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## **HUMAN RESOURCE MANAGEMENT, FINANCIAL MANAGEMENT & MARKETING MANAGEMENT**

**In Association with**



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Contact - 9422025610, 8390848833, 020-24433374, 24434662

Email- [marketing@sharpmultinational.com](mailto:marketing@sharpmultinational.com)

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## From The Editor's Desk

INCON “International conference on Ongoing Research in Management and IT” is an important activity of ASM group of institutes’ commitment for qualitative research in academics. This book “*Contemporary Issues in Management*” is an outcome of the dedicated contribution from all the authors. INCON is truly international and well appreciated conference by all delegates and participants from various countries.

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# HUMAN RESOURCE MANAGEMENT



## CHALLENGES FACED BY SOCIAL SECURITY & EMPLOYMENT OF SECURITY EMPLOYEES

**Dr. G. B. Patil**

ASM's IPS Pimpri, Pune-18.

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### ***Abstract-***

*In India there are almost 6 million security personnel engaged by thousands of private security firms operating in various parts of the Country. These security personnel play the most crucial role in the functioning of these security service agencies. However a large majority of them have to face various challenges in terms of risks to their life, lack of social security & deplorable conditions of work, among other things. This paper, which is based mainly on the analysis of data collected from security personnel and management officials employed in select private security firms in pune examines some of the hardship and challenges faced by security personnel.*

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### **Introduction-**

The services sector forms the backbone of the social and economic development of a region. Private security personnel, who are mainly working as security guards, armed security guards and security supervisor.

In India one of the key constituents of the services sector is the private security service industry. As per various estimates, the private security services industry is presently growing at the rate of 25-30 per cent per annum. As per various sources, in monetary terms, the size of the Indian private security services industry varies from Rs. 25,000 to 30,000 crores. India's private security services industry is the largest guarding operation in the world and the total strength of the employees of private security agencies vastly outnumbers the combined strength of the Army, Navy, Air Force and other para-military forces. In India, currently more than 15,000 security agencies are operating in various parts of the country.

Some of the scholars working on the broader theme of contract labour in different countries have focused attention on the various issues of contract labour engaged in different industries. These studies have been published by the ILO, Bureau of Workers Activities, (1997). This publication includes studies by Saboia; Echenique; Cugunet and Depraz; Patel; Hock and Sivananthiran; Fareedy; Liden; and Birch (all

published in 1997). A review of these studies reveals that these studies, inter alia, also make a mention of the eminent legal framework for regulating the contract labour and the legal safeguards to protect the interests of contract labour.

The legislators and courts of law have aimed to provide contract workers with the same standard of protection and social benefits as are available to directly recruited workers. One common means for this has been to establish the joint and several responsibilities of the principal and secondary employers with regard to the application of labour law and regulations. The private security industry is one of the major service sectors globally as well as at the national level, and in spite of the fact that security personnel engaged by private security firms nationally as well as internationally vastly outnumber police force and play a critical role in crime prevention, no reliable and authentic estimates are available as yet about the number of private security firms, the number of personnel engaged by such firms, and the proportionate share of various players in this field. Similarly, various kinds of labour, employment and social security issues faced by the security personnel engaged by thousands of private security firms have also not yet got the adequate attention of scholars, especially in the context of India. This study was thus undertaken in order to address some of these issues.

### **Objectives of the Study-**

Some of the specific objectives of the study are as follows:

- 1) To Study of private security firms and security personnel engaged by such firms at the national and international levels:
- 2) To grasp the major labour, employment and social security issues relating to security personnel engaged by various kinds of private security firms:
- 3) To assess the status of implementation of major labour and social security laws applicable to security personnel engaged by private security firms; and
- 4) To suggest suitable, legal measures to protect the interests of private security personnel.

As regards the place of service-wise representation/distribution of the respondents, they represent almost all the places of their usual deployment such as factories, Central/state government/public sector institutions/offices, BPOs/corporate offices of private companies, hospitals, housing societies/apartments, private houses, educational institutions, shopping malls/multiplexes, banks/offices of insurance companies, media offices, construction sites, religious places, and petrol pumps.

**Scope of the study**

The study mainly focuses on the various labour, employment and social security issues of the security personnel (mainly security guards) engaged by private security agencies such as their working hours, remuneration, various kinds of allowances, leaves granted, security of employment, level of implementation of the major labour law provisions applicable to them, and general level of awareness among the security personnel with regard to their rights under different labour and social security laws applicable to them. The study also makes a number of recommendations.

**Methodology and Sampling Technique**

The relevant data and information for the purpose of the study was collected both through primary and secondary sources. The primary data has been collected by administering structured questionnaires to select security personnel, officials of select security service agencies and principal employers. The selection of security agencies and security guards for the purpose of the study was made by following the stratified purposive sampling method. The secondary data has been collected from the available literature in the relevant field, including news magazines/periodicals brought out by private security agencies and the Internet, among other sources.

**Labour And Employment Issues**

The major labour and employment issues of the private security personnel that emerged from the study have been delineated under different categories below.

**Wage/Salary-related Issues**

One of the most important issues emerging from the study is the non-payment of minimum wages to a substantial proportion of private security personnel. The study reveals that in Pune, only 40 per cent of the respondents were getting wages that were either equal to or slightly higher than the minimum wage. Most of the respondents being paid the notified minimum wage belonged to the category of those performing eight hours of duty per day as their normal duty hours. As high a proportion as 55 per cent of the respondents, including both those performing eight hours of duty and those with twelve hours of normal duty per day were getting less than the notified minimum wage. It is further important to note in this regard that 9 per cent of the respondents, though performing twelve hours of duty per day as the normal duty, were getting even less than the monthly wages prescribed for performing eight hours of duty per day. However, 100 per cent of the respondents who were getting less than the minimum

wages were security guards, that is, none of the gunmen/supervisors or ex-army men were getting less than the minimum wage.

Another important issue relating to wages is the non-payment of the overtime rate of wages for overtime work. The Minimum Wages Act provides for payment for overtime work at the rate of double the wages payable for normal duty hours. However, the study reveals that none of the respondents doing overtime work was getting wages at the overtime rate, and that only a very small proportion of 12 per cent of the respondents were getting wages for overtime work at single rate. All these respondents belonged to the multinational firms covered under the study.

The next important issue falling under this category is the payment of salary in a consolidated form instead of as per any pay structure. Delayed payment of salary, irregular dates of payment, and unauthorised deductions (for flimsy reasons) are some of the other issues that need to be focused on under this category.

### **Issues Relating to Working Time**

The provisions of labour law provide for eight hours of duty per day as normal duty hours and also put a ceiling on the maximum overtime hours of work. However, the study reveals that almost 60 per cent of the respondents were doing twelve hours per day normal duty, excluding the overtime work. In addition, almost 40 per cent of the respondents, though they had eight hours of duty as the normal duty hours, had to do, on an average, 60 hours of overtime work per month (with the duration of the work ranging from 24 to 160 hours). Another issue relating to the working time is that a majority of the security personnel have to mandatorily work during the night, which is clearly indicated by the fact that 85 per cent of the respondents under the study disclosed that they were required to work during the night. Further, a large number of respondents claimed that performing continuous night duty impacted their health quite adversely.

Another important issue related to this aspect is that most of the security personnel are not given any break for lunch/dinner during working hours. In addition, despite the fact that by way of the nature of their duty, most of them have to put in long hours of continuous standing duty, a substantial proportion of them are not provided a cabin or shed at their duty point to protect them from the vagaries of nature such as scorching heat, shivering cold or pelting rain.



**Issues Relating to Various Kinds of Leaves**

One of the crucial findings emerging from the present study is the most of the private security agencies do not extend the benefit of various kinds of leaves to the security personnel engaged by them. The analysis of data on this aspect presents very startling facts, including that almost 80 per cent of the respondents were not being extended the benefit of any kind of leave.

As regards festival holidays, only 3 per cent of the respondents divulged that they got 2-3 paid festival holidays (on the occasion of festival like Holi, Diwali, Id-ul-Fitr/Id-ul-Zuha, and Christmas). As equal proportion of the respondents said that either they got the additional payments for duties on the days of national holidays (that is, Independence Day, Republic Day and Gandhi Jayanti) at a single rate or got compensatory offs.

**Uniform Charges**

The study also reveals that most of the security personnel have to pay a substantial amount by way of the charges for the uniforms provided to them. The analysis of data pertaining to this aspect reveals that nearly 87 per cent of the respondents had to pay an amount ranging from Rs. 400 to Rs. 1500 for the uniform provided to them depending on the items and pairs of uniforms provided at the time of the initial engagement. The study further reveals that most of the security personnel serving various private security agencies have to pay uniform charges not only at the time of initial engagement but also subsequently as and when they are provided various items of uniforms. It is also pertinent to mention in this regard that 20 per cent of the respondents claimed that after working for a private security agency for a period of more than one year, they were provided uniforms at regular intervals without any charges.

**Lack of Proof of Employment and Retaining Original Documents**

Most of the security agencies do not issue any appointment letter as a proof of employment to the security guards engaged by them. The study in this regards indicates that over 80 per cent of the respondent were not issued any appointment letter by their agencies. Similarly, 20 of the respondents complained that they were not issued even identity cards as a proof of employment.

It is also important to mention in this context that though most of the security personnel are not issued any solid proof of appointment, yet a substantial proportion of

the companies engaging them always ask for original documents in proof of their educational qualifications and retain those documents with them not only for verification but for a fairly long time. As many as one-third of the respondents affirmed that the documents relating to their educational qualifications such as original mark sheets or certificates of the examination passed/discharge slip of the army are taken away by the companies engaging them so that they cannot leave in between.

### **Dissimilarity in Conditions of Work, Wages and Other Benefits Given to Security Personnel**

An analysis of the data pertaining to wages and other reveals that there were a lot of dissimilarities in wages, conditions of work and benefits extended to the security personnel engaged through the security agencies and the one's engaged directly. None of the directly engaged private security personnel was getting less than the minimum wage, the average monthly income of directly engaged private security personnel from salary and overtime was much higher as compared to that of the security personnel engaged through contractors. All the directly engaged security personnel were getting break for lunch/dinner for a period ranging from 30-45 minutes, all of them were covered under Provident Fund and ESI (except those who were working in hospitals and had the facility of free treatment), all claimed to have been issued appointment letter and payslips on a regular basis. Half of them said that they were given regular weekly offs and all of them affirmed being given Casual Leaves in the range of 12-15 leaves in a year and leaves on the Occasion of various festivals and national holidays . Among them, 40 per cent also sated that they were getting 6-7 days of Earned Leaves in a year.

### **Lack of Organisation**

Increased consciousness among the workers about the commonality of their problems and realization among them about their collective strength has proved to be one of the most effective tools for resolving their problems and improving their overall working conditions all over the world. The millions of security personnel engaged by thousands of private security agencies can also not be an exception to this common phenomenon. However, the study reveals that only 5 per cent of the respondents claimed to be members of any such union of security personnel while the remaining 95 per cent of the respondents said that they were not members of any such union.

**Other Issues**

Some of the other residual problems and issues of private security personnel ( as highlighted by a substantial proportion of the respondents ) include: lack of availabilities of basic amenities at the worksite such as drinking water, toilet, chair/stool to sit first aid facility; lack of proper training opportunities; lack of promotional avenues (pointed out by almost 70 per cent of the respondents ); non-payment of bonus; compulsion to wear clothes unsuitable to climatic conditions; monotony and boredom (when posted at isolated duty points and during the night); and misbehaviour by the employers.

**Major Social Security Issues**

A number of social security measures have been provided under various labour laws for the purpose of addressing the social security needs of different categories of workers. Some of these measures include Provident Fund, medical benefits, sickness benefit, maternity benefit, and disablement benefit. These measures have been provided under two major labour enactments, that is, the Employees Provident Fund and Miscellaneous Provisions Act, 1952; and the Employees State Insurance (ESI) Act, 1948. Both these enactments, subject to certain conditions, are equally applicable to security personnel engaged through private security firms. The following sub-sections discuss the major social challenges faced by private security personnel:

**Non-coverage of Substantial Proportion of Security Personnel under Provident Fund**

The study revealed that more than 50 per cent of the respondents, were not covered under the Provident Fund (PF). Who said that they were covered under Provident Fund, 5 per cent did not know the share of their own PF contribution and as many as 37 per cent of the respondents did not know the employ's per month contribution towards their PF account.

A substantial proportion of the agencies also divided the salary of the security personnel into the Basic Wage and number of other allowances such as House Rent Allowances, Washing Allowances, etc., in such a way so as to show their wages to be much below the minimum wage in order to avoid a substantial of their own contribution towards PF and thus deprive a large number of security personnel engaged by them from the social security in the form of PF, thereby defeating the very objective of this social security legislation. This practice was allegedly followed not only by

smaller and medium sized agencies but also by larger/national/multinational agencies covered under the study.

### **Non-coverage of Substantial Proportion of Security Personnel under Employees' State Insurance**

The provision of health security/health insurance against various kinds of health hazards, risks, and contingencies arising out of employment or during the course of employment is as important aspect of social security. In order to address this concern and its related aspects, the Government of India enacted the Employees' State Insurance Act way back in 1948. The employees covered under the Act are entitled to: Medical Benefit; Sickness Benefit; Maternity Benefit; Disablement Benefit; Dependent Benefit and Funeral Expenses. In addition, the scheme also provides for two other important need-based benefits including Vocational Rehabilitation and Unemployment Allowance (under the Rajiv Gandhi Shramik Kalyan Yojana) under the study they mostly did not have coverage under ESI. Out of the remaining 30 per cent of the respondents having coverage, only one-third claimed to have got the ESI card within less than one month's time. Out of the remaining two-third respondent, one-third said that it took them more than three months time to get the card while the rest complained that it took them as long as six months to one year time to obtain the card. It is also important to mention in this context that out of the respondents getting less than the minimum wage for their respective categories, more than 80 per cent did not have coverage under ESI, as a result of which, on an average, they had to spend nearly 3-4 per cent of their meagre income for the purpose of meeting their own and their dependents' medical requirements from time to time.

### **Status of awareness about the provisions of major labour and social security laws**

A number of labour welfare and social security measures have been introduced under different labour and social security enactments. The major enactments applicable to security personnel engaged by private security agencies include: The Minimum Wages Act, 1948; the Contract Labour (Regulation and Abolition) Act, 1970; the Employees State Insurance Act, 1948; and the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. If effectively enforced, these enactments can play an extremely important role in mitigating most of the hardship of the security personnel and in improving their working and employment conditions. The level of awareness about the major objectives and provisions of these enactments among the beneficiaries is of crucial importance in this regards. However, an analysis of the data related to this

aspect under the study reveals that most of the beneficiaries were either totally unaware of most of the provisions of these enactment or had a very inadequate level of awareness with regards to their entitlements under these laws. The following sub-sections highlight the status of awareness among the respondent with regards to the provisions of the various pertinent Acts.

**1) The Minimum Wage Act**

It is startling to mention that as high a proportion as 92 per cent of the respondents were not aware of the minimum rate of wages applicable to them.

**2) The Contract Labour Act**

An overwhelmingly high proportion of 92 per cent of the respondents were not aware of the fact that there is a separate and specific law for the purpose of protecting the interest of the employees engaged through contractors such as security personnel engaged by private security agencies.

**3) EPF**

A substantial proportion of 13.5 per cent of the respondents in all among those having coverage under the Employees Provident Fund Act, 1952, were not aware of their own contribution towards their PF account and as many as 79.5 per cent of the respondents were not aware of the employer's share of the PF contribution.

**4) ESI Contribution**

Almost one-fifth of the respondents were not aware of even their own monthly ESI contribution while as many as almost four-fifths of the respondents were not aware of their employer's contributions.

**Conclusion**

- 1) The issues highlighted above mainly relate to the enforcement of the provisions of the major labour and social security laws: awareness among the private security personnel about their entitlements under these laws.
- 2) It is suggested that all the private security personnel should be issued proper appointment letters by the security agencies engaging them.
- 3) The provisions of law relating to payment of minimum wage, bonus, PF, ESI, number of hours of work, various kinds of leaves, weekly offs and intervals of rest, the provisions dealing with the issue of pay-slips, PF statements, ensuring similarity in wages and other conditions of work with the directly engaged private security

personnel (whenever applicable), basic amenities at the worksites and conditions of work need to be effectively and strictly enforced.

- 4) There is also an imperative need for a Central Act for the purpose of regulating the employment of private security guards and for making more effective provisions for their terms and conditions of employment and welfare on the pattern of the Maharashtra Private Security Guard (Regulation of Employment and Welfare) Act, 1981.
- 5) The agencies engaging private security personnel may also consider paying the security personnel various allowances like: House Rent Allowance, Conveyance Allowance and Children's Education Allowance, depending on their economic condition. Since most of the security personnel stay away from their families.
- 6) All the security personnel should also be provided uniforms free of charge as per the prevalent climatic conditions at the time of their engagement.
- 7) Organisations like labour institutes, the Central Board for Workers Education and trade unions can also be motivated to take up initiatives for generating awareness among the beneficiaries about their entitlements under various labour laws.
- 8) Various universities and other educational institutions also need to introduce diploma and short-term certificate courses for imparting training and upgrading the skills of private security personnel.

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## A STUDY OF INDUSTRIAL RELATION IN LARGE SCALE AUTOMOBILE AND AUTO ANCILLARY INDUSTRIES IN PUNE REGION

**Prof Bhushan Pednekar**

ASM IBMR

bhushan\_pednekar@yahoo.com

bhushan\_pednekar@asmedu.org

**Dr. Prasanna Deshmukh**

Principal Anantrao Thopte College,

Pune

Research Guide, RTMNU, Nagpur

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**Abstract**

*Industrial relations are the highest priority for every industry. Organization can cope up with competition by improving quality, competitive pricing etc but managing human resource is also the challenging task. The relationship and understanding between management and employee are vital in today's scenario. Management adopted different strategies to tackle with employee within the boundary of laws. At the same time employees are expected more as per the profitability. They are always tempted to gain the share of it. In this situation the two different views are created on the same matter. The major problem lies with the expectation from both ends. This is the area where problem start creating. If it not handle well then the dispute between management and employee will go beyond the control. It ended with the scenario of strike, lockout. This paper is focusing on the reason of industrial dispute and remedies to handle it in large scale automobile and auto ancillary industries in Pune region.*

**Keywords:** *Industrial Relations, Dispute, Strike, Lockout*

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**Introduction:**

The industrial relations are important in past as well as today. Business model changes over a period of time, mechanism of operation also changes. The new technologies are entered in operation which makes product qualitative and cost economics. The human factors are still the important part for any automobile industry. Day to day work is so much depends on competitive work force. Industries are giving priority to develop their existing workforce. They are ready to pay the sizable amount for their training either internal or external. Organization wants their workforce to be update with the current trends. This approach is towards the achievement of organizational goal. They have to look for the monetary growth of employees. In fact most of the industries are ignored



this aspect. They are very much rely on the minimum wages act, 1948 and their amendments. Employees are expected that, they are devoted themselves for organization work. They probably take all efforts for achievement of organizational goal. Their expectations are different, if those are not fulfilled over a period of time then opposing views are generating. It is an alarm for any organization to take it seriously.

**Purpose:**

The purpose of study to identify the reasons for industrial dispute with respect to the internal policies and expectation from both ends i.e. management and employee. Study tends to find out the various reasons of industrial dispute. Management approach is to resolve the dispute or remove it from root cause. The purpose is to identify the problems which are occurring in maintaining good industrial relations.

**Need of Study:**

The last one decade is witness the worst industrial relations in large scale industries like Maruti Suzuki, Hyundai Motor, Graziano Transmission, Pricol Industries, Tata Marcopolo etc. These all names are respected names in automobile sector. They are unable to handle the industrial relation in proper way which result into the strike, attack on top senior officials, production stoppage, company property damage, interference of police to keep situation under control etc. These all outcome are directly affecting the brand image of company and also suffers huge losses. We need to find out what went wrong and how to rectify the same.

**Objectives:**

1. To study the industrial relation with respect to management and employees perspective.
2. To identify the reasons or problems which creates the industrial unrest
3. To suggest strategies to eliminate the dispute.

**Research Methodology*****Research Design*****Type of Study:**

This is an exploratory study on industrial relations on large scale automobile industries.

**Nature of Study:**

This is a quantitative based study by considering various types of respondents.

**Type of Questionnaire:**

The structure questionnaire is used for collection of data by consisting the 5 point scale questions.

**Type of Questions:**

The questions are probing to the area of industrial relation with respect to the dispute between management and employee.

**Time dimension:**

It is a Cross-sectional study based on data collected through questionnaire

**Type of analysis:**

The data are analyzed by using IBM SPSS 5.0 version. The various techniques are used for analysis of data.

***Sources of Information***

Data are collected from primary source i.e. respondents from automobile companies from employees and management.

**Plan for Primary Data Collection****Research Technique:**

The survey method use by using structure questionnaire

**Contact Method:**

Data has been collected from personal interview, through e-mail survey and telephonic response.

**Research Instrument:**

Questionnaire covering various areas of industrial relations of industrial dispute is used as research instrument

**Sample Design****Population:**

In Pune region there are around 800 large scale automobile industries are present they are consider for study.

**Sample Element:**

Selected large scale automobile industries are consider as sample element

**Sample Size:**

Sample size is 6 nos. of companies are selected for study. There are 116 respondents are randomly selected for study.

**Sample Frame:**

The permanent workers, contractual employee, officers and managerial employees are considering as sample frame.

**Sample extent:**

The geographical areas of Pune region in Maharashtra are consider as sample extent.

**Sample duration:**

Sample duration from Jan 2018 to Oct 2017

**Sampling procedure:**

Samples are selected randomly. Simple random selection technique is use in sampling procedure.

