia@yahoo.com, www.jmveindia.com
Annual subscription Rs.2000.00 (India) $ 170 & euro 150 (foreign Airmail)
Printed at: Sai offset Throat palace, Lashkar Gwalior(M.P.)
Graphics & Designed: **Shivani Computer Graphics, Gwalior (M.P.) #9826480017**

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 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 spiritual guru **Shri Ravi Shankar Maharaj (Rawatpura Sharkar)**. He is a well-known personality in the field of spiritualism and socialism, because, he has established many spiritualism center and education institute for upliftment of the society.

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

Pujya Sant Shri Ravishankarji Maharaj (SHRI RAWATPURA SARKAR)

Introduction

A great saint was born on 5th July 1968 in the nondescript village called Chhipri, district Tikamgarh, Bundelkhand division (U.P.)in the region of central India. Since childhood, whosoever came in his presence has been touched by his divinity and the resultant feeling of inner calm and peace. To provide a spiritual abode that would benefit the masses with his gracious presence, Maharaj Shri established Rawatpura Dham in 1991.Shri Rawatpura Sarkar Dham is situated in the Chambal region of Madhya Pradesh in India. It is situated between Pahuj and Sonmriga rivers and is at a distance of 100 kms from two major cities; Gwalior and Jhansi.

During the period from 1960 to 1985, Chambal has been known for dacoit's area because of lack of education, sources of low income and arable land. In 1990 a great divine saint set foot on this place at a very young age of 17 with a pledge to start a mission that would transform the social fabric of this region as well as to spread the message of spiritual living among the masses. In 1991 this young saint took a pledge to organize a yagya (hindu religious ceremony) that would heal the wounds of suffering that had been faced by the people of this region for a long time. This yagya was successful and it made people realize the effect of a pledge taken by a saint for the upliftment of humanity. Maharaj Shri respects all religions equally and it can be felt after visiting of the Dham.

Mission & Vision: Maharaj Shri laid down the foundation of Shri Rawatpura Sarkar Lok Kalyan Trust (SRLKT) in 2000. The mission of this trust is to work on all aspects of humanitarian activities that would result in holistic development of mankind. Its focus is to work on **social upliftment**, **education, healthcare** and **environmental preservation** as well as **spiritual development** and to act as a catalyst for bringing about intrinsic change in the social fabric of the region and to inculcate positive qualities among individuals. Presently, there are so many education institutes running under the SRLKT, not only in Madhya Pradesh but also in Chhattisgarh state where thousands of young people are taking free education and scholarship because of Maharaj Shri's vision & mission. The main focuses are on Vedic education, Sanskrit language, skill development training, engineering & pharmacy education, school education etc. The most inspiring thing is "Gaushala Palan kendra" where thousands of cows live under the same campus, because, the cow milk and the cow dung, are used to prepare many useful product for domestic use. Some of these products are bio fertilizer, soap, shampoo, aggervati, finial etc.

Today, thousands of people are finding inspiration in his divine presence and leading a successful and positive life through his blessings.

Address: Shri Rawatpura Sarkar Dham, Tehsil - Lahar, Distt.Bhind Division - Gwalior, Madya Pradesh Phone - 07529-277412 Email - srsdham@srlkt.org

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN NIGERIA, A CASE STUDY OF TELECOMMUNICATION SECTOR: GRANGER CAUSALITY TESTS

Bamidele, Moyosola A[1], Bamidele Ruth Ella[2]

ABSTRACT

This paper uses econometric techniques to empirically find the causality direction between foreign direct investment and economic growth in Nigeria, a case study of the Telecommunication sector. Data were obtained from the Central of Nigeria statistical bulletin and Nigeria Communication Commission publication for the period of 10 years (2001-2010). The variables were tested for stationerity using Augmented Dickey Fuller and association was tested using granger causality with the use of Eviews 7. The results of granger causality test find direction of causality between foreign direct investment indicators and economic growth in Nigeria is generally unidirectional (causality runs from economic growth to foreign direct investment). The finding has important policy implications. Understanding the direction of causality between FDI and economic growth is very important for formulating policies to encourage private investors in Nigeria, particularly in this period of economic meltdown, the capital market and banking crisis

Keywords: FDI, Economic growth, Foreign

1. Introduction

The relationship between foreign direct investment (FDI) and economic growth is a well-studied subject in the development economics literature, both theoretically and empirically. Recently, renewed interest in growth determinants and the considerable research on externality-led growth, with the advent of endogenous growth theories (Barro, 1991; Barro and Sala-i-Martin, 1995), made it more plausible to include FDI as one of the determinants of long run economic growth. The notion of an investment development path puts forward the idea that the outward and inward FDI position of a country is systematically related to its economic development relatively to the rest of the world. It suggests that countries tend to go through five different stages of development and that

[1] Department of Statistics, University of Ilorin, Ilorin, Nigeria

[2] Department of Economics, Nasarawa State University, Keffi, Nigeria

Corresponding email: bamidelemoyo@gmail.com

these stages can functionally be classified according to the propensity of outward and/or inward investments (Dunning and Narula 1994).

Despite the considerable volume of research on the subject, there is conflicting evidence in the literature regarding the question as to how FDI relates to economic growth. In particular, a two-way interaction has been discussed in the literature of FDI-growth relationship. On one hand, FDI is being seen, by many, as an important element in the solution to the problem of scarce local capital and overall low productivity in many developing countries (De Mello, 1999; Eller, et. al, 2005). Hence, the flow of foreign direct capital is argued to be a potential growth-enhancing player in the receiving country. For example, Carkovic and Levine (2002) show that there is no robust impact from FDI on growth if country-specific level differences, endogeneity of FDI inflows and convergence effects are taken into account. In addition, Akinlo (2004) shows that both private capital and lagged foreign capital have no statistically significant effect on the economic growth. He concluded that the results seem to support the argument that extractive FDI might not be growth enhancing as much as manufacturing FDI. In this paper the aim is to test for the causal relationship between FDI flows and economic growth in Nigeria for the period of 10 years (2001-2010)

2. Literature Review

There is conflicting evidence in the literature regarding the question as to how, and to what extent, FDI affects economic growth. FDI may affect economic growth directly because it contributes to capital accumulation, and the transfer of new technologies to the recipient country. In addition, FDI enhances economic growth indirectly where the direct transfer of technology augments the stock of knowledge in the recipient country through labor training and skill acquisition, new management practices and organizational arrangements (De Mello, 1999). Theoretically, however, in the context of either neo-classical or endogenous growth models, the effects of FDI on the economic growth of the receiving country differ in the recent growth models from their conventional counterparts. The conventional economic growth theories are being augmented by discussing growth in the context of an open rather than a closed economy, and the emergence of externality-based growth models. Even with the inclusion of FDI in the model of economic growth, traditional growth theories confine the possible impact of FDI to the short-run level of income, when actually recent research has increasingly uncovered an endogenous long-run role of FDI in economic growth determination. According to the neo-classical models, FDI can only affect growth in the short run because of diminishing returns of capital in the long run.

In contrast with the conventional neo-classical model, which postulates that long run growth can only happen from the both exogenous labor force growth and technological progress, the rise of endogenous growth models (Barrow and Sala-i-Martin, 1995) made it possible to model FDI as promoting economic growth even in the long run through the permanent knowledge transfer that accompanies FDI. As an externality, this knowledge transfer, with other externalities, will account for the non-diminishing returns that result in long run growth (De Mello, 1997). Hence, if growth determinants, including FDI, are made endogenous in the model, long run effects of FDI will follow. Therefore, a particular channel whereby technology spills over from advanced to lagging countries is the flow of FDI (Bengoa and Sanchez-Robles, 2003).

Nevertheless, most studies generally indicate that the effect of FDI on growth depends on other factors such as the degree of complementarily and substitution between domestic investment and FDI, and other country-specific characteristics. Buckley et. al, (2002) argue that the extent to which FDI contributes to growth depends on the economic and social conditions in the recipient country. Countries with high rate of savings, open trade regime and high technological levels would benefit from increase FDI to their economies. However, FDI may have negative effect on the growth prospects of the recipient economy if they result in a substantial reverse flows in the form of remittances of profits, and dividends and/or if the multinational corporations (MNCs) obtain substantial or other concessions from the host country. Bengoa and Sanchez-Robles (2003) argue that in order to benefit from long-term capital flows, the host country requires adequate human capital, sufficient infrastructure, economic stability and liberalized markets. The view that FDI fosters economic growth in the host country, provided that the host country is able to take advantage of its spillovers is supported by empirical findings in De Mello (1999) and Obwona (2001). Borensztein et al., 1998 go further to suggest that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. They use a model of endogenous growth, in which the rate of technological progress is the main determinant of the long-term growth rate of income.

Another strand of the literature has focused more directly on the causal relationships between FDI and growth and, at least, six studies have tested for Granger causality between the two series using different samples and estimation techniques. Zhang (2001) looks at 11 countries on a country-by-country basis, dividing the countries according to the time series properties of the data. Tests for long run causality based on an error correction model, indicate a strong Granger-causal relationship between FDI and GDP-growth. For six counties where there is no co integration relationship between the log of FDI and growth, only one country exhibited Granger causality from FDI to growth. Chowdhury and Mavrotas (2003) take a slightly different route by testing for Granger causality using the Toda and Yamamoto (1995) specification, thereby overcoming possible pre-testing problems in relation to test for co integration between series.2 Using data from 1969 to 2000, they find that FDI does not Granger cause GDP in Chile, whereas there is a bi-directional causality between GDP and FDI in Malaysia and Thailand. De Mello (1999) looks at causation from FDI to growth in 32 countries of which 17 are non-OECD countries. First he focuses on the time series aspects of FDI on growth, finding that the long run effect of FDI on growth is heterogeneous across countries. Second, de Mello complements his time-series analysis by providing evidence from panel data estimations. In the non-OECD sample he finds no causation from FDI to growth based on fixed effects regressions with country specific intercepts, and a negative short run impact of FDI on GDP using the mean group estimator.

Nair-Reichert and Weinhold (2001) test causality for cross country panels, using data from 1971 to 1995 for 24 countries. Like de Mello, they emphasize heterogeneity as a serious issue and, therefore, use what they refer to as the mixed fixed and random (MFR) coefficient approach in order to test the impact of FDI on growth. The MFR approach allows for heterogeneity of the long run coefficients, thereby avoiding the biases emerging from imposing homogeneity on coefficients of lagged dependent variables. They find that FDI on average has a significant impact on growth, although the relationship is highly heterogeneous across countries.

Choe (2003) uses the traditional panel data causality testing method developed by Holtz-Eakin *et al.* (1988) in a data set of 80 countries. His results points towards bi-directional causality between FDI and growth, but he finds the causal impact of FDI on growth to be weak. Basu *et al.* (2003) addresses the question of the two-way link between growth and FDI. Allowing for country specific co integrating vectors as well as individual country and time fixed effects they find a co integrated relationship between FDI and growth using a panel of 23 countries. Basu *et al.* emphasise trade openness as a crucial determinant for the impact of FDI on growth, as they find two-way causality between FDI and growth in open economies, both in the short and the long run, whereas the long run causality is unidirectional from growth to FDI in relatively closed economies.

3. Research Method

This study uses econometric approach in testing the granger causality direction between foreign direct investment in Telecommunication sector and the economic growth of Nigeria from the periods of 2000-2010 .The major type of data employed in this study is secondary; sourced from various publications of Central Bank of Nigeria, such as Statistical Bulletin, Annual Reports and Statement of Accounts and National Communication Commission Publication The models used in this study are estimated using annual Nigeria data on Direct Foreign Investment (DFI) and some macro-economic indicators, which includes: Gross Domestic Products (GDP) and Telecommunication Sector contribution to GDP (TCGDP), GDP Per Capita Income (PIC), Private Investment in Telecommunication for the period 2001 – 2010.

3.1 Data Presentation

The time series data obtained from these various sources are compiled and presented below:

Year	FDI	GDP	PIT (N'Billion)	Telecommunication Contribution to the GDP (N'million)	PCI
2001	161441.60	356994.3	1200	2398.7	41745.54
2002	166631.60	433203.5	2100	2983.1	49230.81
2003	178478.60	477533.0	400	3785.5	52863.81
2004	249220.60	527576.0	6080	6015.9	56893.28
2005	324656.70	561931.4	7500	7851.7	58354.86
2006	481239.10	595821.6	8500	10567.9	603118.82
2007	552498.60	634251.1	11500	14226.8	62797.15
2008	586309.60	672251.1	12500	19159.2	64773.45
2009	603103.6	716949.7	18500	25,812.4	67427.29
2010	63072.10	775400.1	19100	34567.1	70856.78

Source: CBN Statistical Bulletin and Annual Report (2010) & National Communication Commission Publication

3.2 Method of Data Analysis

The Unit Root test was used to test the stationarity of the time series variable and granger causality test used to determine the causality direction between Foreign Direct Investment-FDI and: Gross Domestic Product (GDP), Private Investment on Telecommunication (PIT), Telecommunication sector contribution to the GDP (TCGDP) and GDP Per Capita Income (PIC). The analysis was aided with the use of EViews 7 Econometric package.

4. Results of Findings

4.1 Descriptive Statistics

Table 4.1 below presents descriptive statistics of the macroeconomic data in natural log form; it shows the minimum and maximum values of data with as well as their standard deviation.

	INFDI	INGDP	INPCI	INPIT	INTCGDP
Mean	336665.2	575191.2	112806.2	8738.000	12736.83
Median	286938.7	578876.5	60576.01	8000.000	9209.800
Maximum	603103.6	775400.1	603118.8	19100.00	34567.10
Minimum	63072.10	356994.3	41745.54	400.0000	2398.700
Std. Dev.	202231.7	130496.5	172501.0	6695.852	10785.16

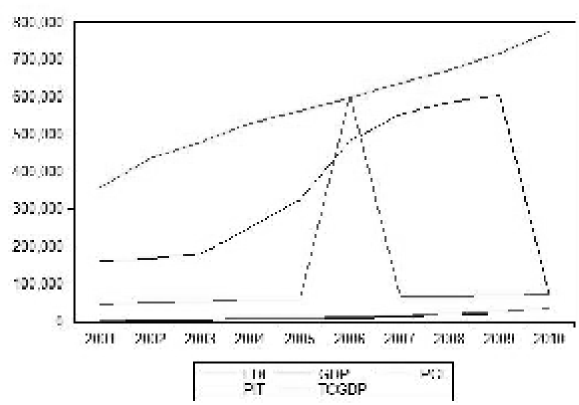
Skewness	0.171984	-0.120669	2.653722	0.310550	0.908082
Kurtosis	1.446443	2.077875	8.071117	1.899292	2.623961
Jarque-Bera	1.054940	0.378566	22.45216	0.665552	1.433273
Probability	0.590096	0.827552	0.000013	0.716931	0.488392
Sum	3366652.	5751912.	1128062.	87380.00	127368.3
Sum Sq. Dev.	3.68E+11	1.53E+11	2.68E+11	4.04E+08	1.05E+09
Observations	10	10	10	10	10

Source: Author Computations (Eviews7)

A skewness statistics is a measure of where the data lies i.e. (if the data is balanced around the mean or if it is weighty either to the left or right). We can express the range of skewness mathematically as; $-1 < x < 1$ where x is the skewness value. Table (5.1) above shows that the skewness values of FDI and GDP, PIT are higher than -1 but not equal to 1 which means they are not skewed but the skewness value for TCGDP and PCI is close to >1 which implies it is negatively skewed. The next statistic kurtosis is a measure of flatness or peaking of the variables relative to their normality. Table (4.1) also indicates that kurtosis values of GDP, PIT, PCI and TCGDP are close to three, which is the standard value while the kurtosis value for FDI is a distant, half of three. Having positive values of kurtosis across all the coefficients implies that the entire distribution are peaked not flat meaning the data set is normal and reliable for analysis.

The JB statistics tests the null hypothesis that each variable in the model is distributed normally by testing the joint hypothesis that kurtosis and skewness are near three and zero respectively. It is measured against the chisquared distribution. Table (4.1) shows that the p-value of the kurtosis for the three variables as greater than 0.05 which implies that each of these series are evenly or normally distributed.

4.1 Graph Showing the Trend of the FDI, GDP, PCI, PIT and TCGDP



4.2 Unit Root Test

The growth rates of all the variables were used to conduct unit root tests to determine the stationarity of the variables using Augmented Dickey-Fuller (ADF) test. The results of the unit root tests are presented in tables below:

The result that PIC is stationary at first order of Integration at 1% significance level

Table 2: Summary Results of Unit Roots Tests using Augmented Dickey Fuller

Variables	ADF Statistics	95% ADF Critical Level	Order of Integration	Remark
InFDI	0.698014	-4.582648	I(1)	Stationary
InGDP	-4.246992	-4.582648	I(1)	Stationary
InPCI	-4.246992	-4.582648	I(1)	Stationary
InPIT	-4.109114	-4.803492	I(1)	Stationary
INTCGDP	-4.872480	-4.803492	I(1)	Stationary

Author's Computation, *Significant at 1%

The results in Table 2 show that all the variables are stationary in their first differences. Therefore since the series are stationary at the first difference, the variables of each version of Wagner's law can be integrated of order one

4.3 Granger causality Tests

Granger causality test was performed to examine the presence of bidirectional causality in the sense of Granger. The results are presented below:

Null Hypothesis:	Obs	F-Statistic	Prob.
GDP does not Granger Cause FDI	8	1.77778	0.3096
FDI does not Granger Cause GDP		0.89981	0.4942
PCI does not Granger Cause FDI	8	0.38838	0.7080
FDI does not Granger Cause PCI		1.05852	0.4489
PIT does not Granger Cause FDI	8	1.42412	0.3674
FDI does not Granger Cause PIT		0.16126	0.8580
TCGDP does not Granger Cause FDI	8	3.67644	0.1560
FDI does not Granger Cause TCGDP		0.03442	0.9665

PCI does not Granger Cause GDP	8	0.23482	0.8040
GDP does not Granger Cause PCI		0.74165	0.5474
PIT does not Granger Cause GDP	8	0.40006	0.7014
GDP does not Granger Cause PIT		10.0084	0.0471
TCGDP does not Granger Cause GDP	8	22.8122	0.0153
GDP does not Granger Cause TCGDP		4.04986	0.1405
PIT does not Granger Cause PCI	8	0.03729	0.9638
PCI does not Granger Cause PIT		0.06538	0.9380
TCGDP does not Granger Cause PCI	8	0.18141	0.8426
PCI does not Granger Cause TCGDP		0.00702	0.9930
TCGDP does not Granger Cause PIT	8	8.69171	0.0565
PIT does not Granger Cause TCGDP		1.65184	0.3283

The result presented in the table above shows that the null hypothesis that GDP granger causes FDI, TCGDP granger causes GDP and TCGDP granger causes PIT cannot be rejected but the reverse is rejected. As a result, we can say GDP is not granger caused by PIT in Nigeria same applies for TCGDP-GDP and TCGDP-PIT but all others is granger caused as shown in the Table above.

Therefore, we find that the direction of causality between foreign direct investment indicators and economic growth in Nigeria is generally unidirectional (causality runs from economic growth to foreign direct investment). In Nigeria, Olusegun O. et al. (2009) investigated causal and long-run interrelationships among foreign direct investment, trade openness and growth between 1970 and 2006. The authors employed the Toda-Yamamoto non-causality test and auto regressive distributed lag techniques to analyze the relationships among the variables. The results indicated that a unidirectional causality runs from foreign direct investment to output growth.

5. Conclusion

The paper employed Granger causality test to evaluate the direction of causality between FDI and economic growth (GDP) using Nigerian data obtained from CBN for a period of 10 years (2001-2010). The results of granger causality test find direction of causality between foreign direct investment indicators and economic growth in Nigeria is generally unidirectional (causality runs from economic growth to foreign direct investment).

The above findings have important policy implications. Understanding the direction of causality between FDI and economic growth is very important for formulating policies to encourage private investors in Nigeria, particularly in this period of economic meltdown, the capital market and banking crisis.

Reference

- *Akinlo, A. 2004 "Foreign direct investment and growth in Nigeria: An empirical investigation," Journal of Policy Modeling 26, 627–639*
- *Barro, R J., (1991), "Economic Growth in a Cross Section of Countries," Quarterly Journal of Economics Vol. 106, No. 2, pp. 407 - 443.*
- *Barro, R J., and Xavier Sala-I-Martin, (1995), Economic Growth, McGraw-Hill, Boston.*
- *Bengoa, M. and Blanca Sanchez-Robles (2003), "Foreign direct investment, economic freedom and growth: new evidence from Latin America," European Journal of Political Economy, Vol. 19 (2003) 529–545*
- *Buckley, P. J., J. Clegg, and C. Wang (2002): "The impact of inward FDI on the performance of Chinese manufacturing firms," Journal of International Business Studies, 33(4), 637–655.*
- *Carkovic, M. and R. Levine (2002), 'Does Foreign Direct Investment Accelerate Economic Growth?' Working Paper (University of Minnesota Department of Finance, available at: www//ssrn.com/abstract=314924).*
- *Choe, J. I. (2003), "Do Foreign Direct Investment and Gross Domestic Investment Promote Economic Growth?", Review of Development Economics, 7, 1, 44–57.*
- *DeMello, L.R., Jr. (1999). Foreign direct investment-led growth: Evidence from time series and panel data. Oxford Economic Papers, 51(1), 133–151.*
- *DeMello, L.R., Jr. (1997). Foreign direct investment in developing countries: A selective survey. Journal of Development Studies, 34(1), 1–34.*
- *Eller, M., P. Haiss, and K. Steiner (2005) "Foreign Direct Investment in the Financial Sector: The Engine of Growth for Central and Eastern Europe?"*
- *Granger, C. W, J. (1980) Long memory relationships and the aggregation of dynamic models. Journal of Econometrics. 14, 227-38.*
- *Granger, C. W. J. (1969). Investigating causal relations by econometric models and cross-spectral methods. Econometrica, 35, 424–438.*
- *Granger, C.W. J., 1981. Some properties of time series data and their use in econometric model specification. Journal of Econometrics 16, 121-30.*
- *Holtz-Eakin, D., Newey, W. and Rosen H. S., 1989. The revenues-expenditure nexus: evidence from local government data. International Economic Review 30, 415- 29.*
- *Holtz-Eakin, Douglas, Whitney Newey, and Harvey S. Rosen, (1988), "Estimating Vector Autoregressions with Panel Data," Econometrica 56, No. 6, November, pp. 1371 - 1395.*
- *Nair-Reichert, Usha and Diana Weinhold (2001) "Causality tests for cross-country panels: a new look at FDI and economic growth in developing countries." Oxford Bulletin of Economics and Statistics, 63 (2), 2001.*
- *Obwona, M., 2001. Determinants of FDI and their impact on economic growth in Uganda. African Development Review 13, 46– 81.*
- *Toda, H. and Yamamoto, T. (1995) "Statistical inference in vector autoregressions with possibly integrated processes", Journal of Econometrics, 66, pp. 225-250.*
- *Zhank K.H. (199) FDI and economic growth:evidence from ten East Asian Economies. Economia Internationale. Vol. L11. No 4. November 1999 pp 517-535*

Appendix I:

Stationarity Test for FDI

Null Hypothesis: D(INFDI) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		0.698014	0.9815
Test critical values:	1% level	-4.582648	
	5% level	-3.320969	
	10% level	-2.801384	

*MacKinnon (1996) one-sided p-values.

The result shows that FDI is stationary at first order of integration at 1% significance level

4.2.2 Stationarity Test for INPCI

Null Hypothesis: D(INPCI) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.246992	0.0151
Test critical values:	1% level	-4.582648	
	5% level	-3.320969	
	10% level	-2.801384	

*MacKinnon (1996) one-sided p-values.

The result shows that PCI is stationary at first order of Integration at 1% significance level, P<0.05.

Stationarity Test for INTCGDP

Null Hypothesis: D(INTCGDP) has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.872480	0.0093
Test critical values:	1% level	-4.803492	
	5% level	-3.403313	
	10% level	-2.841819	

*MacKinnon (1996) one-sided p-values.

The result shows that TCGDP is stationary at first order of Integration at 1% significance level, P<0.05.

4.2.4 Stationarity Test for INPIT

Null Hypothesis: D(INPIT) has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.109114	0.0217
Test critical values:	1% level	-4.803492	
	5% level	-3.403313	
	10% level	-2.841819	

*MacKinnon (1996) one-sided p-values.

The result 4.2.4 shows that PIT is stationary at first order of Integration at 1% significance level

4.2.4 Stationarity Test for INPIC

Null Hypothesis: D(INPCI) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.246992	0.0151
Test critical values:	1% level	-4.582648	
	5% level	-3.320969	
	10% level	-2.801384	

*MacKinnon (1996) one-sided p-values.

EMPLOYABILITY CONCERNS OF A NEW GENERATION

Jyoti Dewan[1], Dr.A.K.Singh[2]

ABSTRACT

In an emerging economy like India new jobs are being created every day. But as a result of the burgeoning population there are many people vying for employment at each node of job creation. People invariably outnumber jobs.

Even in this position of job oversubscription many posts in the private and public sector remain vacant as corporate houses are unable to find suitably skilled individuals. They want a perfect job and employee fit to maximize efficiency and effectiveness.

Graduates equip themselves for their future 'dream jobs' by spending beyond their means for skill development, in the hope of employment and a comfortable lifestyle but only find dejection in the job market. Henceit is apparent that perceptual differences exist between employers and entry level professionals with respect to employability traits.

A crucial role in molding individuals is played by the Higher Educational Institutions. Are they proactive and willing to mould the student for employment or maximizing profit is their primary objective?

This study is an attempt to collate literature in this area and identify and analyze the points of convergence and divergence in the views of theseinterdependent and symbiotic bodies namely- employer, entry level professional & higher educational institutions; enhance communication and create synergies.

Limitation of the study: The study is limited only to skill development for entry level jobs and subsequent skill up gradation has not been taken in the ambit.

Key words explained:

Perceptual differences- are the differences in ways people process information gathered from the senses. Point of view describes many variables that can affect differences in perception, i.e. personality, cognitive styles, gender, occupation, values, attitudes and religious beliefs. (Willis J, www.eHow.com as on 14.07.2013)

Employer-A legal entity that controls and directs a servant or worker under an express or implied contract of employment and pays (or is obligated to pay) him or her salary or wages in compensation. [http://www.businessdictionary.comas on 15.07.13].

[1]Associate Professor, Shri Ramswaroop Memorial Universtiy, Lucknow

[2] Vice Chancellor, Shri Ramswaroop Memorial University, Lucknow

In context of the research-Human Resource Manager, Top Management, Marketing and Sales Managers, other line managers who are part of the selection process of the company.

Professional student- A person who continues to take courses or earn degrees over a number of years instead of entering a profession related to the degrees. [www.dictionary.com as on 15.07.13] Final year students of MBA and B.Tech, in context of this study.

Employability Skills- Job readiness skills are clustered into three skill sets: basic academic skills, higher order thinking skills, personal qualities. Employability skills are those basic skills necessary for getting, keeping, and doing well on a job. Employability skills are teachable skills. [Robinison JP, 2000]

Entry level jobs- An entry level job is a position that does not require experience. Employers typically hire recent college graduates for entry level jobs. [http://jobsearch.about.com 15.07.13]. Bottom-level employment in a firm which usually requires ordinary-level of education, training, and experience qualifications. It gives a recruit the benefit of a gainful occupation, opportunity to learn and gain experience, and serves as a stepping-stone for higher-level jobs. [http://www.businessdictionary.com 15.07.13]

OBJECTIVES OF STUDY

In a vibrant economy like India new jobs are being created every day. To meet the requirement for skilled professional thus being generated numerous institutes and universities have sprouted all over the country both in the private and public sector. The government is encouraging the setting up of such centers by giving various incentives.

But it has been found that industry and academic centres are functioning in their individualistic environment and little is being done by both sets to overlap their activities. The student invariable suffers. Many a times they tend have their own views regarding employability skills and base their career development process on their own perceptions. The ideal situation will be created when centres of learning interact with the work environment and customize the skill pool of students to take charge of industry.

The current research is an attempt to bridge this gap by investigating the domain of industry, educationists and the student body, to identify their mindset regarding the talent that is being created and that which is needed in reality. During the course of my study is was observed that `attempts should be made to bring a convergence of ideologies, in the view point of students and their prospective employers in the kind of skill set that should be inculcated, and delineate the role to be executed by the educational sector. Different dimensions of this area have been explored in this paper

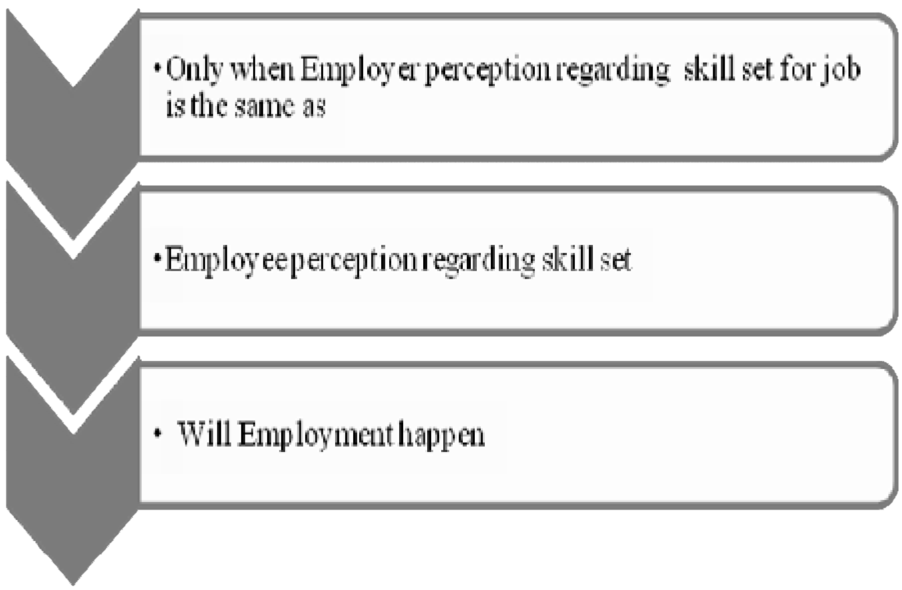


Figure.1 : **CREATION OF AN EFFECTIVE ENTRY LEVEL PROFESSIONAL IS POSSIBLE WHEN THERE IS A SYNERGISTIC APPROACH BY THE STAKEHOLDERS**

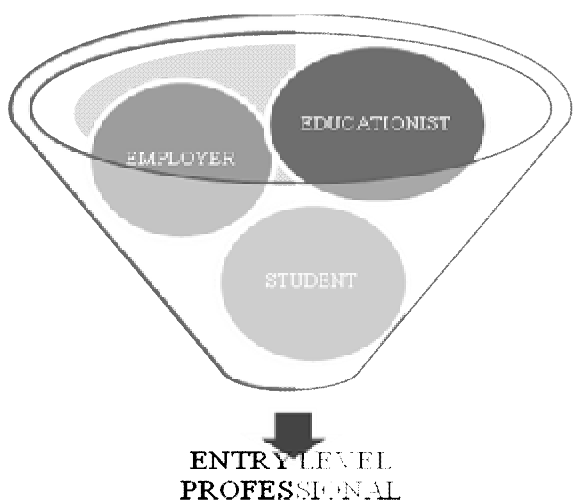


Figure 2

<u>FINDINGS FROM LITERATURE SURVEY</u>

A GRAPHICAL REPRESENTATION OF LITERATURE REVIEW:

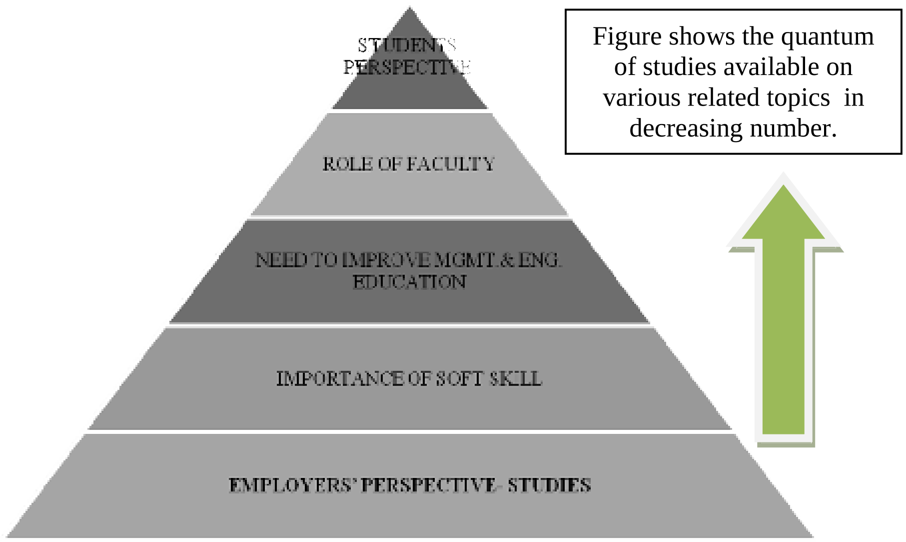


Figure 3 : BACKGROUND INVESTIGATION OF RESEARCH AREA

The most important observation from the Literature Review is that Perceptual Gap exists between Employers and professional students/ entry level professionals regarding desired skill set for gaining employment.