**Sample size determination technique**

The sample size of 116 nos. are randomly selected from management and workers level employees

**Hypothesis**

H1 : Industrial disputes are arises due to management strategies and policies

H2 : Management and employees understanding about each other is not well

**Table 1: Respondents Details**

Sr. No	Designation of Employees	Total Strength
1	Managerial Level	18
2	Officer Level	34
3	Permanent Workers	42
4	Contractual Workers	22
	Total	116

**Analysis**

As per the frequency distribution tables, 53.7% respondents are disagreeing that code of discipline are not followed, 57.2% of respondents are disagree that dispute resolution process are good. The 62.2% respondents are disagree that management has a strategy for conflict resolution, 58.4% respondents are disagree that employees participation in grievance cell, 58% respondents are agree that management approach is to resolve

conflict, 61.4% respondents are disagree that wage issue handle well by management, 59.5% respondents are disagree that wage issue handle well by employees, 60.9% respondents are disagree that management adopting fair dismissal process, 47.9% of respondents are agree that management is taking back the dismiss employee under the influence of employees, 53.5% of respondents are disagree that government taking initiative for conflict resolution, 53% of respondents are disagree that employees participation in decision making is encouraging, 35.9% of respondents are agree that reward and recognition strategy adopted by management, 41.7% of respondents are agree that trade union approach is positive towards employees problem, 53.1% of respondents are disagree that company sharing the profit with employees, 48.2% of respondents are agree that company is paying extra apart from their minimum wages act.

The mean and standard deviation of all dependent variables are as follows:

	Code of Discipline Followed	Dispute Resolution Process is good	Management Approach for resolving conflicts	Management Strategies for conflict resolution	Employees participation in grievance cell
Mean	2.43	2.60	3.50	2.32	2.37
N	108	112	112	114	113
Std. Deviation	1.291	1.411	1.301	1.347	1.311

	Wage issues handle well by management	Wage issues handle well by employees	Management adopting fair dismissal process	Management taking back the dismiss employee under the influence of trade union	Government taking initiative for resolving problems
Mean	2.40	2.41	2.30	3.23	2.52
N	114	116	115	115	116
Std. Deviation	1.295	1.383	1.249	1.243	1.354

	Employees participation in decision making is encouraging	Reward and recognition strategy adopted by management	Trade union approach is positive towards employees problems	Company is sharing profit with employees	Company is paying extra apart from minimum wages act
Mean	2.53	3.06	3.05	2.59	3.12
N	102	106	108	111	112
Std. Deviation	1.166	1.170	1.285	1.275	1.361

Correlation is showing significant in code of discipline followed with company is sharing profit with employees. In dispute resolution process is good showing significant correlation with trade union approach is positive towards employee's problem, company is sharing profit with employee and company is paying extra apart from their minimum wages. Management strategies for conflict resolution showing significant correlation with employee's participation in decision making. Employees participation in decision making is encouraging is showing significant with management strategies with conflict resolution. Reward and recognition strategy adopted by management is showing significant correlation with company is paying extra apart from their minimum wages. Trade union approach is positive towards employees problem is showing significant correlation with dispute resolution process. Company is sharing profit with employee is showing significant correlation with code of discipline is followed and dispute resolution process. Company is paying extra apart from their minimum wages shows the significant correlation with dispute resolution process.

### **Interpretation & Findings:**

Code of discipline is most crucial for any organization to maintain the day to day function properly. Rules and regulation has to follow and implement in best possible manner. There should not any biasness or relaxation for any employee. Management can take the further action based on the code of discipline. Study found that it has not been followed transparently in the organization. There are found the loop holes in the entire process. Some employees are skipping from it where other will be punished.

Management strategies need to be improving in this area. The strict and impartial implementation of disciplinary process has to be followed.

Dispute resolution process is area under scanner all the time. Most of the problems are originated from this process. The process must be tending towards the settlement of dispute or come out with the solution which is agreed to both parties. Study shows that dispute resolution process is not right. It is found to be cumbersome in all aspect. The process is not comprehensive but has the lacuna in the overall process. Dispute resolution process need to improve then automatically the bigger problem will not be arising.

Management approach towards the conflict resolution is decider. Either they want to resolve the conflict or keep it lingering. Study shows that management approach is positive towards the conflict resolution. They take all the possible steps for the settlement of dispute. They understand that it is better to resolve it at the primary level. Management has adopting and implementing the necessary steps for the resolving the conflict.

Management has to be ready with strategies for the conflict handling well in advance. They should anticipate the change and ready with plan of action. Study shows that management has not been ready with specific strategy. They seem to be reactive rather than proactive. Management should ready with appropriate strategy to deal with such situation.

Grievance redresses cell is the one which give the justice. This process need to be neutral and transparent. So it is most important that there should be equal number of representatives from management and employee side. The most important is that one side should not dominate the other side. Study shows that employee participation in grievances redresses cell is not promising. Employee's participation is not sizeable in this cell. It is moreover control and dictate by management. It gives the birth for enhancement of conflict.

The most of the problems are developed on the common area i.e. wage. This is a sensitive area for automobile organization. Most of the industries are facing problems because of not handling the wage settlement properly. There are always differences of expectations from management and employee side. Study shows that wage related problems are not handling properly by management. This is a recurring problem but there is no solution from either of them that is management and employee. They are still fighting for it every year.

Employees are giving utmost importance for anything related with wages. They are very sensitive in this regard and not ready to make compromise with it. Study shows that employees are not handling the wage issue properly. They are very much aggressive in this matter. Employees do not have any strategy to tackle this problem.

Employee's dismissal process is providing direction to employee – management relationship. Management has to keep this as a last step. There are reluctances coming from employee side. The dismissal process has to be fair and trustworthy. Study shows that management is not adopting the fair dismissal process.

Once the dismissal action is taken against employee then only on valid ground he can be taken back for work. Study shows that management is following the procedure for dismissal. The pressure comes from employees in terms of strike and other tactics. Management could not withstand with it and accept the demand of employees. They are taking back those dismissed employees. This is a pressure tactic used by employees to fulfill their demands.

Government role is to maintain the harmonious relation in industry. If the situation like strike or lockout arises then they have to take step voluntarily to settle the dispute. Study shows that governments are not keen to resolve the conflict. They wait for their turn to come and respond it slowly. This will definitely not help for any industry. The support system is missing out from government side.

Decision making in industry is tend for the interest of employees and employer. It is a basic right for both of them to be the part of it. Study shows that management is not involving employees for decision making process. Management is discouraging the employee's participation in management. Employees feel they are not an important part of the organization.

Reward and recognition strategy is for motivation of employees. Their performance is expected to be improved. Study shows that management is providing the reward and recognition strategy in terms of monetary or non monetary way. This is a good strategy adopted by management.

Trade union is link between management and employees. They are representing employees and put forth demands or rights. They are tackling with mighty management. Study shows that trade union give justice their work. They withstand strongly in front of management and fight for their rights.

Profit sharing is another vital area for any industry. If there is no profitability then management will not provide the benefits to employees. But on the other hand if they

are profitable then they should share the profit with employees. Study shows that management is not sharing profit with employees. They may want to use it for other purpose.

It is mandatory for every industry to strictly adhere with minimum wages act, 1948 and its amendments. They have to pay the wages according to that guideline. In any business scenario they are not suppose to pay below that. Study shows that management is paying the wages are much higher than the statutory norms.

### **Hypothesis Testing 1**

We can see that out of five variables in case of three variable proportions is showing equal to or more than 50% and test proportion. “P” value is less than 0.05. Hence the hypothesis “Industrial disputes are arises due to management strategies and policies” is proved.

### **Hypothesis Testing 2**

We can see that out of Four variables in case of Three variable proportions is showing equal to or more than 50% and test proportion. “P” value is less than 0.05. Hence the hypothesis. Hence the hypothesis “Management and employees understanding about each other is not well” is proved.

### **Conclusion:**

The aim of every industry is to earn profit. They have to strive with two different factors consistently for their survival and growth. These two are external business scenario and internal work force. Both are challenging in terms of unpredictable nature. This paper is focusing on dynamic and vibrant internal work force. Company can perform well only when they have a support from workforce.

Company need to work on framing and updating the code of conduct procedure. It must have a specific objective align with company’s objectives. It should be understand well by employee and know the different provision of it. It must be followed without any bias. Company need to communicate about the latest changes to employee. Dispute resolution process need to follow thoroughly. Management and employees has to come together for elimination of dispute from its root cause. These joint efforts will definitely smoothen the industrial relation. Management has to be aggressive for resolving conflicts. They have to take one step ahead to understand the problem and its effect on other employee and organization. Management approach has to be proactive to tackle with problems. They should be ready with it and give its prime importance. Employees participation is require in grievance redress cell. It definitely brings the



trust on the overall process. Employees will also feel that they are considered. The wages factor is having prime importance. It is very crucial for management and employees. Most of the disputes are emerges due to a wage issue. Management should form a wage policy for which will be acceptable for both of them. It will definitely bring down the conflict ratio drastically. Dismissal action against employee should be the last option for management. They should not adopt it without a following procedure or taking decision based on one incident. Employee should well aware about these facts and accept it. Employee should not force management to take back the dismiss employee. It will spread a wrong message to employee and becomes big hurdle for management in future time. Management should not accept such unfair demands. Role of government is definitely required to maintain peace in the industries. It is expected that government should intervene the strike or lockout scenario and come out with solution. Employees participation in decision making will give them confidence to go along with company. Government should understand the problems of employees and employer and come out with necessary amendments. Organization should come out with an innovative reward and recognition strategy for the deserving employees. The reward strategy should be monetary or non monetary based on the requirement of employees. Trade union is really represents the problems of employees and fight for their rights. If trade union is strong then they can get the things done for employee and vice versa. In fact management should understand the fair demands of employees and fulfill the same. Employees and management are equally responsible for loss or profit for the organization. But when the profit share aspect will come then the problem start build up. Company should form a strategy for loss or profit scenario by considering all aspects. It is a good sign that companies are paying better wages to their employees as compared to minimum wages act, 1948.

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## EMPLOYEE'S ENGAGEMENT IN AUTO COMPONENT INDUSTRY

**Dr. Ashok Kurtkoti.**

Affiliation- Visiting Faculty at Kirloskar Institute of Advance Management, Pune.

ashokkurtkoti@gmail.co

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**Abstract:**

*Employers play a major role in engaging their employees in the organization. Presently, HR managers are facing a big challenge in engaging and retaining employees of the organisation. HR practitioners have to take into consideration that the employee's emotional feelings and the employees performance. Motivated employees can improve the top line and bottom line of the company. Employee engagement can be considered on the basis of level of employee's commitment and involvement the employees have towards their organization and its values. Better engaged employees motivate themselves and help the organisation in attaining its objectives. A questionnaire was used to carry out survey for 40 employees using convenient sampling method. The results of survey revealed that majority of employees have performed as per company's set objectives. Employees felt that their work has been recognized by their organisation. Employees wanted flexible timing and good compensation. Proper training will help them to enhance their knowledge and skills.*

**Key words:**

*HR practitioners, engagement challenge, work experience, competitive advantage, training.*

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**Introduction:**

Employers engagement plays a major role in many organisations . HR practitioners believe that the employee engagement is a very complex matter and they face many challenges. An engaged employee is the one who is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization.

**Review of Literature:**

Engagement at work was conceptualized by Kahn, (1990) as the 'harnessing of Organizational members' selves to their work roles. In engagement, people employ and

express themselves physically, cognitively, and emotionally during role performances. Employee engagement is thus the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.’ Thus Employee engagement is a barometer that determines the association of a person with the organization Engagement is most closely associated with the existing construction of job involvement (Brown 1996) and flow (Csikszentmihalyi, 1990).

Engagement is important for managers to cultivate good results. Disengagement or alienation is central to the problem of workers’ lack of commitment and motivation (Aktouf). Meaningless work is often associated with apathy and detachment from ones works (Thomas and Velthouse). In such conditions, individuals are thought to be estranged from their selves (Seaman, 1972) Other Research using a different resource of engagement (involvement and enthusiasm) has linked it to such variables as employee turnover, customer satisfaction – loyalty, safety and to a lesser degree, productivity and profitability criteria (Harter, Schmidt & Hayes, 2002).

### **Categories of Employee Engagement:**

According to the Gallup the organization there are different types of people

**Engaged**

**Not Engaged**

**Actively Disengaged.**

Some of the advantages of engaged employees are:

- 1) Engaged employees will stay with the company. There will be less turnover of employees and these organisations will have better productivity.
- 2) There is a significant link between employee engagement and profitability.
- 3) Increases employees’ trust in the organisation
- 4) Creates a sense of loyalty in a competitive environment
- 5) Provides a high-energy working environment
- 6) Makes the employees effective brand ambassadors for the company

In the workplace research on employee engagement (Harter, Schmidt & Hayes, 2002) had repeatedly asked employees ‘whether they have the opportunity to do what they do best every day. It was observed that employee one in five strongly

agree with this statement. Those work units scoring higher on this perception had substantially higher performance.

### **Research Methodology**

The following is flow of information of a market survey carried on the topic .

#### **A) Objectives**

- 1) To study whether employee's job activities are aligned with organisational activities.
- 2) To understand whether employees are satisfied with present system of the organisation.
- 3) To understand the relationship between boss and employees for the employees engagement

#### **B) Hypotheses**

The following 2 hypotheses were formulated and hypothesis testing was done.

##### **Hypothesis 1:**

**H0:** Null Hypothesis- Employees were not satisfied with present system in the organisation

**H1:** Alternative Hypothesis- Employees were satisfied with present system in the organization.

##### **Hypothesis 2:**

**H0:** Null Hypothesis Employees disagreed that relationship between boss and subordinate is vital

**H1;** Alternative Hypothesis Employees agreed that relationship between boss and subordinate is vital

#### **C) Research Design.** This was a descriptive type of study.

- a) Scope of the study was carried out in Pune city
- b) Duration of the study July 2017 to September, 2017.
- c) Type of Universe Approximately 1500.
- d) Sample Design For this study, a purposive sampling design was selected.
- e) Sample Size For this study a sample size of 40 respondents was chosen.
- f) Research Instrument Research Instrument used for this study was a questionnaire.
- g) Method of Data Collection- Both primary and secondary data collection methods were gathered. Secondary data was collected through book reviews, journals, research papers and visiting Web-sites. Primary data was collected based on the answers by respondents to various questions in the questionnaire.

The demographic profile of the respondents is given below

**Age-** The respondent's age varied from 20 to 55 years.

**Gender-** 32 male and 08 female respondents were approached.

**Experience** The following table 1 shows experience of the respondents

Experience	3Yrs to 10yrs	11to 20yrs	21to 30yrs	31to 40yrs	Total
Respondents	18	16	4	2	40

**Table 1: Experience of the respondents**

**Income** The problem faced by the researcher during study is that the respondents were not willing to disclose their income.

#### **D) Response to various questions:**

The respondents were asked questions on likert scale of 1 to 5. The respondents answers are given below

**Q1.** My job activities were in line with departmental /organisational activities

**Table 2: Alignment of job activities with departmental /organisational activities**

Alignment of Job Activities with dept	Strongly Agree	Agree	Don't know	Disagree	strongly Disagree	Total
Respondents	34	6	0	0	0	40

**Table 2 Alignment of job activities with departmental /organisational activities**

#### **Findings**

Majority of respondents feel that they were doing their jobs in line with organizational activities

**Q2.** I was satisfied with the present system and working conditions in the organization

**Table 3 shows satisfaction with the present system and working conditions in the organisation**

Present system	Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree	Total
Respondents	26	06	0	4	4	40

**Table3: Satisfaction with the present system and working conditions in the organisation.**

Findings: Majority of respondents were happy with their system and working conditions in the organisation.

**Q3.** Boss and subordinate relationship played vital for the engagement of the employees in the organisation

**Table 4 shows Relationship between boss and subordinate is vital for the engagement of the employees in the organisation**

Relationship between boss & subordinate	Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree
Respondents	14	18	2	2	4

**Table 4: Relationship between Boss and subordinate played vital for the engagement of the employees in the organization**

Findings

Overwhelming majority of respondents agreed that boss and subordinate relationship was vital for the engagement of the employees in the organisation

**Q4.** I get the necessary material & equipment & power supply for performing the job

**Table 5 shows availability of necessary material & equipment and power supply for performing the job**

I can Get material	Strongly Agree	Agree	Don't know	Disagree	Strongly Disagree
Respondents	12	18	2	4	4

**Table 5 : Necessary material & equipment and power supply availability for performing the job**

Findings

Majority of respondents agreed that they were getting the necessary material & equipment for performing the job

**Q5.** My superior's encouraged employee's development at work place

**Table 6 shows superior's encouragement to employee's development at work place**

Superior's encouragement	Strongly Agree	Agree	Don't know	Disagree	strongly Disagree
Respondents	18	12	02	4	4

**Table.6 Superiors encouraged employee's development at work place**

Findings

Majority of respondents agree that their superior's encouraged employee's development at work place

**Q6.** Training helped in retention of employees

**Table 7 shows that Training helped in retention of employees**

Training helps	Strongly Agree	Agree	Don't know	Disagree	strongly Disagree
Respondents	36	04	0	0	0

**Table 7 Training helped in retention of employees**

### Findings

Overwhelming Majority of respondents (100%) agree training helped in retaining of employees

**Q7.** Do you feel that your work has recognition in the industry?

**Table 8 shows Work recognition in the industry**

Recognition	Yes	No	Can't say
Respondents	28	10	2

**Table 8 Work recognition in the industry**

### Findings

Majority of respondents state that their work has been recognized in the industry.

**Q8.** How would you expect recognition for the work done in the industry?

**Table 9 shows expectation about recognition**

Recognition	Face to face	Informal	Formal
Respondents	28	8	04

**Table 9 Expectation about recognition**

### Findings

- 1) Majority of respondents (80%) felt s that the company should adopt either face to face or formal recognition.
- 2) Formal recognition was not preferred over face to face recognition.

**Q9.** What type of recognition would be most meaningful?

**Table 10 shows expectation about recognition**

Recognition	Acknowledge	Monetary	Promotion
Respondents	3	34	3

**Table 10 Expectation about recognition**

Findings: 1. Majority of respondents expected recognition either monetary or in the form of promotion.

**Q10.** Do you get stress while working in the industry?

If yes, please give reasons\_\_\_\_\_

**Table 11 shows stress while working in the industry**

Stress	Yes	No	Can't say
Respondents	30	9	1

**Table 11 Stress while working in the industry.**

### Findings

Majority of the respondents were stressed out in the organization.

Reasons for getting stress were urgency of work, no clarity in communication, changes in priority of work and absenteeism and excessive responsibility and strained inter personal relationship

**Q11.** I would like to continue in present organisation due to:

**Table 12 shows the respondents continuity of job in the present organisation**

Parameters	Ranking by Respondents
a) Great work environment	4
b) Job security	2
c) Good Compensation	1
d) Challenging type of work	3
e) Location	7
f) Technology used in organization	8
g) Not Inspiring leadership	6
h) Work culture in the organization	5

Respondents gave rank (1) to the top most priority & rank (8) to the least priority

**Table 12. reasons for respondents to continue to work in present organisation:**

### Findings

- 1) 3 top most parameters for respondents to continue in present organisation were: good compensation, job security and challenging type of work.
- 2) 3 lower most parameters for respondents to continue in present organisation were: technology used in organization, location and not inspiring leadership

### E) Hypothesis Testing:

#### Hypothesis 1

**H0:** Null Hypothesis- Employees were not satisfied with present system in the organization

**H1:** Alternative Hypothesis- Employees are satisfied with present system in the organization



The calculated mean, Standard Deviation (S.D.) and critical x values at 5% level of significance are given in the following Table13-

**Table 13: Calculated mean, Standard Deviation (S.D.) and critical x values at 5% level of significance.**

Calculated mean	Standard Deviation (S.D.)	Critical x values at 5% level of significance.
2.06	0.868	3.428

Null hypothesis is rejected as calculated value (8.636) is more than table value. Therefore alternative hypothesis gets accepted. Thus, we can conclude that employees are satisfied with present system in the organization.

### **Hypothesis 2**

**H0:** Null Hypothesis -Employees dis-agreed that relationship between boss and subordinate is vital

**H1;** Alternative Hypothesis - Employees agreed that relationship between boss and subordinate is vital

In order test above hypotheses it was decided to calculate mean, Standard Deviation (S.D.) and critical x values at 5% level of significance.

The calculated mean, Standard Deviation (S.D.) and critical x values at 5% level of significance are given in the following Table13-

**Table 14: Calculated mean, Standard Deviation (S.D.) and critical x values at 5% level of significance.**

Calculated mean	Standard Deviation (S.D.)	Critical x values at 5% level of significance.
1.60	0.498	2.82

Null hypothesis is rejected as calculated value (13.5) is more than table value. Therefore alternative hypothesis gets accepted. Thus, we can conclude that employees agreed that relationship between boss and subordinate is vital.

### **F) Managerial implications**

- 1) Employer need to create good working conditions, exciting challenging work to engage employees effectively in the organization.

- 2) Training programs may be arranged in inter personal relationship, conflict resolution to have better engagement of employees within the organization
- 3) Effective performance appraisal system may be used for identifying employees training needs with respect to performance requirements.

#### **G) Limitations of the study**

.The detailed study was not possible due to paucity of budget and time constraint, smaller sample size.

#### **H) Scope for Further Research**

A detailed study can be carried out in Maharashtra and all India to ensure better employee participation, motivation and to effective HR strategies.

Conclusion:-

Auto component industries in Pune city must focus on engaging and retaining employees by formulating new HR strategies. An organization should recognize employees are the biggest assets. They are also powerful contributors to a company's competitive position. Employee engagement should be a continuous process to sustain competitive advantage for development of the organization.

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## A STUDY ON CORRELATION BETWEEN EMPLOYEE MOTIVATION & ORGANISATIONS OUTPUT & PROFITABILITY

**Prof. Dr. Arun P Pardhi**

Department of Management of Business Administration

Institute of Business Management and Research

arunpardhi@asmedu.org ,arun\_pardhi@yahoo.com

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### **Abstract:**

*Since last two decades employers are making efforts to keep their employees motivated but, they really do not understand what truly motivates a person. Only if persons thinks for future and longevity of an organisation wherever they works then only organisation can work more efficiently and it also makes a difference in profitability. If an organisation wishes to become successful at workplace, then essentially employer needs to understand what employee expects. In an organisation every employee is at different stage or level in their work place and lives, hence to keep them motivated employer needs to use various management techniques, most importantly neither employer nor human resource manager should not forget that the human resource management also includes applications of theories of motivation , as each theory speaks about basic needs of human...Therefore, if an employer applies every principle of all the motivational theories then probably employer can keep its employees motivated to their expected level.*

*Broadly there are two ways to keep the employees motivated i.e. by applications of financial and non-financial aspects. The focus of the paper is on the enforcement of principles of motivational theories by the employer to keep its employees motivated at work place. In present industry scenario it is not necessary to spend a huge amount for keeping employees motivated, but instead of this it is required to tackle the employees strategically so that employees should remain motivated by getting a feel that they are important as well as inseparable part of an organisation .This shows that, for achieving the expected output and profitability, an organisation needs to keep the employees motivated and in turn motivated employees will demonstrate an example of a successful and profitable organisation.*

### **Key words:**

*Motivation, Basic Needs, Behaviour, Rewards, Awards, Pay Scale Job Satisfaction.*

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**Introduction:**

Employee motivation is often discussed in terms of remuneration, but it is broader issue that impacts on engagement and productivity. An organisation needs to understand the motivations of its employees and seek to align these to the objectives of the organisation.

There are several reasons why employee motivation is important. Mainly because it allows management to meet the organisations goals. Motivated employees can lead to increase an organisational output and productivity and allow an organisation to achieve higher level of output and profitability.

Employee motivation is the level of energy, commitment and creativity that an organisations employees bring to their jobs. Whether the economy is growing or shrinking, findings way to motivate employees is always a management concern. Effect of low employee motivation on small businesses can be harmful, but the small businesses can also provide an ideal atmosphere for employee motivation. A smooth working and motivated work force also frees the owner from day to day chores for thinking of long term development, furthermore tangible and emotional reward can mean retention of desirable employees

One approach to employee motivation has been to view “add ins” to an individual’s job as the primary factors in improving output and profitability. Endless mixes of employee benefits such as health care, life insurance, profit sharing, employee stock ownership plans, child care availability, transport facilities etc. have been introduced by an organisations in their efforts to maintain happy employees in the belief that happy employees are highly motivated.

Modern theories however, proposed that the motivation, an employee feels towards his/her job has less to do with material rewards than with the design of the organisation policy itself. Studies reveals that highly segmented and simplified jobs resulted in lower employee morale and output which subsequently reflects adversely on organisational output and profitability. Other consequences of low employee motivation are absenteeism, employee turnover, substandard quality product, losses, less achievements etc. Motivation at work place has been defined as **“The sum of the processes that influence the arousal, direction and maintenance of behaviours relevant to work settings”**. Motivated employees are essential to the success of an organisation, as motivated employees are generally more productive, innovative creative and result oriented.

**Motivation Techniques:**

Motivation is a dynamic organizational behaviour issue and there cannot be any organization specific motivation tool. Motivated employees not only work harder but also perform better. Employees can be motivated even without paying the money by way of adopting following practices at work place.

- 1) Communicate better.
- 2) Be an example
- 3) Empower them
- 4) Offer opportunities for advancement
- 5) Provide incentives.
- 6) Be generous with praise
- 7) Get rid of the managers
- 8) Make your ideas theirs
- 9) Never criticise or correct
- 10) Make everyone a leader
- 11) Take an employee to lunch once a week
- 12) Give recognition and small rewards
- 13) Throe company parties
- 14) Share the rewards and the pain

Motivational theories have a strong overlap with theories explaining human expectations. The most common and prominent theories explaining employee motivation includes

- 1) Maslow's Needs Hierarchy Theory
- 2) Herzberg's Motivator-Hygiene Theory

**A) Maslow's Hierarchy of Needs** is a theory in psychology proposed by Abraham Maslow in his 1943 paper: "a theory of human motivation" He subsequently extended the idea to include his observations of human's innate curiosity. He dived the theory into three needs **Basic, Psychological and Self-fulfilment.**

**a) Basic Needs:** are two in numbers:

- i) Safety (Safety and Security)
- ii) Physiological Needs: (Food, Water, Warmth, Rest)

**b) Psychological Needs:** are two in numbers:

- i) Esteem Needs: Prestige and Feeling of Accomplishment
- ii) Belongingness and Love Needs: Intimate Relationships, Friends

**c) Self-Fulfilment Needs:**

- i) Self Actualisation: Achieving ones full potential, including creative activities.

**B) Herzberg's Motivator-Hygiene Theory:**

It is the two factor theory, states that there are certain factors in the work place that cause Motivation. While a separate set of factors cause dissatisfaction in the work place, are extrinsic to the work itself and are linked to things such as compensation, job security, and organizational politics, working conditions, quality of leadership between supervisors, subordinates and peers. Hygiene factors are characterised the context or environment of a person's work. They can be a cause of job dissatisfaction unless appropriately applied by an organisation.

**Literature Review:**

Human resource is an important and indispensable part of business organization, strengthening employee performance ultimately benefits the organisation, qualified, skilled and motivated workforce contributes a lot to achieve the organisations success.

Motivating employees has become an important and critical task for human resource managers. The key to perform this task well is to find out policies, ways and factors that can keep employee motivated. It has become important to establish the correlation between the management, employee motivation and output by employees to have a sound human resource management strategy that attracts, retain and motivate the valuable and deserving employees. It is important for the organisation to find out what the employees exactly expects and looking for out of their job other than the monetary benefit/compensation. To meet employee expectations and to keep them motivated it is essential for an organisation to constantly asses the employees motivational level.

At one time employees were considered just as an input into the production of goods and services but now the thinking of employees has changed and the saying of Hawthorne studies conducted by Elton mayo has come true that **“employees are not motivated solely by money”**. A lot has been said concerning motivation as well as theoretical models developed. These models are the focus in this section. This shall cover motivational strategies and overall organisational performance.

**Research objectives:**

- 1) To explore that motivation has relationship with, organisational output and profitability
- 2) To determine provable relationship between employee motivation and organisational output and profitability

**Data collection:**

It is related to tangible rewards such as salary and fringe benefits, security, promotion, contract of service. These are what need to be done to or for the people to mitigate them. They are often determined at the organisational level and may be largely outside the control of the individual managers. Extrinsic motivators can have an immediate and powerful way for achievement of an organisational goal.

Data is collected by use of personal interview method, wherein interviews were conducted of 20 employees from each of the 10 companies, I.e total population becomes 200. To know about the employees motivation level questions were asked covering both intrinsic and extrinsic factors.

**Intrinsic factors:** achievement, advancement, autonomy, personal growth, recognition, respect, responsibility, nature of work employee do, task that make up the job.

**Intrinsic rewards:** are physiological that employees attain after completing a meaningful task and doing it well. They are intangible rewards and usually satisfy intrinsic factors.

**Extrinsic factors:** compensation, job security, and organizational politics, working conditions, quality of leadership between supervisors, subordinates and peers.

**Extrinsic rewards:** usually financial are the tangible rewards given to employees by the managers. The result of this study corroborates the result of the study carried out by more.

To find out the level of motivation researcher has considered the following factors of motivation.

- 1) **Achievement:** It can be defined as the need for success or the attainment of excellence. Individuals will satisfy their need through different means and are driven to success for varying reasons both internal and external. Motivation is the basic drive for all of our actions.
- 2) **Advancement:** It means opportunities are central to strong job performance. The cycle of advancement, motivation satisfaction and feedback are critical to employee



performance. One part of the cycle is dependent on the other, and they are all part of employee performance.

- 3) **Autonomy:** Cognitive evaluation theory (CET) that specifies factors explaining intrinsic motivation and variability with it and looks at how social and environmental factors help or hinder intrinsic motivation. CET focuses on the needs of competence and autonomy.
- 4) **Personal Growth:** It relates to promotions and career development.
- 5) **Recognition:** It includes verbal or written recognition of an employee's achievements skills or overall performance. Researcher has found that it is intrinsic rewards and recognition that tend to drive employee motivation on a day to day level, rather than the tangible rewards.
- 6) **Responsibility:** Motivating employee's means doing things for them. Such as paying annual bonuses, awarding free travel and giving time off. According to Herzberg's research, real motivators include achievement, recognition, meaningful work, responsibility, advancement and growth.
- 7) **Nature of Work:** It is a physiological factors within a person that determine:
  - (1) The directions of a person's behaviour in an organisation
  - (2) A person's level of efforts
  - (3) A person's level of persistence in the face of obstacles.

While motivation can often be used as a tool to help predict behaviour, it varies greatly among individuals and must often be combined with ability and environmental factors to actually influence behaviour and output. Work motivation is strongly influenced by certain cultural characteristics.

#### **Data analysis:**

Data has been analysed descriptively and used to measure perceived motivation level of the employees. To measure the motivation level a 5 point scale has been used which is denoted by SD=A; D=2; N=3; A=4 and SA=5.

Data is processed and analysed in accordance with the outline and down for the purpose at the time of developing research plan. Processing implies editing, coding, classification and tabulation of data so that it is amenable to analysis.

The analysis of data involves a number of closely related operations, which are performed with the purpose of summarising the data and organising it in such a manner that researcher can get an answer to the question quickly.

Motivating Factors	Mean
Achievement	35%
Advancement	35%
Autonomy	35%
Personal Growth	32.5%
Recognition	42.5%
Responsibility	37.5%
Nature of Work	32.5%
Average Mean	35.71%

**Limitations:**

- 1) The survey is subjected to the bias and prejudices of the respondents.
- 2) The study could not be assumes 100% accuracy due to the fact that researcher adopted personal interview method.
- 3) Researcher could not wider the study as it is carried out in a short span of time.

**Descriptive Statics:****a) Achievement:**

In terms of motivational level on achievement the study found that 45 respondent's perceived it as "Neutral". 30 respondents perceived as to be "happy", while 25 respondents perceived as "unhappy". 30 respondents rated the achievement as "very unhappy" and 70 employees rated as "very happy".

**b) Advancement:**

In terms of motivational level on advancement the study found that 65 respondents perceived it to be "neither happy nor unhappy", 25 of the respondents perceived it to be "somewhat happy" and 20 respondents perceived to be "somewhat unhappy". 20 respondents rated the advancement as "very unhappy" and 70 respondents rated as "very happy".

**c) Autonomy:**

In terms of level about autonomy the study found that 70 respondents perceived it to be "neither happy nor unhappy", 30 respondents perceived the same to be "somewhat happy", 20 respondent's perceived it as "somewhat unhappy". 10 respondents rated the same as "very unhappy" and 70 respondents are "very happy".

**d) Personal Growth :**

In terms of motivational level on personal growth the study found that 60 respondents perceived it in companies to be “neither happy nor unhappy”, 30 respondents perceived it to be “somewhat happy”, while 20 respondents perceived it as “somewhat unhappy”. 25 respondents rated the same as “very unhappy” and 65 respondents were “very happy”.

**e) Recognition:**

In terms of motivational level on recognition the study found that 60 respondents perceived recognition to be “neither happy nor unhappy”, 25 respondents perceived the same to be “somewhat happy” 20 respondents “somewhat unhappy”. 10 respondent rated it as “very unhappy” and 85 respondents were “very happy”.

**f) Responsibility :**

In terms of motivational level on responsibility the study found that 70 respondents perceived responsibility to be “neither happy nor unhappy” 20 respondent’s perceived it as to be “somewhat happy”, 25 respondent’s perceived it as “somewhat unhappy”. 10 respondents rated it as “very unhappy” and 75 rated it as “very happy”.

**g) Nature of Work :**

In terms of motivational level on nature of work the study found that 70 respondents perceived it to be “neither happy nor unhappy” 20 respondent’s perceived it as to be “somewhat happy”, 30 respondent’s perceived it as “somewhat unhappy”. 15 respondents rated it as “very unhappy” and 65 rated it as “very happy”.

**Conclusions:**

It is evident that motivation is inbuilt within oneself and all that is needed is for individuals to realise this and to address it. Nobody can motivate another but one can inspire another person to make the changes that are necessary to become motivated. Motivation has been seen to have a great influence on the productivity of the organisation and hence this should be taken with the seriousness it deserves.

Employee’s motivation can improve service quality and increase organisational output and profitability. In this circumstance, policy makers and managers have to turn their attention to provide different kinds of facilities to their employees in order to keep them motivated. This study tested factors affecting employee motivation for different

organisation. The results suggest that the factors had satisfactorily explained employee motivation and that the policy makers and managers should focus on the factors that affect employee motivation, if they want to grow their businesses. Based on the results for the standardized values, we are able to see that achievement, advancement, autonomy, personal growth, recognition, responsibility and nature of work are key factors affecting employee's motivation at work place and organisational output and profitability. No doubt employees work for money and good compensations. Also, these are key factors in motivating the employees and increasing the service quality and organizational output. The physical design of the facilities to be provided does have certain impacts on motivation. Because all these factors relate to employee's motivation. A good work environment and employee recognition can increase employee's level of motivation and the employees will try to give their best which can help to increase an organisational output and profitability. The importance and the need is therefore describing or defining the physical environment by identifying those elements or dimensions that make up and develop the physical environment. Therefore, in the questionnaires several elements have been defined such as achievements, advancement, recognition, nature of work personal growth etc. These elements are the determinant of employee's motivational level and organisational output and profitability. Employees feels that they all shall receive equal treatment with respect to achievement, recognition and personal respect especially. If companies create a fair competitive environment, like fair behaviour, fair recognition, fair opportunities for achievements, these will improve employee attitudes towards quality and overall organisational output and profitability. Fairness and recognition can also leads to employee's motivation. Motivated employees offer good services for the organization. This can increase organizational output, so fairness and recognition are the key factors affecting employee's motivation. In organisations personal growth and responsibilities as an aspect of motivation are more important to employees. Employees from medium- and large-staff-sized companies, compared with those from small staff-sized organisations, were more likely to cite autonomy as a very important contributor to their motivation level.

From the study and the results it concludes that employee motivation has a close relationship with that of overall organisational output and profitability, in other words we can say that the employee's motivation and organisational output and profitability are directly proportionate.

**Suggestions:**

Opportunities for future study have emerged as a result of this study. In addition to overcoming the limitations of data gathering, additional research is needed to observe the relationships between motivation and organisational output and profitability with respect to motivational factors. The limitations have contributed to the lack of arriving at many strongly statistically proven findings and conclusions. For future research the following suggestions should be considered:

- 1) It is suggested that for future research a proportionate stratified random sample be used to compare several public sector institutions using a larger sample.
- 2) The research is needed to further investigate the potential relationships and how these variables effects on other extraneous variables, such as recognition, responsibility, autonomy , personal growth and nature of work on employee motivation.
- 3) Qualitative investigators must be conducted, research regarding the employee motivation in various organisations. This research method will provide a different perspective of employee's motivation and contribute a more in-depth understanding of how employees view their job, work place and policies.

Based on this study, and analysis of factors affecting employee's motivation this paper makes the following recommendations to the policy makers and managers of the organisations:

- 1) Create employee oriented policies. Guide the employee to communicate effectively, build a good interpersonal environment within the organisation, in order to create good employee-employer bonding.
- 2) To improve the organisations output and profitability, organisations should enlarge their vision towards intangible factors motivating employees.
- 3) To improve opportunities for employee's personal growth, develop a scientific performance appraisal system in the organization. Utilize the other organisations developed scientific performance systems, and use these systems to evaluate employee achievement and employee service quality.
- 4) Ensure employee recognising strategy within the organization.
- 5) Monitor a constant check on relationship between employers and employees and also between the employees and the supervisors to look after the work performed by an employee as regards to his responsibility and achievement.

- 6) Managers shall try to give the confidence to an employee's regarding their personal growth and recognition, at least to deserving employees.
- 7) To improve overall organisational output and profitability and relationship, managers must educate the employees by developing amongst them necessary skills through trainings.
- 8) To study the above theories and implement the factors as suggested therein which will in turn support to enrich employee motivation and for organisational overall output and profitability.

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## A STUDY ON EMPLOYEES JOB SATISFACTION AND ITS IMPACT ON ORGANISATIONAL PERFORMANCE

**Prof. Dr. Arun P Pardhi**

Department of Management of Business Administration

Institute of Business Management and Research

arunpardhi@asmedu.org , [arun\\_pardhi@yahoo.com](mailto:arun_pardhi@yahoo.com)

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### **Abstract:-**

*The industrial sector plays a vital role in underpinning the employment creatability as well as economic development of a country. This study attempts to evaluate job satisfaction level of employees in different types of industries. It focuses on relative importance of factors responsible for job satisfaction and their impact on the overall working of an industry. It is known that happy workers are productive and productive workers are likely to be happy. Employee's job satisfaction is essential to face the dynamic and ever increasing challenges of maintaining productivity of the industry by keeping their workforce satisfied.*

*Job satisfaction represents one of the most complex areas facing today's managers when it comes to managing their employees. Many studies have demonstrated an unusually large impact of job satisfaction on the employee motivation and thereby on productivity and profitability of an industry wherever they works.*

*The study also reveals effects on the employee attitude towards workforce diversity. The results shows that pay scales, relations between employer & employee and employee & employee , basic welfare facilities, behaviour of superiors, working conditions, effective communication, retirement benefits are some of the most important factors contributing to employees job satisfaction. The overall job satisfaction of the employees in industrial sector is not at par. The nature of business operation, work culture, use of technology, acceptance of market trend etc. though have undergone big change in industrial sector, but, level of job satisfaction do not gone up proportionately.*

*This research paper highlights some of the difficulties and presents a picture of level of job dissatisfaction among employees working in an industry and its effects on overall working. Manufacturing industries are selected for the research study because only these types of industries are undergoing continued expansion horizontally and*

*vertically. The study also reveals unique parameters of job satisfaction in an industry. To achieve the set objectives or goals set by an industry, to gain a competitive advantage in changing environment, adaption to the dramatic fast changing environment etc. it is important for industries to achieve the maximum output by ensuring job satisfaction among employees. Hence this research study is mainly undertaken to investigate significance of factors affecting to employees job satisfaction with its impact on overall working of an industry. This paper presents a comprehensive diagnosis of job satisfaction indices of industrial business, factors causing the employees dissatisfaction and suggestion to improve them. Unfortunately, job satisfaction has not still received the proper attention neither from employers nor from industry managers*

**Key Words:**

*Job Satisfaction, Industrial Relations, Behaviour, Security. Productivity.*

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**Introduction:**

Job satisfaction or employee satisfaction has been defined in different ways. Some believe it is simply how content an individual is with his/her job i.e. whether or not they like the job or individual aspects or facets of jobs such nature of work or supervision.

Job satisfaction to employees is very important as it causes impact on organisational performance. Study reveals that keeping employees engaged and satisfied takes more than just good pay and benefits. The following list reveals some of the key job satisfaction aspects cited by employees.

**Respect:** according the two SHRM report employees rate respectful treatment of all employees as the most important factor in job satisfaction.

**Positive Attitude:** It is observed/experienced that when the attitude of an employee towards his/her job is positive, there exists a job satisfaction, whereas when the attitude seems negative it leads to job dissatisfaction.

**Expectations:** Money is not always the main cause of job satisfaction. When employees spend a majority of their working hours in the workplace, they need more than pay check to satisfy them.

Job satisfaction means the level of contentment employees feel about their work, which can affect performance.



Job satisfaction theories have a strong overlap with theories explaining human motivation. The most common and prominent theories includes

- 1) Maslow's Needs Hierarchy Theory
- 2) Herzberg's Motivator-Hygiene Theory
- 3) The Job Characteristics Model and
- 4) The Dispositional Approach

**A) Maslow's Hierarchy of Needs** is a theory in psychology proposed by Abraham Maslow in his 1943 paper: "a theory of human motivation" He subsequently extended the idea to include his observations of human's innate curiosity. He divide the theory into three needs **Basic, Psychological and Self-fulfilment**.

**a) Basic Needs:** are two in numbers:

- i) Safety (Safety and Security)
- ii) Physiological Needs: (Food, Water, Warmth, Rest)

**b) Psychological Needs:** are two in numbers:

- i) Esteem Needs: Prestige and Feeling of Accomplishment
- ii) Belongingness and Love Needs: Intimate Relationships, Friends

**c) Self-Fulfilment Needs:**

- i) **Self Actualisation:** Achieving Ones Full Potential, Including Creative Activities.

#### **B) Herzberg's Motivator-Hygiene Theory:**

It is the two factor theory, states that there are certain factors in the work place that cause job satisfaction. While a separate set of factors cause dissatisfaction in the work place, are extrinsic to the work itself and are linked to things such as compensation, job security, and organizational politics, working conditions, quality of leadership between supervisors, subordinates and peers.

Hygiene factors are characterised the context or environment of a person's work. They can be a cause of job dissatisfaction unless appropriately applied by an organisation.

#### **C) The Job Characteristics Model:**

Job characteristics theory proposed a model of five core job characteristics (i.e. skill, variety, task identity, task significance, autonomy and feedback) that affect five work related outcomes (motivation, satisfaction, performance and absenteeism and turn over) Five characteristics of successful job seekers are:

- i) Accountability

- ii) Adaptability
- iii) Trustworthiness
- iv) Honesty and
- v) Commitment

#### **D) The Dispositional Approach:**

It is an approach to the study of human personality. Trait theorists are primarily interested in the measurement of traits which can be defined as, habitual patterns of behaviour, thought and emotions.