'Students often base their job search strategy on their perceptions of the attributes they believe employers are seeking. These perceptions, however, may not coincide with those of employers, resulting in a mismatch of employee attributes sought and those offered. An understanding of employee attributes that are most highly valued by employers is of particular importance to graduates entering the job market. Employers typically have a large pool of graduates from which to make their selections and can use stringent employee attributes in evaluating job candidates.'(Gaedeke & Tootelian, 1989, p-42)

EMPLOYABILITY DEFINED

Employability has been defined as 'the capability to move self-sufficiently within the labour market to realize potential through sustainable employment.'(Hillage and Pollard 1998)

THE EVOLUTION OF THE 'EMPLOYABILITY' CONCEPT : A BRIEF HISTORY

- **In Early 1800-** jobs consisted of activities around changing tasks (Bridges 1994). Craftsmen and workers maintained responsibility for their own employment. This at times needed them to move around and travel, updating their skills. Contracts tended to be short term. (Bagshaw 1997)
- **Post Industrial Revolution-** the employment model changed, as jobs became more structured, leading to expectations of jobs for life(Bridges 1994).
- **By the 20th century-** employability focused on appropriate qualification, which led to a job title with a reputed organization. Organizations promoted people the basis of their loyalty (Hall and Moss 1998) and took responsibility for their careers.
- **By 1950s -** employability was seen in terms of 'an individual's potential to become employed
- **During the 1970s-** focus moved to occupational knowledge and skills
- **By 1980's** employability became a function of a person's knowledge and skills(Sanders & De Grip, 2004)
- **Current definitions-** emphasize that employability is person centred and based on skills, knowledge, abilities and attitude, the capacity to anticipate change, and willingness to adapt to change within the work and labour market environment.

The meaning of employability continues to evolve in the light of the changing economic and labour market conditions and changing career patterns.

- **Since the middle of the 20th century-** employability in countries such as US,UK and Australia has been shaped by a decline in the manufacturing sector and growth in service and knowledge sector (Hunt 2001)
- **In the 21st century**: skills that are required differ significantly from those of the last century. The pace of change poses constant challenges for maintaining and updating those skills. Skill set is constantly changing, hence the need to monitor and record it. On-going research is needed to map the evolving constituents of employability for the current and future generations.

WHO IS RESPONSIBLE FOR DEVELOPMING EMPLOYABILITY?

Stakeholder responsibility needs to be recognized and accountability created.

- Government
- Educators- Institutions and Teachers

- Employers
- Employees/ Professional Students

CHANGING TRENDS IN EMPLOYABILITY

FROM EMPLOYMENT SECURITY TO EMPLOYABILITY SECURITY- If security no longer comes with being employed, then it must come from being employable. Employability security rests on the knowledge that competence is growing to meet tomorrow's challenges, that today's work includes the learning and experience to enhance future opportunities. (Kanter R, 1991).

This change needs to be understood and documented. The focus is shifting from the organization to the individual.

CURRENT STATUS IN EMPLOYABILITY STUDIES

- **POINTERS INDICATE INADEQUATE STUDENT DEVELOPMENT**

  Mather and Graves (2008) define employability as the possession by students of 'qualities that facilitate and enhance employment opportunities.' Many students also appear (Greenbank & Hepworth, 2008; Greenbank 2010) to be failing to develop through their courses and engagement in extra-curricular activities, what Brown and Hesketh (2004) have referred to as 'personal capital'- that is the skills and attributes graduate employers are looking for and the evidence to prove that they have these skills and attributes. Student development is not adequate.

- IN INDIA RAPID EXPANSION OF HIGHER EDUATIONAL INSTITUTIONS APPEARS TO HAVE CREATED A DILUTION IN QUALITY. With reference to India, insufficient supply of quality skills is one of the main impediments to economic growth. Since Engineers play a critical role in various sectors they are in great demand. The higher education system has responded to the increased demand by massively expanding the production of engineers.(Bloom & Saeki, 2012) The number of students enrolled increased 800% from 1998 to 2008 (MHRD, 1998-2008). This has been blamed for the drop in quality of engineering graduates.

- However little research has been done to identify the kinds of skills demanded by employers and measures in which skilled graduates meet the employers' expectation. There is increasing demand for such information by teachers, administrators, policy makers (Bloom & Saeki, 2012) and also the students.

- **THE CURRICULUM STILL TENDS TO BE LARGELY THEORITICAL**

  Students' future employability is still seriously curtailed by an excessively theoretical and/or content based training, which does not cater effectively for the development of transferable skills.(Oria, 2012).

- **FOREIGN RESEARCH SUGGESTS THE NEED TO CUSTOMISE STUDENTS FOR INDUSTRY-**Research to establish the potential to graduate and the employability of ….senior students, and then developing them into according to employer expectations-makes a lot of sense. "We can't afford to educate students in isolation any longer," says Professor Melinde Coetzee department of industrial and organizational psychology and research theme leader UNISA. " We have to increase graduate attributes to the level they're capable of entering and succeeding in the demanding workplace….. An appropriate manual to train and guide lecturers to educating excellence will follow…."(FINWEEK, 21 October, 2010)
- **COMMUNICATION NEEDS TO BE ENHANCED BETWEEN EDUCATIONISTS AND INDUSTRY-**other study on the same topic concluded that- the boundary between universities and business needs to become more porous. Before graduating students must have a clear idea of the expectations of their future employers. (FINWEEK, 21 October, 2010)
- **FAILURE OF COURSES TO PROVIDE EMPLOYMENT WILL PAVE THE WAY FOR THEIR OBSOLENCE-** The need to develop the employability of students is becoming increasingly important to universities. This is because of the failure of students to engage effectively in career decisions-making is likely to have a detrimental effect on their ability to compete in the graduate labour market. Hence if education does not lead to employability then the courses will drop in importance.

FUTURE PROSPECTS AND APPLICATIONS

- **STUDENTS NEED TO BE BETTER PREPARED FOR TRANSITION FROM EDUCATION TO EMPLOYMENT.** (Greenbank, 2012) We can convince students to participate in this process only if we know their mindset and values. This is a prompt to conduct analysis of student mindset regarding competencies. The practice of analyzing student's perceptions is based on service perception of industry, and involves measurement of client satisfaction-important to assess the accountability of teaching and develop procedures for continuous improvement.(Oria 2012)
- **EMPLOYER SATISFACTION SURVEY**

  Bloom & Saeki, 2012- conducted an employer satisfaction survey on the following key questions:

  Which skills do employers consider important when hiring new engineering graduates?

How satisfied are the employers with the skills of engineering graduates?

In which important skills are the engineers falling short?

OVERVIEW OF THE INDIAN CONTEXT

EMPLOYABILITY STATUS OF MBAs

MBAUniverse.Com--MeriTrac employability study 2012, which covered 2,264 MBAs from 29 cities and 100 B-Schools, beyond the Top 25, only 21% are employable.

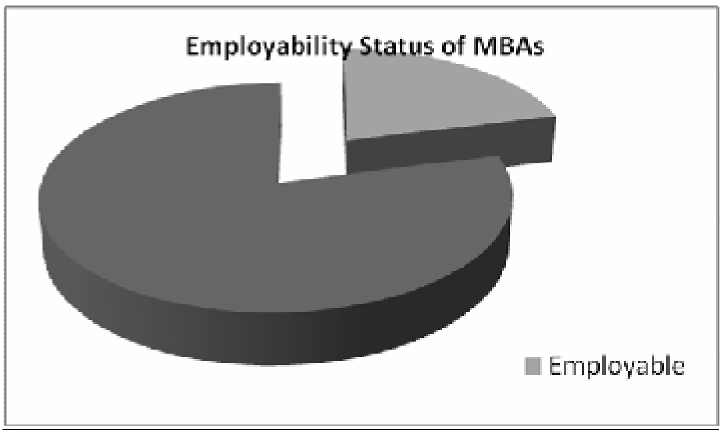


Figure 4

But number of MBA seats in India has grown almost four fold -- from 94,704 in 2006-07 to 3,52,571 in 2011-12. Five-year compounded annual growth rate of 30%, but their employability rates have fallen, the study said.

"This report clearly brings out the employability gaps across various competencies and highlights the need for scientific examinations and tests to align the candidate skills to employability metrics.

EMPLOYABILITY STATUS OF ENGINEERING GRADUATES

Software body Nasscom's (National Association of Software & Services Companies) estimate that only a quarter of all engineering graduates are readily employable in the IT sector is worrisome.

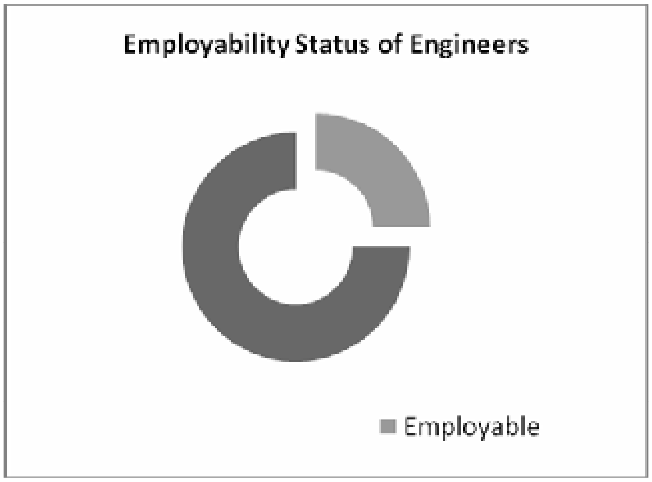


Figure 5

The statistics paint a grim picture especially with IT/ITES industry being one of the mainstays on Indian economy (~6.4% contribution to GDP). The IT/ITES industry currently employs nearly 2.5 million people and with the pace the industry is growing, the demand for graduate talent is increasing at a rapid pace.

The lack of 'Job Ready' skills in the course curriculum in majority of colleges and the assessment system with high weight age on theoretical competencies instead of practical know-how is definitely a cause of concern.

GAPS TO BE BRIDGED

Employability has become a critical factor underpinning employment contracts in the 21st century. There is an urgent need for comprehensive Indian research for studying employability variables. Indigenous models need to be developed for development of skilled manpower instead of blindly applying concepts developed in the western world to our conditions.

There is requirement for:

- Industry exposure of both students and teachers
- Need for government grants
- Corporate inputs and grants to promote research and make education contemporary.

It is very difficult to find empirical studies that have examined and compared employability skills that employers, university lecturers and graduates value to bring to the workplace when graduates are applying for entry level graduate jobs.

Also studies that compared the level of skills possessed by graduates by the time of applying for their first job (graduate responses) and the level of skills expected by employers when selecting for entry level graduate jobs (employer responses) are difficult to find.

CONCLUSION

After an extensive literature review and personal observations during my teaching tenure the following note worthy points have emerged:

- The wall between industry and educationists needs to be porous to enhance employability.
- Universities that are industry integrated will be able to attract students in larger numbers.
- The Indian student lacks self-awareness and his/her personality development is below industry requirement standards.
- Soft skills in addition to technical knowledge will enhance employability.
- Projection of these skills is as important as possessing them.
- Desired skill set varies across industries, firms sizes and region
- Industry participation in Education will reduce training needs and smoothen the transition from education to employment.

REFERENCES

1. *Anon, 1999, "Education for Employability", Management Services, vol.43, issue 3, Mar, p6-7.*
2. *Anon, 2006, " Two year degrees must deliver right skills", Personnel Today, 4/25/2006, p.6-6.1*
3. *Anon, 2010, " Youth Employability training: two experiments", Career Development International, vol.15, issue 2, Mar, p.166-187.*
4. *Bergenhenegouwen GJ, 1996, ' Competence Development- A Challenge for HRM Professionals: Core Competences of Organizations as Guidelines for the Development of Employees', Journal of European Industrial Training, vol.20, issue 9, p29-35.*
5. *Blom A, Soeki H, 2012, "Employability and Skill Sets of Newly Graduated Engineers in India: A Study", The IUP Journal of Soft Skills, vol.l6, no.4, p.8-50.*
6. *Boyatzia R, 2008, ' Competencies in the 21st Century', Journal of Management Development, vol.27, issue 1, p5-12.*

7. *Chynoweth, 2012, "Work the Experience", People Management, May2012, p.42-46.*

8. *Coetzee M,2010, " In search of student employability", Finweek, October 21, p.5.*

9. *Conaty B, Charan R, 2010, " The Talent Masters: Why Smart Leaders Put People Before Numbers", Crown Books, Crown Publishing Group.*

10. *Craig C, Piskur B, 2012, "Student perspectives on the development and evaluation of a joint international education to promote employability in Europe", IOS Press, p.439-446.*

11. *Crayford J, Fearon C, McLaughlin H, Van Vuuren W, 2012, "Affirming Entrepreneurial Education: learning employability and personal development", Industrial and Commercial Training, vol.44, issue 4, p.187-193.*

12. *Deepa S, Seth M, 2013, "Do Soft Skills Matter?- Implications for Educators Based on Recruiters' Perspective", The IUP Journal of Soft Skills, vol.7.no.1, p.6-20.*

13. *Dragan M, Pitic D, Bratean D, 2013, "Increasing employability of master graduates-economic profile-in context of the accreditation system by using Gemba Sheets", Sectoral Operational Programme Human Resources Developmetn 2007-2013, project no. POSDRU/89/1.5/S/59184, P.33-42.*

14. *Drucker P, 1975, The Practice of Management, New York, NY, Harper Collins.*

15. *Economist Intelligence Unit, 2008, ' Talent War- The Struggle For Tomorrow's Workforce', A Report From the Economist Intelligence Unit.*

16. *Elspeth J,2013, "Internationalization and employability: the role of intercultural experiences in the development of transferable skills", Public Money and Management, vol.33. issue 2, Mar, p.95-104.*

17. *Falk A, Sandqvist J, Liedberg G, 2012, "Euro-Education: Employability for all- Design and Development of an international course for future health-care professionals", IOS Press, p.433-437.*

18. *Fowler David, 2011, "Plug the gaps", Engineers (Online Edition), 6/20/11, p.54*

19. *Gayathri S, 2012, "Challenges in Teaching Business Communication to Management Students from a Rural Backgroung", The IUP Journal of Soft Skills, vol.6, no.1, p.47-50.*

20. *GMAC, 2012, "Corporate Recruiters Survey, 2012", Survey Report.*

21. *GMAC, 2012, "Jobs Trends Outlook for India 2012", GMAC Data-to-go Series.*

22. *Gokuldas V, 2010, " Technical and non-technical education and the employability of engineering graduates: an Indian case study", International Journal of Training and Development,Blackwell publishing, p.130-143.*

23. *Graham A, Hampton M, Willett C, 2009, "What not to write: An intervention in written communication skills for accounting students", International Journal of Management Education(8)2, p.67-74.*

24. *Grant Thornton International Report 2012, "Women in Senior Management: Still not enough".*
25. *Greenbank P, 2012, "Career Decision-making by Business School Students: A British Case Study", International Journal of Management, vol.29, no.4, December, p.543-552.*
26. *Hall D, 2004, "The protean career: A quarter-century journey", Journal of Vocational*
27. *Horton, Sylvia, 2000, ' Introduction- The Competency Movement: Its Origins and Impact on the Public Sector', International Journal of Public Sector Management, vol.13, issue 4, p306-318.*
28. *Kanter R, 1991, "Globalism/ Localism: A New Human Resources Agenda", Harvard Business Review, March-April, p.9-10.*
29. *Linrud J, Wilson J, 2004, " Marketing Education: Perspectives of Highly Involved E-Business Practitioners", Journal for Advancement of Marketing Education- Volume 4, Summer 2004, p.1-8.*
30. *Mainardes E, Alves H, Domingues M, 2010, " The attraction of students to the undergraduate course in management: Multicase study of the factors attracting students in Joinville, SC", Interanational Journal of Business and Strategy, vol 10,no.1, p.115-126.*
31. *Maxwell G, Scott B, Macfarlane D, Williamson E, 2009, " Employers as stakeholders in postgraduate employability skills development", International Journal of Management Education (8)2, p.1-10.*
32. *Mondy W,2009, Human Resource Management, 10th Edition, US, Pearson Publication.*
33. *Newton, Hurstfield, Miller, Page & Akroyd, 2005, "What employers look for when recruiting the unemployed and inactive: skills, characteristics and qualifications", Research Report No. 295Department for Work and Pension, Corporate Document Services.*
34. *Noronha M, 2011, " Management Education at Crossroads in India" , Asia Pacific Journal of Research in Business Management, vol.2, issue 6, June p.87-101.*
35. *Nyaribo M, Prakash A, Edward O,2012, "Motivators for choosing a management course: A comparative study of Kenya and India", International Journal of Management Education (Oxford Brookes University), vol.10, issue 3, p.201-214.*
36. *Oria B, 2012, "Enhancing Higher Education students' Employability: A Spainish case study", International Journal of Technology Management & Sustainable Development, vol.11, no.3, p.217-230.*
37. *Philips L,2007, "Skills scheme to promote employability", People Management, April , p.14*
38. *Potgieter I, 2012, "The relationship between the self-esteem and employability attributes of postgraduate business management students", SA Journal of Human Resource Management, 25April, p.1-15.*
39. *Pucillo J,2011, "Job Search Skills 101: Helping Students Get the Job", Technology Education, March, p.18-20.*

40. *Rao A, Shah S, Aziz J, Jaffari A, Ejaz W, Haq I, Raza S,2011, " Employability in MNCs: Challenge for Graduates", Interdisciplinary Journal of Contemporary Research in Business, vol.3 no.4, Augustp.189-200.*
41. *Rynes S, Lawson A, Ilies R, 2003, "Behavioural Coursework in Business Education: Growing Evidence of a Legitimacy Crisis", Academy of Management Learning and Education, September, vol.2, No.3, p.269-283.*
42. *Sahni L, 2011, "The Impact of Soft Skills Training Induction Programme on New Enterants", BVIMR Management Edge, vol.4, no.2,p.40-47.*
43. *Shermon G, 2004, Competency Based HRM, Tata McGraw Hill Education.*
44. *Shikhari A, "Redefining Empolyability", HR Roundtable, Human Capital, November 2011, p.28-40.*
45. *Tewari R, Sharma R, 2011, "Managerial Skills for Managers inthe 21st Century", Review of Management, vol.1, no.3, September, p.4-15.*
46. *Tomlinson M, 2007, "Graduate employability and student attitudes and orientations to the labour market," Journal of Education & Work,vol.20, issue 4, Sep, p.285-304.*
47. *Waterman R, Waterman J, Collard B, 1994, "Towards a Career- Resilient Workforce", Harvard Business Review, July-August, p.87-95.*

A STUDY OF SWAPS & THEIR USE IN HEDGING PRICE RISK IN CRUDE OIL MARKETS

Dr. Shiva Johri*

ABSTRACT

In all the history of financial markets, no markets have ever grown or evolved as rapidly as have the swap markets. This is a testament to the efficacy and flexibility of the instruments, the resourcefulness and the professionalism of the new breed of financial engineers, and the increased appreciation by financial managers of the importance of financial risk management in a volatile interest rate, exchange rate, and commodity price environment. Swaps are now used by industrial corporations, financial corporations, thrifts, banks, insurance companies, world organizations, and sovereign governments. Swaps are used to reduce the cost of capital, manage risks, exploit economies of scale, arbitrage the world's capital markets, enter new markets, and create synthetic instruments. New users, new uses, and new swap variants emerge almost daily. Most people with some exposure to swaps believe that swaps are exceedingly complex instruments. In reality, this seeming complexity is more in the extensive documentation need to fully specify the contract terms and the myriad of specialty provisions that can be included to tailor the swap to some specified need. Swaps are a relatively new form of OTC derivative trading instrument that has proved to be ideally suited to the complexities of the oil market, which is highly volatile and creates price risk for the inclusive parties. This paper studies the use of swap in various means to hedge price risk in crude oil market.

Keywords: Swap, Price Risk, Syndicated Loans

Introduction

Experts like **Andrew M Chilsom(1) & Don M Chance (3)** define swap in many ways:

- An agreement or transaction in which two or more parties exchange their cash flows at a predetermined series of payments.
- Exchange of interest rate payment for specific maturity on an agreed upon notional principal.
- An arrangement whereby one party exchange with the other a set of interest payments for another, say fixed rate to floating rate or vice versa.

* Associate Professor, Oriental college of Management, OGI Bhopal, Shiva.johri@gmail.com

The basic idea is that swaps can be used to transfer assets or liabilities to the benefit of the owner. One of the above definitions refers to the simultaneous purchase and sale of currency for different maturities or vice versa. The other definition states that it is the agreed exchange of futures cash flows with or without any exchange of cash flows at present. However the exchange of cash flows may be different and give rise to different types of swaps. With the help of a swap, a floating rate liability (loan) can be converted into a fixed rate liability (loan), ensuring that the volatility in the interest rates does not increase the burden of payments or else, vice versa convert affixed rate liability (loan) into a floating rate liability (loan) when the interest rates fall steeply in the market. Similarly, an asset can be changed to convert a floating rate earning asset into a fixed rate earning asset or vice versa according to the requirements of the holder. Further, swaps can be divided into short-term, medium-term and long-term swaps. While short-term swaps have maturity periods of less than three years, medium-term swaps mature between three and five years, and long-term swaps have a life extending beyond five years.

In a commodity swap, the counterparties make payments based on the price of a fixed amount of a certain commodity in which one party pays a fixed price for the good and the other party pays a market rate over the swap period. Of late, commodity swaps are becoming increasingly common in the energy and agricultural industries, where demand and supply are both subject to considerable uncertainty.

Review of Literature

According to **James** (9) price risk is a risk resulting from the possibility that the value of a security or physical commodity may decline. **Dowd Kevin** (6) & **James** (9) defines hedging as the process in which an organization with energy price risk will take a position in a derivative instrument that gives an equal and opposite financial exposure to the underlying physical position to protect against major adverse price changes. Authors of books on derivatives like **Hull J.C.(8) And Robert k and James O (16)** has explained the theory on derivatives and its extension to commodity counterparts in the most fluid manners. According to **Kaminski** (12) hedging can be used by any market participants who intend to buy or sell a commodity sometime in the future, and who wish to know with greater certainty what price they will pay or receive. Hedging enables better financial management and planning, and allows buyers and sellers of commodities to protect themselves against the potentially catastrophic consequences of sudden and unforeseen changes in market conditions. **Hull (8)** defines derivative instrument as an instrument whose price depends on, or is derived from, the price of another asset. Hull's work on derivatives provided in-depth information on derivatives and their application. **Long (13), Kaminski (12) and James (9)** classifies derivatives and derivative markets and provides a lot of information on swaps. **Fusaro P.C. (7)** provides empirical research on the usage of swaps in hedging price risks. Financial Engineering Experts like **Marshal and Bansal (10)** give special importance of derivatives in Hedging. Other resources like websites of major commodity exchanges in India and US have provided depth of material on both the Crude oil hedging instruments and material on how investors in particular should approach Crude oil market trading and Hedging Instruments.

History of Swap Product

The evolution of global swap market can be traced back to the late 1970s when the currency market traders brought currency swaps as a tool to exploit British controls on the movement of foreign currency. The first interest rate swap occurred in 1981 with an agreement between IBM and the World Bank. The swap market in the early 80's was worth only a few hundred million dollars, which today stands at several trillion dollars. Most of the capital market issues are swapped today, with minor exceptions. Initially, the swap deals were on a matched basis whereby a bank would bring two counter parties together with the same matched requirements. **(ISDA Archives-22)**

In 1984, especially in the US dollar interest rate swap market, banks started developing warehousing transactions whereby a single counterparty would approach them and without other counterparty the bank would enter into a swap arrangement with them. A temporary hedge would be taken in the bond or futures market until a suitable counter party could be found. Standard terms introduced by the ISDA (International Swaps and Derivatives Association) and BBA (British Banker's Association) in1985 also assisted growth in the swap market. The swap market is today one of the fastest growing financial markets in the world. The first currency swap was engineered in London in 1979 during the two years that followed the market remained small and obscure. This obscurity ended when, in 1981, Salomon Brothers put together what is now the landmark currency swaps involving the World Bank and IBM. The stature of the parties gave long-term credibility to currency swaps. It was a short step from currency swaps to interest rate swaps. **(ISDA Archives-22)**

Like the currency swap, the first interest rate swap was engineered in London. This took place in 1981. The product was introduced to the United States the following year when the Student Loan Marketing Association (Sallie Mae) employed a fixed-for-floating interest rate swap to convert the interest-rate character of some of its liabilities. Once established, the market for currency and interest rate swaps grew rapidly. From under $5 billion in combined notional principal outstanding at the end of 1982 the market flew to over $2.5 trillion by the end of 1990. The financial institutions that originated the swap product first saw themselves in the role of brokers. That is, they would find potential counterparties with matched needs and, for a commission, would assist the parties in the negotiation of a swap agreement. The brokering of swaps proved more difficult than originally envisioned because of the need to precisely match each individual contract provision. It wasn't long, however, before these institutions realized their potential as dealers. That is, they could make a more liquid market by playing the role of counterparty. This was possible because of the existence of a large cash market for U.S. Treasury debt and well developed futures markets in which the swap dealers could hedge their resultant exposures. By 1984, representatives from leading dealer banks (commercial banks and investment banks) began work on standardizing swap documentation. In 1985 this group organized itself into the international Swap Dealers Association (ISDA) and published the first standardized swap code. The code was revised in 1986. In 1987, the standardization efforts of the ISDA culminated in the publication of standard for agreements. These contracts are structured as master agreements. As such, all subsequent swaps entered by the same counterparties are treated as supplements to the original agreement. Standardization of documentation dramatically reduced both the time and the cost of originating a swap. **(ISDA Archives-22)**

Commodity swaps were first engineered in 1986 by The Chase Manhattan Bank. But, no sooner was the mechanism for commodity swaps in place than the Commodity Futures Trading Commission (CFTC) cast a cloud over the product by questioning the legality of the contracts. The intervention of the CFTC brought that agency into direct conflict with the ISDA and a lengthy battle ensued. At the same time, those banks already involved in commodity swaps moved the bulk of their activity overseas. In July of 1989, the CFTC issued a favorable policy statement on commodity swaps. The agency decided to grant the contracts a "safe harbor," provided that certain criteria were met. These criteria were of little consequence as, for the most part, they reflected current industry practice. By the end of1989 the volume of commodity swap outstanding was nearly $8 billion. While still small in comparison to interest rate and currency swaps, there is to be huge potential for this market.

S.L.Gupta (17) Defines Commodity swaps as purely financial transactions designed to manage the exposure to two different commodities over a period of time. In a simple swap contract, the price of one commodity is fixed while the price of the other is variable, or floating. Swap transactions are more common in currency and interest rate markets then in commodities, since they are designed to mitigate risk of a commercial participant who has exposure to two products. As an example, a manufacturer who buys raw material, at a fixed point in time in one currency, and sells finished goods, over a longer period of time in another currency, can use a fixed-for-floating swap to manage the fluctuations between the two currencies. Commodity swaps are used to hedge against the price of a commodity. In a commodity swap, the counterparties make payments based on the price of a fixed amount of a certain commodity in which one party pays a fixed price for the good and the other party pays a market rate over the swap period. In a commodity swap, one set of the exchanged cash flows are dependent on the price of an underlying commodity and the other set of payments can be either fixed or determined by some other floating price or rate. There are two types of commodity swaps: fixed-floating or commodity-for-interest. Fixed-floating swaps are just like the fixed-floating swaps in the interest rate swap market with the exception that both indices are commodity-based indices. Commodity-for-interest swaps are similar to the equity swap in which a total return on the commodity in contract is exchanged for some money market rate (plus or minus a spread).

In a commodity swap, the first counterparty makes periodic payments to the second at a per unit fixed price for a given quantity of some commodity. The second counterparty pays the first a per unit floating price (usually an average price based on periodic observations of the spot price) for a given quantity of some commodity. The commodities may be the same (the usual case) or different. If they are the same, then no exchanges of notional are required. If they are different, exchanges of notional could be required but, as a general rule, no exchanges of notional take place-all transactions in actual take place in the cash markets.

Structure of a Swap: All swaps are built round the same basic structure. Two parties, called counterparties, agree to one or more exchanges of specified quantities of underlying assets. We call the quantities of underlying assets in a swap the notionals in order to distinguish them from physical exchanges in the cash markets, which are called actuals. A swap may involve one exchange of notionals, two exchanges of notionals, a series of exchanges of notionals, or no exchanges of notionals. Most often, a swap involves one exchange of notionals at the commencement of the swap and is exchange upon the swap's termination. The notionals exchanged in a swap may be the same or different. Between exchanges of notionals, counterparties make payments to each other for use of the underlying assets. The first counterparty makes periodic payments at a fixed price for use of the second counterparty's assets. This fixed price is called the swap coupon. At the same time, the second counterparty makes periodic payments at a floating (market determined) price for the use of the first counterparty's assets. This is the basic or "plain vanilla" structure. By modifying the terms appropriately and/or adding specialty provisions, this simple structure can be varied to suit specific end user needs.

John Marshall & Vipin Bansal (10) illustrate, that first counterparty A and the second counterparty B. It is very difficult to arrange a swap directly between two end users. A much more efficient structure is to involve a financial intermediary that serves as counterparty to both end users. This counterparty is called a swap dealer, a market maker, or a swap bank. The terms are used interchangeably. The swap dealer profits from the bid-ask spread it imposes on the swap coupon. The cash flows associated with a typical swap are illustrated in Fig 1 (a), (b) &(c). Fig 1 (a) depicts the initial exchange of notionals, which is optional in the sense that it is not required in all swaps; Fig 1 (b) depicts the periodic usage payments; and Fig 1 (c) depicts the re exchange of notionals, which like the initial exchange of notions, is optional in the sense that it is not required in all swaps.