#### **Literature Review:**

In the discussions on organisational success, human resource managers often say that, employee's morale is one of the crucial factor for success. **Even Napoleon said: "The effectiveness of the army depends on its size, training, experience and morale, and morale is worth more than all the other factors together".**

Focusing on recent times it could be stated generally, that managers want to have satisfied employees who feel good in their work and work place; they prefer to work with people who have a positive view towards the job. Employees who have a high level of job satisfaction generally love their job; they feel justice in an environment in which they work and feel that their job gives them some positive features such as challenge, good pay, security of both job and the health, autonomy, pleasant co-employees etc.

Employees who are happy at work and work place they will even devote private time to their work related activities, they will be creative and committed, they will seek a way to cross any obstacle which might exist in the realisation of their job and they will assist their colleagues and superiors.

Satisfied employees will have extra ordinary performance and the organisations with these kinds' of employees will be successful. But, in this always the case is of job satisfaction such a crucial factor in organisational behaviour.

However, it is important to emphasise that the relationship between job satisfaction and organisational performance or success is far from simple and direct.

Organisational performance cannot be viewed as a simple sum of individual performances. Although the research results of many studies suggest the existence of positive correlation between job satisfaction and individual performances.

Organisational performance is influenced by various factors both internal and external. Attitudes in general and especially job satisfaction really affect organisational behaviour in a number of cases. It would be naïve to claim and expect that the impact of job satisfaction on organisational behaviour and this on organisational performance is visible at all times and in all circumstances.

Some authors have found a positive correlation between job satisfaction and organisational performance ( Chan et al,2000; Chandrasekhar 2011; Elinger et al 2002;Harter,Schmidt,&Hayes,2002;Huselid,1995;Koys2001;Schneider,hanges, smith,& Salvaggio 2003; Zohir,2007).

More concretely, Ostroff (1992) found that organisations with more satisfied employees tended to be more effective than organisations with dissatisfied employees. Harter et al. (2002) found positive correlations between employee satisfaction-engagement and the organisational performance measured by productivity, profit, employee turnover, employee accidents and customer satisfaction. Gould-Williams (2003) suggests that when employees act diligently and have outstanding performance, the organisational performance will be just superior.

Organisational success generally does not bring some direct reward or benefits to a particular employee, therefore the question is: **“Does organisational success have the power to influence or enhance job satisfaction”**. Studies have not made a clear contribution to the clarification of this relationship.

Although clear directions of causality in the relationship between job satisfaction and organisational performance remains unresolved, initial evidence has suggested that aggregate employee's attitudes have connections with organisational performance outcomes and vice-versa. The organisational performance are correlated to employee job satisfaction.

### **Research Objectives:**

- 1) To explore that Job satisfaction has relationship with, job performances,
- 2) To determine provable relationship between job satisfaction and organisational performance

**Data Collection:** Data is collected by use of personal interview method, wherein interviews were conducted of 15 employees from each of the 10 companies, I,e total population becomes 150. To know about the job satisfaction level questions were asked covering both intrinsic and extrinsic factors.

**Intrinsic factors:** recognition, respect, responsibility, kind of work employee do, task that make up the job.

**Intrinsic rewards:** are physiological that employees attain after completing a meaningful task and doing it well. They are intangible rewards and usually satisfy intrinsic factors.

**Extrinsic factors:** compensation, job security, and organizational politics, working conditions, quality of leadership between supervisors, subordinates and peers.

**Extrinsic rewards:** usually financial are the tangible rewards given to employees by the managers.

The result of this study corroborates the result of the study carried out by more.

The JSS statements were organised into the dimensions like Pay/benefits, co-employees and supervisors, promotion, work environment and general job satisfaction

**Data Analysis:** Data has been analysed descriptively and used to measure perceived job satisfaction level of the employees. To measure the job satisfaction level a 5 point scale has been used which is denoted by SD=A; D=2; N=3; A=4 and SA=5

Data is processed and analysed in accordance with the outline and down for the purpose at the time of developing research plan. Processing implies editing, coding, classification and tabulation of data so that it is amenable to analysis.

The analysis of data involves a number of closely related operations, which are performed with the purpose of summarising the data and organising it in such a manner that researcher can gate an answer to the question quickly.

<b>Factors Influencing Job Satisfaction</b>	<b>Mean Value</b>
Working Conditions	27%
Pay and Promotions	20%
Fairness	20%
Job Security	20%
Relations with co-employees	30%
Relations with supervisors	23%
Average Satisfaction Level	23.34%

#### **Limitations:**

- 1) The survey is subjected to the bias and prejudices of the respondents.
- 2) The study could not be assumes 100% accuracy due to the fact that researcher adopted personal interview method.

3) Researcher could not wider the study as it is carried out in a short span of time.

### **Descriptive Statics:**

#### **a) Working Conditions:-**

In terms of level on working conditions the study found that 45 respondent's perceived atmosphere to be "Neutral". 30 respondents perceived the work conditions to be "happy", while 25 respondents perceived work conditions as "unhappy". 10 respondents rated the work conditions as "very unhappy" and 40 employees rated as "very happy".

#### **b) Pay and Promotion:**

In terms of level on pay and promotion the study found that 55 respondents perceived pay and promotion to be "neither happy or unhappy", 25 of the respondents perceived the pay and promotion to be "somewhat happy" and 20 respondents perceived pay and promotion to be "somewhat unhappy". 20 respondents rated the pay and promotion as "very unhappy" and 30 respondents rated as "very happy".

#### **c) Fairness:**

In terms of level about fairness the study found that 60 respondents perceived fairness to be "neither happy nor unhappy", 30 respondents perceived the fairness to be "somewhat happy", 20 respondent's perceived fairness as "somewhat unhappy". 10 respondents rated the fairness as "very unhappy" and 30 respondents are "very happy".

#### **d) Job Security:**

In terms of level on job security the study found that 50 respondents perceived job security in companies to be "neither happy nor unhappy", 25 respondents perceived job security to be "somewhat happy", while 20 respondents perceived job security as "somewhat unhappy". 25 respondents rated job security as "very unhappy" and 30 respondents were "very happy".

#### **e) Relationship with Co-employees:**

In terms of level on relationship with co-employees the study found that 50 respondents perceived relationship with co-workers to be "neither happy or unhappy", 25 respondents perceived the relationship with co-employees to be "somewhat happy" 20 respondents "somewhat unhappy". 10 respondent rated the relationship with co-employees "very unhappy" and 45 respondents were "very happy".

**f) Relationship with immediate Supervisor:**

In terms of level on relationship with immediate supervisor the study found that 60 respondents perceived relationship with immediate supervisor to be “neither happy nor unhappy” 20 respondent’s perceived relationship with immediate supervisor as to be “somewhat happy”, 25 respondent’s perceived relationship with immediate supervisor as “somewhat unhappy”. 10 respondents rated relationship with immediate supervisor as “very unhappy” and 35 rated it as “very happy”.

**Conclusions:**

Employee’s job satisfaction can improve service quality and increase organisational performance. In this circumstance, policy makers and managers have to turn their attention to provide different kinds of facilities to their employees in order to satisfy them. This study tested factors affecting job satisfaction for different organisations. The results suggest that the factors had satisfactorily explained job satisfaction and that the policy makers and managers should focus on the factors that affect employee job satisfaction, if they want to enhance their businesses. Based on the results for the standardized values, we are able to see that work conditions, pay and promotions, fairness, job security, relationship with co-employees and relationship with immediate supervisor are key factors affecting employee’s job satisfaction and organisational performance. No doubt employees work for money, good salary and good compensations. Also, these are key factors in satisfying the employees and increasing the service quality and organizational performance. The physical design of the place does have certain impacts on job satisfaction. Because the work conditions in the organisations include the employee relationships and work environment, all these factors relate to employee’s job satisfaction. A good work environment and good working conditions can increase employee job satisfaction and the employees will try to give their best which can help to increase an organisational performance. The importance and the need is therefore describing or defining the physical environment by identifying those elements or dimensions that make up and develop the physical environment. Therefore, in the questionnaires several elements have been defined such as cleanliness, lighting, noise, and about 5-S implementations etc. These elements are the determinant of employee’s job satisfaction and organisational performance. Employees feels that they all shall receive equal treatment with respect to pay or promotion. If organisations create a fair competitive environment, like fair treatment,

fair compensation, fair work hours, these will improve employee attitudes towards job, quality and overall performance; fairness can also leads to employee's job satisfaction. Satisfied employees offer good services for the organization. This can increase organizational performance, so fairness is a key factor affecting job satisfaction in organisations. In organisations job security as an aspect of job satisfaction is more important to employees. Employees from medium- and large-staff-sized organisations, compared with those from small staff-sized organisations, were more likely to cite job security as a very important contributor to their job satisfaction.

From the study and the results it concludes that employee job satisfaction has a close relationship with that of organisational performance in other words we can say that the employee job satisfaction and organisational performance are directly proportionate.

**Suggestions:**

Opportunities for future study have emerged as a result of this study. In addition to overcoming the limitations of data gathering, additional research is needed to observe the relationships between job satisfaction and work conditions, pay and promotion, fairness, job security, relationship with supervisor and co-employees. The limitations have contributed to the lack of arriving at many strongly statistically proven findings and conclusions. For future research the following suggestions should be considered:

- 1) It is suggested that for future research a proportionate stratified random sample be used to compare several public sector institutions using a larger sample.
- 2) The research is needed to further investigate the potential relationships and how these variables effects on other extraneous variables, such as role ambiguity, job level, contingent rewards and co-work have on job satisfaction.
- 3) Qualitative investigators must be conducted research regarding the job satisfaction in various organisations. This research method will provide a different perspective of employees, job satisfaction and contribute a more in-depth understanding of how employees view their job.

Based on this study, and analysis of factors affecting employee's job satisfaction, this paper makes the following recommendations to the policy makers and managers of the companies:

- 1) Create favourable work conditions for the organisation. Guide the employee to communicate effectively, build a good interpersonal environment within the organisation, in order to create good work conditions.
- 2) To improve the pay and promotions of company employees. Organisations should improve the reasonable salary packages of employees;
- 3) To improve fairness in an organisations, develop a scientific performance appraisal system in the organization. Utilize the other companies developed scientific performance systems, and use these systems to evaluate employee work performance and evaluate employee service quality.
- 4) Ensure rightsizing strategy within the organization.
- 5) Monitor a constant check on relationship between employers and employees and also between the employees and the supervisors.
- 6) Managers shall try to give the confidence to an employee's regarding their job security at least to deserving employees.
- 7) To improve overall performance and relationship managers must educate the employees by developing amongst them necessary skills through trainings.
- 8) To study the above theories and implement the factors as suggested therein which will in turn support to enrich employee job satisfaction and for overall organisational performance.

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## A COMPARATIVE STUDY OF THE STRESS LEVEL AFFECTING WORK-LIFE-BALANCE OF STAFF MEMBERS WORKING AT BANKING SECTOR DURING PRE AND POST DEMONETIZATION PERIOD

**Prof. Thomas Eapen**

Asst. Professor

ASM's IBMR, Pune

Email: thomaseapen@asmedu.org

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### **Abstract :**

*During demonetization period i.e. from November 8, 2016 onwards for a few months, banking sector has played a pivotal role in implementing the demonetization scheme declared by Hon'ble Indian Prime Minister Shri Narendra Modiji. Banking sector is the sector of economy for holding financial assets for others and investing them to create more wealth by promoting these activities by government agencies.*

*This research is about a comparative study of the stress level affecting work life balance of Indian banking staff during post demonetization period. Pre-demonization period also has been taken into consideration for comparison purpose. People might have forgotten about this situation as this has become a history for them. In case similar activity has to be repeated in future by Indian government, certain additional care, precaution and planning have to be taken for proper implementation of the demonetization scheme. This will not only facilitate smarter implementation of the demonetization scheme but also reduce the stress level of employees to a great extent.*

*Stress is the way in which your body responds to any demand or threat. When you feel threatened, your nervous system responds by releasing a flood of **stress** hormones, including adrenaline and cortisol, which rouse the body for emergency action. Mental health is also of paramount importance in modern times.*

*Pimpri -Chinchwad (Pune India) has been selected for the research work for convenience.*

*Data has been collected through questionnaire method, observation method and interview method. Respondents were experts in the banking sector i.e. General Managers/Managers/Assistant Managers.*

*Giving importance to happiness, mental peace and to maintain work-life balance is of ample importance in modern times where stress level is increasing day by day.*

*Based on the research survey proper analysis has been done and necessary interpretations have been made. Finally under conclusion column, some suggestions have been given for helping future researchers on this subject as well as banking sector. It is suggested that Reserve Bank of India (RBI) may initiate further detailed research on this subject through some research agencies before initiating further demonetization programmes in future.*

**Key Words:**

*Stress, work life balance, mental health, banking sector*

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**Introduction**

Stress is not always bad for human body. As per researchers, small stress can help you to perform better. A little pressure can motivate you to meet the target. But when you are constantly under pressure, and running in emergency manner your mind and body pay the price for it. Hence it is essential to identify the sign and symptoms of chronic stress and take steps to reduce the chronic effect.

Work-life balance is a concept including proper prioritizing between "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development). This is related to the idea of life choice.

Demonetization programme started announced by Indian Hon'ble Prime Minister Shri Narendra Modi has shaken the normal life of every Indian citizen. This research is not evaluating whether the demonetization programme was successful or not. However, this research focus is on the stress undergone by the banking staff day in and day out for a couple of months of post-demonetization period and this cannot be forgotten. Yes, this research focus is on 'stress' of staff members in banking sector during this period. Controlling the crowd, answering their queries and meeting their financial requirements were herculean task for banking heads/staff during demonetization period. This definitely led to lot of mental stress for the employees in banking sector-whether it is public banks (nationalized banks) or private banks (non-nationalized banks, scheduled banks or co-operative banks). This research work is on "A comparative study of the stress level affecting work life balance of staff members working at banking sector during pre and post demonetization period".

Pimpri-Chinchwad (Pune India) area has been selected for the research work. The research work will motivate researchers to have a detailed study on stress and work life balance of employees working at banking sector in India. Giving importance to happiness, mental peace the topic of work-life balance is of ample importance in modern world where stress level is increasing day by day. Hence this topic has been chosen.

### **Objectives**

- 1) To understand the stress level and work-life balance of bank staff due to situational changes-pre and post demonetization period in India.
- 2) To highlight the importance of human resources in banking sector and to give some comments regarding the stress level of bank staff affecting the bank employees' work-life balance, which is required to increase the job satisfaction and productivity of staff members.
- 3) This mini research work can help further researchers to undertake research work in this direction; which will help Reserve Bank of India (RBI) and various International banks to frame effective policies for banking sector employees, for the benefit of bank employees and bank management.

### **Research Methodology**

- 1) **Type of Research** : Exploratory Research
- 2) **Population** : Banking sector employees at Pimpri-Chinchwad area (Pune-India)
- 3) **Sample size**: 7 Experts' Opinions from Banking Sector (Public and Private Sector).  
Experts are bank heads such as General Manager/Manager/Asst. Manager level)
- 4) **Data Collection**: Data has been collected through questionnaire method, observation method and interview method.

### **Literature Review**

#### **Meaning of Stress**

Stress is the way your body responds to any type of demand or threat. There is positive stress and negative stress.

As per 'Help Guide', Stress is your body's way of responding to any kind of demand or threat. When you feel threatened, your nervous system responds by releasing a flood of **stress** hormones, and including adrenaline and cortisol, which rouse the body for emergency action. Mental health is of paramount importance in modern times.

**Positive Stress**

Stress responds to your body to protect you. When you work properly, it helps you to stay focused, energetic and alert. In certain emergency situation stress can even save your life e.g. applying a sudden brake to avoid an accident while driving.

Stress can also help you to meet the challenges. You will be on your toes in your work and you will sharpen your tools and concentrate on your goals and perform in the best possible manner.

**Negative Stress:**

Beyond certain point stress is dangerous. Excess stress can cause damage to your health, your moods, your productivity, your relationship and your quality of life.

**Fight or Flight Response:**

When you are too much afraid your nervous system response by releasing stress hormones, including adrenaline and cortisol, which take emergency action. Your heart-beat increases, muscle get tightened, blood pressure and breathe increase and all your senses get sharpened. These physical changes increase your stamina to fight back, speed your reaction time, and enhance your focus-preparing you either to fight or run away (flee) from the ensuing dangerous situation.

**Chronic stress and its dangers:**

If you are overstressed due to an argument with your friend, or a work deadline or repayment of loan etc., your body will adversely react to that like a life-death situation. More the emergency\_situation, harder the reaction.

In short, chronic stress disrupts every system in your body and may lead to serious health problem; such as heart attack and stroke. It can lead to anxiety, depression and other mental health problems.

**Health problems due to stress :**

1	Depression and anxiety	5	Heart disease
2	Sleep problem	6	Weight problem
3	Digestive problem	7	Reproductive problem
4	Skill condition	8	Memory problem

**Symptoms of Stress:****1) Cognitive Symptoms**

1	Memory problem	5	Negative outlook
2	Lack of concentration	6	Anxiety
3	Poor judgment	7	Constant worries

**2) Emotional Symptoms**

1	Depression	5	Feel overwhelmed
2	Anxiety	6	Loneliness
3	Moodiness and anger	7	Other mental health problems

**3) Physical Symptoms**

1	Aches and pain	5	Chest pain, rapid heart rate
2	Diarrhea or constipation	6	Loss of sex drive
3	Nausea, dizziness	7	Frequent cold

**Behavioral Problems**

1	Eating more or less	5	Neglecting responsibilities
2	Sleeping too much or too less	6	Using alcohol, cigarettes or drug to relax
3	Withdrawing from others	7	Nervous habits (e.g. nail biting)

**Causes of Stress**

The situation or pressure that causes stress is called stressors. The following are the type of stressors:

Internal Cause of Stress		External Cause of Stress	
1	Major life change	1	Pessimism
2	Relationship issues	2	Inability to accept uncertainty
3	Financial problems	3	Right thinking, lack of flexibility
4	Being too busy	4	Negative self-talk
5	Children and family	5	Unrealistic expectation/ perfectionism
		6	Poor attitude

**Common 10 Life Events Leading to Stress**

1	Major life change	6	Pessimism
2	Relationship issues	7	Inability to accept uncertainty
3	Financial problems	8	Right thinking, lack of flexibility
4	Being too busy	9	Negative self-talk
5	Children and family	10	Unrealistic expectation/ perfectionism

Work–life balance is a concept including proper prioritizing between "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development). This is related to the idea of life choice.

**Photos.**

- 1) A stressed person



- 2) Work life balance



- 3) Rushing to meet the target, which again lead to stress



**Results**

Survey was conducted to understand the stress level and work-life balance of bank staff members during pre and post demonetization period in India and the results (observations/ findings / suggestions) are as under:

- 1) Official working hours in banking sector in India is 8.5 hours per day

- 2) During pre-monetization period the actual working hours were 10 hours per day.
- 3) During peak period of demonetization 1<sup>st</sup> month (8<sup>th</sup> Nov.2016 to 7<sup>th</sup> Dec.2016) the staff working hours reached up to 14-15 hours per day
- 4) During second and third month of demonetization period (8<sup>th</sup> Dec.16 to 7<sup>th</sup> Feb.2017) the staff working hours reached between 10-12 hours per day.
- 5) During 4<sup>th</sup> month till today, the average working hours are 10 hours per day.
- 6) It is observed that work stress during various periods are as under;
  - a) Pre monetization period - Normal stress
  - b) During 1<sup>st</sup> month of demonetization - maximum high
  - c) During 2<sup>nd</sup> and 3<sup>rd</sup> month of demonetization - high stress
  - d) During 4<sup>th</sup> and 5<sup>th</sup> month of demonetization - high stress
  - e) Current situation after one year of demonetization - Normal
- 7) The survey says that staff grievances are resolved amicably by management.
- 8) Periodical bank training systems are very good
- 9) The heads/bosses are generally approachable and good.
- 10) Job security in public banking sector is very good and in other banking sector is good.
- 11) Work-life balance of bank employees is “not good” or “below average”. This is a matter of concern. Hence the detailed research study is required before taking remedial steps.
- 12) Staff members are not satisfied with the growth opportunities. (Ratings – below average). This also gives more scope for further research work.
- 13) Stress level of male staff members is very high
- 14) Stress level of female staff members is comparatively normal
- 15) Overall staff work-life balance is poor (i.e. below average)
- 16) Working environment for banking staff is average.
- 17) Bank working hours and spread over time needs to be reduced.
- 18) A detailed study is required to increase staff strength as present staff are over loaded and for recruiting qualified and trained staff
- 19) Transfer policies also need further study as there are grievances in this direction.
- 20) This study will help bank to have a detailed investigation by forming a high power committee under Reserve Bank of India (RBI) to study the ‘stress level’ of staff members to maintain work-life balance, which will facilitate not only the staff members but also the banking sector by increasing their productivity.

**Conclusions:**

Based on this small research work done at banking sector, the conclusions are as under:-

- 1) Banking staff members are working additionally 1.5 additionally every day (10 hours/day).
- 2) Before demonetization period also staff was working additionally 1.5 hours every day. This shows that banks have shortage of man power.
- 3) During peak period of demonization month, an average staff was working for 14 to 15 hours per day and their stress level was maximum.
- 4) There is a huge difference between stress level of male and female employees. It shows that male staff members are given more work-load and responsibilities than women employees. This needs a further detailed investigation before taking any further remedial steps and this mini project does not go into detailing of the same.
- 5) Working environment of staff seems to be only average. The working environment has to be very good. This also requires detailed study before taking remedial steps.
- 6) As far as salaries of staff are concerned, it seems that they feel it is below average. This also needs detailed study before taking further steps in the matter.

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## CONCEPTUAL STUDY ON HUMAN RESOURCE ACCOUNTING PRACTICES IN INDIA

**Prof. Ganesh Lande**

Assistant Professor,  
DYPSON, Pune

**Prof. Harshada Thorat**

Assistant Professor,  
DYPSON, Pune

**Prof. (Dr.) O. P. Haldar**

Professor, HOD,  
DYPSON, Pune

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### **Abstract:**

*Human Resource Accounting (HRA) is the emerging concept in India. The treatment of Human resource assets should be recorded to the financial statement of the organization so that the value of people at work should be measured. Success of any organization is depends upon the quality of hired human resource for the organization. Sometimes the human resource is not capable to do the quality job in the organization. The need of the training and development is to be assessed and the efforts should be taken for enhancing the knowledge, skills and aptitudes of the human resource by investing into it. HRA concept is based on the system of book keeping and the human resource assets are recorded like other physical assets like land, building etc. in the books of accounting. The purpose of HRA is to measuring the cost incurred by the organization in recruitment, selection, training and development of the employees and it helps in increasing their economic value to the organization. Basically, the HRA reveals the information about the financial statements of the organization related to the Human Resource for the communication purpose.*

*This paper focuses on the conceptual study of the HRA and its practices in India. Also it studies the uses or need of HRA in India. This paper is useful to the organizations where they are going to implement the HRA practices.*

### **Key Words:**

*Human Resource Accounting, Books of Accounts, Financial Statements, Training and Development, Value of Individual etc.*

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### **Introduction:**

Human resource is the most significant factor in every organization to achieve the goals and objectives with proper existence in the market. Though the many thinkers and management leaders have been made many efforts in this area, a proper and appropriate

HRA model is not yet available in India. The emergence of the concept is in the decade of 1960s (**Falhmoltz, 1971**) but the popularity of the concept is increasing in the 2020 decade. HRA is the system which considers the human resources as the asset of the organization and all financial expenses such as salary, wages, training etc. are recorded in the books of accounts. Human resource accounting is the process of identifying and measuring the financial data which is related to the human resource.

HRA helps to measure the value of every employee on the basis of their performance and it will help to the management for taking various types of decisions regarding human resource management. The main motive of the decisions is for betterment in the human resource effectiveness towards efficient productivity. The measurement of the human resource costs is help to improve the performance of the employees. Human Resource Accounting is the method by which a cost is assigned to the every employee at the time of his/her recruitment and the value of employee is measured in future period.

Many thinkers have defined the concept of HRA in their views. Some of the definitions are as under;

**In the words of Flamholtz (1971)**, *“Human Resource Accounting is the measurement of costs and the value of the people for the organization”*.

**According to Stephen Knauf**, *“Human Resource Accounting is the measurement and quantification of human organizational inputs such as recruiting, training experience and commitment.”*

**According to American Accounting Association Committee (1973)**, *“Human resource accounting is the process of identification and measuring data about human resource, and communicating this information to interested parties”*.

#### **Objectives of the Study:**

- i) To study the concept of Human Resource Accounting (HRA).
- ii) To study the practices of HRA in India.
- iii) To know the use of HRA in India.

#### **Research Methodology:**

The paper is based on secondary data. It is a conceptual research study. The data is collected from books, journals, websites, articles etc. Data analysis is carried by using tables and charts. Findings and conclusion is given only on the basis of data collection and analysis done in this paper.

**Literature Review:**

**Raunak Narayan**, (2010), studied in his article on “Human Resource Accounting: A new paradigm in the era of globalization”, that it was a new way to communicate human resource assets to the users of it. In the globalization HRA would give the clear vision towards the way forward. Further he revealed that the process of HRA was very well appreciated by the various Accounting Boards but unfortunately the application of HRA was not yet begun. He discussed in his article on valuation models of HRA, Approaches of HRA and key issues of HRA as well. The article was concluded with the remarks on implementation of reporting standards for HRA which will control and formulate the standards, policies and practices for HRA.

**D Prabhakar Rao**, (1986), has included in his book titled “Human Resource Accounting”, that the core concept of Human Resource Accounting. Information was also included regarding Theory of Design of Human Resource Accounting, Application of human resource value etc. The concept of Human Resource Accounting was very well defined and the nature of HRA was also given. Nature of HRA was explained as it was a process of identifying human resources, measurement of costs associated with the HR, Valuation of HR and recording the values in the books of accounting.

**Rao, Dr. A. L.**, (2014), have expressed their views in the paper on “Human Resource Accounting: a frame work for better Financial Accounting and Reporting” related to the financial accounting and reporting of human resource values. They have further explained the framework of HRA and its reporting to the management for better evaluation as well as decision making system. The study was concluded with the remarks on the framework for HRA. The need of HRA was help to analyse the direct and indirect costs involved. The investment in human resource assets like training and development of the employees was definitely pay the more rewards like improvement in the performance of the organization.

**Mir, Dr. A. A. and Singh, M.**, (2011), have reviewed in their study on “Human Resource Accounting (HRA) – A conceptual framework and International Developments”, about the various stages involved in the international development of Human Resource Accounting concept. They also discussed in their study about the conceptual framework of the HRA. The study analyses the key areas of HRA. Further they concluded the study with the positive changes in HRA will help to improve the reporting of HRA. The significance of Human Resource as assets of the organization will pay more returns to the organization was explained.

**Ramya Jain**, (2017), reviewed in her study on “Human Resource Accounting Methods: A Literature Review”, about the key factor of successful organization as HRA. She further explained various methods of valuation of human resource. The main purpose of her study was to understand the historical background of HRA. She concluded her study as there was a need to spread awareness about implementation of HRA and benefits derived from the HRA practices. She also suggested that government and professional bodies of the accounting should take the steps to establish the rules for valuing and reporting human resource.

**Dr. Reeta, Zakir Husain**, (2017), presented in their research paper titled “Human Resource Accounting Practices in Private Sector Companies in India (With Special Reference to Infosys)”, that private sector companies have also started to value their employees. They stated that employees are the critical component of the firms and in achieving the goals of the organization employees play a vital role. Hence, the valuation of human asset was required. They have critically evaluated the HRA system of Infosys with the help of annual reports of Infosys. They concluded their study as there were so many public companies practicing the HRA. But private sector companies are much behind to value their employees.

#### **Data Collection, Analysis and Interpretation:**

##### **HRA Practices in India: (Public Sector Companies)**

- **Bharat Heavy Electricals Limited (BHEL)** recognized that, when the point of HRA came into consideration, every organization have to record the values at actual. Overemphasized values of human resource will hamper the decision making system. BHEL has been valuing and reporting its human assets in the annual reports from 1978-79. The method of valuation of human resource was used by BHEL was found Lev and Schwartz.
- **Steel Authority of India Limited (SAIL)** also used to report Human Assets into its annual report since 1985-86. For evaluation of human assets SAIL adopted the Economic Valuation Model earlier. After practicing it suggestions have taken and started to use Lev and Schwartz model for valuation of human assets.
- **Cement Corporation of India Ltd. (CCI)** was also started the HRA practices. The company has first categorized the employees as per age, education; post held in the organization and then valued the employees. The company has used Lev and Schwartz model with necessary modifications.

- **National Thermal Power Corporation Limited (NTPC)** is the leading power generating company in India. The company recorded its investment in the employees for their development and recorded in the books of accounts as HRA.
- **Oil & Natural Gas Corporation of India (ONGC)** is also a public sector company and given a lot of significance to the valuation of its human resources. Company has valued its employees as per Lev and Schwartz Model.
- **Hindustan Petroleum Corporation Limited (HPCL)** is yet another public sector company used HRA practices. HPCL recognized the value of human resource assets who are committed to achieve the excellence, efficiency and best performance in all the spheres. The Lev and Schwartz model being used by the company. Various practices of increment in the salary of employees have been implemented by the company by using HRA practice.

#### **Some more public sector companies are practicing HRA:**

(Source: <http://data.conferenceworld.in/ICSTM3/P838-847.pdf> Accessed on 10/11/2017)

- ✓ Project and Equipment Corporation of India (PEC)
- ✓ Engineers India Ltd.
- ✓ Hindustan Shipyard Ltd.
- ✓ Tata Engineering and Locomotive Works
- ✓ Associated Cement Company Ltd (ACC)
- ✓ Southern Petrochemicals Industries Corporation Ltd (SPIC)
- ✓ Oil India Ltd.

#### **HRA Practices in India: (Private Sector Companies)**

- In the financial year 1995-96, **Infosys** became the first software company to value the human resources in India. The company used the Lev and Schwartz model for valuation. The valuation of human resource assets was found Rs. 1.86 billion. The significance towards the human resource was given by Infosys was exemplary. The chairman of the company Mr. Narayan Murthy said that, “human resource valuation information is very much vital for us and the result of it will appear in future.”

#### **HRA Practices**

**Table No. 1 HRA Practices in India**

Sr. No.	Name of the Organisation	HRA Introduced in the Year	Model	Discount Rate (%)
1	BHEL	1974-75	Lev & Schwartz Model	12
2	SAIL	1984-85	Lev & Schwartz Model with	14

			some refinement as suggested by Eric. G. Flamholtz and Jaggi and Lev.	
3	MMTC	1982-83	Lev & Schwartz Model	12
4	ONGC	1981-82	Lev & Schwartz Model	12.25
5	NTPC	1984-85	Lev & Schwartz Model	12
6	INFOSYS	1995-96	Lev & Schwartz Model	12.96
		2007-08	Lev & Schwartz Model	14.97

(Source: <http://data.conferenceworld.in/ICSTM3/P838-847.pdf> Accessed on 10/11/2017)

#### **Need / Use of Human Resource Accounting:**

As human resource is the most significant element in the organization, the need is emerged as to value the employees. HRA provides the information about the costs which are associated to the human resource management. Hence the costs of acquisition, development, allocation, maintain and training for betterment of employees raises the investment in firm's human resource. Human resource accounting is helpful to the management for monitoring the human resource. It increases the awareness of management regarding value of employees in the organization. Better planning of human resource can be done through HRA. Effective manpower planning leads to effective and efficient productivity and results. HRA helps to utilize the full-fledged resources to its optimum level. Better decision support system can be developed through the practices of HRA.

#### **Limitations of the Study:**

- i) The present research study is based on secondary data only. Therefore limitations of secondary data would affect the study.
- ii) The time limit for the study restricted the review of more literature.
- iii) Annual reports of Infosys are used to get the information.

#### **Findings and Suggestions:**

The study of HRA reveals that the awareness amongst the public sector companies is very good and many companies are practicing HRA in their financial work. The importance of HRA and valuation of employees will definitely helpful to the organizations to achieve their goals and objectives. Lev and Schwartz Model for valuation of employees has been popular amongst the public companies. However in private sector companies the HRA practices are not regularized or may be not yet started widely. Use of HRA practices will help to get positive results in proper

utilization of human resource. It was found that the public sector companies are taking benefits of HRA practices for valuation of employees and their performance as well.

**Conclusion:**

The introduction of HRA in India was early in 1980 decade. Many organizations have started the practice but the numbers are very low. The human resource accounting has great potential to manage the manpower. The conceptual analysis of HRA provides the clarity of concept which will help to implement the decisions based on it. Though many public sector companies are practicing HRA, still it is not yet developed. It is in developing stage. Lev and Schwartz model is more popular in the companies. This model calculates the present value of employees for the future earning from the employees. Utilization of HRA system will help to reduce the cost of human resource and make it more beneficial for the organizations. The human resource accounting should be done through the legal procedure. The role of International Accounting Standard Board and Financial Accounting Standard Board are very much important considering human resource accounting. There should be formulation of the rules for reporting human resource accounting. Thus the human resource accounting should be taken seriously by the public as well as private organizations and respective development should be initiated in India as well as in the globe.

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## TALENT MANAGEMENT IN ECONOMIC SLOWDOWN IN INDIA

**Trupti S. Ghodke**

ASM's IBMR, Chinchwad, Pune, India.

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Recently India went through the slowdown in our biggest private employment sector the Information Technology. Since 2016 with the introduction of artificial Intelligence. \$150-billion IT-BPM industry is feeling the pinch of the global slowdown and political uncertainties as clients go slow on decision-making and investment processes.

The main reasons for the slowdown in this sector

- 1) The newly elected President of US Mr Trump announce the America first strategy  
He is focussed on curbing the immigration specially with H-1B visa
- 2) The introduction of AI (artificial Intelligence)

According to the report from McKinsey India, at least 200,000 software engineers in India will lose their jobs each year over the next three years.

Information Technology companies like Infosys, Cognizant and Tech Mahindra have announced redundancies this year and some analysts have said that this string of layoffs are expected to continue for the next two years.

The reasons given for this crisis are given below.

- 1) IT sector has been struggling, these companies have been having poor disappointing earnings/lower guidance for a few quarters now and that is probably the primary driver.
- 2) With the automation in the IT sector there is a shift from more mundane programming jobs to jobs requiring higher levels of engineering skills in artificial intelligence, machine learning, and newer fields

Because of the demand for the requirement of highly skilled resource for handling the complex jobs the benefit from the cost savings by hiring in the cheaper country is eclipsed.

With this slow down, we saw the outburst of the emotions on social media and many employees approaching labour unions to complain against this massive layoffs which they felt was biased and vindictive.

We tried to dig further deep into this to find out the hidden reasons.

When surveyed almost 256 people from both the IT sector and Manufacturing sector to find out, how the employers retained the talent in their respective organisation.

The results were really demotivating as given below

- 1) 94% of the Target Population were insecure about their job
- 2) 18% of the Target Population said that on joining they have received good training from their employers.
- 3) 12% of the Target Population say that they remove time for the training and up skilling themselves.
- 4) 12% of Target Population say that the companies have planned training schedule. However there is no training or certification related to up skilling on the new technology.
- 5) Almost 60% of the Target Population said that their companies have motivational/ behavioural trainings.
- 6) Almost 89% Target Population indicated that there was no transparency in the performance appraisal.
- 7) 74% of the Target Population said that the Bell curve methodology and forced rating in the performance appraisal were biased and that there should be a change of tool in performance appraisal
- 8) 62.5% Target Population felt that they do not put efforts to up skill themselves as they do not get sufficient time to do that.
- 9) 70% employees felt that hiring of individuals with lesser skills and talent also impacts the talent management process.
- 10) 50% of Target Population said that they did not have the Functional R & D Division.
- 11) All most 98 % of the Target population agreed that there needs to be a strategy planned for Talent Management which eventually leads to talent nurturing and retention.

**What is Talent Management:** - Talent Management is managing the ability, competency and power of employees within an organization and not restricted to recruiting the right candidate at the right time. Talent Management is also exploring the hidden and unusual qualities of your employees and developing and nurturing them to get the desired results.

We all know that there are four stages in Talent Management

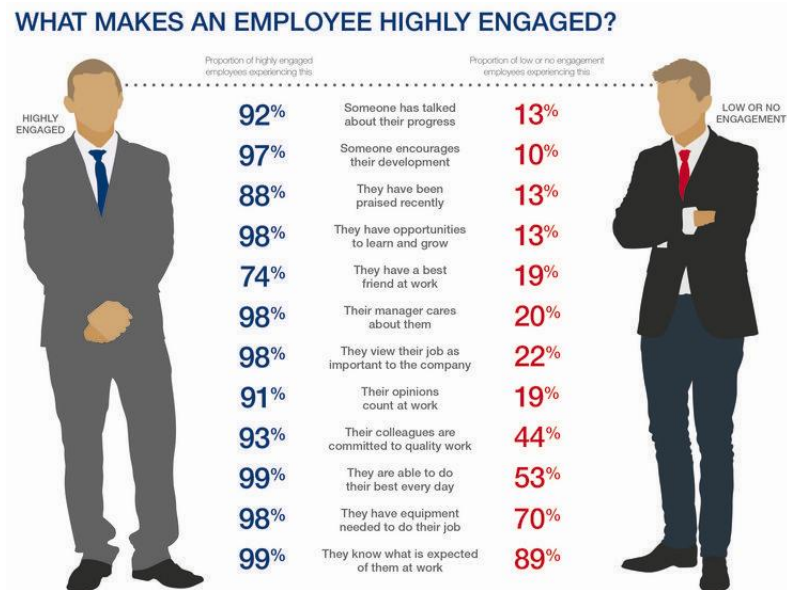
- **Source:-** Primary sourcing and Employee Turnover
- **Engage:-** Remuneration and performance, Peg pay for the organisations HIPO's (High Potential Employees), Performance Management systems( Bell curve/ Forced Ratings),
- **Development:-** Individual Development Planning, Identification of HIPO's, Cross functional movement, Coaching/mentoring
- **Retain:-** Factors that contribute to retaining Talent, Innovative practices used to retain talent
- **HR and HR Analytics:** - Headcount across different Levels, Headcount HR Professionals, HR Priorities.
- **Competency Mapping:** - Use of Competency Framework.

Hence it has become indeed important for the Industries to redesign these three important aspect of Talent management.

- 1) **Sourcing:** - It has been observed that usually the recruiters bait on fresh graduates to save the hiring cost. In order to achieve a low cost hiring the recruiter if is inexperienced and unskilled can end up sourcing trainees with low skills. Hence a recruiter should be experienced should understand the requirement and source good talented employees with skills.



- 2) **Engagement:** - As this directly deals with performance of the individual and hence linked to the remuneration, it is very important to consider the change. The Bell curve has been traditionally the most liked performance appraisal tool by HR's mostly of the bigger companies with a high majority of employees.



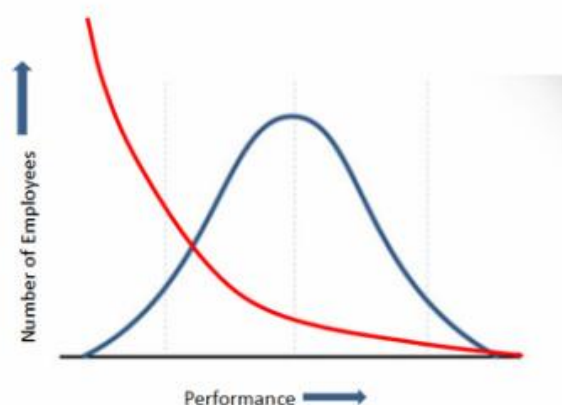
Bell curve system is more focussed on categorization of the performance on annual basis.

- Alienates and demoralizes high performing employees who get labelled as average
- Encourages “average” employees to be content with being the status quo, because higher rankings are limited
- Instils fear in your employees, instead of incentives to grow

Here’s an alternative model which better reflects employee performance:

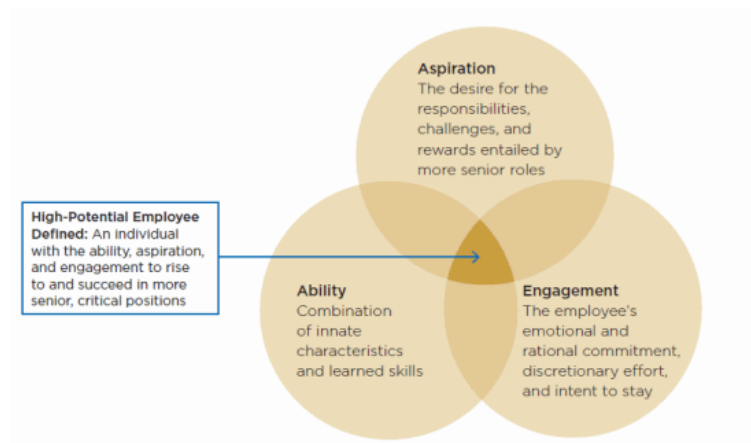
Hence a better performance appraisal tool which will measure the individual’s performance rather than comparing it with the others can be used.

The Bell curve which is an annual performance system now should be substituted by monthly/quarterly performance measurement system so that this can be measured accurately to avoid any ambiguity surrounding it.



**Development:** - The companies need to focus on the HIPO's requirements. The HIPO's need to be identified and engaged.

Their Training and development needs should be identified and trained them so that they can be given responsibility of new tasks and roles, challenges.



Companies need to look into the training and upgrading the skills of the employees so that they eventually help in increase in productivity and efficiency (eventually this will lead to the benefitting the organisation).

While weeding is a healthy practice. The utmost care should be taken that the productive employees are not be shown the door.

The Companies can identify the qualities of weak performing employees retrain them on other skills so that they can be given an opportunity to prove their skills instead of layoff.

This will help employer by gaining the confidence and trust of employee thus getting a goodwill from the employees. This will help in strengthening the employee-employer relation which eventually will lead to better production and efficiency.

**Conclusion: -**

- 1) In today's dynamic market the employer and the employee together need to focus on the training and development. They need to focus on up skilling their employees to the latest trend in the market.
- 2) The manufacturing sector and the IT sector should have a functional R&D Department.
- 3) The training of the employees should be an ongoing process. While working on this the Companies like Capgemini have announced that they will reskill their

employees with new skills in digital and cloud. The idea is to make them future-ready.

- 4) Skill development and learning is the key for all level of employees in today's dynamic technology and business scenario.
- 5) The companies with large number of employees should look away from the Bell curve tool than to a different one for their performance appraisals.



## STUDY OF VALUE BASED RECOGNITION FOR EMPLOYEE ENGAGEMENT IN IT & ITES COMPANIES

**Shakti Marhatta**

Ph.D Scholar

Dr D.Y.Patil Vidyapeeth, Pune

**Dr. Snehal Maheshkar**

Associate Professor, Dr. D. Y. Patil

Vidyapeeth's Global Business School  
& Research Centre, Pune.