Fig. 1 (a) Swap: Initial Exchange of Notionals

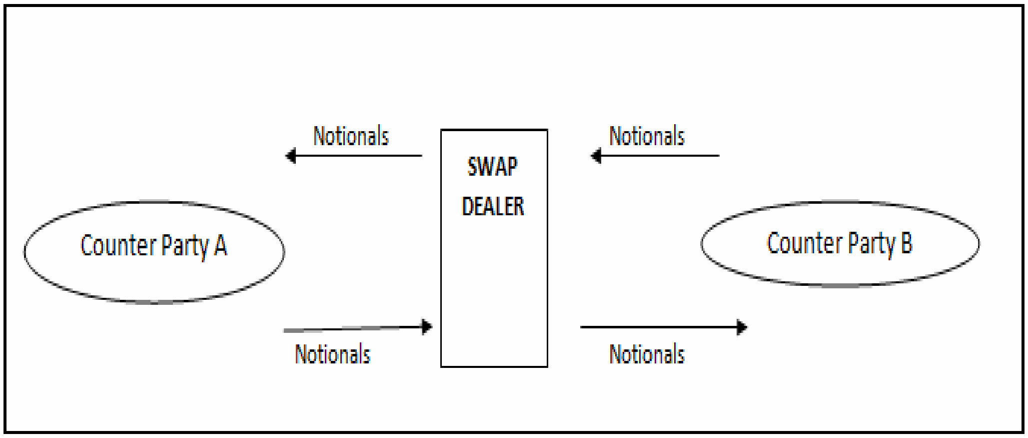


Fig. 1 (b) Swap: Periodic Usage moments

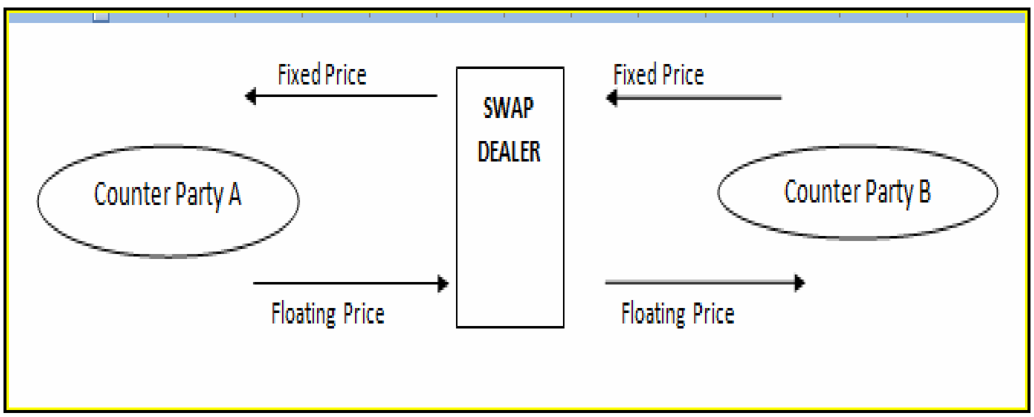
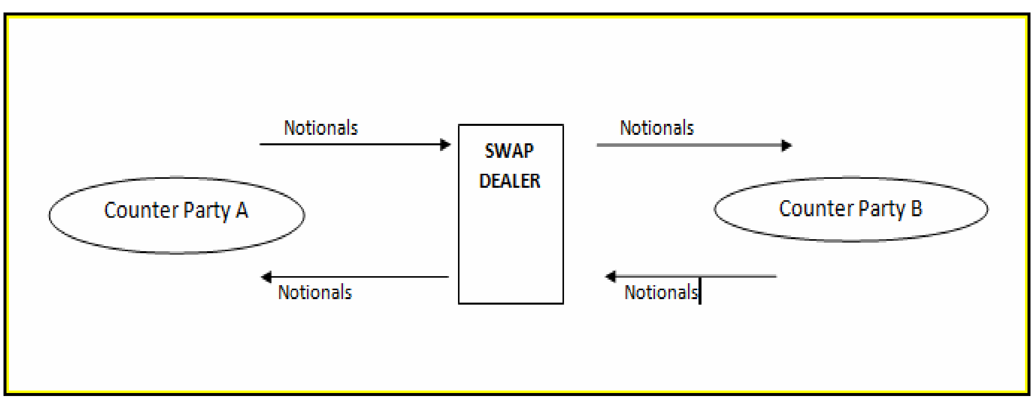
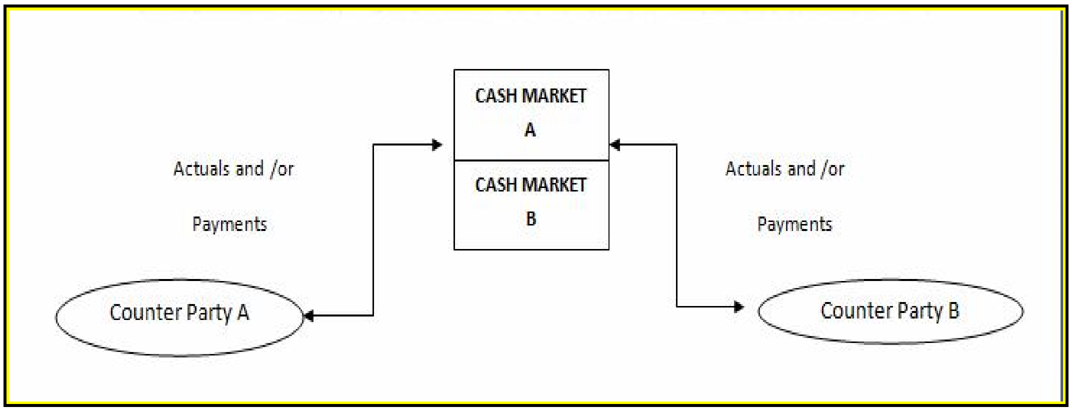


Fig. 1 (c) Swap: Re-exchange of Notionals



A swap by itself would generally not make much sense. But swaps do not exist in isolation. They are used in conjunction with appropriate cash market positions or transactions. There are three such basic transactions: (1) obtain "actuals" from the cash market, (2) make (receive) payments to (from) the cash market, or (3) supply actuals to the cash market. The cash markets depicted in Fig 2 may be the same or different. By combining the cash market transactions with the appropriately structured swap; we can engineer a great many different outcomes. For the moment, we will only look at the most basic of these.

Fig. 2 Swap cash market transactions



Swap can be applied to any asset for which a mutually acceptable pricing mechanism can be established and, since it does not involve delivery, leaves the swap user free to make separate arrangements for the physical disposal of the asset. In some ways swaps are very similar to futures contracts. Both involve an agreement to buy or sell a specified quantity and quality of oil (or any other commodity) at a particular location and date in the future at a fixed price agreed at the time the contract is negotiated. And both can be used to hedge price risks created as a result of positions held in the physical oil market, or to speculate over the future course of prices. But, although the objectives may be similar, the operation of the two types of contract is very different and has led to an entirely different market structure and regulatory environment for swaps. In order to regularize the commodity swaps, the **Commodity Futures Trade Commission (CFTC) (3)** has come out with the following rules and regulations:

i. No commodity swap can be terminated by one of the parties, without the consent of the other party.

ii. Contracts to be entered into by the parties only for commodities dealt by them.

iii. Only institutions and companies can indulge in commodity swaps. Individuals are not allowed to do so.

iv. No mark-to-market process with variation margins allowed.

v. No collateral or margin loans permitted for commodity swaps.

Assume that you are a wheat farmer producing 400 tons of wheat every year. You are not sure about the price of wheat for the next five years due to unpredictable nature of government policies that fix the price every year. You can avoid the risk arising from fluctuating nature of prices by using a swap where you receive a fixed price and pay a floating rate to the counterparty. Thereby you are assured to receive a fixed amount every year for your commodity for the next five years.

Pricing Swaps : The price of a swap depends on three main factors **long D (13)**:

- the cost of hedging the swap position;
- the credit rating of the swap user; and
- Margin required by the swap provider.

However, by far the most important of these is the cost of hedging the position created by the swap agreement. This, in turn, depends partly on the term structure of the forward or futures market being used to hedge the price risk, partly on the different payment structures, and partly on the basis risk associated with the hedging instrument. Although other factors, such as the credit rating of the swap user and the margin required by the swap provider do play a role, their significance has diminished as the market becomes more liquid and the level of competition between the swaps providers has intensified.

The most important factor determining the price of a swap is the term structure of futures prices in the market that is being used by the swap providers to hedge their exposure in the swaps market. The basic difference between swaps and futures is that a swap agreement offers a single fixed price for an entire period while the portfolio of futures contracts offers a sequence of different prices for each delivery month**.** Although it is theoretically possible for all the futures prices to be the same, it is more likely that the futures prices will be on a rising (in contango) or falling (in backwardation) trend.

The relative value of the swap agreement compared with the futures portfolio therefore depends on the slope of futures prices and whether the swap user is hedging a long or short position on the physical market. In the case of an oil producer, who has a long position in the physical market and wants to hedge his selling price, the floating price is likely to be above the fixed price during the early part of the contract period when the market is in backwardation as the term structure of futures prices is downward sloping.

The swap user would therefore expect to make cash payments to the swap provider which he would otherwise be able to earn interest on. Swaps are therefore potentially more costly for producers when the market is in backwardation as they entail an initial net cash outflow.

Swap & Use in Hedging Oil Price Risk

The development of the swaps derivatives markets in the oil industry has been fraught with many difficult events. Metallgesellschaft foundered, TXU slipped away in the night, Enron exploded and Williams divested. Although the market stalled dramatically in the 2002-3 period, these issues have not prevented the rise and rise of the swap contract as an effective management tool for the energy industry. Swaps are a relatively new form of OTC derivative trading instrument that has proved to be ideally suited to the complexities of the oil market.

Thus a Swap is a private agreement between two parties to exchange cash at pre-arranged dates in the future according to an agreed price formula. According to **James (9)** it guarantees the swap user (who is risk averse) a fixed price for a specified asset over an agreed time period in the future and assigns any profit (or loss) that might arise as a result of subsequent price changes to the swap provider (who is a risk taker).

Mattus Igmar (14) explains that the basic or "plain vanilla" energy swap differs little from swaps on other derivative markets, and is really a very simple financial instrument. He also sheds important emphasis on swap types used in industry However, several interrelated factors have combined to cause an increase in the diversity of the instruments used in the oil swap market. In particular, a more liquid and competitive market for swaps has attracted oil industry participants that are very aware of the specific price risks that they face and who are demanding more customized structures.

"Plain Vanilla" Swap

A simple oil swap is an agreement whereby a floating price is exchanged for a fixed price over a specified period. It is an off-balance-sheet financial arrangement that involves no transfer of physical oil: both parties settle their contractual obligations by means of a transfer of cash. The agreement defines the volume, duration, fixed price and floating price. Differences are settled in cash for specific periods usually monthly, but sometimes quarterly, six-monthly or annually. Swaps are also known as "contracts for differences" and as "fixed-for-floating" contracts – terms that summarize the essence of these financial arrangements. Producers sell swaps to lock in their sales price. The producer and its market counterpart agree a fixed price, for example, $18 per barrel, for an agreed oil specification index, and a floating price, almost always a reference price derived from Platt's or Argus (oil reporting services who publish daily prices for a range of commodities) or one of the futures markets. For the period agreed, the producer receives from the intermediary the difference between fixed and floating price if the latter is lower. If the floating price is higher, the difference is paid by the producer to the intermediary.

The consumer of energy uses a swap in order to stabilize the buying price. For example, an airline buying jet fuel (jet) would contract to buy a jet swap with a fixed price element of $140 per tonne. If the floating average was $150 per tonne, then the airline would receive a monthly settlement of $10 per tonne multiplied by the volume hedged. If the floating price averaged $135 per tonne, then the airline would pay out $5 per tonne**.**

Differential Swap

Kaminski (12) says that a differential swap is based on the difference between a fixed differential for two products, and the actual or floating differential over time (2004). Some examples of energy products that might attract differential swaps include jet versus gasoil, physical (Platt's) gasoil versus futures, 3.5% fuel versus 1% and Brent versus NYMEX WTI but the possibilities are limited only by the number of indices that exist.

Differential swaps are typically used by refiners to hedge changing margins of refined products. Refiners usually receive the fixed-price side of the swap, ensuring a known, forward relationship for the price of their various products. If they sell the differential and the differential swap narrows (the margin has fallen for the covered period), then the refiner receives the difference between the contractually fixed differential and the floating differential; if it expands, the refiner pays out.

Differential swaps may also be used by companies as a way of managing the basis risk assumed during their normal hedging activity. For example, an airline that prefers to hedge its jet exposure with gasoil swaps, because of the perceived value of these deals, may enter into a jet-gasoil differential swap to hedge this potential basis risk.

Margin or Crack Spread using swaps

Long D (13) Refiners who prefer to fix a known refining margin can construct elaborate forward (physical) and futures (exchange) deals for their products. However, such constructions can be costly and rarely provide complete cover. Alternatively, they can enter into a refining margin swap, whereby the product output of the refinery and the crude (or feedstock) input are simultaneously hedged, i.e. , the products are sold and the crude is bought for forward periods. The deal is usually expressed as US$x per barrel margin. At settlement, the refiner either pays or receives the difference between the margins; the calculation is based on the price settlements in the spot markets and those locked in. In this way, the probability of a refinery can be guaranteed for a few years forward. This kind of hedging is often integrated into development projects and upgrading schemes when the financiers are keen to ensure the viability of the project and seek to underwrite a minimum revenue stream.

The next section of the paper illustrates crude oil market swaps common in the market.

Illustration 1: Crude oil swap Hedging Example 1

Consider a simple case, a crude oil producer (Counterparty A) wants to fix the price he receives for his oil for five years-his monthly production averages 8,000 barrels. At the same time, an oil refiner and chemicals manufacturer (Counterparty B) wants to fix the price he pays for oil for five years-his monthly need is 12,000 barrels. To obtain the desired outcomes, they enter swaps with a swap dealer but continue their transactions in actual in the cash markets. At the time these end users enter their swaps, the price of the appropriate grade of crude oil in the spot market is $15.25 a barrel. Counterparty B agrees to make monthly payments to the dealer at a rate of $15.30 a barrel and the swap dealer agrees to pay Counterparty B the average daily price for oil during the preceding month. At the same time, Counterparty A agrees to pay the swap dealer the average daily spot price for oil during the preceding month in exchange for payments from the dealer at the rate of $15.20 a barrel.

As can be seen in Fig 3, these payments have the effect of fixing the price of crude oil for both the oil producer and the oil refiner. The difference in the notional quantities in these two swaps raises an interesting point. If Counterparty A and Counterparty B had attempted a swap with each other directly, it would have failed since the parties have different notional requirements. But, by using a swap dealer, both swaps are viable. The swap dealer can offset the risk from the mismatched notional by entering a third swap as fixed-price payer on 4000 barrels. And, until an appropriate counterparty can be found, the swap dealer can hedge in futures

Fig. 3 Commodity Swap Crude oil Cash Market Transaction

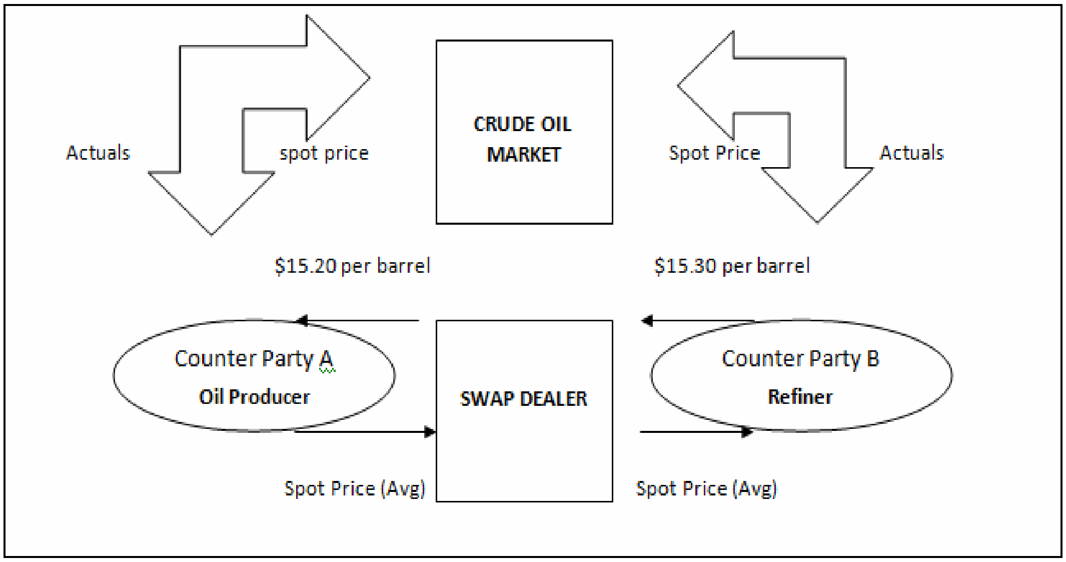


Illustration 2: Crude oil swap Hedging Example 2

This example will help understand the profit potential for swaps. **Source: Calculations of the author, at prices provided by U.S. Department of Energy in the below examples.** Suppose a small WTI crude oil producer wants to take advantage of high oil prices during the fourth quarter of 2004 to lock in a good price for part of his next year's production in case prices collapse. He decides in October 26, 2004 that prices have peaked and agrees a price swap to sell 1,000 b/d (average barrels daily) at the current swap market price of $56/barrel (according to the U.S. Department of Energy) for the first 3 quarters of 2005. The structure of the swap deal is as follows:

- The producer agrees to sell 1,000 b/d of WTI crude oil to the swap dealer at a fixed price of $56/barrel throughout first 3 quarters of 2005;
- The producer agrees to buy back the same quantity from the swap dealer at a floating price based on the quarterly average spot price FOB of WTI crude oil at Cushing, Oklahoma;
- Payments are to be made quarterly within five business days of the end of the quarter based on the difference between the agreed fixed price of $56/barrel and the value of the price index. If the index price is higher than the fixed price, the producer pays the swap dealer. If the index price is lower than the fixed price the swap dealer pays the producer.

In the first 3 quarters of 2005, the producer sells his actual output in the physical market at market prices, which combined with the net value of the payments from the swap deal, provides him with the fixed price guaranteed by the swap deal.

The net payments to (+) or by (-) the producers in the swap deal are as follows (actual prices):

Table1. (a) (Swap Example) (a) Payments of Swap deal

Period	WTI Price	Fixed Price	Price Difference	Quantity (BL)	Payments ($)
05Q1	50.03	56	5.97	91000	543180
05Q2	54.44	56	1.56	91000	141874
05Q3	63.99	56	-7.99	91000	-727829
2005Q1-Q3	56.15	56	-0.15	273000	-42774

Table 1.(b) (Swap Example) (b) Receipts from sale of Physical Oil

Period	WTI Price	Quantity (BL)	Payments ($)
05Q1	50.03	91000	4552819
05Q2	54.44	91000	4954125
05Q3	63.99	91000	5823829
2005Q1-Q3	56.15	273000	15330774

Table 1.(c) (Swap Example) (c) Combined Proceeds

	Swap Proceeds	Sale Proceeds	Total Proceeds		Price Achieved($/bl)
Period	Payments ($)	Payments ($)	Payment ($)	Quantity (BL)	56
05Q1	543180	4552819	5096000	91000	56
05Q2	141874	4954125	5096000	91000	56
05Q3	-727829	5823829	5096000	91000	56
2005Q1-Q3	-42774	15330774	15288000	273000	56

Thus, the producer achieved the target price of $56/barrel for his output in the first 3 quarters of 2005, compared with an annual average price of $56.15/barrel, which he would have received if he had not entered into the swap. In this case the swap price turned out to be lower than the actual market price. But prices could have fallen sharply as well. Either way, the producer can be sure of receiving an average price of $56/barrel for his crude – whatever happens to market prices in the first 3 quarters of 2005.

Swap Related Syndicated loan

Syndicated credit agreements often provide that syndicate member banks may enter into bilateral swaps and derivatives transactions with the borrower, and that any resulting credit exposure will be secured by the collateral and backed by the guaranties supporting the credit agreement. The swaps extended to the borrower may include interest rate hedges in respect of the syndicated loan itself, foreign exchange hedges relating either to the loan facility or generally to the borrower's business or commodity hedges protecting the borrower from fluctuations in commodity-related expenses or revenues, among others.

Illustration 3: Swap Related Syndicated Loan example

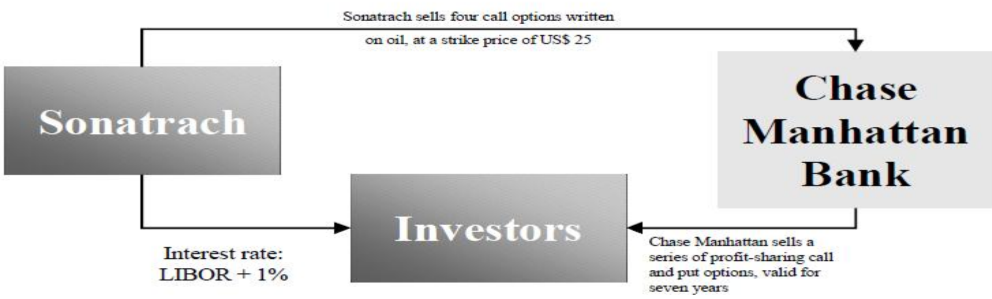
An example is provided by Algeria's State-owned hydrocarbon concern, Sonatrach, which in order to fund part of its investment programme entered into a loan agreement with a syndicate of international banks in November 1989 (see fig). The loan, coordinated by Chase Manhattan, consisted of a US$ 100 million conventional floating-rate loan (with a seven year maturity and a four-year grace period) and an options-related swap. With this scheme, Algeria re-entered the medium term syndicated loan market at a significantly reduced cost.

(UNCTAD Report 1998(19); A Survey of Commodity Risk Management Instruments)

The loan was structured as follows:

1. Sonatrach paid the investors LIBOR plus 1 per cent; and it sold four call options written on oil (with maturities of 6, 12, 18 and 24 months), at a strike price of US$ 25, to Chase Manhattan.
2. Chase Manhattan sold a series of profit-sharing options to the investors, valid for seven years, which gave them a supplementary 0.5 per cent interest for every dollar that the reference price was above US$ 22; and it sold a series of options to the investors, valid for seven years, which gave them a supplementary 0.5 per cent interest for every dollar that the reference price was below US$ 16. This range of US$ 16-22 held for the first year; in the following years it progressively widened to US$ 13-26. The idea behind this was that firstly, investors would be able to benefit of periods of high oil prices; and secondly, that they would also receive a higher interest rate in periods of low oil prices, as a compensation for the higher default risk of Sonatrach during such periods.

The example of Sonatrach



Sonatrach itself could not provide the options that investors wanted, as it was impossible for it to pay higher interest rates when its oil earnings were lower, while investors found this essential to compensate them for the higher default risk. The solution was a swap of options between Sonatrach and Chase Manhattan, with Sonatrach selling options at a strike price that it found acceptable (at a level higher than that wished by the investors), and for a period of only two years. In return, Chase Manhattan provided the investors with the options they wanted. It is estimated that the cost of the loan would have been 3-4 per cent above LIBOR without the scheme. This scheme has been described as a model for future developments in commodity-linked finance.[a]

[a] L. Lassiter, "Commodities blueprint for corporate finance", *Euromoney*, March 1991.

Fig. 4 Example of Swap Related Syndicated Loan

(Source: (19) UNCTAD Report 1998; A Survey of Commodity Risk Management Instruments)

Swaps were developed on the OTC market as a long-term price risk management instrument. With swaps, producers can effectively fix, that is, lock in, the prices they receive over the medium to long term, and consumers can fix the prices they have to pay.

No delivery of commodities is involved: the mechanism of swaps is purely financial. In a swap agreement covering a specified volume of a commodity, two prices are involved. One of these prices is variable and is usually expressed in relation to a published price index such as the price of a futures contract. The other is fixed at the time of the swap agreement.

Commodity risk management instruments with maturities greater than a year have for a long time been very difficult to acquire. With the increasingly global character of business operations, an increasing need for securing the repayment of loans or the profitability of investments, the deregulation of financial markets and the introduction of new techniques in the financial risk management markets (which paved the way for innovations in the commodity field), commodity swaps started to increase in number during the second half of the 1980s.

Initially, banks and a number of trading companies (generally with production or refining interests which allowed them to offset risks by commercial operations) were the only participants. They are still the main participants, but a number of swap brokers traditionally active on the financial swaps market are now entering the commodity field.

Most of those active in promoting swaps act only as intermediaries, lying off their risks by offsetting swaps (the risks of a swap with a consumer being compensated by an identical, reverse swap with a producer) or futures transactions. The risks of swap contracts can be offset by rolling over exchange-traded futures to obtain longer-term hedges (that is, regularly selling almost expired futures contracts and buying new ones). There are only a handful of banks and trading houses (Bankers Trust, British Petroleum, Elf, Shell, Phibro Energy, Metallgesellschaft and Marc Rich are the main ones) who are willing to take principal risks.

Compared to a swap agreement directly between a consumer and producer, the use of an intermediary has the advantage that the intermediary carries all risks associated with performance of the swap. The producer and consumer still buy and sell the commodity on the open market, but the swap compensates the participants so that in effect they have each locked in a fixed price for the commodity. As a commodity swap is a purely financial transaction, it has the advantage of allowing the producer and consumer to hedge their price exposure without directly affecting their commodity production, distribution or procurement activities. Thus the participants have a large degree of flexibility to alter their production or consumption patterns to adapt to changing market needs.

However, indirectly, these activities are influenced because a company has to generate the cash flows necessary to meet the eventual obligations of the swap agreement. The majority of commodity swaps last from one to seven years. Shorter-term swaps can be arranged when futures or forward markets do not exist to hedge the exposure (e.g. for products not traded on the exchanges). In some rare cases, swap deals are as long as 25 years.

Conclusion

The commodity swap market is at present very small in comparison to the interest-rate and currency swap market. It was estimated to have some US$ 40 billion outstanding in late 1991, compared with close to US$ 2 trillion outstanding on interest rate and currency swaps. According to the **ISDA Archives (22)**, the amount outstanding on interest-rate and currency swaps has increased strongly since then, reaching an amount of about US$ 21 trillion in late 1996; more recent figures for the size of the commodity swaps market are not available. Until 1991, a little fewer than 100 commodity swaps were being completed each year, but the number is reported to have increased considerably since then. The overwhelming majority of these commodity swaps (approximately three-quarters of the market) have been related to **petroleum**, a product which is widely traded and which involves significant risk exposure for both producers and consumers. Petroleum related swaps can be based on a wide range of petroleum products. Deals have been done, for example, for jet kerosene and high sulphur fuel oils, as well as for different qualities and locations of crude petroleum; the natural gas market has been growing rapidly for several years. The petroleum swap market can now be considered as liquid (for crude oil even five to seven years forward), with over a dozen intermediaries willing to give price offers. The development of the commodity swap market has been particularly strong on the consumer side in developed countries, with banks and oil companies selling fuel swaps to airline companies, and several metal consumers locking in their long-term prices. These swaps have usually been offset with transactions on the futures exchanges and not with swaps with producers.

Eastern European countries are now entering this market. Some fuel swaps have been entered into by producing developing countries (Angola, the Congo, Malaysia, Mexico, Nigeria, and Trinidad and Tobago, among others), and by some developing country importers and airlines (Chile, Ghana and Mauritius, among others).

The Oil Markets are filled with volatility and commodity an oil price risk. Reasons include a fairly short list which include: the weather, political tensions, comments from country leaders, decisions taken by OPEC for oil production , low inventories, analysts' reports, shipping problems, and changes to tax and legal systems. As the paper shows that amongst various derivatives, Swaps provide cost economic ways to reduce Oil price risk for various participants in the Oil Market.

References

1. *Andrew M Chilsom, (2004), Derivatives Demystified, Wiley Finance.*
2. *Brigham and Ehrhardt, (2010), Financial Management- Theory and Practices, (13th ed.). Thomson South West.*
3. *CFTC, Interagency Task Force on Commodity Markets, (2008), Interim Report on Crude Oil.*
4. *Dana Julie, (2005), "Managing Commodity Price Risks: A Technical Overview", WB, Working Paper Series.*
5. *Don M Chance, (2009), Introduction to Derivatives and Risk Management; (8th ed.). Thomas South Western*
6. *Dowd Kevin, (2006), Measuring Market Risk, John Wiley and Sons.*
7. *Fusaro, P.C. 1998. Energy Risk Management: Hedging Strategies and Instruments for the International Energy Markets. (1 ed.). McGraw-Hill. pp. 9-37*
8. *Hull, J.C. (1993), Options, Futures, and other financial Derivatives, (2nd ed.). Prentice Hall, Englewood Cliffs, New Jersey.*
9. *James, T., (2003), Energy Price Risk, New York: Palgrave Macmillan.*
10. *John F Marshall and Vipin K Bansal, (1992), Financial Engineering- A complete guide to financial innovation, PHI Eastern economy edition.*

11. *Jorion Philippe, (2009), Financial risk management handbook, (5th ed.). Wiley finance.*

12. *Kaminski, V. (2004). Managing Energy Price Risk: The New Challenges and Solutions, 3rd ed. London: Risk Books. pp. 3-45.*

13. *Long, D., (2000), Oil Trading Manual, Cambridge, Wood head Publishing Ltd.*

14. *Mattus Igmar , (2005) , Application Of Derivative Instruments In Hedging Of Crude Oil Price Risks, Master Thesis Estonian Business School*

15. *Reto R Gallati, (2003), Risk Management and Capital Adequacy, Mc-Graw Hills.*

16. *Robert Kolb and James Overdahl, Financial derivatives (3rd ed.). Wiley Finance.*

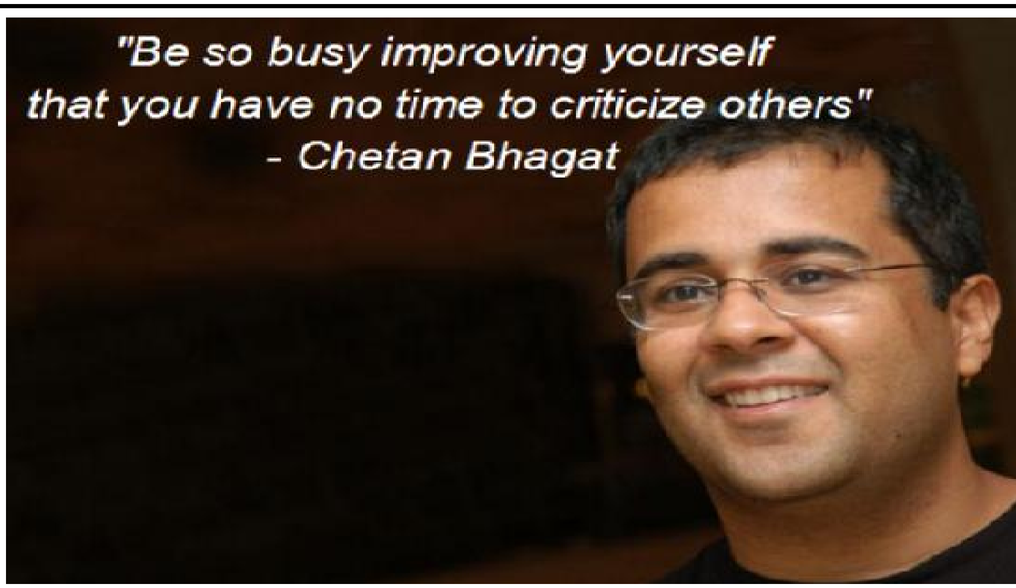
17. *S.L.Gupta, (2005), Financial Derivatives (Theory, Concepts and Problems), Prentice Hall*

18. *The Oxford Institute for Energy Studies, (2011), An Anatomy of the Crude Oil Pricing System, Fattouh Bassam.*

19. *UNCTAD, (1998), A Survey of commodity risk management instruments.*

Bibliography

2. *www.eia.org*
3. *www.cftc.org*
4. *www.isda.org*
5. *www.nymex.org*



GOODS AND SERVICE TAX (GST) - A STUDY WITH SPECIAL REFERENCE TO WAREHOUSES IN INDIA

Swarnlata Bhargava *

ABSTRACT

The specific objective of this research effort is to analyze the impact of Goods and Service Tax (GST) on warehouses situated in India. We have used secondary data and it was collected from various websites, Government reports and the Annual Report, (2012-13), of Department of Food and Public Distribution, (Ministry of Consumer Affairs, Food and Public Distribution) Government of India. For the purpose of the study we have calculated GST on the assumption basis. The Central Warehousing Corporation has stated that they have more than 450 warehouses which are controlled by 17 regional offices. Presently these warehouses are paying service tax @ 10.3 % and many industries have to keep warehouses almost in every State. A CRISIL Research report released in September 2009 estimates that the Indian logistics spent was at Rs 2.7 trillion in 2011-12. On this amount the warehouses have to pay service tax. Our study reveals that if Government imposes GST, there would be positive impact on warehouses from the earnings point of view because there would be no need to have warehouses in different States thereby reducing transportation cost.

Key words: *Goods and Service Tax (GST), Warehouses, and GST Rate*

1. Introduction

Goods and Services Tax (GST) is a part of the proposed tax reforms that enter round evolving an efficient and harmonized consumption tax system in the country. Presently, there are parallel systems of indirect taxation at the central and state levels. Each of the systems needs to be reformed to eventually harmonize them. In the Union Budget for the year 2006-2007, Finance Minister proposed that India should move towards national level Goods and Services Tax that should be shared between the Centre and the States. He proposed to set April 1, 2010 as the date for introducing GST. World over, goods and services attract the same rate of tax. That is the foundation of a GST. The first

* Research Scholar, Deptt. of Commerce and Business, Jiwaji University, Gwalior

step towards introducing GST is to progressively converge the service tax rate and the CENVAT rate.

The goods and service tax (GST) is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at a national level. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end the long standing distortions of differential treatments of manufacturing and service sector. The introduction of goods and services tax will lead to the abolition of taxes such as octroi, Central sales tax, State level sales tax, entry tax, stamp duty, telecom licence fees, turnover tax, tax on consumption or sale of electricity, taxes on transportation of goods and services, and eliminate the cascading effects of multiple layers of taxation. GST will facilitate seamless credit across the entire supply chain and across all states under a common tax base.

The principal discussion and debate relating to the introduction of Goods and Services Tax (GST) in India was to whether the single unified GST was the appropriate model or whether the dual GST was the more feasible and 'doable' one. In this regard, the announcement that was made sometime ago by the Empowered Committee of State Finance Ministers was that it had accepted the recommendation of the Working Group that it had set up of a dual GST.

Nevertheless, on the 'how' of the GST, it seems clear that the recommended dual GST will have a federal part and a State part. Further, the Federal and the State GST will both consist of a goods tax and a tax on services. Thus, both taxes will apply to goods and services. Further, the Federal GST and the State GST will consist of multiple rates, insofar as they relate to goods, and will comprise a single rate, insofar as they relate to services. Full input tax credits would be available in regard to the Federal GST and the State GST. The two taxes will operate in parallel and throughout the supply chain. What is therefore required to be determined is the taxable event which gives rise to the two taxes. Internationally, GST is based on supplies of goods/ services, rather than on manufacture and sales, and there are fairly elaborate rules governing the time and place of supply. It is very likely that the dual GST in India would also incorporate detailed rules in relation to determination of the taxable event and also the taxing jurisdiction.

On the rates again, the excise duty as well as the State VAT have multiple rates, with a typical 8 per cent/16 per cent two-rate structure for excise and a typical 4 per cent/12.5 per cent two-rate structure for the State VAT. On the services front, it is not clear as to whether the Federal and the State GST will apply on the same set of services or they will operate on a mutually exclusive basis. Also, the present rate of service tax is 12 per cent and it is a moot point as to what the single rate of the Federal and the State GST will be on services. The cumulative incidence of the excise duty and the State VAT at present works out to around 22 per cent to 24 per cent of the retail sales price. There is an expectation that under the GST, the aggregate incidence of the tax should be significantly lower.

There is much debate on the likely aggregate rate of the GST and there appears to be a consensus that it may approximate 20 per cent. However, recent debate suggests that a further reduction in the aggregate rate of GST is being contemplated. It is also possible that several other design elements of the GST can undergo changes. The additional benefit, apart from the reduction in rate, of the model is that the base on which Federal and the State GST will be charged will be uniform and this will ensure that there is no cascading of taxes.

2. NEED, OBJECTIVES, AND METHODOLOGY OF THE STUDY

2.1 Need of the study

With the successful introduction of various legislation of taxation, Indian Government is going to implement Goods and Service Tax (GST). The Empowered Committee constituted on GST by the Central Government has suggested three structure of GST i.e. Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST) and Inter-state Goods and Service Tax (IGST). After implementing GST the scope of service and sales tax will be rescinded. So it important to analyze the impact of GST on the service providing industry (i.e. warehousing industry) in India.

2.2 Objectives of the study

The basic objective of the present research work is to analyze the effect of GST on warehouses in India. The specific objectives of the research work are as follows:

(i) To describe know the provision of GST and Service Tax.

(ii) To analyze the effect of GST on warehouse income.

(iii) To compare the rate of GST with Service Tax, Sales Tax and others.

2.3 Methodology of the study

The present study is mainly based on secondary data. The secondary data is collected through journal and web sites. We have assumed the rate of GST and made a comparative study. The calculations are based on the gross turnover amount of warehouses. The data and information have been collected mainly from the Annual Report 2012-13 of Department of Food and Public Distribution (Ministry of Consumer Affairs Food and Public Distribution), Govt. of India. Data collected are interpreted and analyzed by using tables and charts. The period of the study is from the financial year 2007-08 to 2012-13.

3. Service Tax in India

3.1 Constitutional Provision

Article 265 of the Constitution stresses that no service tax in India shall be charged or collected other than by the concerned authority. Schedule VII divides this subject into three different sections.

- Union list (only Central government has power of legislation).
- State list (only State government has power of legislation).
- Concurrent list (both central and state government can pass legislation).

An amendment (95th amendment) in 2003 was made to enable the Central government to decide the method of charging service tax and the means of collection of proceeds by the central government and state government. Subsequently a new article 268 A has been introduced for levy of service tax by Central government.

3.2 Creation of DGST

The department of Director General (Service Tax) was created in 1997 to handle the huge workload resulting due to the increasing importance of service tax. The Director General (Service Tax) is in charge of the department and his role and authority are:

- Ensure the formation of efficient establishment and infrastructure under various central excise commissionerate to monitor the collection and assessment of service tax.
- To evaluate the workforce needed for proper and effective execution of service tax.
- To create a data base for the collection of service tax and to observe the revenue collection from service tax.
- To look into the proper functioning of service tax cells and perform any other function as would be required from time to time.

The modus operandi with respect to service tax came into existence from 1st July 1994.Its applicability is to the entire nation other than Jammu and Kashmir. The following services were brought under the tax net in 1994-95:

- Telephone
- Stockbroker

- General Insurance.

In Budget 2002-2003 the following services were included in the tax net

- Auxiliary services to life insurance
- Cargo handling.
- **Storage and warehousing services**.
- Event Management.
- Cable operators.
- Beauty Parlors.
- Health and fitness centers.
- Fashion designer
- Rail travel agents.
- Dry cleaning services.

3.3 Administrative Mechanism

Service Tax is controlled by the Central Excise Commissionerate who reports to the Central Board of Excise and Customs, Department of Revenue, Ministry Of Finance. The distinctive feature of service tax is its dependence on collection of tax, mainly through voluntary compliance.

4. Warehousing Industry in India

One of the major segments contributing to a rapidly growing logistics industry is the warehousing business. The growth in international trade coupled with the rise in containerization levels has led to high demand for warehouses. This creates tremendous opportunity for the private sector. The market, which is valued at INR 20 bn, is expected to grow due to the demand generated by importers and exporters for specialized services.

The report[1] begins with an overview of the industry indicating market size, growth, current state of the market and the infrastructural resources available. The report highlights various types of warehouses, categorized on the basis of ownership and usage. An analysis of the various investment options available to players entering the market has been provided in order to assist new entrants.

[1] Annual Report 2012-13, Dept. of Food and Public Distribution.

The report covers the various initiatives taken by the government towards the development of warehousing sector including introduction of Single-tax Goods & Services Tax (GST) regime and Warehousing Act 2007, investments in logistics parks and free trade warehousing zones (FTWZs), and development of infrastructural facilities. The report identifies the key characteristics and trends including strong macroeconomic fundamentals, change in tax policy boosting warehouse outsourcing, significant investments by the logistics providers in warehousing segment, entry of realty players and large scale investments from private equity firms. Competition section profiles major private and public players in the market. The section contains a snapshot of their corporation, future investment outlook as well as their financial performance, providing an insight into the existing competitive scenario.

Definition: "storage and warehousing “includes storage and warehousing services for goods including liquids and gases but does not include any service provided for storage of agricultural produce or any service provided by a cold storage; [Section 65(102)][1]

Taxable service: Storage and warehousing services provided by a storage or warehouse keeper in relation to storage of goods except agricultural produce or service provided by cold storage.

Value of taxable service: Gross amount charged by the storage or warehouse keeper from the customers.

The Warehousing (Development and Regulation) Act 2007 has been enacted and notified in September 2007.The Act will ensure that the farmers are able to keep their goods in certified warehouses and use warehouses receipt as a negotiable Department of Food & Public Distribution instrument. With the full implementation of this Act, farmers would find it easy to take loans from commercial banks against negotiable warehouse receipts and not resort to distress sales to take care of their urgent cash needs. A regulatory Authority namely warehousing Development & Regulatory authority (WDRA) is being set up to register and regulate warehouses issuing negotiable warehouse receipts and to implement other Provisions of the Act.

4.1 Central Warehousing Corporation

The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, which was subsequently replaced by the Warehousing Corporations Act, 1962. Functions of CWC are to acquire and build godowns and warehouses at suitable places in India and also in select locations abroad, to operate warehouses, create related infrastructure and arrange facilities

[1] Service Tax , Chapter V of the Finance Act, 1994

for storage and handling of agricultural produce, seeds, manures, fertilizers, agricultural implements, notified commodities, bonded cargo, air cargo, containerized cargo and liquid cargo. CWC is also mandated to provide marketing and other warehousing related services in respect of agricultural produces or notified commodities, to arrange facilities for transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses, to subscribe to the share capital of State Warehousing Corporations, to act as an agent of the Government for the purposes of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities, to enter into, with the previous approval of Central Government, joint ventures with any Corporation established by or under any Central Act or any State Act or with any company formed and registered under the Companies Act, 1956 including foreign company or through its subsidiary companies, for carrying out its functions as enumerated in the Warehousing Corporations Act, 1962, to establish subsidiary companies, to undertake disinfestations services outside of its warehouses in respect of agricultural produce or notified commodities, to act as an agent for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities at its discretion to provide consultancy services, assistance and finance to programmes or projects related to agricultural produce or other notified commodities and to undertake any other activities considered incidental to its functions.

4.2 State Warehousing Corporations

CWC has 17 associate State Warehousing Corporations. The total investment of the Central Warehousing Corporation, which is 50% shareholder in the equity capital of the State Warehousing Corporations, was Rs. 60.12 crore as on 31.12.2009. The total number of warehouses operated by State Warehousing Corporations are 1591 with a total capacity of 208.06 lakh MT (provisional) as on 31.12.2009. The SWCs have constructed 1.22 lakh MT additional capacity during 2011-12; and have target of constructing 3.54 lakh MT during 2012-13, of which 0.73 lakh MT has been completed till 31.12.2009.

5. GST on Warehouses and its Impact

Besides these tax implications, complex state-wise tax structures have serious repercussions on the manufacturers. Inventory and distribution decisions are based on tax avoidance rather than operational efficiency. Accordingly, most manufacturers maintain warehouses in different states to evidence movement of goods from one warehouse to another to save on the CST. Also, quite a few entities set up warehouses in locations like Pondicherry or Daman, often impractical from a distribution point of view, as the CST rate at such locations were previously lower than the rates prevalent in other states.

Typically, most large consumer durables or FMCG companies in India operate with 25 to 50 warehouses all over India, which is a very high number compared to developed economies (less than 5-8) or even developing countries (less than 10-15) with similar geographical expanse. This has severe implications on cost structure and operational efficiency levels, which is ultimately borne by the end consumer either in terms of cost-quality trade-offs.

- More sum total space & inventory requirement: It is estimated that if tax avoidance is not a factor for deciding distribution network, the total warehouse space can be reduced by 20-50 per cent immediately.
- Small & inefficient warehouses: Given the large spread of 4,000-10,000 sq ft warehouses, the average size of a warehouse has remained small causing duplication of overheads and making it unviable for owners and operators to introduce racking or automation. According to a broad estimate, scale economies start to positively affect warehouses only when they are larger than 30,000 sq ft.
- Distribution cost and inefficiencies: There are significant cost and inefficiency implications of running a distribution network over a spread of 25-50 warehouses in terms of smaller loads, smaller trucks, state boundaries being the determinant of transportation routes.
- Other Costs: High cost ERP linkages throughout the warehousing network to ensure real-time visibility of inventory result in higher IT costs. Further, multiple handling across the various layers of distribution and multi-layered compliance requirements result in higher material handling and compliance costs.

5.1 The state of the logistics industry

A CRISIL Research report released in September 2009 estimates that the Indian logistics spend was at Rs 2.7 trillion in 2011-12, which includes only primary transport mode and infrastructure. This is equivalent to around 8.2 per cent of the Gross Domestic Product, and shoots up to 10.7 per cent if the secondary movement (from the hub to various depots) is also included. This is significantly higher than those of developed nations where it averages 5 to 7 per cent and for all the wrong reasons.

The Indian logistics industry is plagued by fragmented ownership, unorganised structure and the poor state of physical and legislative infrastructure. Value and quality have eroded due to extreme intra-industry competition, underinvestment further fuelled by thin margins and a penalising taxation structure. A lot of these challenges have been directly created by its customer’s extreme focus on today’s cost as opposed to long-term spends and trade-offs between price and efficiency, in turn driven by the current complexities in our current indirect taxation structure. Manufacturers are already running a sub-5 per cent margin business due to a combination of cost pressures created by taxes and infrastructure deficiencies, pricing pressures created by the Indian consumer's cost consciousness, and the extreme competition created by the Indian entrepreneurship ecosystem. Therefore, they are not able to experiment or accept higher costs of automation, technology and consultancy based on potential savings on an annual basis. This forced and helpless short-sightedness of the customers to the Indian logistics industry has led to deep-grained challenges:

- Suboptimal investment in building scale, automation, human capital and technology
- Reluctance of Indian manufacturers, traders and exporters to partner with quality 3PLs
- Few integrated logistics players offering through and through as well as value-added services
- Infrastructure gaps in roads, rail, ports and coastal.
- Insufficient use of hub and spoke mainly driven by the customer's tax avoidance motives

6. Analysis

Table-1 Financial Performance

(Rs. in Crore)

Year	Turnover	Net Profit (Before tax)
2007-08	522.87	60.42
2008-09	619.50	106.95
2009-10	686.44	133.80
2010-11	776.23	154.76
2011-12	849.25	110.44
2012-13	905.63	145.57

Source: Annual Report 2012-13, Department of Food and Public Distribution.

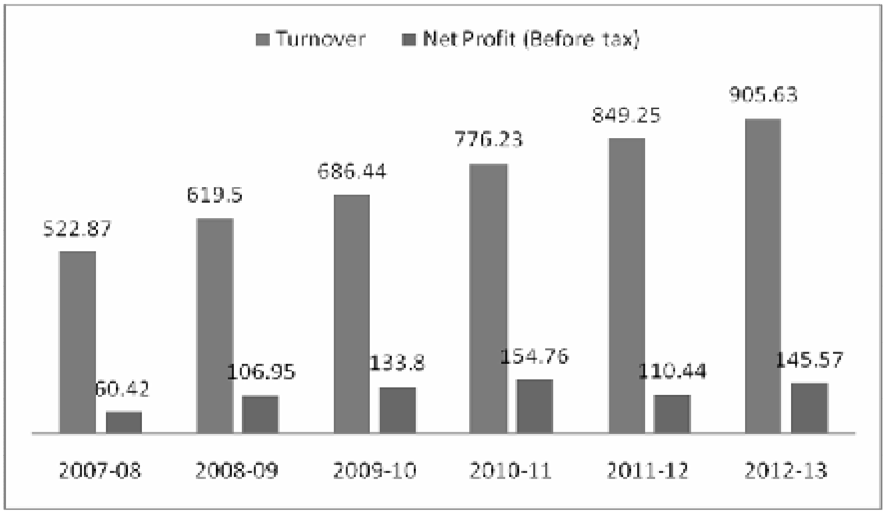


Table 1 shows financial performance of Central Warehousing Corporation, it was revealed that turnover has been increasing in every financial year. It has recorded highest profit in the financial year 2010-11 and since 2007-08 to 2012-13 it has been increasing except in 2011-12. In 2011-12 profit has reduced to 110.44 cr. in comparison to previous year i.e. Rs. 154.76 cr.

Table 2- Service Tax on Gross income of warehouses

Case 1 where service tax and sales tax both are levied

(Rs. in Crore)

Year **I**	**Turnover** **II**	**Service Tax [1]@ 10.3%** **III**	**Sales Tax [2]@ 10%** **IV**	**Cost [3]@ 5%** **V**	**Total** **VI**
2007-08	522.87	53.86	52.29	26.14	132.29
2008-09	619.50	63.81	61.95	30.98	156.74
2009-2010	686.44	70.70	68.64	34.32	173.66
2010-11	776.23	80.00	77.62	38.81	196.43
2011-12	849.25	87.47	84.93	42.46	214.86
2012-13	905.63	93.28	90.56	45.28	229.12

Source: Self Calculated

1. Service tax has been levied at the prevailing rate.

2. Sales tax assumed to be 10%.
3. Cost assumed to be 5 % of gross income which includes warehouse rent, if hired and transportation cost.

Table 2 shows total financial burden on the warehouses. We have assumed the rate of sales tax and cost of keeping goods in warehouses. Total cost including rent and transportation is assumed to be 5% of gross income or turnover. We found that as turnover is increased in the same way total financial burden increase. In 2007-08 warehouses paid Rs. 132.29 cr. charges and in 2012-13 Rs. 229.12. This is the case where gross income/turnover is assumed to be charged with the service tax and sales tax both.

Table 3 - Goods and Service Tax on Gross income of warehouses

Case 2 where only GST is charged @ 12%

(Rs. in Crore)

Year I	**Turnover** II	**GST[1] @ 12%** III	**Cost [2]@ 5%** IV	**Total** V
2007-08	522.87	62.74	26.14	88.88
2008-09	619.50	74.34	30.98	105.32
2009-2010	686.44	82.37	34.32	116.69
2010-11	776.23	93.15	38.81	131.96
2011-12	849.25	101.91	42.46	144.37
2012-13	905.63	108.68	45.28	153.96

Source: Self Calculated

1. Goods and Service Tax assumed to be 12%.
2. Cost assumed to be 5 % of gross income which includes warehouse rent, if hired and transportation cost.

Table 3 shows total financial burden on warehouses. We have assumed the rate of Goods and Service Tax (GST) @ 12% and cost of keeping goods in warehouses. Total cost including rent and transportation is assumed to be 5% of gross income or turnover. We found that as turnover is increased in the same way total financial burden increase. In

2007-08, if GST would have been implemented then warehouses would have paid Rs. 88.88 cr. and in 2012-13 Rs. 153.96. This is the case where gross income/turnover is assumed to be charged with only GST @ 12%.

Table 4- Goods and Service Tax on Gross income of warehouses

Case 3 where only GST is charged @ 14%

(Rs. in Crore)

Year I	Turnover II	GST[1] @ 14% III	Cost [2]@ 5% IV	Total V
2007-08	522.87	73.20	26.14	99.34
2008-09	619.50	86.73	30.98	117.71
2009-2010	686.44	96.10	34.32	130.42
2010-11	776.23	108.67	38.81	147.48
2011-12	849.25	118.90	42.46	161.36
2012-13	905.63	126.79	45.28	172.07

Source: Self Calculated

1. Goods and Service Tax assumed to be 14%.
2. Cost assumed to be 5 % of gross income which includes warehouse rent, if hired and transportation cost.

Table 4 shows total financial burden on warehouses. We have assumed the rate of Goods and Service Tax (GST) @ 16% and cost of keeping goods in warehouses. Total cost including rent and transportation is assumed to be 5% of gross income or turnover. We found that as turnover is increased in the same way total financial burden increase. In 2007-08, if GST would have been implemented then warehouses would have paid Rs. 99.34cr. and in 2012-13 Rs. 172.07This is the case where gross income/turnover is assumed to be charged with only GST @ 14%.

Table 5- Goods and Service Tax on Gross income of warehouses

Case 4 where only GST is charged @ 16%

(Rs. in Crore)

Year I	Turnover II	GST[1] @ 16% III	Cost [2]@ 5% IV	Total V
2007-08	522.87	83.66	26.14	109.8
2008-09	619.50	99.12	30.98	130.10
2009-2010	686.44	109.83	34.32	144.15
2010-11	776.23	124.20	38.81	163.01
2011-12	849.25	135.88	42.46	178.34
2012-13	905.63	144.90	45.28	190.18

Source: Self Calculated

1. Goods and Service Tax assumed to be 16%.
2. Cost assumed to be 5 % of gross income which includes warehouse rent, if hired and transportation cost.

Table 5 shows total financial burden on warehouses. We have assumed the rate of Goods and Service Tax (GST) @ 16% and cost of keeping goods in warehouses. Total cost including rent and transportation is assumed to be 5% of gross income or turnover. We found that as turnover is increased in the same way total financial burden increase. In 2007-08, if GST would have been implemented then warehouses would have paid Rs. 109.8 cr. and in 2012-13 Rs. 190.18This is the case where gross income/turnover is assumed to be charged with only GST @ 16%.

Table 6- Goods and Service Tax on Gross income of warehouses

Case 5 where service tax and sales tax both are levied

(Rs. in Crore)

Year **I**	**Turnover** **II**	**Service Tax [1]@ 10.3%** **III**	**VAT+ Excise duty [2]@ 22%** **IV**	**Cost [3]@ 5%** **V**	**Total** **VI**
2007-08	522.87	53.86	115.03	26.14	195.03
2008-09	619.50	63.81	136.29	30.98	231.08
2009-2010	686.44	70.70	151.02	34.32	256.22
2010-11	776.23	80.00	170.77	38.81	289.58
2011-12	849.25	87.47	186.84	42.46	316.77
2012-13	905.63	93.28	199.24	45.28	337.80

Source: Self Calculated

1. Service tax has been levied at the prevailing rate.
2. Value Added Tax (VAT) and Excise Duty has have been levied at the joint rate i.e. @ 22%.
3. Cost assumed to be 5 % of gross income which includes warehouse rent, if hired and transportation cost.

Table 6 shows total financial burden on warehouses. We have assumed the rate of VAT plus excise duty @ 22% and cost of keeping goods in warehouses @ 5%. The total cost including rent and transportation is assumed to be 5% of gross income or turnover. We found that as turnover is increased in the same way total financial burden increase. In 2007-08 warehouses paid Rs. 195.03 cr. and in 2012-13 Rs. 337.80. This is the case where gross income/turnover is assumed to be charged with the service tax and VAT plus service tax.

Table 7- A Comparative study of all cases

Year	Total of Case 1	Total of Case 2	Total of Case 3	Total of Case 4	Total of Case 5
2007-08	132.29	88.88	99.34	109.8	195.03
2008-09	156.74	105.32	117.71	130.10	231.08
2009-2010	173.66	116.69	130.42	144.15	256.22
2010-11	196.43	131.96	147.48	163.01	289.58
2011-12	214.86	144.37	161.36	178.34	316.77
2012-13	229.12	153.96	172.07	190.18	337.80

Source: Self Computed

Notes: Case 1 where service tax and sales tax both are levied, Case 2 where only GST is charged @ 12%.

Case 3 where only GST is charged @ 14%., Case 4 where only GST is charged @ 16%.

Case 5 where service tax and sales tax both are levied.

Table 7 reveals the result of the entire cases and by the comparative study we can analyze that case 2 (Case 2 where only GST is charged @ 12%) shows least financial burden on the warehouses and they will have to pay least amount if Government of India put GST rate 12%. Case 3 (Case 3 where only GST is charged @ 14%) is also in favour of the warehouses industries and they will have to pay less. Even if Govt. put rate of GST 16% then also warehouse industry will get relief from the finance burden point of view. We can see the worst situation in case 5 (Case 5 where service tax and sales tax both are levied) where they will have to pay highest part of their earning in the from of taxation and warehouse cost.

7. RESULTS AND SUGGESTIONS

The following are the main findings of our study:

1. We found that if warehouses have to pay both service tax and sales tax, it would reduce their earnings and these will have to incur financial burden.
2. Implementation of GST would definitely be a sigh of relief to warehouse industry. We have taken into consideration three rate of GST i.e. @ 12%, 14% & 16% and found that what ever the rate would be there of GST, warehouses would have least financial burden (Table-7).

3. We found that when warehouses have to pay both service tax and excise duty, they have to pay highest tax in any of the cases.
4. We also found that if Govt. introduces GST then financial burden on warehouses would be less.

8. CONCLUSION

The introduction of GST is part of a larger tax restructuring exercise, to enable India to integrate with the globally accepted tax rationale and structure Indian part of the same to remove cascading impact of various indirect taxes. It is recommended that the following Central Taxes should be, to begin with, subsumed under the Goods and Services Tax: (i) Central Excise Duty (ii) Additional Excise Duties (iii) The Excise Duty levied under the Medicinal and Toiletries Preparation Act (iv) Service Tax (v) Additional Customs Duty, commonly known as Countervailing Duty (CVD) (vi) Special Additional Duty of Customs - 4% (SAD) (vii) Surcharges, and (viii) Cesses. Following State taxes and levies would be, to begin with, subsumed under GST: (i) VAT / Sales tax (ii) Entertainment tax (unless it is levied by the local bodies). (iii) Luxury tax (iv) Taxes on lottery, betting and gambling. (v) State Cesses and Surcharges in so far as they relate to supply of goods and services (vi) Entry tax not in lieu of Octroi. We can conclude that it is in the favour of warehouse industry to introduced GST so that warehouses will enjoy the benefit of it. Still there are a lot of unfriendly practices/procedures prevalent in the country's taxation regime directly affecting the Commerce and Industry. The trade and industry is looking at the introduction of GST as a free trade regime within the territory of India on the principle that 'one India one Tax'.

9. REFERENCES

1. *Annual Report 2012-13 of Department of Food and Public Distribution (Ministry of Consumer Affairs Food and Public Distribution), Govt. of India.*
2. *K. Pillai Rajesh Kumar (2010), Transition to the GST Regime, The Chartered Secretary, ICSI, New Delhi, October, 2010, p. 1424-1428.*
3. *Singh Rakesh, Goods and Services Tax (Conceptual Discussion and Implementation Strategy).*
4. *http://www.bharatbook.com/Market-Research-Reports/Warehousing-Industry-India.html*
5. *http://www.nipfp.org.in*
6. *http://epublications.bond.edu.au/rlj/vol11/iss1/2*
7. *http://finmin.nic.in*
8. *http://cewacor.nic.in*
9. *http://www.gst4india.com*
10. *http://www.crisil.com*

"TO STUDY THE ROLE OF PERCEIVED RISK IN ONLINE CONSUMER BUYING BEHAVIOUR"

Satinder Kumar[1], Harpreet Singh[2]

ABSTRACT

In the marketing success depends on how much company known about potential customers, including who, how, when, where, and why they consume. Until companies are not aware regarding the perceptions of consumers towards risk, they cant frame the good marketing strategies. The purpose of this study was to examine the perceived risks associated with intention to purchase from a branded website as opposed to a non-branded website. In the present study, the sample of the study was based on judgement sampling (Non-probability sampling technique). A structured questionnaire was used to gather the necessary data. It served as the primary data to answer the research questions and objectives. It was found that four types of perceived risk exist, namely performance risk, time risk, social risk, and personal risk. Of these risks, only performance risk had an influence on a consumer's purchase intention.

Consumer behaviour can be defined as all of the activities of buyers, ex-buyers and potential buyers from pre-purchase deliberation to post-purchase evaluation, and from continued consumption to discontinuance (Foxall, 2005). One may also say that consumer behaviour is the study of why people buy (Blackwell, Miniard and Engel, 2001). Consumer behaviour can also be defined as the behaviour that consumers display in searching for, purchasing, using and evaluating products, services and ideas which they expect will satisfy their needs (Williams, 1982).

In the marketing discipline, success depends on how much is known about potential customers, including who, how, when, where, and why they consume (Harrel, 1986). This information is used to design new products and services, determine appropriate prices, select methods of distribution, and build effective promotion and advertising, thereby fulfilling the four components of the marketing mix.

Internal influences in consumer behaviour include perception, learning, motivation, personality, and attitude (Schiffman and Kanuk, 2004). Their influence on consumer behaviour creates the perspective of an individual consumer facing the world (Statt, 1996). Individual consumers will experience each influence differently, and

[1] Astt. Professor School of Management Studies, Punjabi University, Patiala. Mobile-9872403467, Email- kumarsatinder1981@gmail.com

[2] Astt. Professor School of Management Studies, Punjabi University, Patiala.

therefore the resulting consumer behaviour is different for different people (Wilkie, 1986). For the purpose of this study, only the internal influence of perception is discussed. *Perception* is defined as the psychological processing of information received by the senses (Mullen and Johnson, 1990). Also, perception has been considered a process of sensing, selecting, and interpreting stimuli in the external, physical world into the internal, mental world (Chen and Dubinsky, 2003).

REVIEW OF LITERATURE:

Perceived risk is defined as "the nature and amount of uncertainty perceived by consumers in completing particular purchase decision (Rich, 1964). Two elements, uncertainty and consequences may play a significant role in perceived risk (Stoel, 2005). Difficulty of identifying buying goals and matching these goals with product or brand offerings leads to uncertainty. Consequence is associated with performance (whether products perform as expected) and psychological goals (what will others think of me). In the online context, perceived risk is defined as "the expectation of any loss or any negative consequences as a result of online shopping" (G. Pires, 2004).Perceived risk and value is researched in the context of willingness to buy and recommend. Based on the findings, social risk is cited as the major factor that is given priority in the internet shopping willingness to buy. Besides, the prior experience and purchasing throughout internet has been detected as a vital aspect in terms of internet shopping. (Cengel, 2012).

Internet brands should pay the greatest attention to the social risk while establishing their marketing strategies. In addition, they should motivate the consumers through extensive promotional strategies by enabling the consumers to try internet retailing. As individuals get experience through internet purchases, they tend to buy more from the internet as they perceive their risks to be minimized and they transfer their knowledge and expertise to their friends through word of mouth. It is also depicted that there exists no relationship between quality perception and willingness to buy. (Cengel, 2012).More than 75% of the students had already made purchases over the Internet and that security and price were major factors in their decisions. Men used e-commerce more than women and that kind of consumption is positively related to incomes and the use of credit cards. (Alves, April 2012). The consumption preferences, able to differentiate consumers of e-commerce, were: making purchases quickly and practically, risk perception and indifference to testing the products before making purchases.

Zhang *et al.* (2012) explored the dimensions of consumers' perceived risk, and investigate their influence on online consumers' purchasing behavior. The results showed that there are five independent dimensions, perceived health risk, perceived quality risk, perceived time risk, perceived delivery risk and perceived after-sale risk affect significantly online consumers' purchasing behavior. While the other three dimensions, perceived privacy risk, perceived social risk and perceived economic risk are the less relevant factors.

Javadi *et al*. (2012) analyzied factors affecting on online shopping behavior of consumers, and how perceived risks (financial risks, product risk, convenience risk and non-delivery risk) impact attitude toward online shopping. To investigate the hypotheses of the research, 200 questionnaires dispersed among online stores of Iran. Respondents to the questionnaire were consumers of online stores in Iran which randomly selected. The study identified that financial risks and non-delivery risk negatively affected attitude toward online shopping, and no significant effect of product risks and convenience risk on attitude toward online shopping. Results also indicated that domain specific innovativeness and subjective norms positively affect online shopping behavior. Furthermore, attitude toward online shopping positively affected online shopping behavior of consumers.

Almousa (2011) examined the influence of six perceived risk dimensions including, performance, psychological, financial, social, time, and privacy risks, associated with apparel online shopping on purchase intention among Saudi consumers. Results indicated that risk perception has a strong negative influence on apparel purchase intention. Nevertheless, differences are observed between different risk dimensions, where consumers perceive more performance and time risks in apparel internet shopping. Moreover, consumers perceive privacy and social risks with a lesser significance than performance and time risks on apparel internet shopping. Alkailani and Kumar (2011) investigated factors impacting Internet buying in three cultures: USA, India, and Jordan, and to understand the particular nature of differences in consumer characteristics impacting internet buying in different countries and cultures. Results indicate that in cultures where uncertainty avoidance is high, perceived risk with internet, buying is also high, and this impacts internet buying negatively. Cultures where perceived risk is high, it impacts internet buying negatively. Results also provide valuable insights into the nature of internet buying and the factors that limit Internet-buying acceptance across cultures.