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### **Abstract:**

*Emotional connection an employee feels toward his or her employment organization, which tends to influence his or her behaviours and level of effort in work related activities. The more engagement an employee has with his or her company, the more effort they put forth. Employee engagement also involves the nature of the job itself - if the employee feels mentally stimulated; the trust and communication between employees and management; ability of an employee to see how their own work contributes to the overall company performance; the opportunity of growth within the organization; and the level of pride an employee has about working or being associated with the company. Employee engagement is a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own well-being. Employee engagement is based on trust, integrity, two way commitment and communication between an organisation and its members. It is an approach that increases the chances of business success, contributing to organisational and individual performance, productivity and well-being. Employee engagement is getting up in the morning thinking, "Great, I'm going to work. I know what I'm going to do today. I've got some great ideas about how to do it really well. I'm looking forward to seeing the team and helping them work well today".*

*Employee engagement is about understanding one's role in an organisation, and being sighted and energised on where it fits in the organisation's purpose and objectives. Employee engagement is about having a clear understanding of how an organisation is fulfilling its purpose and objectives, how it is changing to fulfil those better, and being given a voice in its journey to offer ideas and express views that are taken account of as decisions are made. Employee engagement is about being included*

*fully as a member of the team, focussed on clear goals, trusted and empowered, receiving regular and constructive feedback, supported in developing new skills, thanked and recognised for achievement.*

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**Introduction:**

Employee engagement is about drawing out a deeper commitment from our employees so fewer leave, sick absence reduces, accident rates decline, conflicts and grievances go down, productivity increases. Employee engagement is about organisation actions that are consistent with the organisation's values. It is about kept promises, or an explanation why they cannot be kept. Employee engagement cannot be achieved by a mechanistic approach which tries to extract discretionary effort by manipulating employees' commitment and emotions. Employees see through such attempts very quickly and can become cynical and disillusioned.

Employee engagement is becoming a popular term among human resource management and development consultants, internal communications practitioners, and business conference presenters, but questions persist regarding whether engagement is just a passing fad. A quick Internet search turns up more than half a million hits on the term, including a Wikipedia entry and several social networking sites. Practitioners have a lot of choices when looking to better understand the concept. For example, the Society for Human Resource Management (SHRM) provides industry reports for their members that suggest various ways to influence engagement (Lockwood, 2007; Vance, 2006). In 2008, the official magazine of the American Society for Training & Development (ASTD) offered their readers the "10 Ms of Employee Engagement" (Wildermuth&Wildermuth, 2008), which proposed 10 words each starting with the letter *M* that seem to build an engaging culture. *Strategic Communications Management*, a journal for strategic communication professionals, offers their readers ideas and tips for driving an organization's engagement culture through surveys and newsletters.

The term *employee engagement* is seemingly as attractive for organizations as it is for the professional societies and consulting groups who promote it. The outcomes of employee engagement are advocated to be exactly what most organizations are seeking: employees who are more productive, profitable, safer, healthier, less likely to turnover, less likely to be absent, and more willing to engage in discretionary efforts (Buchanan,



2004; Fleming & Asplund, 2007; The Gallup Organization, 2001; Wagner & Harter, 2006). Furthermore, claims have been made that engaged employees average higher customer satisfaction ratings and generate increased revenue (Vance, 2006; Wagner & Harter, 2006). Recent evidence even suggests a direct employee engagement–profit linkage (Czarnowsky, 2008; Ketter, 2008). It is not surprising that corporate executives are consistently ranking the development of an engaged workforce as an organizational priority (Ketter, 2008; The Ken Blanchard Companies [TKBC], 2008).

Engaged employees work harder, are often willing to take on extra responsibilities and are a positive influence on other employees. Unengaged employees basically serve time and do no more and possibly less than required. The actively disengaged may work against the interests of the organization and tend to be a disruptive and morale-depleting influence on others.

Today's business leaders are faced with many challenges brought on by recent economic, technological, demographic, and social changes. All of these challenges are affected by an organization's ability to create and maintain employee engagement. According to a Gallup report, employee disengagement costs the U.S. economy more than \$500 billion annually<sup>1</sup>. Improving engagement is one of the most important business challenges of the decade. Successful employee engagement not only leads to increased productivity and job satisfaction, but ultimately affects a company's growth and profitability.

Praise, recognition and appreciation have long been recognized by philosophers and psychologists as critical to human happiness. Social Recognition tools and technology are helping early adopters increase the frequency and meaningfulness of recognition, integrate recognition with corporate goals and, ultimately, to build enduring “cultures of recognition” quickly.

Recognition not only significantly improves engagement, but also creates a more human culture. Praise, recognition and appreciation have long been recognized by philosophers and psychologists as critical to human happiness. Effective teachers, managers and parents also know that recognition and praise are among the most powerful motivational tools at their disposal. Value Based recognition systems are designed to recognize employees for their good work, which is adding value to organization.

**Why “Value Based Recognition”?**

According to SHRM/ Globoforce Employee Recognition Survey 2015, top 3 challenges faced by HR professionals are turnover, employee engagement and succession planning. Luckily, effective recognition programs which align with corporate values (values-based recognition) can be the most comprehensive solutions for following concerns.

- 1) Increases employee satisfaction
- 2) Boosts employee engagement and productivity
- 3) Attracts and retains talent.
- 4) Employee Recognition: Low Cost, High Impact

**Methodology:**

This report summarizes the results of survey done by taking randomly employees of IT and ITES companies as sample, the questionnaire was designed and shared with 450 employees of IT and ITES companies, In order to provide the most accurate data possible, data was cleaned and analyzed using statistical software. Any duplicate records were removed. Data comparisons with any relevant, statistically significant differences are noted within this report.

Recognition programs remain important in the total rewards tool kit, with 80% of organizations having programs in place, of the 20% of organizations without recognition programs, the main barriers include: the challenge of administering programs and cost.

A majority of organizations are recognizing their employees about the same as 12 months ago however, “more recognition than 12 months ago” is on the rise. 85% of organizations have not eliminated any recognition programs in the past 12 months. Although very few programs have been eliminated, over half of organizations are not considering implementing any new programs in the next 12 months.

**Types of Programs Offered**

- 1) Companywide value based recognition programs are widespread, offered by 65% of organizations. Individual recognition programs and department/team-specific programs are also common, at 70% and 65% respectively.
- 2) 75% of organizations operate their value based recognition programs formally as formal recognition remains more widespread than informal.

- 3) The top five recognition programs have remained the same since 2015: length of service (87%), above-and-beyond performance (76%), and programs to motivate specific behaviours (51%), peer to peer recognition (48%) and retirement (34%), Programs to motivate specific behaviour continue to be on the rise.
- 4) When recognition awards are presented, a one-on-one setting with the manager is most common at 68%, with special events and staff meetings also regular settings at more than half of organizations.

**Conclusion:**

- 1) Organizations should integrate their core values into every session that employees involve in from recruitment to retention to win the corporate objectives.
- 2) In recruitment: Build strong corporate values to attract the best candidates
- 3) In on boarding: Educate the core values of your company to make new hires feel connected and committed
- 4) In engagement: Continuously reinforce your company's culture and communicate core values to employees through daily behaviours
- 5) In retention: Make sure your employees feel satisfied with their job and appreciated enough to keep their loyalty.
- 6) In conclusion, always keep in mind that employees are the most valuable asset of every organization to achieve the bottom line. Once you put them in central, they will return the best for you.

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## IMPACT OF FINANCIAL REWARDS ON EMPLOYEE'S SATISFACTION AND MOTIVATION

**Mrs.Amita Gupta**

(Research scholars, D.N.C. College, Nagpur)

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### **Abstract:**

*Employee satisfaction is considered weighty. When it comes to, define organisation success. Employee's satisfaction is central concern particularly in the service industry, Need to enhance employee satisfaction is critical because it is a key to business success of any organisation.*

*The main aim of the study was to examine the impact of financial Rewards and recognition on job satisfaction and motivation. The specific objective were to assess the relationship between reward and work motivation and job satisfaction, to identify “Shriram Commercial vehicle Finance, Nashik District” total staff perceptions about rewards and recognition and to explain challenges of rewards implementation in Shriram commercial vehicle finance. The study employed descriptive survey design; a total number of 14 branches in Nashik district were conveniently and purposively selected.*

*The purpose of this study is to observe the relationship between employee satisfactions and to examine the impact of financial rewards and motivations on organisation success. In Conclusion, it seems reasonable to believe that understanding of employee role is extremely important as it appears key factor in the success of organisation.*

**Key factor:** Financial Rewards, motivation, Satisfaction.

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### **Introduction:**

Every organisation employee's are very importance because he/she growth or develop skill provided to the organization. So that, any rewards and motivation towards employee's satisfaction has direct effect to organization success or failure. In globalization, every organization in the world improving its business processes by adopting advance technologies and innovations. To keep the pace of achieving goals organizations tries their best to hire competent human resource. Employing competent

human resource, organizations have to offer better working environment, market based salaries, job security etc. Out of all these perks and benefits the financial variables are much important especially pay. Every employee has to run his livelihood. He/ She need financial rewards to support him and family.

Top management of each organization has to develop relationship between employees and organization to fulfil the right demands of both parties. Organization's expectations from employees are to follow the rules, policies and regulations of the organization and employee's expectations are better working environment, good financial rewards. In an organization offers more rewards, the employees of that organization will be more motivated and satisfaction. Job satisfaction of employees plays a very vital on the performance of an organization. It is essential to know as to how employees can be retained through making them satisfied and motivated achieve extra ordinary results. Target and achievement depends on employee satisfaction and in turn contribute for organisational success and growth, enhances the productivity and increase the quality of work. Business strategy associated with rewards and motivation towards job satisfaction has resilient effect on success of the organization (Devanna et al. 1984).

The connections between rewards, motivation and job satisfaction of employees are strategically significant to the success of public and private organizations (Schuler and Jackson1996).fig1



### Review of Literature:

The connections between rewards, motivation and job satisfaction of employees are strategically significant to the success of public and private organizations (Schuler and Jackson1996).According to an analysis of 14 national surveys, Crews on (1997) concluded that economic rewards are most important to private sector employees. Only limited researchers have found no significant differences in the opposite direction. Gabris and Simo (1995) found no significant differences for 20 motivational needs, containing the need for monetary rewards And Crewson (1997) establish related

outcomes when data was restricted to one occupational group, i.e. engineers. Maidani (1991) even concludes that public sector employees rate extrinsic factors, such as pay, as more important than the private sector employees. Motivation is a factor that exercises a powerful force on our activities and exertion. According to Baron (1983), motivation is an accretion of diverse practices which effects and directs our behaviour to accomplish certain particular goal. It is like a vigorous in the current environment that clearly produces and incorporates an optimistic influence on job. Motivation relay on a certain intrinsic and extrinsic features that are collaborated with positive results in abundantly devoted employees. Tangible incentives are functioning in growing performance for assignment that not completed earlier, to in spire as thinking smarter and support both quality and quantity to accomplish organizational goals (Board, 2007). Moreover, incentives and rewards factors are the most favoured factors for the employee motivation.

Organizational rewards mean all the benefits i.e. financial and non-financial that an employee receives through their employment relationship with an organization (Bratton and Gold 1994, Malhotra et al. 2007). According to the literature the rewards distinguishes into three main types that individuals seek from their organization i.e. extrinsic, intrinsic and social rewards (Williamson et al. 2009). Extrinsic rewards are the physical benefits provided by the organization such as pay, bonus, fringe benefits and career development opportunities. Intrinsic rewards refer to the rewards that come from the content of the job itself, and encompass motivational characteristics of the job such as autonomy, role clarity and training (Hackman and Oldham 1976). Social rewards arise from the interaction with other people on the job and may include having supportive relationships with supervisor and coworkers. Ali and Ahmed (2009) established that there is a substantial affiliation between reward and recognition, and similarly in employee motivation and job satisfaction. Study exposed that if rewards and recognition offered to employees then there would be a substantial modification in work motivation and satisfaction.

**Motivation:** Motivation which means to move or to carry. Motivation is a factor that exercises a powerful force on our activities and exertion. Motivation is the force that constantly induces to move and perform things. The most practical definition proposed by social scientist that, motivation is a psychological processes that origin the stimulation, direction, and



persistence of behaviour (Luthans2005). Motivation relay on a certain intrinsic and extrinsic features that are collaborated with positive results in abundantly devoted employees. Incentives and rewards factors are the most favored factors for the employee motivation.

**Rewards:** Reward refers to all categories of financial benefits, tangible services and benefits that an employee receives as part of employment relationship with the organization (Bratton and Gold 1994). Lawler (2003) described that there are two aspects that decide how much a reward is attractive, the quantity of reward which is provided and the weight age an employee gives to a specific reward. Employees are certainly closer to their organizations and perform better job, while they receive healthier reward and recognition in their organizations. Rewards increase the level of efficiency and performance of the employees on their jobs and in the result thereof increase the success of the organization.

**Reward and Motivation:** Even though people work for salary or wages (rewards), there are numerous ways of rewarding (motivating) employees according to the task or function performed (Eshun and Duah, 2011). The underlying principle for the use of rewards is to motivate or induce behaviours among employees which are viewed as beneficial for enhanced performance whilst inhibiting other behaviours which employers and managers perceive as detrimental to organizational effectiveness and efficiency. Thus, rewards serve as a means of motivating desired behaviours (Eshun and Duah, 2011; Danish and Usman, 2010). Incentives, rewards and recognitions are the prime factors that impact on employee motivation. Zakaria et al., (2011) contend that, employees who are well motivated serve as the competitive advantage for any company because their performance leads an organization to accomplishment of its goals. Among financial, economical and human resources, human resources are the most vital that can provide a company's competitive edge as compared to others.

**Job Satisfaction:** Job satisfaction can be recognized as what one wants or values from a job (Brief and Weiss 2002). Different kinds of satisfaction lead to diverse objectives and behaviours that ascend from different types of motivation in getting different types of rewards (Luthanset al. 2005).

Rewards with their aftermath relationship were expected to establish on satisfaction of the employee with their organization (Milne 2007). Amabile et al. (1994) concluded that employee who reveals high job satisfaction is motivated by rewards, and rewards supported work engagement (Vandenberghe and Trembley 2008).



Furthermore, Zaini et al. (2009) and Chew (2005) preceding research found that job satisfaction is associated with the monetary compensation (pay, promotion, and bonus) and non-monetary compensation is one of the most important explanatory variables in both (A. Furham et al. 2009). Reward and motivation are the two main factors that have an effect on the job satisfaction and motivation of employees.

### **Objective of the Study**

The overall aim of this study is to evaluate the impact of financial rewards as one of the motivating factors on employee's satisfaction. Specifically, this study will make effort at determine the extent at which Shriram Commercial Vehicle Finance make use of the financial rewards in improving their employee's Satisfaction. The specific objectives of the study are as follows.

- To assess the relationship between reward and work motivation and Employee's satisfaction.
- The effect of financial rewards on employee's satisfaction.
- Whether financial rewards are the main factor for motivation.

### **Hypothesis of the study**

Employees receiving more financial rewards are considered to be more motivated in performing the day to day tasks. They will do their work from core of their heart. It is hypothesized is that there is a positive relationship of financial rewards with motivation and satisfaction As shown in Fig. 2, the level of job satisfaction in both organizations is dependent on the linking of employees' level of motivation and the rewards offered by the organizations. Therefore:

**H1:** There is a relationship between employees' financial rewards and motivation.

**H2:** There is a relationship between employees' motivation and employee's satisfaction.

**H3:** There is a relationship between employees' financial rewards and employee's satisfaction.

### **Data methodology:**

For the purpose of analyzing the research problem, a total number of 200 employees' were selected form Shriram commercial Vehicle finance, Nashik working on Service sector. The data was collected by distributing questionnaires among the 200 employees and 186 filled questionnaires were received back from the employees of Shriram commercial vehicle finance.

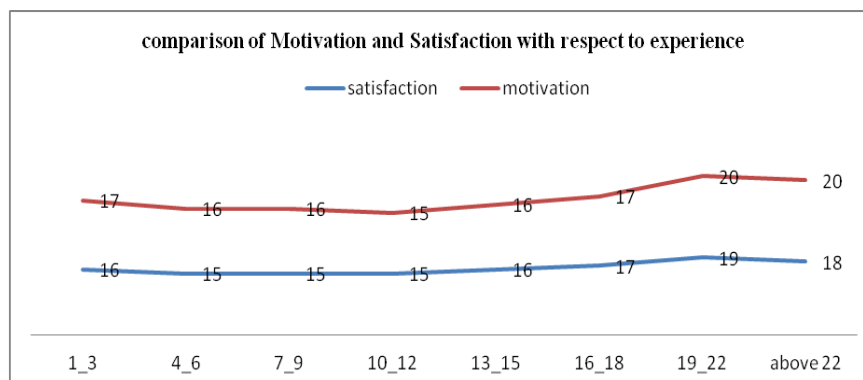
**Analysis:**

It is observed that 62% of employees of all age group are satisfied with their present salary and position. 65% of employees between age group of 19-39 showed that a sufficient increase in salary will enhance their motivation level.

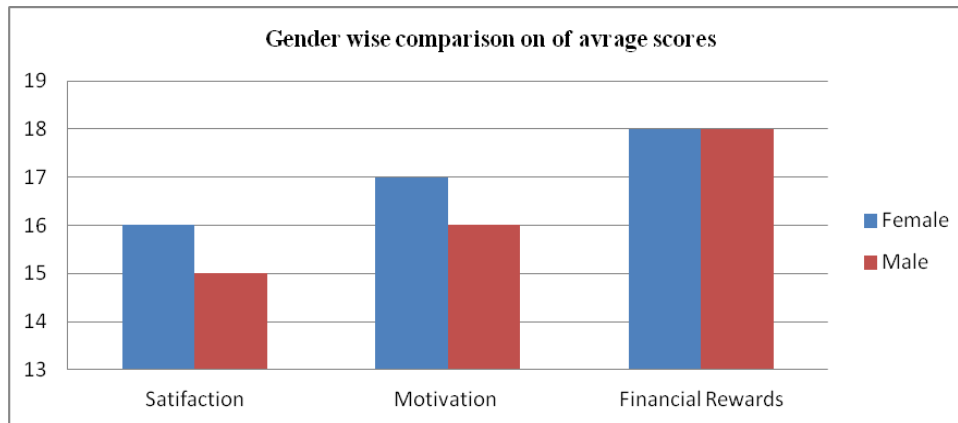
Graph 1 Shows gender wise satisfaction level of employees. 21% of employees are female and 79% of employees are Male. Level of satisfaction with salary is high in both genders. Most of the employees falling within the age bracket of 19-39 are satisfied with their present salary. Analysis of collected data proved that the companies are paying good salary to its employees. However 23% of employees falling within the age bracket of 19-29 showed that they are doing their job only for time pass and are not being compensation as per their qualification and experience.



It is also observed from the study that satisfaction is dependent on motivation. Fresh hired employees are more motivated than the existing employees. They perform better than the existing employees because their level of goal achievement is high in the beginning of their career. After observation of Working Environment, Financial Rewards and Human Resource policies of the organization, the satisfaction level of employees are adjusted accordingly. For this purpose motivation and satisfaction variables are compared with respect to experience of the employees. Results are shown in Graph 2.



Graph 3 shows gender wise comparison between financial rewards, satisfaction and motivation. There is no difference between the opinion of male and female about financial rewards. Mean of both genders is equal as they rated importance of financial rewards. There is a slight difference of motivation and satisfaction between the genders. Females are more motivated and satisfied as compared to males.



Regression analysis conducted using SPSS for observance of impact of independent variables on dependent variables. Following three models have been developed.

Model 1

$$\text{MOTI} = \alpha + \beta \text{FR} + \epsilon$$

FR = Financial Rewards,

MOTI = Motivation,

SATI = Satisfaction

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

MOTI = 6.596+0.542FR; R <sup>2</sup> =0.197		
Std-Error	1.466	0.081
T-stat	4.499	6.712
P-value	0.000	0.000

Results mentioned in model 1 above showing positive impact of financial rewards on employee's motivation.

Model 2

$$\text{SATI} = \alpha + \beta \text{FR} + \epsilon$$

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results

SATI = 11.688+0.218FR; R <sup>2</sup> =0.03		
Std-Error	1.616	0.089
T-stat	7.230	2.448
P-value	0.000	0.015

Results mentioned in model 2 above showing positive impact of financial rewards on employee's satisfaction.

Model 3

$$\text{MOTI} = \alpha + \beta \text{SATI} + \epsilon$$

Comparison of Motivation with Satisfaction is made in Model 3 and estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

MOTI = 8.703+0.423SATI; R <sup>2</sup> =0.08		
Std-Error	1.120	0.067
T-stat	7.771	6.291
P-value	0.000	0.000

Results mentioned in model 3 above showing a slight positive impact of Motivation on employee's Satisfaction.

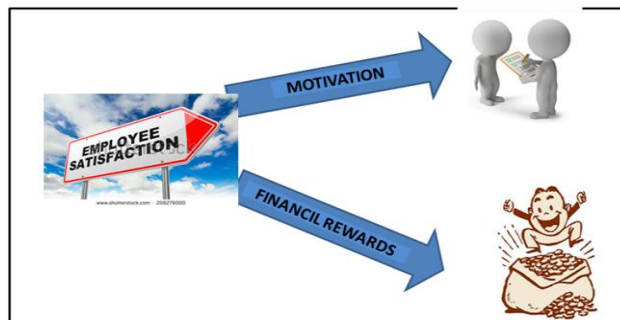
### **Data Analysis to financial Rewards have a direct link with the motivation and job satisfaction of the employees**

The questionnaire one (job satisfaction measuring questionnaire), covered the relevant organization and designation (management, senior managers, managers, professionals and support staff), age and sex and effect on job satisfaction, employee satisfaction with different aspects of job, like, self-esteem, opportunity for growth, job security, respect of job, nature of job, power delegation, independent decision making, feedback on performance, freedom on the job, benefits for job, opportunity for promotion, gender equality, safe environment, reasons for employee to stay in the organization or leave the organization. The questionnaire two was developed to measure the Employees satisfaction in terms of staff benefits, staff promotion, power delegation, staff facilities, rewards, working environment, organizational productivity etc.

The performance of employee job satisfaction is an imperative motivator and an arrangement of psychological and environment circumstances (Spector 1985, Milne 2007). Motivation programs are the key component of incentives, rewards and recognition as different organizations correlate success factor with employee performance. Extrinsic rewards are the physical benefits provided by the organization

such as pay, bonus, fringe benefits and career development opportunities. Intrinsic rewards refer to the rewards that come from the content of the job itself, and encompass motivational characteristics of the job such as autonomy, role clarity and training (Hackman and Oldham 1976). Furthermore, Zaini et al. (2009) and Chew (2005) preceding research found that job satisfaction is associated with the monetary compensation (pay, promotion, and bonus) and non-monetary compensation is one of the most important explanatory variables in both (A. Furham et al. 2009).