Tasi and Yeh (2010) studied the effect of website quality specifically product quality information, efficiency service quality, website design style and characteristics, and transaction and delivery capabilities-on perceived risk of information security and privacy and its relationship with purchase intention. The results show that consumers who purchase environmentally sustainable products pay attention to the quality of the websites from which they purchase those products. Also, the results showed that perceived risk of information security and privacy involves two dimensions: perceived ease of use and perceived usefulness. Martin and Camarero (2009) suggested a model that reflects the determinants of trust in the web site which include web site cognitive and experiential signals, firm reputation, bricks-and-mortar experience, and consumer satisfaction, taking into account the moderating effect of consumer-perceived risk when buying online. Results showed Internet users who buy online more frequently can trust a web site only based on their previous satisfaction, whereas users who perceive more risks need to perceive that the firm has a good reputation and bricks-and-mortar experience apart from other signals such the quality of the service. Kim *et al*. (2008) investigated how trust and risk affect an Internet consumer's purchasing decision. The results of the study show that Internet consumers' trust and perceived risk have strong impacts on their purchasing decisions. Consumer disposition to trust, reputation, privacy concerns, security concerns, the information quality of the Website, and the company's reputation, have strong effects on Internet consumers' trust in the Website. Also, consumer's trust has a strong positive effect on the purchasing intention as well as a strong negative effect on a consumer's perceived risk. This study also provides evidence that a consumer's perceived risk reduces the consumer's intention to purchase, whereas a consumer's perceived benefit increases the consumer's purchasing intention.

Forsythe *et al*. (2006) aimed to investigate the perceived benefits and risks of online shopping; and to develop scales to measure the perceived benefits and risks associated with online shopping. The findings revealed that those shoppers who shopped more frequently and spent more money online perceived greater benefits and less risk to be associated with Internet shopping. Furthermore, perceived benefits were determined to be a positive predictor of future intentions to visit and purchase online, while perceived risks related negatively to future intentions to purchase online. Garbarino & Strahilevitz (2004) examined how men and women differ in both their perceptions of the risks associated with shopping online and the effect of receiving a site recommendation from a friend. The first study examines how gender affects the perceptions of the probability of negative outcomes and the severity of such negative outcomes should they occur for five risks associated with buying online (i.e., credit card misuse, fraudulent sites, loss of privacy, shipping problems, and product failure). The second study examines gender differences in the effect of receiving a recommendation from a friend on perceptions of online purchase risk. The third study experimentally tests whether, compared to men, women will be more likely to increase their willingness to purchase online if they receive a site recommendation from a friend. The results showed that women perceive a higher level of risk in online purchasing than that of men. In addition, having a site recommended by a friend leads to both a greater reduction in perceived risk and a stronger increase in willingness to buy online among women than among men.

Hanjun *et al*. (2004), in their research investigated the differences in perceived risk between online shoppers and non-online shoppers, as well as online shoppers' perceived risk relating to two culturally different countries (i.e., Korea and the United States). The study showed a significant difference in the perceived risk of online shopping between online shoppers and non-online shoppers, and a higher level of perceived risk for those who had not experienced online shopping than those who had purchased a product online. The study also showed that both American and Korean Internet users had a similar degree of perceived risk toward online shopping. Korean online shoppers showed higher risk perception on social risk, while Americans showed higher risk perception on other factors such as time, financial, and psychological risk. On the other hand, product-related risk factors such as performance and physical risk were not significantly different between both countries.

OBJECTIVES OF THE STUDY:

ü To study the influence of perceived risk related to financial risk, product risk.

ü To study the influence of perceived risk related to time risk, delivery risk and social risk.

ü To study the influence of perceived risk related to information security risk.

ü To study the various aspects of online shopping.

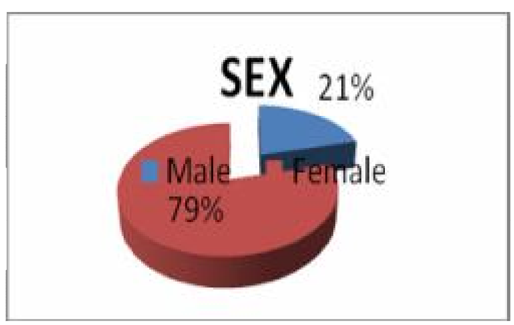
RESEARCH METHODOLOGY:

Research Design is a way to systematically solve the research problem. Considering the objectives of the study, sample survey was conducted and accordingly analysis of information was made. Exploratory Research Design was used in present the study. Primary data has been used in the present study. The universe of the study comprised of one of the prosperous states of India that is Punjab and the Union Territory of Chandigarh. In the present study, the sample of the study was based on judgement sampling (Non-probability sampling technique). A structured questionnaire was used to gather the necessary data. It served as the primary data to answer the research questions and objectives.

DATA ANALYSIS AND INTERPRETATION:

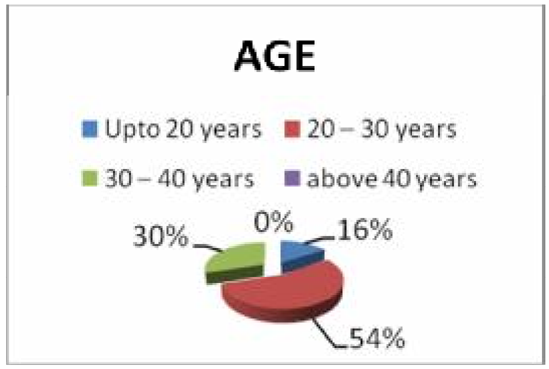
SECTION – A (DEMOGRAPHIC PROFILE)

Gender	Male	19
	Female	71



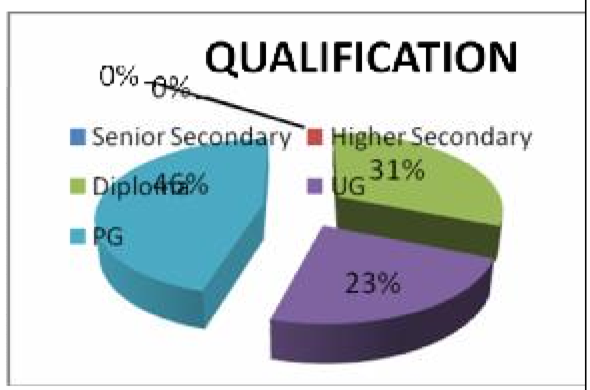
Age

Upto 20 years	14
20 – 30 years	49
30 – 40 years	27
above 40 years	0



Education

Senior Secondary	0
Higher Secondary	0
Diploma	28
UG	21
PG	41



Out of 90 respondents 21% are male and rest 7% of them are female. Out of 90 respondents 16% are upto 20 years of their age, 54% of them are between 20-30 years of age and rest 30% of them are between 30-40 years of age. From 90 respondents31% of them had done diploma, 23% of them had done UG and rest 46% of them had done PG.

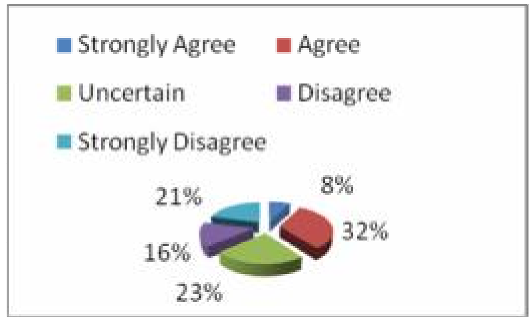
SECTION– B(PERCIVED RISKS)

Perceived risk is defined as “the nature and amount of uncertainty perceived by consumers in completing particular purchase decision (Rich, 1964). The analysis of different kinds of risk is given below:

(FINANCIAL RISK)

I feel that my credit card number may not be secure

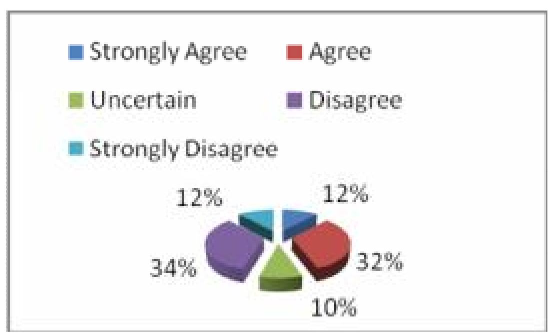
Strongly Agree	7
Agree	29
Uncertain	21
Disagree	14
Strongly Disagree	19



According to 90 customers 8% of them are strongly agree that they feel that their credit card number may not be secure, 32% of them say that they are agree that they feel that their credit card number may not be secure, 23% of them say that they are uncertain that they feel that their credit card number may not be secure, 16% of them say that they are disagree that they feel that their credit card number may not be secure and rest 21% of them are strongly disagree that they feel that their credit card number may not be secure.

I might get overcharged if I shop online

Strongly Agree	11
Agree	29
Uncertain	9
Disagree	30
Strongly Disagree	11

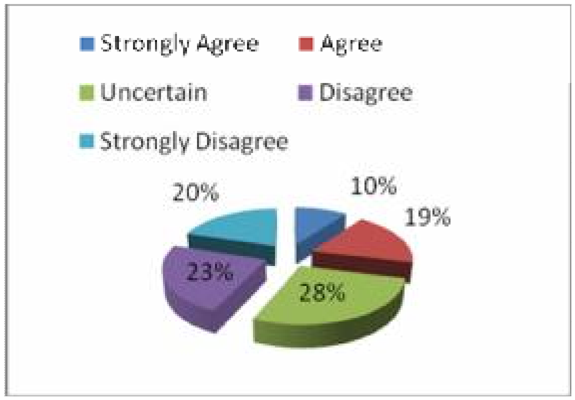


The above study shows that 12% of them are strongly agree that they might get overcharged if they shop online, 32% of them are agree that they might get overcharged if they shop online, 10% of them are uncertain that they might get overcharged if they shop online, 34% of them are that they might get overcharged if they shop online and rest 12% of them are that they might get

	overcharged if they shop online.

I may not get the product I want

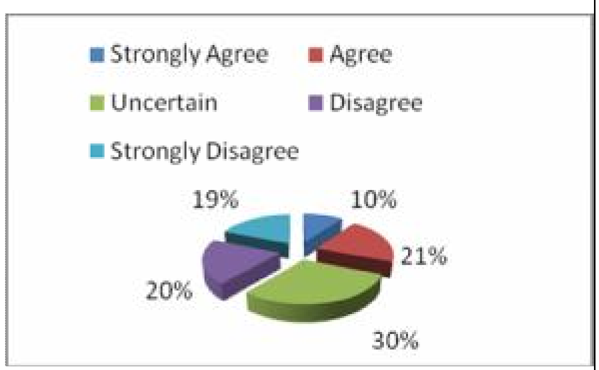
Strongly Agree	9
Agree	17
Uncertain	25
Disagree	21
Strongly Disagree	18



The above chart shows that 10% of them are strongly agree that they may not get the product they want, 19% of them are agree that they may not get the product they want, 28% of them are uncertain that they may not get the product they want, 23% of them are disagree that they may not get the product they want and rest 20% of them are strongly disagree that they may not get the product they want.

I can't trust the online company

Strongly Agree	8
Agree	19
Uncertain	27
Disagree	18
Strongly Disagree	17

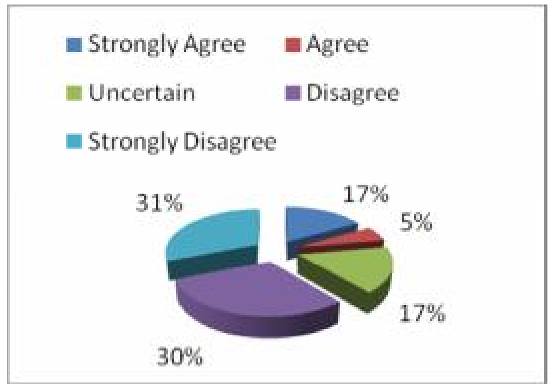


The project undertaken to know that 10% of them strongly agree that they can't trust the online company, 22% of them are agree that they can't trust the online company, 30% of them are uncertain that they can't trust the online company, 20% of them are disagree that they can't trust the online company and rest 19% of them are strongly disagree that they can't trust the online company.

PRODUCT RISK

I might not get what I ordered through online shopping

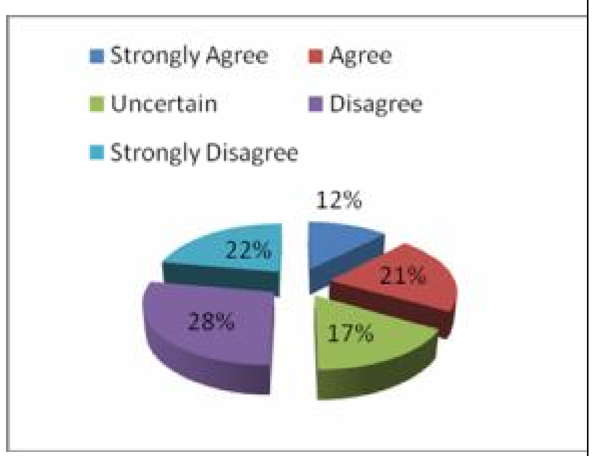
Strongly Agree	15
Agree	5
Uncertain	15
Disagree	27
Strongly Disagree	28



Since out of the total 90 respondents17% of them are strongly agree that they might not get what they ordered through online shopping, 5% of them are agree that they might not get what they ordered through online shopping, 17% of them are uncertain that they might not get what they ordered through online shopping, 30% of them are disagree that they might not get what they ordered through online shopping and rest 31% of them are strongly disagree that they might not get what they ordered through online shopping.

It is hard to judge the quality of product over Internet

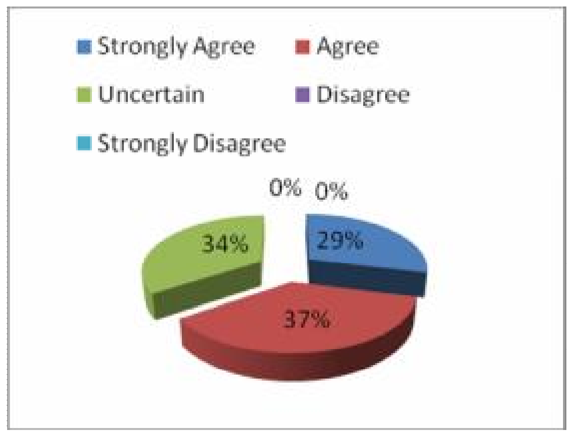
Strongly Agree	11
Agree	19
Uncertain	15
Disagree	25
Strongly Disagree	20



According to 90 respondents12% of them are strongly agree that It is hard to judge the quality of product over Internet, 21% of them are agree agree that It is hard to judge the quality of product over Internet, 17% of them are uncertain agree that It is hard to judge the quality of product over Internet, 28% of them are disagree agree that It is hard to judge the quality of product over Internet and rest 22% of them are strongly disagree agree that It is hard to judge the quality of product over Internet.

I can't try on clothing online

Strongly Agree	26
Agree	33
Uncertain	31
Disagree	0
Strongly Disagree	0

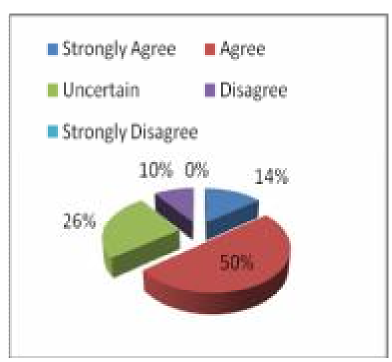


The above study shows that 29% of them are strongly agree that they they can't try on clothing online, 37% of them are agree that they they can't try on clothing online and rest 34% of them are uncertain that they they can't try on clothing online.

TIME RISK

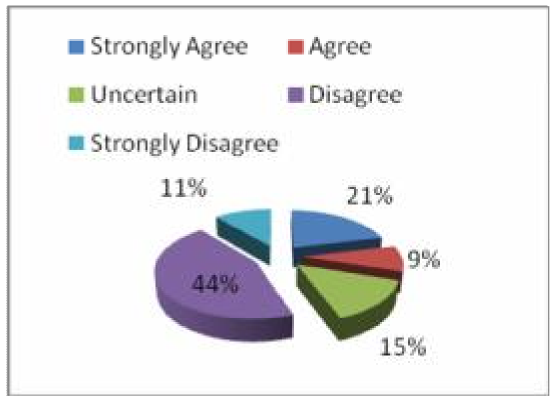
Difficult to find appropriate websites

Strongly Agree	13
Agree	45
Uncertain	23
Disagree	9
Strongly Disagree	0



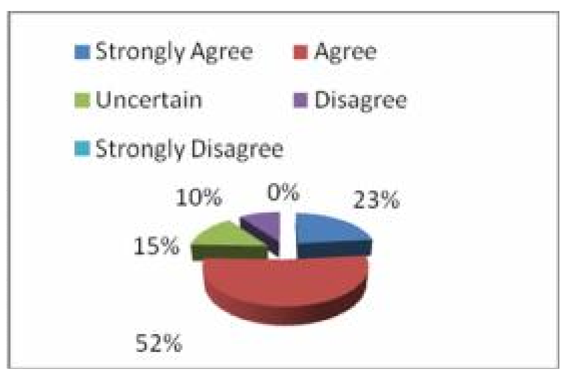
The above chart shows that 14% of them are strongly agree that it is Difficult to find appropriate websites, 50% of them are agree that it is Difficult to find appropriate websites, 26% of them are uncertain that it is Difficult to find appropriate websites and rest 10% of them are disagree that it is Difficult to find appropriate websites.

Finding right product online is difficult	Strongly Agree	19
	Agree	8
	Uncertain	13
	Disagree	40
	Strongly Disagree	10



The project undertaken to know that 21% of them are strongly agree that it is finding right product online is difficult, 9% of them are agree that it is finding right product online is difficult, 15% of them are uncertain that it is finding right product online is difficult, 44% of them are disagree that it is finding right product online is difficult and rest 11% of them are strongly disagree that it is finding right product online is difficult.

If I shop online I cannot wait till the product arrives	Strongly Agree	21
	Agree	47
	Uncertain	13
	Disagree	9
	Strongly Disagree	0

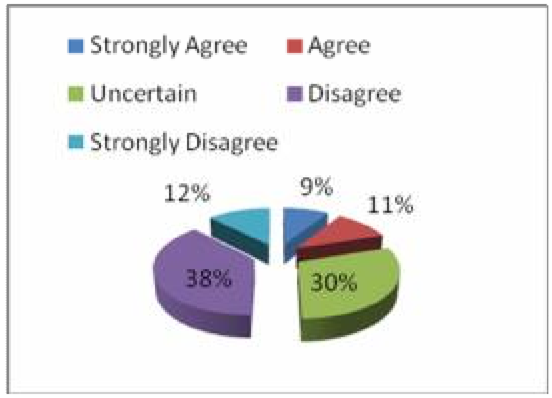


Since out of the total 90 sample 23% of them are strongly disagree that If they shop online they cannot wait till the product arrives, 52% of them are agree that that If they shop online they cannot wait till the product arrives, 15% of them are uncertain that If they shop online they cannot wait till the product arrives, and rest 10% of them are disagree that If they shop online they cannot wait till the product arrives.

DLIVERY RISK

I might not receive the product ordered online.

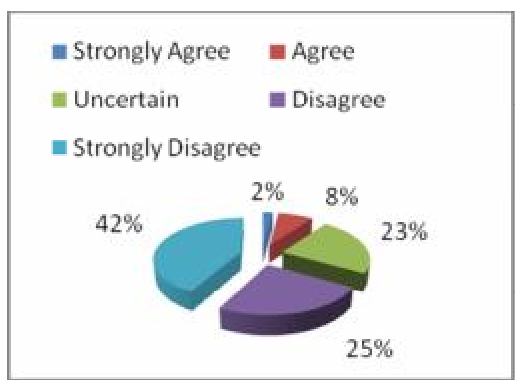
Strongly Agree	8
Agree	10
Uncertain	27
Disagree	34
Strongly Disagree	11



According to 90 respondents 9% of them are strongly agree that they might not receive the product ordered online, 11% of them are agree that they might not receive the product ordered online, 30% of them are uncertain that they might not receive the product ordered online, 38% of them are disagree that they might not receive the product ordered online and rest 12% of them are strongly disagree that they might not receive the product ordered online.

Delivery may be sent to the wrong place.

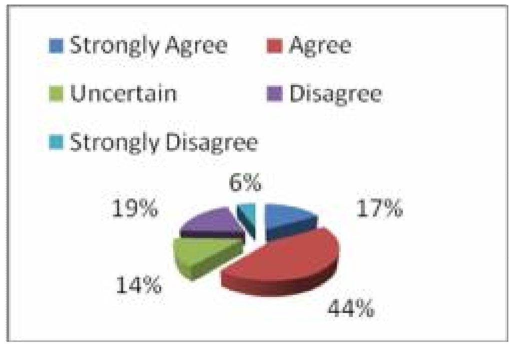
Strongly Agree	2
Agree	7
Uncertain	21
Disagree	22
Strongly Disagree	38



The above study shows that 2% of them are strongly agree that their delivery may be sent to the wrong place, 8% of them are agree that their delivery may be sent to the wrong place, 23% of them are uncertain that their delivery may be sent to the wrong place, 25% of them are disagree that their delivery may be sent to the wrong place, and rest 42% of them are strongly disagree that their delivery may be sent to the wrong place.

ellers may not be timely delivery.

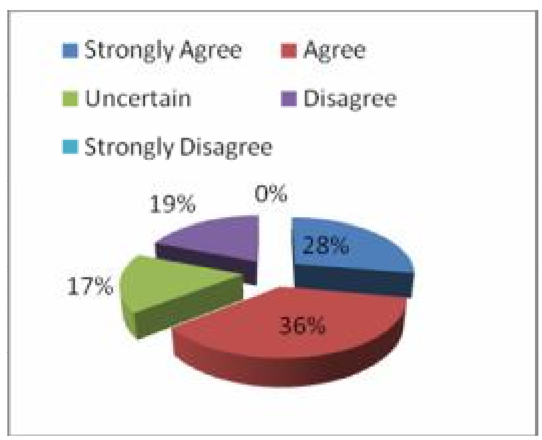
Strongly Agree	15
Agree	39
Uncertain	13
Disagree	17
Strongly Disagree	5



The above chart shows that 17% of them are strongly agree that Sellers may not be timely delivery, 44% of them are agree that Sellers may not be timely delivery, 14% of them are uncertain that Sellers may not be timely delivery, 19% of them are disagree that Sellers may not be timely delivery and rest 6% of them are strongly disagree that Sellers may not be timely delivery.

It is not easy to cancel orders when shop online.

Strongly Agree	25
Agree	33
Uncertain	15
Disagree	17
Strongly Disagree	0

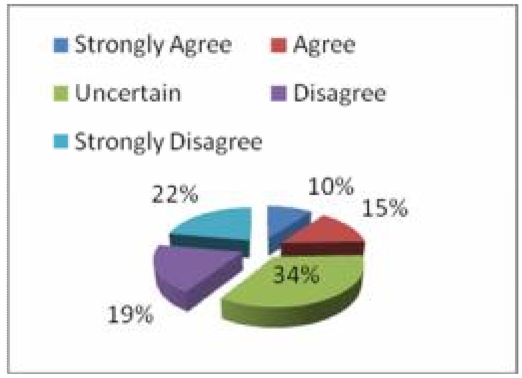


The project undertaken to know that 28% of them are strongly agree that It is not easy to cancel orders when shop online, 36% of them are agree that It is not easy to cancel orders when shop online, 17% of them are uncertain that It is not easy to cancel orders when shop online and rest 19% of them are disagree that It is not easy to cancel orders when shop online.

SOCIAL RISK

Product purchased may result in disapproval by family

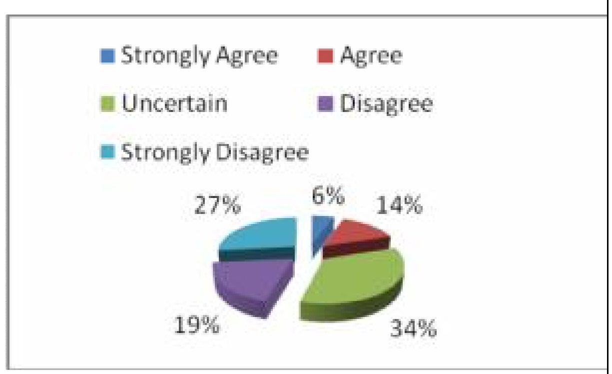
Strongly Agree	9
Agree	13
Uncertain	31
Disagree	17
Strongly Disagree	20



Since out of the total 90 respondents 10% of them are strongly agree that Product purchased may result in disapproval by family, 15% of them are agree that Product purchased may result in disapproval by family, 34% of them are uncertain that Product purchased may result in disapproval by family, 19% of them are disagree that Product purchased may result in disapproval by family and rest 22% of them are strongly disagree that Product purchased may result in disapproval by family.

Online products may not be recognized by relatives or friends.

Strongly Agree	5
Agree	11
Uncertain	31
Disagree	17
Strongly Disagree	24



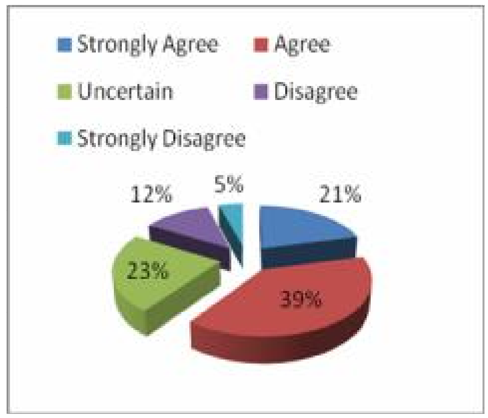
According to 90 respondents 6% of them are strongly agree that Online products may not be recognized by relatives or friends, 14% of them are agree that Online products may not be recognized by relatives or friends, 34% of them are uncertain that Online products may not be recognized by relatives or friends, 19% of them are disagree that

Online products may not be recognized by relatives or friends and rest 27% of them are strongly disagree that Online products may not be recognized by relatives or friends.

INFORMATION SECURITY

This website will protect my private information

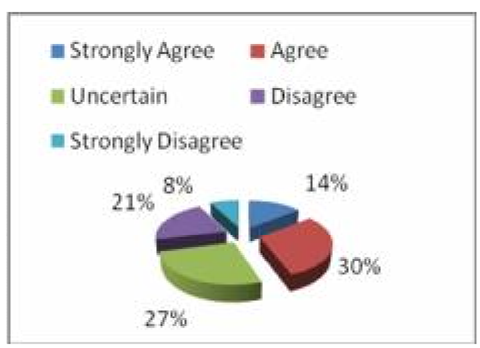
Strongly Agree	19
Agree	35
Uncertain	21
Disagree	11
Strongly Disagree	4



The above study shows that 21% of them are strongly agree that website will protect their private information, 39% of them are agree that website will protect their private information, 23% of them are uncertain that website will protect their private information, 12% of them are disagree that website will protect their private information and rest 5% of them are strongly disagree that website will protect their private information.

I trust this website for purchasing products

Strongly Agree	13
Agree	27
Uncertain	24
Disagree	19
Strongly Disagree	7

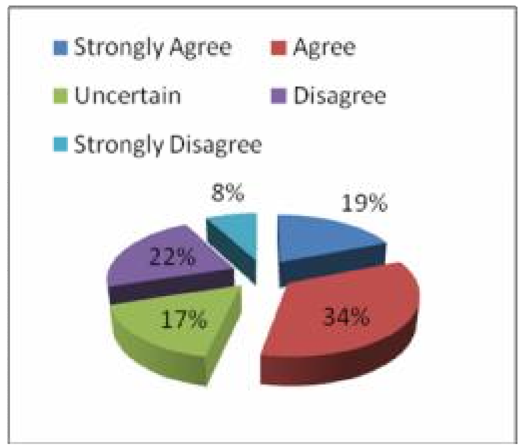


The above chart shows that 14% of them are strongly agree that they trust this website for purchasing products, 30% of them are agree that they trust this website for purchasing products, 27% of them are uncertain that they trust this website for purchasing products, 21% of them are disagree that they trust this website for purchasing products and rest 8% of them are strongly disagree that they trust this website for purchasing products.

ONLINE SHOPPING

Using Internet for online shopping is easy

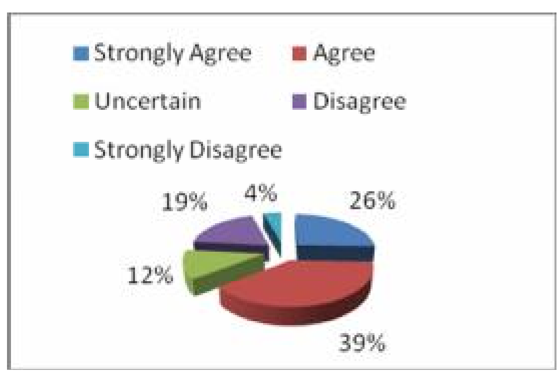
Strongly Agree	17
Agree	31
Uncertain	15
Disagree	20
Strongly Disagree	7



The project undertaken to know that 19% of them are strongly agree that Using Internet for online shopping is easy, 34% of them are agree that Using Internet for online shopping is easy, 17% of them are uncertain that Using Internet for online shopping is easy, 22% of them are disagree that Using Internet for online shopping is easyand rest 8% of them are strongly disagree that Using Internet for online shopping is easy.

I shop online as I do not have to leave home for shopping

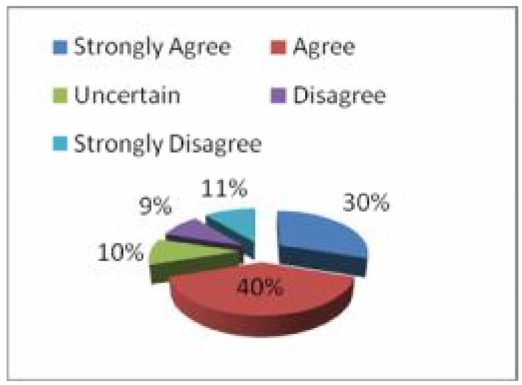
Strongly Agree	23
Agree	35
Uncertain	11
Disagree	17
Strongly Disagree	4



Since out of the total 90 respondents26% of them are strongly agree that they shop online as thsey do not have to leave home for shopping, 39% of them are agree that they shop online as they do not have to leave home for shopping, 12% of them are uncertain that they shop online as they do not have to leave home for shopping, 19% of them are disagree that they shop online as they do not have to leave home for shopping and rest 4% of them are strongly disagree that they shop online as they do not have to leave home for shopping.

Online shopping gives facility of easy price comparison

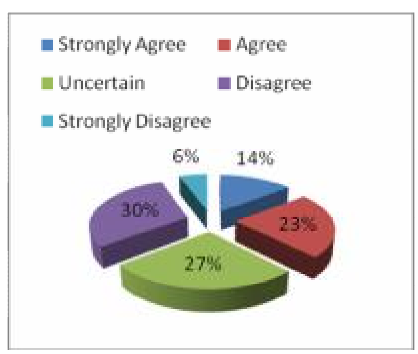
Strongly Agree	27
Agree	36
Uncertain	9
Disagree	8
Strongly Disagree	10



According to 90 respondents 30% of them are strongly agree that Online shopping gives facility of easy price comparison, 40% of them are agree that Online shopping gives facility of easy price comparison, 10% of them are uncertain that Online shopping gives facility of easy price comparison, 9% of them are disagree that Online shopping gives facility of easy price comparison and rest 11% of them are strongly disagree that Online shopping gives facility of easy price comparison.

I shop online as I can take as much time as I want to decide

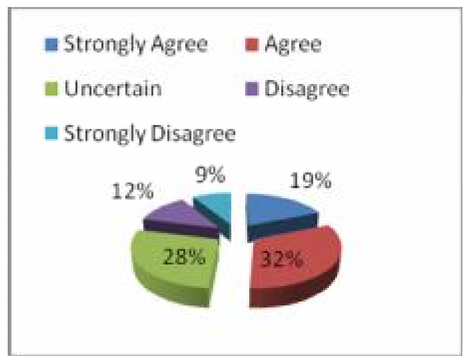
Strongly Agree	13
Agree	21
Uncertain	24
Disagree	27
Strongly Disagree	5



The above study shows that 14% of them are strongly agree that they shop online as they can take as much time as they want to decide, 23% of them are agree that they shop online as they can take as much time as they want to decide, 27% of them are uncertain that they shop online as they can take as much time as they want to decide, 30% of them are disagree that they shop online as they can take as much time as they want to decide and rest 6% of them are strongly disagree that they shop online as they can take as much time as they want to decide.

I find online shopping compatible with my life-style

Strongly Agree	19
Agree	31
Uncertain	25
Disagree	17
Strongly Disagree	8



The above chart shows that 19% of them are strongly agree that they find online shopping compatible with their life-style, 32% of them are agree that they find online shopping compatible with their life-style, 28% of them are uncertain that they find online shopping compatible with their life-style, 12% of them are disagree that they find online shopping compatible with their life-style and rest 9% of them are strongly disagree that they find online shopping compatible with their life-style.

FINDINGS

- It has been find out that 32% of the respondents are agree that they feel that their credit card number may not be secure whereas 23% of them are uncertain about the statement.
- Findings revealed that 32% of respondents are agree that they might get overcharged if they shop online 23% of them are disagree that they may not get the product they want.
- Study shows that 30% of respondents are uncertain that they can't trust the online company and 30% of them are disagree that they might not get what they ordered through online shopping and rest 31% of them are strongly disagree.
- The study depicts that 28% of respondents are disagree that it is hard to judge the quality of product over Internet and 37% of them are agree that they they can't try on clothing online and rest 34% of them are uncertain.

- 50% of them are agree that it is difficult to find appropriate websites and 44% of them are disagree that it is finding right product online
- It has been find out that 52% of respondents are agree that that If they shop online they cannot wait till the product arrives and 30% of them are uncertain that they might not receive the product ordered online, 38% of them are disagree.
- 42% of them are strongly disagree that their delivery may be sent to the wrong place and 44% of them are agree that Sellers may not be timely delivery
- Findings revealed that 36% of respondents are agree that It is not easy to cancel orders when shop online and 22% of them are strongly disagree that Product purchased may result in disapproval by family.
- 34% of them are uncertain that Online products may not be recognized by relatives or friends and 27% of them are strongly disagree that Online products may not be recognized by relatives or friends.
- 39% of them are agree that website will protect their private information, 23% of them are uncertain that website will protect their private information
- The study shows that 30% of respondents are agree that they trust this website for purchasing products, 27% of them are uncertain that they trust this website for purchasing products 34% of them are agree that Using Internet for online shopping is easy.
- 22% of them are disagree that Using Internet for online shopping is easy and 39% of them are agree that they shop online as they do not have to leave home for shopping.
- Findings of the study emphasis that 30% of respondents are strongly agree that Online shopping gives facility of easy price comparison, 40% of them are agree.
- 27% of them are uncertain that they shop online as they can take as much time as they want to decide, 30% of them are disagree that they shop online as they can take as much time as they want to decide.
- 32% of them are agree that they find online shopping compatible with their life-style, 28% of them are uncertain that they find online shopping compatible with their life-style.

SUGGESTIONS

- Online shopping companies should have to make strong firewalls to correct credit card number secureness problems.
- There should not be any hidden cost in the online products so that consumer feels to be overcharged and trust maintained for future buying.

- ISO certification should be done for every online shopping websites so that quality of product can be judged over Internet.
- Fast delivery should be done through best and renowned couriers so that consumer can't wait and have a feeling for wrong door delivering.
- Cancelation policy of the product should be flexible and easy so that consumer can cancel its order at any moment.
- Consumers private information should be protected and not to be transfer to any other websites for further business and media transactions.

LIMITATIONS

One of the limitations in this study is time limit. At the same time cost is also another limitation in our study. In the beginning we had a plan to comparative analysis between Patiala online shoppers. But later on considering time and budget we changed our mind, so we have made survey about online shoppers in Patiala. Another limitation in our study is the convenience sampling; due to unavailability of data on Patiala respondents we could not draw random sampling. Lastly the sample size is also not so much high as only sample of 90 online shoppers is taken.

CONCLUSION

The purpose of this study was to examine the perceived risks associated with intention to purchase from a branded website as opposed to a non-branded website. It was found that four types of perceived risk exist, namely performance risk, time risk, social risk, and personal risk. Of these risks, only performance risk had an influence on a consumer's purchase intention. It was also revealed that consumers perceive performance, time, and social risk to be the same when purchasing online. The brand image dimension of brand knowledge had an influence on a consumers' purchase intention. The brand awareness dimension of brand knowledge did not influence purchase intention at all. The perceived risk is one of them. The prosperity of online shopping in India is huge because of its big size of youth population. The government is investing a lot in internet infrastructure. The organized retailing can't reach to the rural part of India easily whereas online retailers are finding their buyers in tier 2 & tier 3 cities including villages of across India. The retailers have to understand the issues related to perceived risks and should come up with the solutions.

REFERENCES :

- *M. Hasan, M. b. (2006). Conceptualization and measurement of perceived risk in online shopping. Marketing Management Journal, 138-147.*
- *Cengel, F. Y. (2012). The Perceived Risk and Value Based Model of Online Retailing. Online Academic Journal of Information Technology.*
- *Davis, F. D. (1989). Perceived Usefulness, Perceived ease of Use and User Acceptance of Information Technology. 319-340.*
- *G. Noort, P. K. (2006). Online versus Conventional Shopping: Consumer's Risk Perception and Regulatory Focus. Marketing Management Journal, 138-147.*
- *G. Pires, J. S. (2004). Influences on the perceived risk of purchasing online. Journal of Consumer Behavior, 118-131.*
- *Gilly, M. W. (2003). eTailQ: Dimensionalizing, Measuring and Predicting Etail Quality. Journal of Retailing, 183-198.*
- *Guide, L. M. (2008). Lintas Media Guide.*
- *Huang, T. P. (1998). An empirical study on consumer acceptance of products in electronic market: A transaction cost model. Decision Support System, 29-43.*
- *IAMAI, I. I. (2013). Digital Commerce Report. Pune: The Economic Times.*
- *Ige, O. (2004). Electronic Shopping: Young People as consumers. International Journal of Consumer Studies, 412-427.*
- *J. W. Alba, J. R. (1997). Interactive Home Shopping: Consumer, Retailer and Manufacturer Incentives to Participate in Electronic Marketplaces. Journal of Marketing, 38-53.*
- *Kanuk, L. G. (2004). Consumer Behavior. Prentice- Hall of India.*
- *McCormack, K. M. (1998). E-shopping. Forbes.*
- *R. C. Mayer, J. H. (1995). An integrative model of organizational trust. Academy of Management Review, 709-734.*
- *Rich, D. F. (1964). Perceived risk and consumer decision-making – the case of telephone shopping. Journal of Marketing Research, 32-49.*
- *Sahney, S. (2013). Consumer Behavior. NPTEL.*
- *Shi, S. M. (2013). Consumer Patronage and Risk Perceptions in Internet Shopping. Journal of Business Research, 867-875.*
- *Stoel, J. P. (2005). Effects of brand familiarity, experience and information on online apparel purchase. International Journal of Retail and Distribution Management, 148-160.*
- *Technopak. (2012). E-Tailing Report. Technopak.*
- *Tractinsky, S. L. (1999). Consumer trust in an Internet store: A cross- cultural validation.*
- *Turban, M. K. (2001). A trust model for consumer internet shopping. International Journal of Electronic Commerce, 75- 91.*
- *http://sbinfocanada.about.com/od/marketing/g/onlinemarketing.htm*
- *Alves, D. d.-F. (April 2012). Profile of the electronic commerce consumer: A study with Brazilian University students. Journal of Internet Banking and Commerce*

LEADERSHIP THROUGH INNOVATION: A TOOL FOR CREATIVE VISIONARIES

Arvind Kumar Saraswati[1], Poonam Anand[2]

ABSTRACT

Leadership can be termed as a relationship that involves mobilizing, influencing, and guiding team members towards the desired goals. The Modern Leader is a "democratic and innovative organizer" who walks with the team, rather than ahead of the team. Innovative Leadersare creative thinkers. They are the one who are able to generate creative ideas that become the basis of innovation. The role of the Innovation Leader is very difficult as the path forward is never clear. These leaders must keep their team motivated and move forward despite a constant set of obstacles and failures. The aim of this paper is to provide a base for organizations that are making the transition to dynamic-innovation, the need for the hour. The paper is built upon qualitative analysis of current situation prevailing in modern organizations in context to human resource and organizational behavioral issues to strive for innovation in leadership practices. The paper will provide recommendations for the organizations to successful transition to a more innovative focus, the manner in which organizations must implement talent management and organizational processes to attract, develop, and empower Innovation leaders.

Keywords*: Innovation, Leadership and Innovative leadership.*

Introduction

Leadership is an essential element of motivating manpower towards the attainment of organizational common goal. Innovation in leadership is a modern philosophy of managing human resource in recent organizational practices. Innovative leadership involves synthesizing different leadership styles in an organization to influence the employees for producing creative ideas, products, services and solutions. As an approach to organization development, innovative leadership can be used to support the achievement of the mission or vision of an organization or group. With the advent of time, organizations witnessing a fast moving and complex global environment, the ability of a leader to innovate and deploy faster and more profitably than competitors is now an essential pre-requisite for growth and success. Fundamentalists have bid adieu to the

[1] Assistant Professor, BanarsidasChandiwala Institute of Hotel Management and Catering Technology. Email:-arvind@bcihmct.ac.in, Mob. No. 9953568928

[2] Assistant Professor, Banarsidas Chandiwala Institute of Hotel Management and Catering Technology. Email:-poonam@bcihmct.ac.in, Mob. No. 9910983150

obsolete management concept of dictatorial leadership and the focus is now on the notion of a novel, innovative and enigmatic leader, with the sole intent of rapid upsurge of organization's horizons to an unedifying extent.

In accordance with the current scenario, Leadership can be termed as a relationship that involves mobilizing, influencing, and guiding team members toward the desired goals. The Modern Leader is a "democratic and innovative organizer" who walks with the team, rather than ahead of the team. The Innovation Leader must have a strong desire to succeed and a willingness to experiment. The move to dynamic-innovation is more difficult for many reasons which include a diverse customer base, a complex mix of products and services, a focus on minimizing risks and a traditional static-control culture. The problem with any discussion on innovation is that the word "innovation" is used in many different ways. The most useful and practical definition is "applied creativity that achieves business value." Rather than thinking of innovation as a value or an end goal or the exclusive domain of Research & Development, it is most useful to think of it as the best process to solve complex problems or take advantage of complex opportunities.

Also, the "Innovation" should not be confused with creativity. Creativity is about having new ideas relevant or not, useful or not, able to be implemented or not, while the outcome of innovation achieves defined value for an organization. The concept of evolution of innovation is often misunderstood; although there is nothing serendipitous about it. Innovation only happens when individuals and small teams engage in innovative thinking. In organizations that innovate consistently and sustainably, the leaders, cultures and organizational practices systematically enable individuals and teams to achieve value by creating and implementing new and valuable ideas.

To successfully transition to a more innovative focus, the manner in which organizations must implement talent management and organizational processes to attract, develop, and empower Innovation leaders. Outcomes of innovation leadership include inspiring employees for creating and implementing novel ideas for products, services, and technologies. In addition, these novel ideas can also be used to solve problems within an organization. Innovation spurred by innovation leadership can be translated across various organizations and can be utilized for multiple of purposes. Ultimately, inspiring and initiating organizational innovation through innovation leadership can serve to advance the organization it to the next level.

Research Objectives

The main purpose of this paper is to focus on that in last few years, how the research has helped to understand the phenomenon of Innovative Leadership and what lessons organizations could learn to implement this concept in the last few years. The objectives of this study also includes to identify distinguish characteristics or capabilities of a successful Innovation Leader and the practices that Innovation Leaders need to follow to enhance their success.

Research Design &Methodology

The paper is focused on understanding the phenomenon of Innovative Leadership and providing insight to the organization to implement it. The paper is built upon qualitative analysis of current situation prevailing in modern organizations in context to human resource and organizational behavioral issues to strive for innovation in leadership practices. Data for this study were drawn from a review of secondary sources, consisting primarily of management research papers from reputed journals, human resource newsletters, several corporate websites and media reports related to the study sites. The paper will provide recommendations for the organizations that are paving away from the age old traditional concept of leadership to a more developing and sustainable concept – The Innovative Leadership.

Innovative Leadership – Lesson from Literature

Mumford, M., & Licuanan, B. (2004) state that in order to adapt to new changes, the need for innovation in organizations has resulted in a new focus on the role of leaders in shaping the nature and success of creative efforts. This new call for innovation represents the shift from the 20th century, traditional view of organizational practices, which discouraged employee innovative behaviors, to the 21st-century view of valuing innovative thinking as a "potentially powerful influence on organizational performance" as stated by Mumford, M. D., Scott, G. M., Gaddis, B., & Strange, J. M. (2002). Cushman and King (1993) and Morton (1991) saw the importance of information technology in the global business environment. Innovation is, and will be, central to doing business. Kling and Dunlop (1993) note the impact to the changing business environment - computers change our jobs and how we look at business, perhaps even the way we look at out personal and social lives. As the business environment seeks more efficiency from innovation (Loveman, 1994), the effects of innovation will be more obvious. Rogers (1983) asserted that innovation goes on all the time in organizations, but only effective organizations use the process of innovation and the resulting effects. A fuller understanding of innovation process is needed.

Historically, innovation research focused more on the process of adoption as the phenomenon of interest. More recent research has been centered on the social implications of innovation. Research from authors like Walther (1994) and Rice (1987) suggests that the act of innovating has definite social implications in the personal, organizational, and global context. Given the current social influence direction of modern leadership, it seems reasonable that innovation may be related to transformational leadership qualities.

Innovative Leadership has been embed with a strong network of value system, as stated in New and Improved, LLC Newsletter (2013), comprising of Integrity, Tenacity, Curiosity, Courage and Humility similar to the five fingers of a hand, which when united forms a power punch of an Innovative Leader, par excellence.

Innovation distinguishes between a leader and a follower

T.S. Eliot cited by Henry Doss (2013) advocated the distinction between a leader and a follower and stated that there is today an emerging distinction between "leadership" and "innovation leadership," a new vision of what it takes to become an innovative leader and a leader of innovation. The rules are changing and it might not be stretching the point to say there is actually a leadership revolution brewing. All the money in the world, all the research and development resources in the world, all the policy and investment and time and energy in the entire world aren't really worth anything, without innovative leadership. Money does not follow ideas; it follows leaders. Teams don't follow ideas; they follow leaders. Companies and universities are not successful because of ideas; they are successful because of leadership. Applying innovative thinking to their challenges as a leader is one step in creating an innovative organizational response to change and challenge. But developing a culture of innovation, where others throughout the organization apply innovative thinking to solve problems and develop new products and services, requires additional work.

Joanna Barsh Et. el. (2008) focus on three people-management fundamentals may produce the building blocks of an innovative organization.

The ***first step*** is to formally integrate innovation into the strategic-management agenda of senior leaders to an extent that few companies have done so far. In this way, innovation can be not only encouraged but also managed, tracked, and measured as a core element in a company's growth aspirations.

Second, executives can make better use of existing (and often untapped) talent for innovation, without implementing disruptive change programs, by creating the conditions that allow dynamic innovation networks to emerge and flourish.

Finally, they can take explicit steps to foster an innovation culture based on trust among employees. In such a culture, people understand that their ideas are valued, trust that it is safe to express those ideas, and oversee risk collectively, together with their managers. Such an environment can be more effective than monetary incentives in sustaining innovation.

Joanna Barsh, Marla M. Capozzi and Jonathan Davidson (2008) indicate that most senior executives do not actively encourage and model innovative behavior. If they did, they could give employees the support needed to innovate. They can also take a number of other practical steps to advance innovation.

1. ***Define the kind of innovation that drives growth and helps meet strategic objectives:***

   When senior executives ask for substantial innovation in the gathering of consumer insights, the delivery of services, or the customer experience, for example, they communicate to employees the type of innovation they expect. In the absence of such direction, employees will come back with incremental and often familiar ideas.

2. ***Add innovation to the formal agenda at regular leadership meetings:***

   This novel approach is often observed amongst leading innovators. It sends an important signal to employees about the value management attaches to innovation.

3. ***Set performance metrics and targets for innovation:***

   Leaders should think about two types of metrics: the financial and the behavioral.

Components of Innovative Leadership

David Horth& Dan Buchner (2009) specified following two components of Innovative Leadership:-

- **An innovative approach to leadership:** This means to bring new thinking and different actions to how you lead, manage and go about your work. How can you think differently about our role and the challenges you and your organization face? What can you do to break open entrenched, intractable problems? How can you be agile and quick in the absence of information or predictability?
- **Leadership for innovation:** Leaders must learn how to create an organizational climate where others apply innovative thinking to solve problems and develop new products and services. It is about growing a culture of innovation, not just hiring a few creative outliers. How can you help others to think differently and work in new ways to face challenges? What can be done to innovate when all resources are stressed and constrained? How can you stay alive and stay ahead of the competition?

Pre-requisite of Leadership for organizational innovation, David Magellan Horth& Dan Buchner (2009) **:**

- **Organizational Encouragement.** An innovative organizational culture has a shared vision for innovation; demonstrates fair, constructive judgment of ideas; rewards and recognizes innovative work; and has mechanisms for encouraging and developing an active flow of ideas.
- **Lack of Organizational Impediments**. A culture that encourages innovation is one whose leaders actively remove organizational barriers to innovation. Internal political problems, harsh criticism of new ideas, destructive internal competition are minimized

or eliminated. Other impediments to innovation include: an avoidance of risk, a fear of failure, an overemphasis on the status quo and existing processes that crush new ideas.

- **Leadership Encouragement**. Innovative leaders show support and confidence in the work and value individual contributions. They nurture and promote creative people. Leaders encourage innovation when they protect and participate in the innovation process by neutralizing negative people, watching out for corporate systems and responses that quash innovation and by using innovative thinking in their own work.
- **Sufficient Resources**. Innovation becomes a priority only when people are given access to appropriate resources, including funds, materials, facilities and information.
- **Realistic Workload**. Expectations for productivity should be realistic and free from extreme time pressures or distractions. Innovation expands as people feel a sense of freedom in deciding what work to do or how to do it.
- **Challenging Work**. A sense of being challenged by work on important projects is conducive to both innovation and productivity. While setting big outrageous goals and assigning difficult work, the leader must ensure that the systems and structures which support innovation surrounds the work, too.
- **Teamwork and Collaboration.** People in innovative organizations communicate well, are open to each other's ideas and support each other in shared work. Processes that encourage interaction, easy exchange of ideas, fun and serious play should be encouraged.

Steps to Innovative Leadership

Tanya Roscorla (2010) cited that in a session on Innovative Leadership, Cheryl Lemke, President and CEO of the education technology consulting firm Metiri Group, shared seven steps to becoming an innovative leader. These are:

1. Embrace the challenge

Innovative leaders do not delegate creativity and innovation; they lead it. And innovative leaders cultivate a culture of critical and creative thinking that takes on challenges.

2. Drive change through collective creativity and knowledge

Innovative leaders show creativity and seek knowledge. When they drive change, they both tolerate and criticize digital technology.

3. Shape the culture

Innovative leaders create a culture of risk, change, and critical and creative thinking. They think for themselves, and they don't just follow rules blindly. They shift from rules to principles. They open their schools to different ideas and don't mind breaking established rules when they no longer make sense.

4. Establish a professional learning system

Innovative leaders create professional learning communities in their schools. According to Professional Learning in the Learning Profession: A Status Report on Teacher Development in the United States and Abroad, effective professional learning is:

- sustained over time
- content-based
- embedded in professional learning communities

5. Decide and systematize

Innovative leaders create a blueprint of principles, professional development, strategies, approaches and resources. Then they get out of the way and let their staff figure out the details.

6. Ensure digital access and infrastructure

Innovative leaders will build the capacity for teachers and students to learn through blogs, wikis and virtual environments by laying a solid infrastructure foundation.

7. Demand accountability

Innovative leaders delegate responsibility but put accountability in place. In the beginning, they set low stakes so that people become comfortable with taking risks, failing and learning by experience.

Qualities of Innovative Leaders

To overcome pitfalls, organizations need innovative leaders at the top willing to sacrifice near-term financial results to support their innovators through success and failure. The characteristics of great innovative leaders are dramatically different from traditional business managers.

Bill George Staff (2012) stated five essential qualities that a leader must have to lead innovation:

1. **Passion for innovation.** Innovative leaders not only have to appreciate the benefits of innovation, they need a deep passion for innovations that benefit customers. Just approving funds for innovation is insufficient. Leaders must make innovation an essential part of the company's culture and growth strategy.
2. **A long-term perspective.** Most investors think three years is "long-term," but that won't yield genuine innovation. Major innovations can change entire markets as

the iPod and iTunes did, but they take time to perfect products and gain adoption by mainstream users. Leaders cannot stop and start innovation projects as if they were marketing expenses; they must support innovation regardless of the company's near-term prospects.

3. **The courage to fail and learn from failure.** The risks of innovation are well known, but many leaders aren't willing to be associated with its failures. However, there is a great deal to be learned from why an innovation has failed, as this enhanced understanding can lead to the greatest breakthroughs.
4. **Deep engagement with the innovators.** Innovative leaders must be highly engaged with their innovation teams: asking questions, probing for potential problems, and looking for ways to accelerate projects and broaden their impact.
5. **Willingness to tolerate mavericks and defend them from middle management.** The best innovators are rule-breakers and mavericks who don't fit the corporate mold and are threatening to middle managers following more typical management approaches. That's why innovative leaders must protect their maverick's projects, budgets, and careers rather than forcing them into traditional management positions.

Few tips for Innovative Leaders

Paul Slone (2012) shared top ten tips to innovative leadership. These are:-

1. Have a Vision for Change

One cannot expect his team to be innovative if they do not know the direction in which they are headed. Innovation has to have a purpose. It is up to the leader to set the course and give a bearing for the future. There is a need for one overarching statement which defines the direction for the business and which people will readily understand and remember. Great leaders spend time illustrating the vision, the goals and the challenges. They explain to people how their role is crucial in fulfilling the vision and meeting the challenges. They inspire their team to become passionate entrepreneurs finding innovative routes to success.

2. Fight the Fear of Change

Innovative leaders constantly evangelize the need for change. They replace the comfort of complacency with the hunger of ambition. They explain that while trying new ventures is risky, standing still is riskier. They must paint a picture that shows an appealing future that is worth taking risks to achieve. The prospect involves perils and opportunities. The only way one can get there is by embracing change.

3. Think like a Venture Capitalist

Venture Capitalists use a portfolio approach so that they balance the risk of losers with the upsides of winners. They like to consider a large number of proposals. They are comfortable with the knowledge that many of the ideas they back will fail. These are all important lessons for corporate executives who typically consider only a handful of proposals and who abhor failure.

4. Have a Dynamic Suggestions Scheme

Great suggestion schemes are focused, easy to use, well-resourced, responsive and open to all. They do not need to offer huge rewards. Recognition and response are generally more important. Above all they have to have the whole-hearted commitment of the senior team to keep them fresh, properly managed and successful.

5. Break the Rules

To achieve radical innovation you have to challenge all the assumptions that govern how things should look in your environment. Business is not like sport with well-defined rules and referees. It is more like Art. It is rife with opportunity for the lateral thinker who can create new ways to provide the goods and services that customers want.

6. Give Everyone Two Jobs

An innovative leader believes in giving each member of his team two key objectives. Its about asking them to run their current jobs in the most effective way possible and at the same time to find completely new ways to do the job.

7. Collaborate

Many CEOs see collaboration as key to their success with innovation. They know they cannot do it all using internal resources. So they look outside for other organisations to partner with.

8. Welcome Failure

The innovative leader encourages a culture of experimentation. He must teach people that each failure is a step along the road to success. To be truly agile, he must give people the freedom to innovate, the freedom to experiment, the freedom to succeed. That means he must give them the freedom to fail too.

9. Build Prototypes

"People's Bank has a refreshingly original attitude to new ideas. 'Don't debate it, test it' is the motto of this innovative", American financial services organization. Trying the new idea at low cost in a section of the marketplace and seeing what the customer's reaction is, will learn far more in the real world than one will in the test laboratory or with focus groups.

10. Be Passionate

An innovative leader focuses on things he wants to change, the most important challenges he faces and being passionate about overcoming them. This energy and drive will translate itself into direction and inspiration for his people.

Six innovative thinking skills

David Magellan Horth&Dan Buchner (2009) has identified six innovative thinking skills. Using these skills, organizations are able to create something that is useful and desirable — whether it's a breakthrough technology, a valuable service or a fresh solution to an old problem. Each of these skills shifts once understanding of a situation and opens the door for new approaches and solutions.

- **Paying Attention**

First impressions and assumptions are not the whole picture, so they don't lead to an accurate assessment or best solution. Paying attention is the ability to notice what has gone unnoticed. It is about looking more deeply at a situation, being a clear-eyed observer, perceiving details and seeing new patterns. Paying attention begins with slowing down, temporarily, in order to be more deliberate in grasping the situation, considering different points of view and multiple inputs, literally looking and listening from a new perspective.

- **Personalizing**

At work, onetend to undervalue individual, personal experience. The practice of personalizing elevates it, seeking insight from the human experience. For innovative thinking, personalizing is a twofold process: tapping into own broad scope of knowledge and experience and understanding the customer in a deep, personal way.

- **Imaging**

Imaging is a tool which helps the leader in processing information. Words by themselves are usually not enough for making sense of complexity or vast amounts of information. Imaging is a very good way to take it in and make sense of it. Pictures, stories, impressions and metaphors are powerful tools for describing situations, constructing ideas and communicating effectively.

- **Serious Play**

Business thinking and routine work can become a rigid process. Innovation requires bending some rules, branching out, having some fun. When knowledge and insight is generated through non-traditional ways — free exploration, improvisation, experimentation, levity and rapid prototyping, limit-testing — work feels like play but the results are serious business.

- **Collaborative Inquiry**

Innovations are rarely made by a "lone genius." Insights come through thoughtful, non-judgmental sharing of ideas. Collaborative inquiry is a process of sustained, effective dialogue with those who have a stake in the situation. Drawing on a variety of stakeholders and points of view can contribute to the complexity, but it is also the source of much opportunity. The focus involves asking searching questions and exercising critical thinking without always expecting immediate answers.

- **Crafting**.

F. Scott Fitzgerald once said, "The test of intelligence is the ability to hold two opposing ideas in the mind at the same time and still retain the ability to function." Innovation requires the leader to shed either-or thinking and see the whole as inclusive of opposition and open to a third (or fourth, or fifth) solution. The practice of crafting allows him to live with and resolve paradox and contradiction. Unlike the traditional analysis of business thinking — which requires one to break down problems into separate pieces, known facts and current assumptions — crafting is about synthesis, integration and possibility. Through what is called abdicative reasoning, one can make intuitive connections among seemingly unrelated information and begin to shape order out of chaos.

Applying innovative thinking to challenges as a leader is one step in creating an innovative organizational response to change and challenge. But developing a culture of innovation, where others throughout the organization apply innovative thinking to solve problems and develop new products and services, requires additional work. David Magellan Horth & Dan Buchner (2009) suggested three tasks of leadership as setting direction, creating alignment, and building commitment

Conclusion

Innovative leaders are creative visionaries who have big ideas and, most importantly, can motivate people around them to turn those ideas into reality. Perhaps most importantly, the innovative leader should be able to communicate the vision and generate enthusiasm for it amongst the team members. Innovative leaders know that leadership by demand is far less effective at encouraging creativity and innovation, than is leadership through motivation and inspiration. For long term success, the process of Innovation Leadership has to be linked and aligned with organizational goals and reinforced through performance management. Organizations must invest in their leaders to ensure they develop their own innovative thinking capabilities and have the capability to develop their employees and teams innovative-thinking skills. Organizations also need to design their culture and organizational practices to make innovation possible. As well, organizations require a well-developed, organization-wide innovation plan to ensure a focused approach to organizational innovation. An organization-wide innovation plan enables local teams to focus their innovative thinking activities and align their innovations with the organization's overall requirements for innovation.It is worth noting that innovative leaders are people who have an expertise relevant to their innovative projects. To regain and retain global competitiveness, a new generation of innovative leaders needs to take over zenith roles in the leading corporations.

Reference

- *Bill George Staff(2012). Developing Innovative Leaders, From MWorld Summer, from http://www.billgeorge.org/page/developing-innovative-leaders1*
- *Cushman, D. P., & King, S. S. (1993). High-speed management; A revolution in organizational communication in the 1990s. Communication Yearbook, 16, 209-236.*
- *David Horth& Dan Buchner (2009). Innovation Leadership: How to use innovation to lead effectively, work collaboratively and drive results: Centre for Creative leadership, from http://www.ccl.org/leadership/pdf/research/InnovationLeadership.pdf*
- *Joanna Barsh, Marla M. Capozzi and Jonathan Davidson (2008). Leadership and Innovation, Mckinsey Quarterly, from*

  www.mckinsey.com/insights/innovation/leadership_and_innovation
- *Kling, R., & Dunlop, C. (1993). Controversies about computerization and the character of white collar worklife. The Information Society, 9, 1-29.*
- *Loveman, G. W. (1994). An assessment of the productivity impact of information technologies. In T. J. Allen & M. S. S. Morton (Eds.) Information technologies and the corporation of the 1990s: Research studies. New York: Oxford University Press.*
- *Morton, M. S. Scott (1991). Introduction. In M. S. Scott Morton (Ed.), The corporation of the 1990s. New York: Oxford University Press.*
- *Mumford, M. D., Scott, G. M., Gaddis, B., & Strange, J. M. (2002). Leading creative people: Orchestrating expertise and relationships. The Leadership Quarterly, 13, 705 – 750*
- *Mumford, M., &Licuanan, B. (2004), Leading for innovation: Conclusions, issues, and directions. The Leadership Quarterly, 15, 163-171*
- *New and Improved, LLC Newsletter (2013). The Innovative Brain, from www.newandimproved.com/newsletter/2120.php*
- *Paul Slone (2012). Ten Top Tips for the Innovative Leader, fromhttp://www.lifehack.org/articles/work/ten-top-tips-for-the-innovative-leader.html*
- *Rice, R. E. (1987). Computer-mediated communication and organizational innovation. Journal of Communication, 37 (4), 65-94.*
- *Rogers, E. M. (1983). Diffusion of innovations. New York: Free Press*
- *T.S. Eliot cited by Henry Doss (2013). An Innovation Leadership Revolution is Brewing. Forbes Entrepreneurs Post from www.forbes.com/sites/henrydoss/2013/04/24/an-innovation-leadership-revolution-is-brewing/*
- *Tanya Roscorla (2010). The 7 Steps to Innovative Leadership, from http://www.centerdigitaled.com/policy/The-7-Elements-of-Innovative-Leadership.html*
- *Walther, J. B. (1994). Anticipated ongoing interaction versus channel effects on relational communication in computer-mediated communication. Human Communication Research, 20 (4), 473-501.*

REGIONAL RURAL BANKS IN INDIA: EXPLORING THEIR FUTURE PROSPECTS

Prerana Baber[1], Dr. Lotica Surana[2]

ABSTRACT

In current era, Indian banking operation keep moving towards the globalization and internationalization for its products and its services. The factors which driven banking industry are like highly competition, deregulation and most important technological advancement which create forces to provide customer friendly environment. But some risk are stands out as the most detrimental risk to our Banking business is exposed that Credit risk. Regional Rural banks which have contributed towards economic development of rural areas and also contributes its effort for financial inclusion as well. While measuring operational efficiency Non-Performing Assets (NPA) affect the profitability, solvency and liquidity position and also influence the performance of RRBs.