Reward and motivation are the two main factors that have an effect on the job satisfaction and motivation of employees. Fig.3 In reference to statistics, there is a significant relationship between reward and recognition, and between motivation and job satisfaction (Ali and Ahmed, 2009). Providing the financial benefit to employees without any prominent expression also loses its importance



### Conclusion:

This study proved that financial rewards offered to employees in Shriram Commercial Vehicle Company are good. Employees of this company are motivated and satisfied with their salary and position. The result showed a positive impact of financial rewards and motivation towards employee's satisfaction has resilient effect on success of the organisation. Financial rewards leads to employee's motivation. It is also observed that the new entrants in this company are highly motivated and the working conditions, environment and superior's behaviour plays a vital role in determination of their satisfaction level.

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## THE IMPACT OF STRATEGIC HUMAN RESOURCE MANAGEMENT IN ORGANIZATIONS

**Mr. Dhiraj H. Varma**

Research Scholars

Department of Commerce

JMV Arts, Commerce & Scienc College, Achalpur city

Dist.Amravati , Maharashtra, India

Email :- [varma.252.dv@gmail.com](mailto:varma.252.dv@gmail.com)

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### **Abstract**

*Day-to-day Human Resource Management is very important for the organization to get more powerful and develop its self to be the standard and success one. Strategic sustainability is associated with significant business benefits as well as positive environmental impacts, yet many organizations fail to recognize the potential of this approach, and neglect the factors necessary for its successful implementation. The human resource function has gone from the traditional hire and fire role to a strategic partner at the table with finance, operations and other business centers that are not centers of profit for the organization. Organizational performance is getting more and more important, especially in a market with greater competition and dynamic. Organizational performance is measured through different indicators. It guarantees the continuity of the organization to be competitive in a global marketplace. The job of Human Resource, as is the job of all such departments, is to ensure that the business gets the most out of its employees. Human resource management issues to be addressed at the highest level in the organization and management of strategic decisions are required. This research will inform human resource management, scope and affecting factors on human resource management, human resource management functions and relationship between organizational effectiveness and human resources management.*

### **Keywords:-**

*Human Resource, Management, Strategic, Organizations, Business*

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### **Introduction**

Today in the world, global competition is the basic element to define firms' strategies

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as a result industrial economy has been experienced to pass toward to knowledge economy. As being a competitive market development day by day it's very difficult to enhance sustainable growth for the firms" side. All researchers and practitioners are aware of the advantages and disadvantages of a competitive work environment and try to find ways for adapting to competitive conditions. These efforts have mostly focused on human resource management practices in the last two decades especially with the emergence of strategic human resource management approach. Human resource management literature has generally focused on the constructs of commitment, job satisfaction, and organizational effectiveness. The fit between persons and organizations, and persons and jobs is a neglected area. However, when one considers the intended goals of Human resource management practices, a sense of fit may be suggested as an expected target. Thus, it seems worth studying whether the positive views of employees about Human resource management practices makes a difference in terms of their fit with the organization and the jobs that they undertake. Human resource management literature has generally focused on the constructs of commitment, job satisfaction, and organizational effectiveness. The fit between persons and organizations, and persons and jobs is a neglected area. However, when one considers the intended goals of Human resource management practices, a sense of fit may be suggested as an expected target. Thus, it seems worth studying whether the positive views of employees about Human resource management practices makes a difference in terms of their fit with the organization and the jobs that they undertake.

The relationship between perceived sufficiency of Human Resource Management practices, person-organization fit, and person-job fit has not been examined before. In the present study, it is hypothesized that perceived sufficiency of Human Resource Management practices contributes to actual and perceived person-organization fit and perceived person-job fit. Organizations are seeking to create much competition between them, taking more market, more customers, more sales, etc. Rapid changes stemming from globalization, advancement of information systems and other factors have caused higher competition. Many organizations are driven by the market to set their goals in their performance.

### **Human Resource Management**

Although it was commonly accepted that Human Resource Management practices had formally started with industrial revolution, the fact is that the roots of Human Resource



Management lie deep in the past. Just as the employees who shared the tasks that have to be done in modern organizations, humans in ancient societies also, divided work among themselves. So it can be said that division of labor has been practiced since prehistoric times. Tasks were allocated according to skills such as the ability to find food or plants, track animals or cook (Price, 2007) but the major contribution to the development of the Human Resource Management systems is provided by industrial revolution in the 1800"s.

The terms of human resource management and human resources have largely replaced instead of personnel management in the processes of managing people in the organizations. While human resource management is defined as a strategic and coherent approach for the organization"s most valued assets behind on the workers, there is no upon description of it.

Personnel department is mostly to manage the paperwork around hiring and paying people.

### **The New Role of HRM in the Organization**

#### **i) Change Leader**

The role associated with facilitating, driving and leading change for organization creativities, productivity and quality to reach the goal and competitive advantages over competitor.

#### **ii) Human Resources Strategist**

The role associated with integrating HR activities and result in achieving the strategic objectives of the organization. Human resources strategist thing of the pattern of planning human resources development and activities intended to enable organization to achieve the goals.

#### **iii) Business Strategist**

The role associated with participating in strategy formulation and developing possible solution to challenges facing the organization to lead business to competitive success. Good business strategy formulation leads the organization success in all aspect of business regarregarding customers" satisfaction, providing quality products and customer services.

#### **iv) Human Resources Function Alignment**

HR function must be integrally involved in the organization"s strategic process. HR managers should have input into the strategic plan, both inter of peopl-related issues

and in term of the ability of the human resource pool to implement particular strategic alternative; have specific of the organization goal; know what type of employee skill, behaviors, and attitudes; and develop programs to ensure that employees have those skills, behaviors and attitudes.

**v) Partner to General Manager**

HR plays an important role for organization to survive, overcome competitor challenge and to pave the way for organization to get success in business. HR also closely related to line manager to set up strategy plan and strategy implement and work design. Line managers helping HRM to managing and controlling employees' performance whether they should be promoted, raising salary, transfer to other job or need more training. Etc.

**Strategic HRM Concept**

Strategic Human Resource Management is a process that involves the use of overarching approaches to the development of Human Resource strategies, which are integrated vertically with the business strategy and horizontally with one another. These strategies define intentions and plans related to the overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as; resourcing, learning and development, reward and employee relations. Strategic Human Resource Management has a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future (Holbeche, 2004). HumanResource Management facilitates the development of a human capital that meets the requirements of business competitive strategy, so that organizational goals and mission will be achieved (Guest, 1987). Strategy of human resource management is an integral part of business strategy. The main focus of this strategy is to achieve organizational objectives. So, strategy, then, is a set of strategic choices, some of which may be formally planned.

Today, operating organizations continue their existence for different goals according to organization's type and aims. These organizations can be classified as private, no-governmental and public establishment. While the preferential aim of the public establishments are fulfilling the public's needs, private establishments' aim is earning profit. Non-governmental (civil) establishments' aim is fulfilling the public's

needs and carrying on their business like public establishments. These three kind of establishments" common aim is giving quality service. There is an important issue to be considered here: All these three organizations need a common ground. This common ground is human resource. No matter how strong the financial resources of an organization, probability of success will be low if the human resources do not have sufficient activity. Low effectiveness of human resources means that the organization slogs on reaching the targets set for the future and profitability level.

### **Organizational Concept**

Theory defines performance as behavior or action relevant to the attainment of an organization"s goals that can be scaled, that is, measured. Moreover, job performance is defined as what one is paid to do, or what one should be paid to do. The theory states that the measurement options, be they ratings from a supervisor, peer, or self, a simulated work sample, or hard criteria (e.g. tallying revenue generated, costs saved, customer complaints, or some variant of a computerized performance assessment) besides being valid, reliable, and not deficient should be free of contamination from sources of variation that are not under the control of the individual (e.g. differences in technology impacting a person"s performance). Situational enhancers or constraints, if not taken into account in an appraisal, can contaminate the mean, variance, or both with regard to an individual"s performance. Observation and interpretation hold the key to the establishment of effective criteria. Yet, an ongoing problem in appraising people is the lack of reliability in the observation of their behavior . This unreliability is largely attributed to well-known rating errors such as "first impressions", "halo", and "similar-to-me". Lifson found that up to one-third of performance measurement variance is due to rater differences despite the fact that the observers had considerable experience in observing and evaluating people in the workplace. Corroborated this finding. Experience, however, is not a substitute for training. To solve the problem regarding lack of reliability, an observer must be trained. In this section, training programs that have been shown to be effective are described, and the necessity of taking context into account is explained .Organizational performance is one of the most broadly and extensively used dependent variables in organizational studies today, and yet, at the same time, it remains one of the most imprecise and loosely-defined constructs . In the strategy literature, the focus of attention on this construct has been concerned almost entirely with financial measures of Performance.

**Conclusion**

Corporations are undergoing dramatic changes with significant implications for how human resources are managed and the Human Resource function is best organized and managed. The forces driving change include the rapid deployment of information technology, globalization of the economy, and the increasingly competitive dynamic business environments that corporations face. There is a growing consensus that effective human capital is critical to an organization's success and that the Human Resource function's focus must be more strategic.

The practice of Human Resource Management must be viewed through the prism of overall strategic goals for the organization instead of a standalone tint that takes a unit based or a micro approach. The idea here is to adopt a holistic perspective towards Human Resource Management that ensures that there are no piecemeal strategies and the Human Resource Management policy enmeshes itself fully with those of the organizational goals. For instance, if the training needs of the employees are simply met with perfunctory trainings on omnibus topics, the firm stands to lose not only from the time that the employees spend in training but also a loss of direction. Hence, the organization that takes its Human Resource Management policies seriously will ensure that training is based on focused and topical methods.

Organizations are trying to create as much competitive in the market, reaching to manage their human resources in achieving organizational performance required. Some of the goals are cost reduction, achieving sales levels, increasing the number of customers, increasing the market percentage, increasing product quality, innovative products, improve productivity. Human resources are playing an important role in achieving these performance indicators. But before that, organizations should realize the expectations required from employees and so the employees show their skills, be motivated and behave in the manner required by the organization to achieve performance. Strategic Human Resource Management is a detailed process for human resource management throughout the organization that it" s integrated with the organization's overall strategy.

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## THE EFFECTIVENESS OF TALENT ACQUISITION PROCEDURE OF IT SECTOR

**Asst. Prof. Nikeeta Sunil Bhosle**

Assistant Professor,  
Institute of Management and Computer Studies,  
Thane, Maharashtra India.

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**Abstract :**

*An Organization is by the people, of the people and for the people. Human Resource is an important element in an organization. Hence if right employees are selected it will result in increased productivity and accomplishing goals of the organization. Dealing with people is a very challenging task. So the organization should take efforts on its Talent Acquisition process to be effective and attract the right skill in the organization. Selecting the right people, for right job at right time is very essential. If the company fails to acquire the right candidate, it will have to bear huge costs not only in terms of money but also in terms of time, missed opportunities, dissatisfied stakeholders specially clients and a negative impact on the company as a whole as the employees are said to be the representative of the organization.*

*Hence in this research we have tried to understand the Talent Acquisition procedure of this Organization and how it can be made more effective.*

**Keywords:**

*Talent, Recruitment, Selection.*

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### **I. Introduction:**

Talent Acquisition is an effective procedure of allocating the right candidate for the right job at the right time. It is a process which helps the organization to access the pool of talented Human Resources with various options available for the particular vacancy in the organization.

Today's competitive environment understands the need for systematic talent acquisition process. The organizations are on the lookout of filling the gap between skill, knowledge and experience. They are applying the strategies and techniques to evolve their talent acquisition process. They are giving a lot of attention for manpower planning.

In short, the organizations are not only recognizing the need of manpower but also to support retention and employee development.

### **Talent Acquisition life cycle:**

Increasing competition has encouraged organization to focus on the results of recruitment and selection life cycle. As today's youth is very talented and retaining them becomes a challenge. So at very first step i.e. during the recruitment and selection process focus should be on below given 5 parameters.



## **II. Review of The Literature:**

Prospective employees are as particular about choosing the right organization as about choosing the right job (Rynes and Cable, 2003). Hence, organizations are increasingly trying to assess and enhance their attractiveness to prospective applicants (Highhouse et al., 1999). This has critical consequences for the recruiting organizations (Rynes, 1991) as it leads to the most pressing problem of talent acquisition- of attracting people with the right skill set and competencies who also fit the need and the culture of the organization (Bhatnagar and Srivastava, 2008). Organizations that attract a larger applicant pool and more qualified applicants obtain greater utility in their selection systems (Boudreau and Rynes, 1985) and a potential competitive advantage (Lado and Wilson, 1994). Srivastava, P. & Bhatnagar, J. (2010). The term talent management refers to the strategic management of the flow of talent through an organization. The purpose of talent management is to ensure availability of adequate supply of talent to align the right people with the right jobs at the right time based on strategic business objectives (Duttagupta, 2007). Therefore, the talent management is not just an HR activity, but it is a mindset that goes towards a holistic and integrated approach to

maximize the competitive advantage through people. Duttagupta, Rhea (2007) Talent management is a complex collection of connected HR processes that delivers a simple fundamental benefit for any organizations. It is the systematic attraction, identification, development, engagement/ retention and deployment of those individuals who are of particular value to an organizations, either in view of their „high potential“ for the future or because they are fulfilling business critical roles. Areiqat, A. Y., Abdelhadi, T., & Al-Tarawneh, H. (2010) Talent acquisition is the process for planning, sourcing, assessing, hiring and on-boarding of new or existing employees into appropriate positions within the organizations. Talent Acquisition allows us access to a pool of competitive talent that would otherwise have been missed or even worse ignored. The focus of the process is on attracting talented workers to the organizations. The process stages were typically performed as disconnected steps that made the process inefficient and ineffective. Kumar, S. R. (2013).

A study on talent acquisition in sierra Atlantic. Advances in Management Today, business leaders understand the strategic significance of talent acquisition. They are carefully looking at how they are going to fill the gap in skills and company knowledge left by retired persons. They are adopting advanced strategies and tactics to evolve their talent acquisition operations and they are embracing a range of emerging best practices, from workforce planning to employment branding. In short, they are recognizing the need to continue to advance their abilities not only in talent acquisition, but also to support retention and employee development.

### **III. Talent Acquisition**

Talent acquisition is the process of finding and acquiring skilled human labor for organizational needs and to meet any labor requirement. When used in the context of the recruiting and HR profession, talent acquisition usually refers to the talent acquisition department or team within the Human Resources department. The talent acquisition team within a company is responsible for finding, acquiring, assessing, and hiring candidates to fill roles that are required to meet company goals and fill project requirements. Talent acquisition as a unique function and department is a relatively new development. In many companies, recruiting itself is still an indistinct function of an HR generalist. Within many corporations, however, recruiting as a designation did not encompass enough of the duties that fell to the corporate recruiter. A separate designation of talent acquisition was required to meet the advanced and unique



functions. Modern talent acquisition is a strategic function of an organization, encompassing talent procurement, but also workforce planning functions such as organizational talent forecasting, talent pipelining, and strategic talent assessment and development. Talent acquisition is quickly becoming a unique profession, perhaps even distinct from the practice of general recruitment. Talent acquisition professionals are usually skilled not only in sourcing tactics, candidate assessment, and compliance and hiring standards, but also in employment branding practices and corporate hiring initiatives. Talent acquisition as a function has become closely aligned with marketing and PR as well as Human Resources. As global organizations need to recruit globally with disparate needs and requirements, effective recruiting requires a well thought out corporate messaging around hiring and talent development. Talent acquisition professionals often craft the unique company message around the approach the company takes to hiring and the ongoing development of employees. The employment brand therefore encompasses not only the procurement of human capital, but the approach to corporate employee development. The unique needs of large companies especially to recruit and hire as well as attract top talent led to the development of a unique talent acquisition practice and career. Recruiting professionals often move between agency recruiting and corporate recruitment positions. In most organizations, the recruitment roles are not dissimilar: the recruitment role is responsible for sourcing talent and bringing qualified candidates to the company. However, modern talent acquisition is becoming a unique skill-set. Because talent acquisition professionals many times also handle post-hire talent issues, such as employee retention and career progression, the talent acquisition role is quickly becoming a distinct craft.

#### **IV. Need For The Study:**

Over the past couple of years there has been an increasing competition in IT Sector. So attracting the right candidate is the top most priority. The pool of available talent, particularly those with the necessary skills and experience, is running extremely low. Acquiring the right person for the right job with the right talent is the main goal of Talent Acquisition.

#### **V. Research Objectives:**

- 1) To genuinely understand the talent acquisition i.e. the recruitment and the selection process of the company and its effectiveness.
- 2) To see whether the employees are satisfied with the norms and procedures of the selection.

- 3) To check whether the candidates are getting jobs as per their qualifications.
- 4) To check whether candidates/applicants are happy with the talent acquirers.
- 5) To check whether applicants are responded within stipulated time period.
- 6) To check whether the entire process of selection takes place within stipulated time period.

## VI. Research Methodology:

Research was carried out at L & T to understand the current “Recruitment and Selection process. Exploratory research design is used in order to study the main area where the problem lies and also tries to evaluate some appropriate course of action.

## VII. Data Collection

As the survey conducted is pertaining to the effectiveness of Talent Acquisition Process, the information was collected from the ones who have the talent for the company and gone through the selection process which means the employees and the ones who are directly involved in talent acquisition process which means the interviewers.

The data were collected from the kinds of sources, the primary sources and the secondary sources. The primary data was collected by getting the questionnaires filled by the staff of L&T as well as observation.

**Statistical analysis of data:** The statistical analysis of the data was mainly done by computing the percentages obtained for various questions and by presenting these by means of pie-charts and bar graphs.

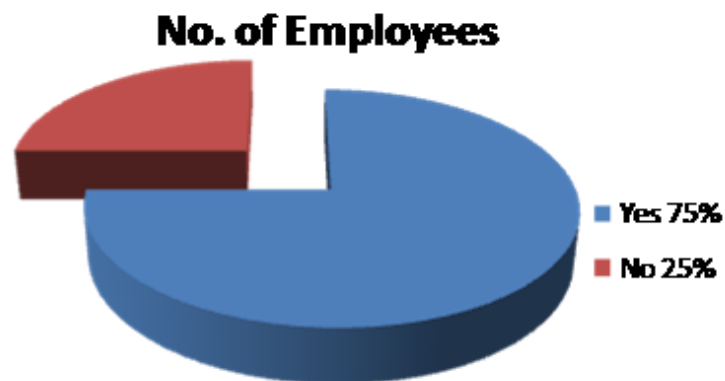
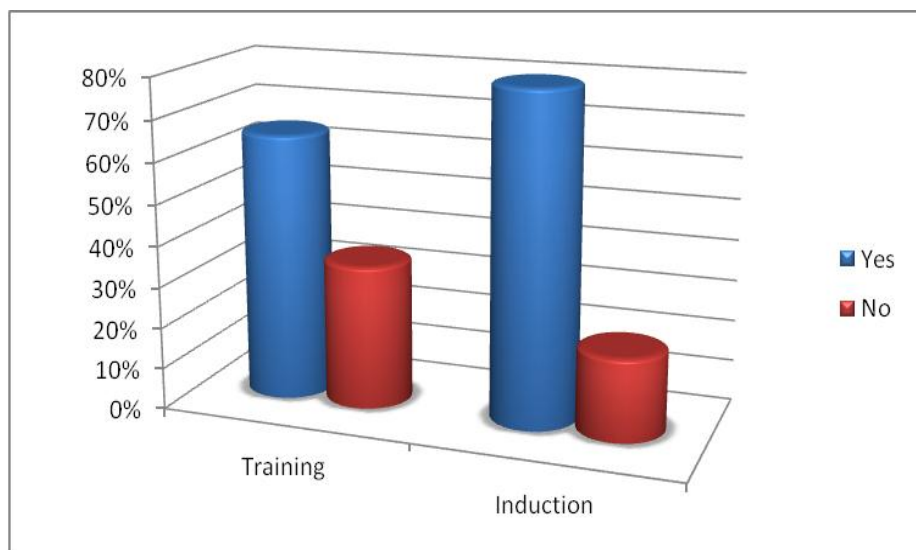
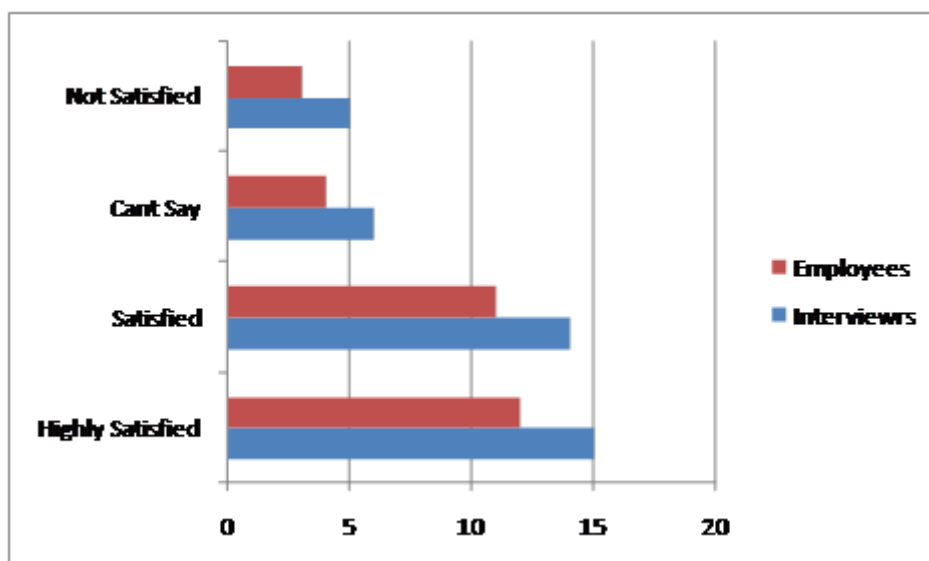
## VIII. Analysis & Interpretation of Data:

### 1) Sources of Recruitment In L & T-

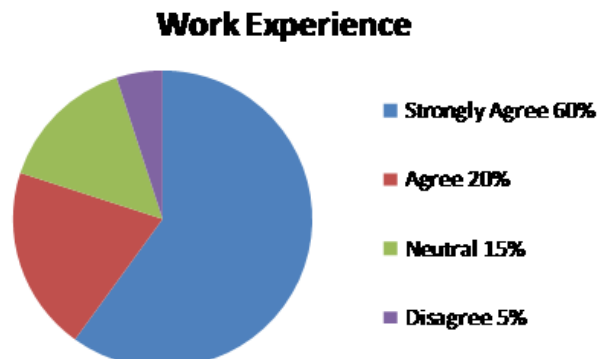


### 2) No. of Years Of Experience

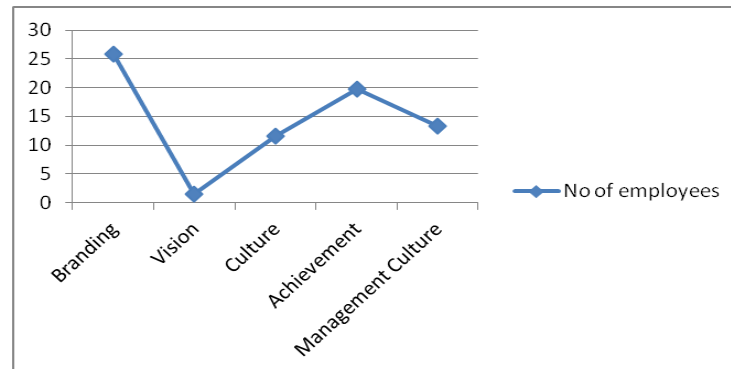


**3) Whether L&T Provides Job Description Before Recruitment L & T?****4) Whether Company Provides Training & Induction In L & T?****5) Satisfaction With Selection Procedure –**

**6) Do You Ensure That Salaries Being Set Are According To The Work Experience?**



**7) What Attracted You To Join L & T?**



**VIII. Findings:**

- 1) 50% of the employees seems to be satisfied with the Talent Acquisition Procedure
- 2) HR works really hard to keep the employees satisfied and engaged
- 3) Extreme care is taken in selecting the panel for the interviews.
- 4) Decisions are taken collectively.