Keywords: *Regional Rural Banks, Non-performing assets, Profitability.*

Introduction

After four decades of nationalization period Indian Banking System flourished with a huge network of branches of commercial and rural banks with wide range of financial instruments. In current era banking and financial industry get importance but also has a severe problem of non-performing assets. Non-performing assets directly affects the operational efficiency, profitability and earning capacity of banks. The financial soundness of banks evaluate by the help of operational efficiency and profitability analysis. Non-performing Assets means a debt obligation where the borrower has not paid previously agreed upon interest and principal repayments to the designated lender for the extended period of time. The size of NPA doing as an indicator which shows the bankers credit risks and competence of allocation of resource. Nonperforming assets are a result of past action whose effects are realized in the present i.e. they represent credit risk that has already materialized and default has already taken place.

In the development of our economy banks play very crucial role, its significance shown in the state's economic as well as social development. Expansion of banking facilities can be noticed after seeing the number of approximately 5400 branches i.e. of different types of banks of Madhya Pradesh in which commercial banks having more than

[1] Research scholar in Jiwaji University, Gwalior

[2] Visiting Faculty, SOS in Management, Jiwaji University.

3100 branches. Regional rural banks and nationalized banks also having very strong network to facilitate developmental activities of state. Regional rural banks in Madhya Pradesh contribute more than 20% in the total number of branches/ offices of banks in the state.

Table No. 1: Current Banking System in Madhya Pradesh

Banks in Madhya Pradesh	No. of branches in Madhya Pradesh
Commercial Banks	3157
Regional Rural Banks	1090
Public Sector Banks	1191
Total	5438

Source: PHD Research Bureau, Compiled from Economic survey of Madhya Pradesh 2010-11. Data pertains to Sep 2010.

In India the number of branches of regional rural banks are day by day increasing and fulfilling the financial demands of rural and urban areas. Apart from all these RRBs facing the problem of Non-performing assets which are also generating with a pace and adverse effect on the financial health of regional rural bank.

In India RRBs banking sectors are facing acute internal and external threats namely credit risk, problem of NPA, market risk, operational efficiency risk, liquidity risk, interest risk, which directly effects upon the competitiveness of bank. Instead all kinds of risk Credit risk was one of the unfavorable risk for our banking system (Iyer 1999).The risk of destruction in asset worth because of simple evasion or non-payment of dues by the borrowers is credit risk or default risk (Sarma,1996). Credit risk is severe in Regional Rural Banks, since they are the important vessels of priority sector lending, through their member Primary Banks Agricultural i.e. RRBs.

Management of non-performing assets (NPAs) by banks has always been an area of concern, particularly, due to the probability of decline in the value of restructured advances," RBI statement in its annual Report on Trend and Progress of Banking in India for the year ended March 31, 2010. If the size of NPAs increases and reach up to 10% of our GDP situation of bank crises exists in the country (Khan and Bishnoi, 2001). Though the banking reforms spearheaded by the Narasimham Committee have been proceeding in a phased manner in the country, the high level of NPAs poses a serious hurdle for pushing through the reforms (Velayudham, 2001). The deficit of revenue in bank from NPAs not only brings down the level of income of the banks but also hampers them from quoting finer Prime Lending Rates (PLR) (Jain and Balachandran, 1997).

Performance of Regional Rural Banks in India

Non-performing assets effects externally and internally on banking system. With increased competition in the banking Industry, the Net Interest Margin (NIM) of banks have come down over the last one decade. Hence, it is necessary to improve their operational efficiency while meeting the customer requirements. Product innovations and process reengineering will be the order of the day.

Performance indicators of Regional Rural Banks during 2012-13 figures (in crores)

Particulars	2012	2013 (Provisional)
No. of RRBs	82	64
Branch Network	16909	17856
Share Capital	197.00	197.00
Share Capital Deposit	5002.01	5976.84
Reserves	11262.99	13130.01
Deposit	186336.07	211457.80
Borrowings	30268.84	38267.73
Investment	95974.93	110683.47
Loan and Advances (O/S)	1163-64.97	139837.00
Total Business of RRBs	**302721.04**	**351294.80**

Source: Report of RRBA, September 2013

While the performance of Regional rural bank is comparatively better than earlier years. After amalgamation, number of RRBs has decrease but its networking has increased it can (Aruna Kumari, 2002) be seen that 947 branch have opened within a year. The most significant achievement of RRBs is the coverage in the economically backward regions of the country.

Table 1.1 specifies that the deposits of RRBs have been growing constantly. The deposits organized by RRBs increased significantly from Rs.186336.07 in 2013 to Rs. 211457.80 in 2013. The compounded growth rate of deposits is 21.01 per cent. . RRB achieved success for marginal rural savings which derived from the weaker sections of our economy and also generating the habit of banking among the rural masses. The growth of

RRB in the field of deposit mobilization must be calculated in the view of the rural background and poor customers that they have to serve all the banking facilities.

Profitability analysis of Regional Rural Banks during 2012-13 figures in crore

Particulars	2012	2013
Loan Issued	82368.39	102161.71
RRBs earning Profit (No.)	79	63
Amount of Profit (A)	1886.15	2304-50
RRBs incurring Losses (No)	3	1
Amount of Losses (B)	28.87	2.07
RRBs Profit (A-B)	1857.28	2362.2
Recovery	81.60	81.32
Gross NPA	5.03	5.65
Net Worth	15129.44	18292.07

Source: Report of RRBA, September 2013.

In the table 1.2 RRBs profitability indicates that the performance of banks significantly in a strong position except the value of gross NPA which also increases and has adverse effect on the banks financial activities. It may be informed that the credit-deposit ratio, which was 57.1 per cent in 2009-10, increased to 59.69 per cent during 2010-11, then it was 62 per cent in 2011-12 and currently it up to 66.13 per cent as on March, 2013.

In figure I, it is shown that the profit Growth of regional rural banks, which showed the figures of last three years. In 2011 net profit of RRBs in the country was recorded Rs. 1988 crore, the figure of profit in 2012 was Rs. 1886.15 crore where very slight downfall is noticed but it was recovered in the year of 2013 i.e. 2384.59 crore in march 2013 (unaudited).

Current Scenario of Regional Rural Banks in India

There is a positive trend in the growth of RRBs. While there is continuing demand for the rural customer services, RRBs filing their efforts to provide satisfactory services. Nowadays RRBs amalgamated and total number of RRBs came down from 196 to 82 as on 31 December 2011 and from these total 82 RRBs, 46 were amalgamated and remaining 36 performing on your own. If there is a comparison between RRBs with other pubic banks in terms of net profit RRBs hold a positive growth i.e. 1857 crores to 2382 crores.

State- wise RRBs distribution

Numbers of RRBs in State	Name of State
One RRB	Kerala (as on 08.07.13)
Two RRBs	Assam, Jharkhand, Tamil nadu, Haryana, Maharastra, J&K and Odisha.
Three RRBs	Bihar, M.P., W.B., Gujarat, Punjab, Rajasthan and Chhattisgarh.
Four RRBs	Karnataka
Five RRBs	Andhra Pradesh
Seven RRBs	Uttar Pradesh

Coverage of Districts	Below Five district – 10 RRBs 5 to 10 districts -25 RRBs 10 to 15 districts – 15 RRBs 15 and above districts – 14 RRBs
Number of Branches wise	Below 100 Branches – 10 RRBs 100 – 150 branches – 7 RRBs 150 – 250 branches – 22 RRBs 250 – 500 branches – 18 RRBs Above 500 branches – 7 RRBs
Rankings in Deposits	Baroda UP GB – 10255.53 crores Uttar Bihar GB – 8387.40 crores Baroda Rajasthan GB – 7091 crores Karnataka Vikas GB – 7379.7 crores
Ranking in Advances	Andhra Pragathi GB – 6759.62 crores Andhra Pradesh Gr Vikas B-6589.58 crores Baroda Rajasthan GB – 5769.43 crores Karnataka Vikas GB – 5623.06 crores
Total Business Ranking	Baroda UP GB – 13864.43 crores Karnataka Vikas GB – 13002.81 crores Baroda Rajasthan GB – 12860.43 crores Uttar Bihar GB – 12712.26 crores
Total Owned Fund	Andhra Pragathi GB – 1164.30 crores Karnataka Vikas GB – 1035.10 crores Andhra Pradesh Gr Vikas B – 793.36 crores Alahabad UP GB – 691.79 crore.

Staff Strength	Uttar Bihar – 3711 staff Baroda UP GB – 3236 staff Bangia GB – 2791 staff Karnataka Vikas GB – 2631 staff

Short comings of Regional Rural Banks:

Regional Rural Banks are running with the increasing pace but some of the obstacles came in the path of growth. In India rural banks are performed with the backup of Sponsor banks or NABARD only. Here RRBs always depend upon its sponsor commercial banks and facing competition with those banks who are master in the same area. Following are the some points which are the identified as a major drawbacks of regional rural banking system in India:

- Self-governance of Regional rural banks being intensely contorted by supporter banks at the expense of differentiate attitudinal ethos connected with provincial rustic banks.
- Local rustic banks stores being siphoned off to urban territories in monstrous scale through supporter banks.
- Restricted zone of operation and spatial scope hampering economies of scale.
- Nonattendance of level playing field and uneven clash of premium with supporter banks who are the expert of the same territory.

Following are the forward looking aspects for future in regional rural banks

- Introduce fresh branches:- In the under managed an account areas as recorded by the RBI, it was prompted that the banks ought inside their administration territory, open a normal block and mortar branch in bigger homes with populace of 5000 or more by September 2012. Such limbs could at first have lesser staff, say 2 persons, with ATM offices. In different regions, the banks were encouraged to attempt to open as numerous block and mortar extensions, in their administration ranges, inhabitations having populace of 10,000 or more by September 2012. While anticipating extension development, it may be seen that in the without managed an account ranges the extensions are accessible inside a spiral separation of five km.
- Directions from Monetary policy Statement 2013-14:- At present, local timetable business banks are obliged to designate no less than 25 percent of the aggregate number of limbs proposed to be opened throughout a year in unbanked rustic focuses while setting up their yearly extension development plan. Limb extension arrange in rustic territories is crucial to address the existing asymmetries in

accomplishing budgetary guaranteeing consistent take off of the DBT plan of the Government of India, banks are encouraged to.

- Demand for Negotiation Forum:- Stretching out immediate advancement to representatives finishing 20 years of administrations on once in administration period premise. The issue of regularization of administrations of low maintenance sweepers and day by day appraised easy specialists who are giving administrations to banks to long period, they may be given least compensation according to least wages Act. To think about giving workstation augmentation to Regional rustic bank workers from the month of attaining full center managing an account result. To give age unwinding to in administration hopefuls to the degree of time of administrations rendered by them.

References

- *Aruna Kumari, A. V. (2002). Economic Reforms and Performance of Indian Banking: Across Structural Analysis", Indian Economic Panorama. A Quaterly Journal of Agriculture,Industry, Trade and Commerce ,Special Banking Issue, 19-21.*
- *Association, A. I. (2013). Report of Central Committee. Kolkata.*
- *C, D., & G, G. (2012). Measuring Operational Efficiency of Public Sector Banks in India. The 2012 International Conference on Business and Management, (pp. 700-713). Phuket - Thailand.*
- *Chaudhary, K., & Sharma, M. (2011). Performance of Indian Public Sector Banks and Private Sector Banks :A Comparative Study. International Journal of Innovation, Management and Technology.*
- *Iyer, T. A. (1999). Bank supervision and the management of Non-performing advances. The Journal of the Indian Institute of Bankers, 7-9.*
- *Jain, J. L., & Balachandranan, K. (1997). Managing financial risks in banking. The Banker,, pp. 23-33.*
- *Khan, M. Y., & Bishnoi, T. R. (2001). Banking crisis and financial reforms Lessons for India. Chartered Secretary, (pp. 44-48).*
- *Pradhan, T. K. (2012). Management of NPA in the commercial banks in odisha: An empirical analysis. International Journal of Scientific and Research Publications, 2(9).*
- *Sarma, R. H. (1996). Product market risk (default /credit risk). The Journal of the Indian Institute of Bankers, 61-65.*
- *Velayudham, T. K. (2001). Budget: Indirect implications on banks. The Hindu, pp. BS-1.*

INVESTORS CHOICE& SATISFACTION IN ON LINE & OFF-LINE SERVICES INJHANSI DISTRICT UTTAR PRADESH

Dr. B.K Upadhaya[1], Mr. Shekhar Kesharvani[2]

ABSTRACT

This research paper focus on investor's Choice & Satisfaction for their on line service and off line service during their investment process, it justified the need and perception of Investors of Jhansi district. Online services offer investor's a splendid display of benefits such as enhanced control, ease of use and reduced transaction charges. Consequently, online services have grown rapidly and have emerged as a leading edge of service industry. Providing online services in stock & commodity exchanges such as BSE, NSE, NCDEX, and MCX etc. has lead market to become more competitive. This research covers a study on investors' choices and satisfaction regarding on- line and Off-line service in Jhansi District in Uttar Pradesh. Results show that there is a meaningful difference between investor' schoice &satisfaction in off line service and online service system; moreover, existence of online service system in stock exchange can raise the degree of traders' satisfaction. Obviously satisfied traders tend to invest more and more and this is desirable.

INTRODUCTION

On-Line & Off Line Services have played important role to introduce investment product for Investors in India. The advantages of Investment Service like, awareness of Investment product, information of diversified portfolio, well regulated, low costs, transparent, liquidity, flexibility, tax benefits with less time consume., are some of the factors attracting huge investment towards, Online service means service in equities, derivatives, commodities etc. through internet. It enables the investor to electronically connect through internet, using a broker to buy or sell stocks, derivatives etc with the other investors. In online service, one can access a stockbroker's website through an Internet-enabled PC and can place orders. Online service started in February 2000 when a couple of brokers started offering an online service platform for their customers. An investor service online has the certain benefits to the investors like they can see the latest market movement, self-execution and instant confirmation without any time lag, complete control

[1] Asst. Professor , Department Of Business Management, Mahatama Gandhi Chitrakoot Gramodaya Vishwavidyalay, Satna-M.P

[2] Researcher, Mahatama Gandhi Chitrakoot Gramodaya Vishwavidyalay, Satna-M.P

over their service decisions, access to accounts and related information on the Web and convenience of trade from home. Along with advantages, there are also some technical disadvantages like disconnection from Internet, electricity disconnection etc. The main companies providing online service are Religare securities, IDBI Securities, ICICI Direct, India Info-line, India Bulls, Share khan Securities, Reliance Money, Karvy Securities, Bonanza securities etc. On the other hand, In off-line service, the investor places orders with the stockbroker either verbally (personally or telephonically) or in a written form (fax). This may be because he may not comfortable in accessing the Internet.

Offline service is the traditional way of transacting the Investment through a broker probably by means of phone. Online service is a revolutionary change introduced in 21st century which leads to a huge improvement in the trading volume. Online Services platform with unique research support to help

Traders / investors have become successful in online trading in India. Online service offer simple pricing, quality order execution, outstanding tools, and of course a comfortable and matchless service in online. It aims to leverage the power of the internet to give you the facility of placing your own orders anywhere, anytime through online service. There are innumerable advantages in online trading when compared with offline trading but still some traders still prefer trading offline due to security reasons with offline service mistakes are less likely to take place. No one wants to throw their money away or stand by and watch someone else throw their money away.

OBJECTIVE OF STUDY

1. To Study the Satisfaction of Jhansi Investors towards Online & Off line Services in Investment.
2. To Study the Choice of Jhansi Investors towards Online & Offline Services in Investment.

RESEARCH METHODOLOGY

For this study I have targeted Jhansi Investors and selected at random basis Public Sector employees and Private sector employees. Total sample size is 100 Investors. I have taken exploratory design to explore various factors that affect Choice & Preference and followed by Quantitate Study. Data have been collected primary as well as secondary by adopting schedule and internet, magazines etc January to March 2014

HYPOTHESIS

Null Hypothesis: H01 =There is no difference between the Users of Online and Off-line service on the basis of Investors i.e. Public Sectors & Private Sectors

Alternate Hypothesis: Ha1= There is difference between the Users of Online and Off-line service on the basis of Investors i.e. Public Sectors & Private Sectors

DATA ANALYSIS

DEMOGRAPHY

Investors		Type of facility used by Investors for Service	
Employee	**No. of Investors**	**On Line Service**	**Off Line Service**
Public Sector	46	6	40
Private Sector	54	12	42
Total	**100**	**18**	**82**

In this survey it was found that most of the respondents uses off- line service rather than on line service. Out of 100 respondents, 82 were using off- line service and only 6 person were using on line service in Public Sector & 12 person were using on line service in Private sector. It was found that person who are using on line service belongs to Employee in Public & Private Sector. It was also found that investors who are service in stock market mostly belong to Public & Private Sector.

LEVEL OF INCOME OF OFFLINE & ONLINE INVESTORS

Type of Employee Income	Below Total Rs.2,00,000	Rs.200,000-Rs.3,00,000	Rs.300,001-Rs.400000	Rs.4,00,001 & Above	Total
Public Sector	4	8	13	21	**46**
Private Sector	5	18	20	11	**54**
Total	**9**	**26**	**33**	**32**	**100**

The offline & Online investor is directly correlated with the income for the investment. It is a saying that high income people want s save their time by on line service &tend to save and invest more because their disposable income after meeting their fixed obligation is high.

PREFERENCE OF INVESTMENT:-

Choice of Investors	Bank or Post office	MF or insurance.	Share market	Property	Other
Private Sector	18	6	4	8	9
Public Sector	22	4	2	16	11
Total	**40**	**10**	**6**	**24**	**20**

It was also found that most respondents prefer bank or property option for investment purpose. Out of 100, 64 prefer bank or property option and only 4Private Sector Employee's & 2 Public Sector Employee's prefer stock market for investment purpose.

INVESTMENT IN MORE THAN ONE INVESTMENT OPTION :-

Choice of Investors	YES	NO
Private Sector	**40**	**10**
Public Sector	42	8
Total	**82**	**18**

It was found that 82% respondents are using more than one investment option for investment purpose. Out of 100 40 Private Sector Employee's & 42 Public Sector Employee's investing their money in more than one investment option. These show that respondents are very cautious for their investment

ADVICE BEFORE INVESTING:-

Choice of Investors	Relatives	Friends	Broker	Any other Person or Self
Private Sector	19	8	20	7
Public Sector	20	7	14	5
Total	39	15	34	12

It was found that most of the respondents take advice from relatives or friends before making any investment. Out of 100,19 Private Sector Employee's & 20 Public

Sector Employee's say that they take advice from their relative before making investment and 20 Private Sector Employee's & 14 Public Sector Employee's say that they use expertise advice like broker or investment agency before make any investment. Only 7 Private Sector Employee's & 5 Public Sector Employee's invest their money either self or taking information from other source

COLLECTION OF INFORMATION BEFORE INVESTMENT:-

Choice of Investors	News paper	TV or internet	Broker house paper	Mobile tips	Any other
Private Sector	29	14	3	6	3
Public Sector	24	10	2	5	4
Total	**53**	**24**	**5**	**11**	**7**

It was found that most of the respondents collect the information from newspaper before making investment and many of them also use TV or internet options. Out of 100 Employee's,29 Private Sector Employee's & 24 Public Sector Employee's use newspaper and 14 Private Sector Employee's & 10 Public Sector Employee's use TV or internet. Some person use mobile tips and other options for collect the information before making investment. This data show that investors use print media for collecting the desired information

ATTRIBUTES CONSIDER IMPORTANT WHILE INVESTING:-

Attribute given Highest Rank	Private Sector Investors	Public Sector Investors
Return on investment in past	24	21
Dividend on investment	14	9
Reputation of company	2	3
Financial position of company	8	7
Report on company/ tips	6	6
Total	**54**	**46**

This table show that investor of Jhansi thinks that return on investment and dividend or interest on investment is important attributes for investing their money. Out of 100 people 38 Private Sector Employee's & 30 Public Sector Employee's had given high ranking to return on investment and dividend or interest on investment. Only few people had given the high rank to reputation of the company and any tips on particular company and only 14 Private Sector Employee's & 13 Public Sector Employee's given high rank to these two attributes

CUSTOMER VIEW WHILE USING ON- LINE SERVICE FACILITY:-

ATTRIBUTES CONSIDER IMPORTANT WHILE USING ON -LINE TRADING:-

Attribute given Highest Rank	Private Sector Investors	Public Sector Investors
Easy and fast transaction	3	2
Security on transaction	0	0
Operate from anywhere	3	1
Fair and self-controllable	1	1
Makes transaction personnel	5	2
Total	**12**	**6**

It was found that only 18 person using online service for stock service and out of 18 persons, 5 Private Sector Employee's & 2 Public Sector Employee's given the attribute "make transaction personal' highest rank and 3 Private Sector Employee's & 2 Public Sector Employee's given "easy and fast transaction' highest rank and no person given highest rank to security on transaction attributes. This data shows that people use on line service to make personal portfolio and for easy transaction in market time

PROBLEM FACED BY CUSTOMER WHILE USING ONLINE SERVICE:-

No. of person who use on line trading	Problem faced by Investors	Private Sector Investors who faced Particular problem while using on line Service	Public Sector Investors who faced Particular problem while using on line trading
18	Server down/ software problem	2	1
18	Security on transaction -	-	-
18	Lack of proper guidance	1	1
18	Any other problem	4	1
	Total	**7**	**3**

It was found that some people who are using on line service system face some problems. Out of 18 people, 7 Private Sector Employee's & 3 Public Sector Employees were facing some problem regarding on line service and Most of them were facing problem like server down and lack of proper guidance. This table shows that investor is not fully satisfied with on-line service.

REASONS FOR PREFERRING ON LINE SERVICE RATHER OFF- LINE SERVICE:-

Attribute given Highest Rank	Private Sector Investors	Public Sector Investors
SMS facility	0	0
Personal transaction	6	5
Anywhere transaction	2	2
Fair and self-controllable	2	1
Behaviour of dealer	0	0
Any other reason	0	0
Total	**10**	**8**

It was found that investors who are using on line service facility prefer on line service for personal transaction or his own personal portfolio and feature of on line service any where transaction make familiar on line service comparison to off line service. This table show that most Private Sector Employee's & Public Sector Employee's use on line service for personal transaction and fair &self-controllable transaction. Out of 18 investors, 6 Private Sector Employee's & 5 Public Sector Employee's prefer on line service for personal transaction and 2 Private Sector Employee's & 2 Public Sector Employee's prefer due to anywhere transaction option

ADDING NEW FEATURE IN ONLINE SERVICE:-

Want to add features in on- line Service	Private Sector Investors	Public Sector Investors
No restriction on intraday transaction	1	1
Training for user	6	4
Message through e-mail	3	2
Message through SMS	0	0
Any other features	0	1
Total	**10**	**8**

It was found that user of online service facility wants to add feature in online service for betterment of system. Out of 18Investors, 6 Private Sector Employee's & 5 Public Sector Employee's want that On-line broker company should provide them time to time training for better use of software and 3 Private Sector Employee's & 2 Public Sector Employee's wants to add alerts through mail feature in on line service. Only 1 Private Sector Employee's & 1 Public Sector Employee's out of 18 Investors says that there should not be no restriction on transaction.

CUSTOMER VIEW WHILE USING OFF LINE SERVICE FACILITY:-

ATTRIBUTES CONSIDER IMPORTANT WHILE USING OFF LINE SERVICE:-		
Attribute given Highest Rank	**Private Sector Investors**	**Public Sector Investors**
Expertise investment	16	18
Exposures to market	2	1
Less burden about account management	12	11
Fair transaction	2	2
More funding facility	8	10
Total	**40**	**42**

It was found that out of 100 people, 82 people using off line service facility for trade and out of 82 people , 16 Private Sector Employee's & 18 Public Sector Employee's had given expertise investment attributes highest rank and 12 Private Sector Employee's & 11 Public Sector Employee's given highest rating to less burden to manage account. This shows that investor using off line service facility for expertise investment and less burden about managing account.

FEATURES WANT TO ADD IN OFF LINE SERVICE:-

No. of Respondents who using on line Service	Features want to add in on line Service	Private Sector Investors who want to add features in on line Service	Public Sector Investors who want to add features in on line Service
82	SMS facility (mobile tips/ investment tips)	30	28
82	Time to time investor meeting	10	6
82	Reduce place and distance constraints	-	-
82	Any other feature	5	3
	Total	**45**	**37**

It was found that in off- line service; most of the investors want to add SMS alerts facility. Out of 82 investors, 30 Private Sector Employee's & 28 Public Sector Employee's want to add this feature in off line service, 10 Private Sector Employee's & 6 Public Sector Employee's want that there should be investor monthly meeting to sort out the problem.

ANY PROBLEM FACED BY CUSTOMER WHILE USING OFF- LINE SERVICE:-

No. of Respondents who are using off line Service	problem faced by customer	Public Sectors Respondents who faced problem while using off line Service	Private Sectors Respondents who faced problem while using off line Service
82	Employees behaviour	8	7
82	Time constraints	5	6
82	Distance constraints	13	11
82	More paper work	0	0
82	Any other problem	7	8
82	No problem	9	8
	Total	**42**	**40**

It was found that investors are facing many problems while using off- line service facility. Out of 82 people, 9 Private Sector Employee's & 8 Public Sector Employee's do not have any problem. Most investor's problem is regarding time and distance constraints. Out of 82, 8 Private Sector Employee's & 7 Public Sector Employee's think that behavior of employees was not good.

WHY ARE YOU USING OFF- LINE SERVICE RATHER ON LINE SERVICE:-

WHY ARE YOU USING OFF- LINE SERVICE RATHER ON LINE SERVICE:-

Reason	Private Sector Investors	Public Sector Investors
Security on transaction	24	20
Do not have resource	11	13
Lack of knowledge about computer or net	12	10
Any other reason	7	3
Total	**54**	**46**

It was found that investor prefer off- line service facility for trade in stock market due to security reason but most of them do not have proper resources and lack in computer knowledge. Out of 82, 35 Private Sector Employee's & 33 Public Sector Employee's say that they are using off line because of they do not have resource and proper knowledge about computer or internet

IF YOU ARE PROVIDED ALL RESOURCES WOULD YOU LIKE TO SWITCH FROM OFF LINE TO ON LINE SERVICE:-

Response	Yes	No
Private Sector	23	18
Public Sector	21	20
Total	**44**	**38**

It was found that if off- line clients are provided all the resources and relevant information, 53% people want to use the on line service system but 47% refused to use the on line service system.

Users	On-line Service		Off-line Service	
	Observed	Expected	Observed	Expected
Public Sector	6	8.28	40	37.72
Private Sector	12	9.72	42	44.28
Total	**18**	**18**	**82**	**82**

The Calculation of Chi-Square value to test the hypothesis that there is no significant difference between the users of Online Service and Off-line service on the basis of Investors in Public Sector & Private Sectors

CHI – SQUARE TEST TO COMPARE THE USERS OF ONLINE AND OFF-LINE SERVICE

Test		Observed	Expected	Observed - Expected	=(Observed-Expected)2	=(Observed-Expected)2/Expected
Online Service	**Public Sector**	6	8.28	-2.28	5.20	0.63
	Private Sector	12	9.72	2.28	5.20	0.53
Offline Service	**Public Sector**	40	37.72	2.28	5.20	0.14
	Private Sector	42	44.28	-2.28	5.20	0.12
Total		**100**	**100**	**0**	**20.79**	**1.42**

HYPOTHESIS TESTING

Degree of Freedom	Tabulated Value of Chi Square Test at 5% Level of significance	Tabulated Value of Chi Square Test at 1% Level of significance	Calculated Value	Result
1	3.84	6.63	1.42	H01 Accepted

Here the calculated value of the chi- square i.e. 1.42is less than the table value both at 5 percent (3.84) and at 1 percent (6.63) levels of significance. Hence the null hypothesis framed for this study is accepted and therefore there is no difference between online users and off-line users on the basis of Private Sector Employee & Public Sector Employee

FINDINGS

1. This study shows that most of the investors are using off line service rather than on line service. It was found that Investors who are using on line service belong to business or self-employed class.
2. It also shows that most of the investors prefer Public sector or property option for investment purpose. Only few of them prefer Private sector or stock market for investment purpose. This show that investor is very cautious in investing in Private sector in Jhansi in Uttar Pradesh.
3. Most of the Investors are investing in more than one investment option. This show that people is very cautious for investment and prefer their money to be diversified among different investment avenues.
4. This study shows that most of the investors take advice from relatives or friends before making any investment or expertise advice like broker or investment agency advice before making any investment. Ratio of the people who prefer their know n's/relatives to take advice is more rather than the advice from expertise persons.
5. This study shows that investors collect the information from newspaper, TV or internet before making investment This show that investor believed and use print media for collecting the desired information.
6. This study shows that investor thinks that return on investment and dividend or interest on investment is important attributes for invests their money. Only few people had given the high rank to reputation of the company and any tips on particular company.
7. This study shows that people prefer on line service for personal transaction or his own personal portfolio. Other people prefer on line service for anywhere transaction option.

This shows that most of people use on line service for personal transaction and fair & self-controllable transaction.

8. These studies show that users of online service are satisfied with on line service. Most of the people are satisfied between 60-90%. This show high investor satisfaction level while using on line service facility but also no one is fully satisfied with online service. It means there is scope for improvement in on line service system.
9. This study shows that user of off- line service want to add SMS alerts facility, monthly investor meeting to seek out the problem. This show that there is area of improvement in off-line service and off-line service system is lacking behind to provide relevant information to its users.
10. Nearly half of the off-line service users were ready to use online service if they provided all the resources and all the relevant information about on line service.

CONCLUSIONS

It can be concluded that most of the investors in Jhansi District in Uttar Pradesh are using off-line mode for doing the service in the stock market. They are using off-line mode because they think that online service is not safe and secure as well as they do not have proper infrastructure and knowledge to use it. But most of them are willing to use online service if they are provided with adequate resources and knowledge. Although both online and off-line users are facing some problems with their mode, but online users are more satisfied with their mode of facility. There is no discrimination of users of online and off-line facility.There is lot of improvements are required to retain its customer base by the broking firms in off-line mode. More features are required to be added in both online and off-line mode of service for the future growth of their business.

REFERENCES

1. *Appel, G. & Hitschler, W.F, 1990. Stock Market Trading Systems, Traders Press.*
2. *Bhalla, V.K., 2006. Fundamentals of Investment Management's. Chand & Company Ltd*
3. *Fontanills, G.A. & Gentile, T., 2001. The Stock Market Course, John Wiley & Sons*
4. *Larson, M.L., 2001. Trade Stocks Online, Wiley.*
5. *Maheshwari, Y, 2000. Investment Management. PHI Learning Pvt. Ltd.*
6. *Wasendorf, R.R. & Schaeffer, B., 2007. Online Trading, W& A Publishing.*
7. *Blackwell, R.D., Consumer Behaviour, Thomas south-10th Edition-2007*
8. *Kothari C.R. "Research Methodology".*
9. *Philip Kotler. "Principal of Management".*
10. *Kumar V, "International Marketing Research".*

EMERGING TRENDS OF INTERNET BANKING IN INDIA

Mohd Naved Khan[1], Surabhi Singh[2]

ABSTRACT

The Internet banking with its advantages over the traditional banking is transforming the banking scenario in India. RBI report of year 2013 states that there is a need to explore more factors which is inhibiting the complete adoption of Internet banking in India. The customers of internet banking are still not able to adopt the internet banking completely. There have been many studies on the usage of internet banking services.

This study will attempt to analyze the trends of internet banking in India. With advanced technology and sophistication it becomes challenging for the banks to consider the use of technology to respond to their continuously changing requirements. The study has contributed significantly to the extant literature on the subject in the area.

Keywords: *Internet Banking, Adoption, Sophistication.*

INTRODUCTION-

The emergence of internet banking has led to drastic changes in the way banks make transaction.

Banks are not only competing in traditional banking services but also have expanded the scope of the competition to an e-environment with Internet banking services. These banks are introducing Internet banking as an assurance to their customers that they will be able to maintain a competitive quality service in future, in efforts to avoid losing their customers to other banks. Internet banking helps banks to build and maintain close relationships with their customers, reduces operating and fixed costs, and achieves more efficient and enhanced financial performance. The benefits of internet banking users are easier to operate, reliable, hassle free, convenient to use and safer to use. (Jayaraman et. al., 2012)

In a large country like ours where a majority of population still lives in rural areas that do not have presence of formal banking providing banking facility has been a major challenge. Hence through this study the popularity of internet banking has been emphasized. Of the 0.6 million villages in India, the total number of villages with banking services through

[1] Associate Professor, Deptt of Business Administration, Faculty of Management Studies & Research, Aligarh Muslim University

[2] Asstt Professor- Marketing, Institute of Management Studies, Noida

brick and mortar branches and alternate banking channels stands at approximately 0.14 million villages as at end March 2012. India has the highest number of households (approximately 145 million) who are excluded from banking. (RBI, 2012)

OBJECTIVE-

1. To explore the impact of age and occupation on usage of Internet banking
2. To explore the internet banking industry

HYPOTHESIS CONSIDERED-

H0- Age has no significant impact on usage of Internet banking

H1- Age has significant impact on usage of Internet banking

1H0-Occupation has no significant impact on usage of Internet banking

1H1- Occupation has significant impact on usage of Internet banking

LITERATURE REVIEW-

The advent of Internet banking happened in early 1990. (Srivastava et.al. 2007) There have been researches made in internet banking and various factors affecting the internet banking adoption in India have been explored in past. Still the users of internet banking are less in numbers.

According to channel (Chau & Lai, 2003), the rapid growth and popularity of the internet has created great opportunities as well as threats to companies in various business sectors, to endorse and deliver their products and services using internet as a distribution channel. Apart from trust, there are other variables which influence the usage of Internet banking. They are intention, beliefs, and subjective norms, trust in the bank, attitude, perceived usefulness and perceived ease of use (Falk et.al. 2007).

Recent research (Yousafzai et al., 2012) indicates the importance of customer-specific factors in predicting actual internet banking behaviour.

By making Internet Banking operations more easy, the Banks can enhance the level of users & can also give more satisfaction to existing ones as they face numerous problems while using Internet Banking.(Brar et.al, 2012)

Rao et al. (2003) provide a theoretical analysis of Internet banking in India and found that as compared to banks abroad, Indian banks offering online services still have a long way to go.

The prime driver for offering services online is to offer 24x7 availability and convenience to its customers. Beyond that, cost reduction is another major reason. (Financial Express, 2002)

Corrocher (2002) investigated the determinants of the Internet technology adoption for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks.

An extensive study conducted in 2001 by the Consumer Bankers Association indicates that Internet banking usage remained stagnant from 1996 to 1998, with less than 10% of the market utilizing the service. This characterizes the early adoption phase where the banking industry, in its striking transformation, has embarked on an era of '*anytime, any- where'* banking.

Studies on internet banking have primarily focused on adoption of innovation in the context of North America and Europe (Daniel, 1999; Mols, 2000; Pikkarainen et al., 2004; Kim and Arnett, 2012) while few researchers have covered other regions containing a mix of developed (Tan and Teo, 1998; Shih and Fang, 2004; Fang et al., 2011; Lin and Chang, 2011; Lin et al., 2011) and developing countries (Polatoglu and Ekin, 2001).

Black et al. (2001) performed a qualitative study on the adoption of internet services and found out that those with the highest income with a greatest use of information technology were most likely to purchase financial services using internet channel.

Earlier studies have mentioned that reliability, ease of use, personality, accessibility accuracy, security and efficiency could influence the Internet banking (Joseph et. al., 1999; Meuter et al., 2000; Yang & Jun, 2002; Zeithaml, 2002; Joseph & Sone, 2003; Long & McMellon, 2004).

Jordan & Jene (1999) found that even most successful banks offering internet banking were able to serve only relatively small share of their customer base with IT channels.

Rao et al. (2003) provide a theoretical analysis of Internet banking in India and found that as compared to banks abroad, Indian banks offering online services still have a long way to go.

In its latest report on the status of e-Banking in India, IDC feels that though the banks have taken the first step, they have got a long way to go before Internet banking becomes a way of life.

RESEARCH METHODOLOGY-

The research design is exploratory in nature. The study is focused in Noida. The method of sampling is intercept sampling and the size of sample is 100. The data have been collected from 100 users of Internet banking with the help of intercept sampling. The area of sampling is Noida.

The statistical tool used for analyzing the tabulated data is SPSS 20. Anova Factor analysis is performed to know the significant impact of Internet banking on consumers. The questionnaire was administered on customers of Internet banking in few banks like ICICI, SBI, HDFC, IDBI after pilot testing of the same. The reliability test was performed and the alpha value has come to be 0.690. The questionnaire was made on Likert scale and seven factors have been taken for which rating has been given by these experts.

DATA ANALYSIS-

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Name	Between Groups	13843.806	3	4614.602	6.376	.001
	Within Groups	69481.194	96	723.762		
	Total	83325.000	99			
Q1-Bank	Between Groups	4.504	3	1.501	2.193	.094
	Within Groups	65.736	96	.685		
	Total	70.240	99			
Q2-A/CType	Between Groups	.000	3	.000	.	.
	Within Groups	.000	96	.000		
	Total	.000	99			
Q3-Purpose	Between Groups	.000	3	.000	.	.
	Within Groups	.000	96	.000		
	Total	.000	99			
Q5-Frequency	Between Groups	.030	3	.010	1.000	.396
	Within Groups	.960	96	.010		
	Total	.990	99			
Q27-Occupation	Between Groups	18.043	3	6.014	5.376	.002
	Within Groups	107.397	96	1.119		
	Total	125.440	99			

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Name	Between Groups	27210.168	4	6802.542	11.516	.000
	Within Groups	56114.832	95	590.682		
	Total	83325.000	99			
Q1-Bank	Between Groups	3.524	4	.881	1.254	.293
	Within Groups	66.716	95	.702		
	Total	70.240	99			
Q2-A/CType	Between Groups	.000	4	.000	.	.
	Within Groups	.000	95	.000		
	Total	.000	99			
Q3-Purpose	Between Groups	.000	4	.000	.	.
	Within Groups	.000	95	.000		
	Total	.000	99			
Q5-Frequency	Between Groups	.061	4	.015	1.571	.188
	Within Groups	.929	95	.010		
	Total	.990	99			
Q25-Age	Between Groups	16.594	4	4.149	6.949	.000
	Within Groups	56.716	95	.597		
	Total	73.310	99			

RESULTS

The analysis shows that the age has significant impact on usage of Internet banking in India. Further Occupation has also significant impact on usage of Internet banking in India. The banks need to work out on the strategies based on these factors for increasing adoption of Internet banking.

CONCLUSION & RECOMMENDATIONS-

The study has provided valuable insights into the causes of lack of popularity of Internet based services in Indian Banks. Study findings will be of immense help to academicians in offering the right mix of services to encourage consumers to access online services of banks. The study has contributed significantly to the extant literature on the subject in the area.

LIMITATIONS –

The sample size is restricted to Noida only. However, it represents a necessary and economical first step in identifying relevant Internet Banking adoption and its impact on overall quality that can later be tested in larger, more representative samples in the Indian context.

REFERENCES-

- *Adil, M., Akhtar, A. and Khan, M.N. (2013) 'Refinement of internet banking service quality scale: a confirmatory factor analysis approach', Int. J. Services and Operations Management, Vol. 14, No. 3, pp.336–354.*
- *Akinci, S., Aksoy, S., Atilgan, E. (2004). "Adoption of internet banking among sophisticated consumer segments in an advanced developing country", The International Journal of Bank Marketing, Vol. 22 No.3, pp.212-32.*
- *Aladwani, MA (2001). 'Online banking: a field study of drivers, development challenges, and expectations', International Journal of Information Management, pp. 213-225.*
- *Black N.J. Lockett A., Ennew C. & Winklhofer H. (2001). Adoption of Internet banking, a qualitative study, International Journal of Retail & Distribution Management 29 (8), 390-8.*
- *Chau, P & Lai, V. (2003). "An Empirical Investigation of the Determinants of User Acceptance of Internet Banking," Journal of Organizational computing and Electronic Commerce, vol. 13, no. 2, pp. 123-145*
- *Corrocher, N. (2002). Does Internet banking substitute traditional banking? Empirical evidence from Italy, Working Paper, CESPRI, No. 134, November.*
- *Yousafzai, S & Yani-de-Soriano, M (2012). 'Understanding customer-specific factors underpinning internet banking adoption', International Journal of Bank Marketing, vol. 30, no.1, pp. 60-81.*
- *Zeithamal, V. (2002). Service excellence in electronic channels, Managing Service Quality 12 (3), 135-138.*
- *Munusamy Jayaraman, Annamalah Sanmugam, Chelliah Shankarm. (2012). A Study of Users and Non-Users of Internet Banking in Malaysia, International Journal of Innovation, Management and Technology, Vol. 3, No. 4,*
- *http://www.rbi.org.in/scripts/AnnualReportPublications.as px (accessed on 10th Sep 2013)*
- *Srivastava, Rajesh (2007). "Customer's perception on usage of internet banking", Innovative Marketing, 3(4)*
- *Tomas Falk, Jeroen Schepers, Maik Hammerschmidt and Hans H. Bauer (2007). Identifying Cross-Channel Dissynergies for Multichannel Service Providers ,Journal of Service Research ; 10; 143*
- *Singh Jaspreet, Brar Neena (2012). 'Internet banking: Need of current scenario', International Journal of Management & Information Technology Volume 1, No 2, July*
- *Rao, G. R. and Prathima, K. (2003). Internet Banking in India, Mondaq Business Briefing, April 11.*

EVALUATING FINANCIAL PERFORMANCE OF SBI THROUGH FINANCIAL RATIOS

K. Satish kumar[1], S.Mahaboob Basha[2], R.Lilambeswara Singh[3]

Introduction:

Banks play an active role in the economic development of country. Their ability to make a positive contribution in igniting the process of growth depends on the effective banking system. Banking system is an important constituent of the overall economic system. It plays a major role in mobilization the nation's savings and in channelizing them into high investment priorities and better be described as the kingpin of the chariot of economic progress. Evaluation of the financial performance of the banking sector is an effective measure and indicator to check the soundness of the economic activities of the country.

In such a competitive environment, financial institutions are forced to examine their performance give the dynamic economics of the 21st century, and their survival depends upon their productive efficiency. With their view, in the present paper, the financial performance of State Bank of India (SBI) has analyzed. In this way ratio analysis is a very important part of the strategic planning. In this paper, to evaluate the financial performance of SBI, five key financial ratios have been used. With the help of these ratios, the financial soundness of SBI can judged. The five key financial ratios considered are a). Investment evaluation ratios b). Profitability ratios c). Management efficiency ratios d). Balance sheet ratios and e). Cash flow ratios.

Review of Literature:

Prasuna (2004) analyzed the performance of Indian banking by adopting the CAMAL model. In his paper, the performance of 65 banks was studied for the year 2003-2004. It was concluded that there was high competition, and consumers benefitted from it by getting better service quality, innovative products and better bargains.

Veni (2004) Studied the capital adequacy requirement of Banks and the measures adopted by them to strengthen their capital ratios. As per author, capital adequacy is considered as the key of bank ratings.

[1] Assistant Professor, Department of Management. Bheemi Reddy Institute of Management Science.Adoni, Kurnool (Dt) A.P.

[2] Associate Professor, Department of Management. Bheemi Reddy Institute of Management Science.Adoni, Kurnool (Dt) A.P.

[3] Prof.R.Lilambeswara singh, Department of Management. VIMAT, Chittoor.Dt.A.P.

Choudhary and Tandon(2010), analysed the financial performance of public sector banks in India. The study is based upon secondary data covering the period from 1997-2007. From the analysis, it was concluded the public sector banks should try to upgrade the technology and should formulate customer friendly policies to face competition at the national level.

Choudhary and Sharma (2011) made a comparative analysis of services of public sector banks and private sector banks. The paper made an attempt to analyse how efficiently public and private sector banks have been managing NPA.

Guruswamy (2012) evaluated the performance of SBI and its associates and five profitability ratio's were considered on the basis of analyses of profitability ratios, a fluctuating trend was observed during the study period from 1996-2008 for all the banks.

Research Methodology:

In this paper, to analyse the financial soundness, and to infer about convergence of the State Bank of India, a very simplified approach was used through ratio analysis. For this analysis, financial data were derived directly from the annual reports and financial ratios were employed for evaluating the performance of financial soundness of SBI for the last six financial years. The present study adopts an analytical and descriptive research design. The data of the sample bank, that is , SBI for a period from 2009-2014 were collected from the annual reports published by the banks, publicly available information published by the Reserve Bank of India (2014) and Moneycontrol.com(2014) related to financial ratios were used in this study.

Analysis and Findings

For the analysis of financial performance of SBI, five ratios were studied. These ratios are a). Investment valuation ratios, b). Profitability ratios, c). Management Efficiency Ratios, d).Balance sheet Ratios and e).Cash Flow Indicator Ratios. All the data shown in the table and figures are these of the financial year, for example, march 2014 corresponds to the marchmonth of the financial year 2013-2014. The required now data for the financial ratios shown in the table 1 to 5 were collected from the annual reports (2009-20140 of SBI (Moneycontol.com.2014). After analyzing each ratio, the results were calculated. These results are analyzed using the following two normalized ratios, R1 and R2.

- **R1=(Value in 2014- value in 2009) / value in 2009**
- **R2= (Value in 2014- value in 2013) / value in 2013**

Analysis and findings based on these 5 ratios are described one in following sections:

1). Investment Valuation Ratios:

Investment valuation ratio is used by investor to evaluate the investment extractives. It attemptssimplisity the evaluation process by comparing the relevant data, which helps users to gain an estimate of valuation. It measures investor's response to owning a company's stock and also the cost of the issuing the stock. The said are concerned with the return on investment for shareholders, and with the relationship between return and the value of an investigate in company's shares. This ratio is analyzed by the following 5 parameters:

- **Operating profit** is a measure of a bank's profit that excludes interest and income tax expenses. It is the difference between operating revenues and operating expenses, that is,

  Operating profit = operating revenues + Non operating income

- **Net Operating profit:** as banks have non-operating income also, in such cases, net operating profit or earnings before interest and tax (EBIT) is calculated as follows:

  Net Operating profit = Operating profit + Non operating income

- **Earnings per share (EPS)** are the amount of income that the common stock hold is entitled to receive per share (of stock owned). This income may be paid out in the form of divides, retained and reinnnnnvested by the company, or a combination of both.
- **Dividend per share** is the part of the EPS that the company pays to the common stockholders. **Free reserves** are the extra cash a bank keeps in liquid assets (i.e. what it does not loan out) beyond its legal requirement, minus what it must repay.

Table 1. Investment Valuation Ratios for the Period from 2009 - 2014

March	2009	2010	2011	2012	2013	2014
Operating profit per share (Rs)	230.04	229.63	255.39	289.44	236.63	199.45
Net Operating profit per share(Rs)	1179.45	1353.15	1504.34	1776.47	1749.29	1826.45
Free reserve per share (Rs)	371.99	412.36	468.29	645.05	642.56	656.58

Dividend per share (Rs)	29	30	30	35	41.5	30
Earning per share (Rs)	143.73	144.73	160.07	174.15	206.20	245.88

The Table 1 shows the values of these 5 parameters in the last 6 financial years (2009-2014). Which are further shown in the figure 1, indicating the variation in these parameters in the form of bar charts. It can be observed from the table1 and figure1, that in general, all the five parameters increased year on year due to inflation. It can be observed from the data that SBI's financial position has been improving constantly. Furthermore, when the operating profit is compared with the net operating profit, it can be inferred that the total income consists of a big proportion of non-operating income. Every year, almost 85% of the total income was generated from the non-operating income. With the help of EBIT (Net operating profit) and EPS analysis, investors are able to zero in on the stocks in which they can invest their surplus money. It is clear from the table 1 that investors can think of investing their surplus money is SBI's stocks. EBIT was rapidly interesting and due to that, EPS was strong. Due to financial soundness, the bank was capable to pay the dividend every year without any interruption. Also, from free reserve's point of view, SBI was in strong position. So, overall, from the investing their surplus money in SBI's stock because their money was invested in a good stock and they will get good returns every year as all the 5 parameters shown in table 1 and figure 1 increased consistently year ratio R1 is quite high as compared to R2, which was as expected as R1 is based on the data for the year 2009, while R2 is based on the data for the year 2013.

Table1R values of R1 and R2 based on the Table 1

Ratios	**R1**	**R2**
Operating profit per share	-13.3	-16
Net Operating profit per share	55	4.41
Free reserve per share	76.51	2.1
Dividend per share	3.45	-27.71
Earning per share	71.4	19.24

2). Profitability Ratios: Most of the investors want to invest in banks that are going to be profitable in future. Highly profitable banks translate into a higher return on investment through share price appreciation or a higher dividend yield. As such, there are several popular rations that measure a firm's profitability. These include net profit margin, return on net worth, and return on long term funds. Profitability ratios measure the efficiency of business, operations with the help of profits. It is quite a useful tool to understanding the efficiencies of a business, and thereby assist management about the final goal (that is profit) of a business.

Table 2. Profitability Ratios for the Period from 2009 – 2014

March	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Adjusted cash margin (%)	13.04	11.62	9.6	10.59	11.23	7.89
Net profit margin (%)	12.03	10.54	8.55	9.73	10.39	7.03
Return on long term fund (%)	100.35	95.02	96.73	96.84	96.35	87.28
Return on net worth (%)	15.74	13.89	12.11	13.97	14.26	9.20
Adjusted Return on net work (%)	15.74	13.91	12.74	13.97	14.26	9.20

The different stakeholders (owners. The management, creditors, and lenders) of a business are interested in the profitability ratios for different purpose. These ratios show a bank's overall efficiency and performance. It can be divided into two types – margins and returns. Ratios that show margins represent the bank's ability to gain profits. Ratios that show returns represent the bank's ability to measure the overall efficiency of the bank in generating returns for its shareholders. The table 2 shows the variation in the 5 parameters of the profitability ratio for the last eleven years (2009 – 2014). Further, 3 key paramers are described in detail and are depicted in the figure 2.

- **Net profit margin** is a key financial indicator used to assess the profitability of a bank. It is an indicator of how efficiently and how well a bank controls its costs. The higher the margin, the more effective the bank is converting revenue into actual profit. As for the table 2, in 2014 the net profit margin was 7.03%. it measures profitability after consideration of all expenses, include taxes, interest and depreciation. The net profit margin is calculated by using the following formula:

Net profit margin = (Net operating profit (after tax) by net sales) × 100

Both terms of this equation come from the income statement. It is also a good time – series analysis, where by bank owners can luck to at data for their own bank across different time periods to see how the net profit margin is trending.

- **Return on long term fund ratios** Establish the relationship between net profit and the long-term funds. The term long-term funds refer to the total investment made in a business for long term. It is calculated by earnings before interest and tax (EBIT) by the total long-term funds. Return on term funds is calculated on the basis of the following formula:

  Return on long term fund =(Net operating profit(EBIT)/long-term funds)x100

Table2R values of R1 and R2 Based on the Table 2

Ratios	**R1**	**R2**
Net profit margin	-41.56	-32.34
Return on long term fund	-13.02	-9.41
Return on net worth	-41.55	-35.48

- **Return on net worth or Return on Equity Ratio** is perhaps the most important of all the financial ratios for investors. It measures the return on the money the investors have put into the company. This is the ratio potential investors look at when deciding whether or not to invest in the company.

  The calculation is (Net Income/stockholder's Equity) x100

Net income comes from the income statement and stockholder's equity come from the balance sheet. In general, the higher the percentage, the better it is, as it shows that the company is doing a good job using the investors' money. It can be observed from the Table 2 and Figure 2 that the net profit margin ratio, return on long term fund ratio, return on the worth ratio, all the three ratios were fluctuating during the study period. In general, the overall net profit margin ratio decreased year wise up to 2014. However, return on long return fund ratio and return on net worth ratio it is decreased up to three years and increased than decreased and net profit margin is also same.

3). Management Efficiency Ratios: management efficiency ratio reflects the growth and survival of bank. Management efficiency means adherence with set norms, ability to plan and respond to changing environment, leadership and administrative capability of bank. The ratios in this segment involved subject analysis to measure the efficiency and effectiveness of the management. With the help of this parameters, the bank is able to evaluate the efficiency and take the corrective action to improve the quality, 4 parameters used for the management efficiency ratio are described as:

- **Interest income/Total Funds Interest Income** is a basic source of revenue for the banks. Interest income includes interest from loans, advances and investment, interest on deposits with the RBI, and dividend income.
- **Non-interest Income/total Funds :** Non-interest income includes fee based income accounts (exchange commission, brokerage), gains on sale, revaluation of investments, fixed assets and profits from exchange transactions. SBI generated higher fee income through innovative products and by adopting latest technology for sustained service levels. This ratio measures the income from operations, other than lending of the total income. A higher ratio indicates the increasing proportion of fee-based income.
- **Interest Expended/total Funds:** Interest expended/total funds ratio means how much interest a bank is paying on borrowings. Lower ratio on interest expended/total funds indicates the decreasing proportion of interest paid by banks on borrowings.
- **Net interest income/total funds:** Net interest income is defines as :
  Net interest income = Interest income + Non-interest income – interest expended

Table 3. Management efficiency Ratios for the Period from 2009 – 2014

March	2009	2010	2011	2012	2013	2014
Interest Income / Total funds	8.88	8.52	8.39	9.32	8.25	8.12
Net interest income / Total funds	3.79	3.82	4.1	4.37	3.06	2.93
Non-interest income / Total funds	0.11	0.1	0.09	0.08	1.11	1.10
Interest expended / Total funds	5.09	4.69	4.29	4.94	5.19	5.19

Net Interest Income = Interest Income + Non-invest Income – Interest Expended

The variation in the aforementioned 4 parameters for the periods from 2009 – 2014 are shown in Table 3. There is no trend in variation; rather, the values fluctuated for different years. Furthermore, variation of interest income and interest expected is shown in figure 3, which indicates that the former is always greater than the latter. The interest expended is about 50% - 60% of the interest income. Table 3 that if the interest income increases, then the non-interest income decreases and vice-versa. Banks' growth depends on lending and borrowing transaction. These transactions depend upon the money market conditions. Due to economic fluctuations and inflation, till 2012.

Table3 R values of R1 and R2 Based on the Table 3

Ratios	R1	R2
Interest Income / Total funds	-8.56	-1.57
Interest expended / Total funds	1.96	0
Non-interest income / Total funds	900	-0.90
Net interest income / Total funds	-22.69	-13

4. Balance sheet Ratios: Balance sheet ratios are used for examining the financial condition of any organization. These ratios are based on data reported in the balance sheet. Certain ratios are particularly applicable banks. The most important are the adequacy ratio and the debt-equity ratio.

Table 4.Balance sheet Ratios for the Period from 2009 – 2014

March	2009	2010	2011	2012	2013	2014
Capital adequacy ratio	14.25	13.39	11.98	13.86	12.92	12.96
Debt-equity ratio	12.81	12.19	14.37	12.43	12.16	11.79

- **Capital Adequacy Ratio (CAR)** is important for a bank to maintain the depositor's confidence and also reveals the ability of the management to meet the need of additional capital. The CAR was developed to ensure that banks can absorb a reasonable level of losses occurred due to operational losses and can determine the capacity of the bank in meeting the losses.

- **The Debt-Equity Ratio** shows how much proportion of the bank's business is financial through equity and how much is financial through debt. It is calculated by dividing total borrowing with shareholders' net worth. A high ratio is an indication of less protection for the depositors and creditors and vice-versa.

  The Table 4 shows the variation in the aforementioned 2 parameters for the last six years (2009-20014), which are also shown in figure 4. From the Table 4 and Figure 4, it can be observed that SBI's financial position is very strong. The average CAR in period from 2009-2014 was 12.96%. This shows with that SBI has maintained a higher CAR than the prescribed level.

5 .Cash Flow indicator Ratios

- **Dividend payout Ratio** compares a dividend paid by an organization to its earnings. The relationship between dividends and earnings is important. The part of earnings that is not paid out in dividends if used for reinvestment and growth in future earnings. Investor who are interested in short-term earnings prefer to invest in companies with high dividend payout ratio. On the other hand, investors who prefer to have capital growth like to invest in companies with lower dividend payout ratio. Dividend are paid in cash; therefore, a high dividend payout ratio have implications for the cash management of the company.

Table 5. Cash Flow Indicator Ratios for the Period from 2009 – 2014

March	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Dividend payout ratio net profit	22.9	23.36	26.03	22.59	18.62	18.32
Earning retention ratio	77.11	76.67	74.03	77.45	79.88	79.44
Adjusted cash flow	75.05	79.54	100.71	81.94	78.90	114.06

- **Earning Retention Ratio** is also called as plowback Ratio. It is the ratio that measure the amount of earnings retained after dividends have been paid out to the shareholders. The objective to calculate the earnings retention ratio is that the more the bank retains, the faster are its chances of growth its business. The growth dividends and the stock price is dependent on the bank's growth. However, the earnings retention ratio is related to the bank's growth rate. It is the amount of earnings the company reinvest business rather than distributing it to the shareholders as a dividend. Since some of the retention rate and the dividend payout ratio equal unity, it follows that:

Earnings Retention Ratio=1-Diviodend payout Ratio =(Net Income-Dividends)/Net Income

- **Adjusted Cash Flow or Adjusted Net Income** represents a business earnings after expenses. It shows the earnings before interest, Depreciation and taxes, but it also includes additions or subtractions for such items as the owners salary and discretionary, one-time, and non-cash expenses. It shows whether business returns are positive, break-even, or loss. The adjusted net cash flow provides a starting point determine potential profit under a new owner and new management style.

The table 5 shows the variation in the abovementioned 3 parameters for the last six years (2009-2014).which are also show in the Figure 5. It is observed from the Table 5 and Figure5 that in general, the dividend payout ratio increased year-wise and reached the peak value in 2001, after which it decreased slightly. The value of earning retention ratio was almost stable, indicating that SBI's growth was increasing over time. Adjusted cash flow shows that the bank's returns were positive, and that the investors felt safe about their money as well as about their reruns.

Conclusion

The paper has made an attempt to examine the financial performance of the largest public sector banks in India the State Bank of India (SBI). The study is based on ratio analysis, and has brought out interesting results which are summarized as follows:

- Investing valuation ratios demonstrated that SBI has a strong financial position. Investors were confident about investing in SBI's stocks because they were confident that by investing in this stock, not only will their money be safe, but they will get good returns every year.
- The profitability ratios indicated that return on long term and return on net worth clearly proved the financial soundness of SBI.
- The Management Efficiency ratio showed that the growth and survival prospects of SBI are excellent.
- SBI had a CAR at a higher level than the prescribed level, and the dependence on the capital decreased over the last 6 years.

References

- *Choudhary,V, & Tandon,S (2010), Performance evaluation of public sector banks in India. AsiaPacific Journal of Research in Business Management , 1(1),1.16*
- *Choudhary, K., & Sharma, M. (2011). Performance of Indian public sector banks and private sector banks: A comparative study, International Journal of innovation, Management and Technology,2(3), 249-255.*
- *Guruswamy, D.(2012). Profitability Performance of SBI and its associates. Zenith international Journal of Business Economics and Management Research.2(1),105-125.*
- *Money Control.com. (2104). Annual reports of SBI (2009-2014). Retrieved from http;//www.moneycontrol.com/stock markets India*
- *www.rbi.org.in*
- *www.indiastat.com*
- *www.economywatch.com.*
- *www.finmin.nic.in*
- *www.nabard.org.*
- *www.banknetindia.com*
- *www.elsevier.com*
- *www.planningcommission.org*
- *www.ap.nic.in*
- *www.ap.des.gov.in*
- *www.censusindia.net*
- *BIBLIOGRAPHY:*
- *Donald R cooper*
- *Businesss Research Methods,TATA Mc Graw and Pamela Publishing Limited, New Delhi-2002.*
- *P.Ravi Lochana*
- *Research Methodology,Margam Publications,Chennai.*

Advertisement Tariff Plan

Journal of Management Value & Ethics

(A quarterly publication of GMA)

Space	Advertisement Rate's in Rupees	
	Per issue	**For One year (4 issue)**
Back cover---color	25000	85000
Inside cover color 2 & 3 rd	15000	50000
Full Page Black & white color	10000 15000	35000 50000
Half page Black & white color	5000 8000	18000 30000

Publication Month : January, April, July, Oct.

Circulation : More than 2000 copies in each quarter

Circulation to : Throughout India covering 52 chapter of GMA
Various management institutes
HR Professionals in India & abroad

Agency communication : 10% to 15% of the advertisement cost will be allowed to the agents for procuring advertisement in this journal.

Mode of Payment : The Payment to be made by bank draft in favour of "Gwalior Management Academy" and payable at Gwalior in Indian rupee.

Mechanical Data : Size of journal: 18 mm (Width) and 24 mm (Height)
Print size Area: full page 22 x 16 mm
MS-Word (Document file) Type : Arial, Size 10 Pt.
Print area : Top & Bottom 1.25 Inch,
Left & Right 1.1 Inch

Printing Process : Photo offset
Color : Multi color, inside- Black & white

Information to Authors :

- The paper should be typed in MS-Word.
- Title of the paper should be followed by Name, e-mail and affiliation of author(s).
- Use a single column layout with both left and right margins justified.
- Font Main Body text 10 point Style Arial or Times New Roman
- **Tables and Figures :** To the extent possible, tables and figures should appear in document near after where they are referred in the text. Avoid the use of small type in tables. In no case should tables or figures be in a separate document or file.
- An abstract of not more than 200 words is required.
- The paper should start with an introduction and with a Conclusion summarizing the findings of the paper.
- **References :** It is the author's obligation to provide complete references with the necessary information. References should appear to the text and the User of all references must be placed at the end of the manuscript.
- Papers are accepted for publication on the stand that these contain original unpublished work not submitted for publication anywhere else.
- Facts of papers presented / submitted in a conference / seminar must be clearly mentioned at the bottom of the first page of the manuscript and the author should specify with whom the any right rests.
- Papers are processed through a blind referral system of experts in the subject areas. To answer anonymity the writer's name, designation and other details should appear on the first page alongwith title of the paper and should not be repeated anywhere else.

All manuscripts should be in electronic form and sent to :

The Editor
Journal of Management Value & Ethics
Gwalior Management Academy (GMA) Publications
C-17, Kailash Nagar, Near New High Court,
Gwalior (M.P.) – INDIA – 474 006
Tel. : 0751-2230233 Mob. 09425121133
E-mail : jmveindia@yahoo.com
Website : www.jmveindia.com

- Payment to be made by crossed Demand Draft drawn in favor of Gwalior Management Academy A/c Gwalior (M.P.)

JOURNAL OF MANAGEMENT VALUE & ETHICS
RNI-MPENG/2011/46472 ***ISSN-2249-9512***

Publisher: **Gwalior Management Academy**
(Run by: Lt. Muhar Singh Sengar Memorial Shiksha vikas Samitee)

MEMBERSHIP FORM

Name :...

Sex : Male / Female ....

Date of birth .... (MM/DD/YYYY)...

Address :...

Phone..Occupation...

Email ID……………………………………………………………..

Type of membership: **Life member / working member / student member**
(please tick any one).

I wish to be a part of the GMA and promise to work for promoting research activities in the interest of "**Journal of Management Value & Ethics**", so please enroll my name as working /life member. I am enclosing a cross cheque in favour of **Gwalior Management Academy** payable at Gwalior**.**

(Signature of member)

Mode of Payment Cash or Cheque may be accepted.

MEMBERSHIP FEES
Student Members: Rs. 1000 P.A.
Working Members: Rs. 2000 P.A.
Life members: Rs. 5000 (one time)
Institutional member : Rs. 2000 P.A.

Please send your duly filled membership forms/donations to :
GWALIOR MANAGEMENT ACADEMY
C-17 Kailash Nagar Near, New High Court, Gwalior (M.P.) INDIA. Pin: - 474006
E-Mail to: jmveindia@yahoo.com, www.jmveindia.com
Phone: +91-0751-2230233, 9425121133