**IX. Conclusions:**

- 1) Proper job description is essential in the Talent Acquisition Procedure.
- 2) Proper evaluation of the vacant position and the available person's qualification, experience and skills is necessary before the posting of the person.
- 3) Induction and training should be given to the employees as per the requirement.
- 4) Employer Branding plays a key role in the Talent Acquisition.

**X. Recommendation:**

Alternate sources of recruitment

- 1) Rehiring an ex-employee.
- 2) Social media networking.
- 3) Prepare for a Skype interview.
- 4) Create winning impression even on those who are not selecte

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## CHANGING SCENARIO OF HUMAN RESOURCES MANAGEMENT IN INDIA WITH SPECIAL REFERENCE TO BEST HR PRACTICES

**Prin. L. K. Shitole,**

E.S.Divekar College of Arts, Science and Commerce,

Tal. Daund, Dist. Pune

Cell No. 9423254664

E-Mail ID: esdcollege@hotmail.com

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**Abstract :**

*India adopted the policy of globalization, liberalization and privatization since 1991 which has paved the way for smooth entry of foreign direct investment. Number of multinational companies in various fields have entered Indian horizon. These companies have brought with them not only the investment but also the advanced technology as well as various work related practices. In a bid to withstand in the stiff competition arisen because of the globalization, even the domestic industries are falling in line with the multinational companies. Now the domestic companies have started adopting Best HR Practices. Undoubtedly these practices have shown positive result so far as improvements in the quality of products, efficiency and productivity of the employees and cost effectiveness. The importance of the Human Resources Development department has also increased in the overall management set up and now their views are being given due weightage while taking important management decisions. Developing the best HR practices is a continuous process and day in and day out new innovations are being introduced. The role of motivated employees has become crucial and that talent management in general and retention of talent in particular has become a key role of the HRD Dept.*

**Keywords:**

*Human Resources Development, Best HR Practices, Motivation, Increased productivity and efficiency.*

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**Introduction:**

Economic development of any country depends on the contribution of industrial sector. India being a country where agricultural activity is predominantly prevalent

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contribution of agriculture is also supplementary to the economic development. Until last decade the contribution of agriculture was significant but gradually it started decreasing and correspondingly the contribution of industrial sector to the GDP has started increasing. Over the past few years contribution of the industrial sector to GDP is over 16 per cent. The Government knowing fully well the significance of this industrial sector has taken number of steps for fostering its growth.

**Globalization:**

Since 1991 the Indian government has adopted the policy of globalization, liberalization and privatization. It has initiated series of measures to stop the then prevailing license Raj, and eased out the MRTP provisions, initiated economic reforms and in the phased manner open up the country's economy to the foreign direct investment. This has resulted in the entry of multinational organizations bringing in both the investment as well as technology to India. This entry of multinational companies in India has also given impetus to the domestic industries development. E.g. Pune has become an Automobile Hub because of the presence of world renowned automobile companies in and around Pune. This paved the way for domestic automobile component suppliers to these Automobile manufacturing companies. The impact of globalization on the Indian industrial sector gave rise to fierce competition amongst the domestic companies. In turn the Indian companies have also taken up series of measures to meet this competition by adopting new technologies and practices. The Indian companies are also adopting new HR practices in order to ensure that the knowledgeable and talented work force of the organization is retained intact.

**Development of Concept of Human Resources Management:**

In the traditional set up in all organizations there used to be a Personnel Dept. or Establishment Dept. which is used to attend to the recruitment, pay roll management, granting of leaves, maintenance of leave records, transfers, labour management, and management of industrial relations, labour welfare etc. However as the size of the organization grew, certain additional duties are also now come under its fold and in the process the traditional Personnel Department has now become Human Resources Department. According to McLagan, "HRD is the integrated use of training and development, career development and organizational development to improve individual and organizational effectiveness".

Human resources take care of hiring and firing people and maintaining benefits to the organization and take care of a company's all important assets. Human resources are an important part of business today for several reasons. Employees need someone in their corner making sure that they get the benefits they need and making sure organizations live up to their word. Human resource departments are also on the side of the business owners because when they help employees get what they need, they will be healthier and more productive. Human Resource Planning is the process of determining and ensuring that the organization has adequate number of qualified persons available at the proper times. The same number of employees should be able to perform jobs which meets the needs of the organization and provides satisfaction for individual employees.

In the process the role of the Human Resources Development has been enlarged and along with it, its importance has also increased substantially. Now the views HRD on various strategic management issues are given due weightage.

Today's world is knowledge based. The need of the hour for the developing industries is talent management. This is a very crucial task. For the talented staff number of companies is willing to pull them offering attractive compensation packages. Therefore, retaining the talented staff has become a crucial function of the Human Resources Development.

Apart from the attractive compensation packages, today's talented employees give weightage to various other factors like work culture of the organization, career path planning, training opportunities, delegation of authority and responsibility, HR practices followed by the organization.

Today, the Human Resources Development department is required to be on its toes. Numbers of new H R practices are being introduced. In fact the Human Resources development department should have ongoing innovation activity. Now in the multinational organizations a new concept namely Best HR Practices has been introduced.

After the globalization the Human Resources Management department assumed greater importance in most important areas of organizational practice. This was the result of the changed industrial scenario and the economic development. Today Human Resources department requires altogether different skill set. It offers greatest challenges and also opportunities.



As the time passes Major HR concepts are evolving. The thrust is on shifting the focus from control to realization of HR functions emphasizing requirements of the organization in a comprehensive manner.

In large organizations the HRD has following specialists in the department:

- 1) **Recruiters:** Search for qualified job applicants.
- 2) **Human resource development specialist:** Manage employee development activities in an integrated manner.
- 3) **Engagement and fun specialists:** Ensure that the workplace is fun-filled and enjoyable.
- 4) **Employees' welfare officer:** Take care of welfare amenities for employees prescribed by law or otherwise.
- 5) **Job analysts:** Collect and examine information about to prepare job descriptions.
- 6) **Compensation managers:** Develop compensation plans and handle the employee benefits program.
- 7) **Training Specialists:** Plan, organize, and direct training activities.
- 8) **Employment/Industrial relations specialists:** Advise management on all aspects of union-management relations.

#### **Best HR Practices:**

Some companies know very well, how to take good care of their employees and provide a working environment that helps them retain their identity, while proving themselves and growing along with the company.

Following are the few tips for HR Management:

- 1) Open Management
- 2) Sharing knowledge
- 3) Suggestions for HR practice
- 4) Respecting employees
- 5) Safe work place

#### **Here are some more ideas for best HR Practices:**

Safe, Healthy And Happy Workplace

- 1) Open Book Management Style
- 2) Performance Linked Bonuses
- 3) 360-Degree Performance Management Feedback System
- 4) Fair Evaluation System For Employees
- 5) Knowledge Sharing

- 6) Highlight Performers
- 7) Open House Discussions And Feedback Mechanisms
- 8) Reward Ceremonies
- 9) Delight Employees With The Unexpected

**Newer ideas of compensation:**

Today in the IT and BPO industries a new style of compensation has been introduced. There is no specific time scale for the staff. There is individual negotiation with the staff and the compensation package is finalized. The package is also divided into two parts one is fixed pay and the other is variable pay which is dependent on the basis of the performance of the team in which the individual works. As a result every employee's scale is different. It is not a time scale. Promotions are now based on performance and competence i.e. on merit.

**No Micromanagement:** No one likes to be managed closely. The productive affects adversely if there is a close management. Therefore, right from the interview till the time the candidate joins the company, it is made clear to him or her that they have to take complete ownership of what they do. And the companies keep our promise by giving them complete ownership, which means no micromanagement. They can complete the task in any way that they are comfortable, as long as the tasks are completed on schedule and in an ethical way, it works for the companies.

**Flexible Timings:** In today's dynamic world, particularly in metropolitan or urban places reaching the office well in time has become problematic. The distances are more and the modes of transport are not that dependent. The to and fro transit time in reaching the office and coming back to residence is quite long. Everyone is under tension for reaching the office in time.

This is something that has been gaining a lot of momentum in many companies these days. Companies too are big fans of flexi-timings as we believe that employees do more work when they are not busy looking at the clock. We have a 12-hour window during which an employee can come in and work for a 9-hour period. As long as the work is getting done and it does not affect co-ordination amongst teams, the employees are free to set their own work timings.

**Work from Home:** As a result of the drastic change in the communication environment, in certain IT and BPO organizations the employees with prior permission can attend to their work using the lap top from home only. This has certainly added to the flexibility for the technical staff. Now there is positive impact on the availing casual

leave. Whenever needed, for a small period absence the staff can seek prior permission from the immediate boss and work from home for four five days. This has certainly added the overall productivity.

**Glass Door Policy:** The traditional managerial hierarchy gives a feeling of distancing from one another. i.e. Boss and the others reporting to him. In today's world no one is ready to accept bossing. There is a general acceptance of open management style functioning. Actually, the correct term would be No Door Policy. Companies follow a flat-structure in some companies and we don't really have any "boss" system. That's why the only cabins in the offices are either conference rooms or bathrooms! Companies trust their employees to be responsible for what they do, and as mentioned earlier they are complete owners of their work. Remember trust begets trust.

Here are some of the best HR practices that help in the creation of a highly satisfied and motivated work force.

- 1) **Work Environment:** It is obvious that the employees prefer to workplace to be safe and has healthy atmosphere where working is pleasurable. Every employee is being accorded his due importance and also the motivational support to stay in. For this purpose in the organizations there are internal surveys carried out and the employee's satisfaction level is assessed. Wherever necessary prompt actions are taken to rectify any deficiency observed in the surveys.
- 2) **Open Management:** Today every employee expects that the organization maintains a satisfactory level of transparency and keeps its employees updated of the various developments taking place in the organization. This also ensures that the employee's feel secure as well as recognition of their importance in the organization. This is achieved by internal e-bulletins, blogs and frequent floor level meetings. The employees are kept updated on the changes in the company's policies, achievement of new contracts and the sales trend, any new Sr. Executive joining the organization etc. The organizations also give every employee to put forth his/her ideas for improvement of the company's performance. Rewards are also given on assessing the cost benefit of the suggestions.
- 3) **Performance Incentives:** Today's organizations have altogether different type of functioning. They divide the staff in different modules by applying certain parameters e.g. for each order a different module. Accounts are also maintained and the profitability of the order is assessed. This provides the management a tool to assess the financial performance and to give team incentives based on the actual

performance displayed. In today's organizational set up there is a system of promptly recognizing individual's achievements which motivates not only the said staff but also inspire the other staff to perform better. While doing so the HR always keeps it's one eye on the cost to the company.

- 4) **Performance Feedback:** Today the traditional system of writing confidential performance report by the boss is no more in vogue in any organization. Now the performance is assessed using scientific tools and also involving not only the top boss but also the senior officials as well as subordinates. Thus everyone's opinion is taken into account while assessing the performance. This appraisal is also discussed with the individual employee who is taught to use this feedback for his /her improvement in the performance.
- 5) **Employee Evaluation:** Every company has an employee evaluation system in place but a good system links individual performance to the goals and priorities of the organization. This works well when achievements are tracked over an year. For a fair review of each employee, the evaluation, apart from being done by the boss, should be done by another person at a higher level, for whom the employee's contribution is important. Ratings can also be obtained by other employees. This ensures a fair and accurate rating of each and every employee.
- 6) **Sharing of Knowledge:** Today because of the technology development knowledge gained by an employee in a training programme or a workshop is stored in the data base and access is available to those who can use it for increasing their knowledge. This centralized system of knowledge storage accelerates the training effect at no additional costs. Even innovative ideas that the management deems fit for employees to see, can be stored here for all to see.
- 7) **Publicize Good Performances:** Quite obviously every organization has some employees who display outstanding performance. Organizations highlight such performance through various media available to it e.g. house bulletin, display of board at the entrance, holding special meeting etc. so that the achiever gets due recognition. This approach and actions inspire the other employees of the organization.
- 8) **Discussions:** All that wisdom is not centered at the top. Every employee has some genius and has some practicable ideas which can be tested for its techno economic feasibility and economic viability. Therefore, in the organizations there is a system of group discussion on specific areas where the employee can share his ideas which

may prove to be useful to the organization. There are suggestions boxes in each of the departments or at central place where the employee can drop his suggestion. These suggestions are evaluated by an expert committee and appropriately the employee is informed the outcome of it. Suggestions which are acceptable to the organization are promptly rewarded.

**9) Rewards:** For the best suggestion of the employee, organizations organize special meetings and the achievement made known to the other employees of the organization. This instills confidence in the employees that the management is considerate for good suggestions.

**10) The Surprise Factor:** Everyone likes a surprise. When one is not expecting a surprise and if a surprise gift is received everyone is thrilled. The gift may be a certificate, a small reward. The surprise need not be restricted to the achievers it can be given on randomly selected basis. Such a small gift also proves to be a best motivational tool.

The success of the organization largely depends upon the employees' strenuous efforts and involvement. These healthy HR practices go a long way in developing cordial and healthy relations with the employees. The organization's work culture and the overall approach towards the employees should be such that every employee should feel proud of his company's performance.

**11) Exit Interviews:** This is relative a new concept. Now a day this is a common practice in almost all the organizations. When the employee calls it a day and tenders his papers, exit interview is conducted by a senior executive from HR department. The objective is to find out why the employee is leaving the organization. When the employee is leaving the organization he can express his free and frank opinions about the organization and its people. He can voice all that he feels about the organization good things as well as undesirable ones. The outcome of the interview helps the organization to take corrective steps wherever necessary.

Experts feel that such interviews should be oriented to obtain comprehensive impression about the organization, managerial deficiencies, HR policies etc. This interview outcome helps the HR department to sort out any genuine problems faced by the employees which will result in arresting the further attrition of the employees.

### **Conclusion:**

While studying the Best HR practices it has been observed that the Best HR practices followed by multinational companies cannot be copied in as it is, because those are

based on the environment prevailing in their Head Quarter country. In the Indian context those practices are required to be suitably modified to suit the Indian environment. Implementation of best HR practices also involved costs and therefore the Indian companies are required to balance the cost and the benefit that they derive. It can be said that HR practices that are being followed in India are subjective in nature. These practices differ from company to company, based on location of the units, nature of production/services etc. Therefore, HR practice which is considered as best HR practice for one company may not be so for another company. This needs to be understood correctly before its implementation.

To conclude that it can be said that HR practice is becoming more and more challenging day by day. They have to face lot of problems like retention, attraction of employee, dealing with different cultural people, managing work force diversity, technological and informational changes to overcome with these challenges training (Cross cultural training and technological and informational training) is necessary for HR people. To reduce mobility of professional personnel, HR people have to motivate them from monetary and non-monetary techniques. Proper performance evaluation system and proper career development plans should be used in the organization to reduce professional mobility.

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## IMPACT OF MOTIVATION ON PROFESSIONAL LIFE

**Shruti Shashidharan**

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***Abstract :***

*For an organization to succeed it's important that the employees are being provided with the best working environment so that they are directly motivated to give their best to achieve the organizational aims & objectives. The human resources should be allocated properly so that the time & energy is being effectively utilized for achieving the organizational objectives. This study is intended to explore the motivational beliefs of teaching faculties working in ASM's Institute Of Professional Studies.*

***Keywords :***

*Motivation, Organizational Objectives, Motivational Beliefs.*

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**Introduction :**

Motivation is what an individual needs the most in today's current scenario. To be a successful person in life many people look out for proper guidance & motivation. Motivation is one such aspect that can take a person to a glorious height that he/she has been dreaming of. It's a pathway to success. The nature of motivation is vital to improving one's personal & professional life. In today's present scenario, organization gives importance to the ways that the employees can be motivated because that will lead in achieving the organizational aims & objectives. The ultimate goal of every organization is wealth maximization which is possible only when its employees are satisfied with the working environment & also through continuous motivation & inspiration. Due to professional pressure, many employees find that their level of confidence gets lowered so, for empowering their confidence motivation works for their betterment & both the organization & the employees reap the benefits of the sessions conducted on motivation.

**Literature Review:**

We all have motivation that ebbs and flows. The impact of Motivation on professional life can be understood in detail by the various types of Motivation.

The most important motivation for professionals is Achievement Motivation, which enables an individual to achieve the objectives & climb the ladder of success. The Achievement Motivation is as similar to “Kaizen” approach of Japanese Management.

The second type of motivation is Competence Motivation in which an individual performs high quality work. These individuals have solution to all the problems that come in their way. They have excellent problem solving skills.

Next is Power Motivation which influences the employees & change the situations. Power motivated people have the capability to create an impact on the organization & these employees don't back out from taking any types of risks.

Another type of Motivation is Incentive Motivation where the employees are being said that they will be awarded for the work that they do. It is “you do this and you get that”, attitude.

This type of motivation drives the employees to work a little harder. Most of the unorganized employees get motivated when they are offered rewards.

### **Objective of Motivation:**

This study is carried out to find the various motivational ways so that the employees can be motivated. This study will also help to know different types of personalities of the employees & the type of motivation needed by them. It is a combination of various steps. Robbins and Coulter have presented the following ‘Need-satisfying Process’:

#### **1) Unsatisfied Need:**

At the first step of motivation a person feels the need of something or there is a feeling that he lacks something.

#### **2) Tension:**

The person concerned gets tensed at the very idea of his need not being satisfied.

#### **3) Drives:**

Drive signifies some sort of tumult in the mind of the person concerned. At this step the person concerned endeavors to fulfill his need. The fulfillment of need depends on the direction and intensity of the drive.

#### **4) Search Behavior:**

At this step, a person tries to discover different options to fulfill his need. He puts the best option into operation.

#### **5) Need Satisfied:**

If the option really happens to be a correct one, satisfaction is obtained.



**6) Reduction of Tension:**

The person concerned gets relieved when his need is satisfied.

**7) Increase Willingness to do the Job**

Increasing worker motivation means workers willingly carry out the tasks required by the job. This also means managers are less likely to pull teeth to try to get a worker to perform tasks. The job description should match duties, qualities and competencies of the position. This helps administrators and workers understand the demands of the position before, during and after coming into a position.

**8) Increase Performance**

Increasing worker motivation serves to help organizations meet internal and external goals. Increasing worker motivation has shown to increase job performance levels. Administrators should help workers feel as part of a team in the organization. Increased worker performance usually means increased customer satisfaction.

**9) Increase Retention**

An administrative team that includes the workforce in decision-making processes for strategic planning in achieving organizational goals has shown to increase worker retention. Helping workers feel engaged throughout the process increases worker motivation and to feel invested in the organization. Increasing worker motivation and job satisfaction has been linked to higher rates of retention and increased worker productivity.

**10) Increase Job Satisfaction**

A poor working environment can make any good worker lose motivation. Job incentives such as competitive pay, benefits and programs such as tuition reimbursement, flexible hours, scheduling and time-off show increased levels of worker job satisfaction. Since most workers do not stay at the same position for an entire career, training programs have shown to increase job satisfaction. Increased job satisfaction has shown to increase worker motivation, which then increases job retention rates, performance and productivity.

**11) Supervisor and Manager Role**

Supervisors may be the problem. Managers who are flexible and understand, recognize and respond to worker's needs may have employees who are more motivated. Supervisors who are difficult to work with may have workers who are

less motivated and therefore have workers who have decreased levels of job performance.

**Scope of the study:**

- 1) The scope of this study is check the attitude of the employees & find ways to make them stay positive.
- 2) To build cohesive work relationships with the employees so that they can freely share their ideas, views & creativity without any hesitation.
- 3) Making the employees accountable, establishing and reporting on your goals is a great way to ensure that the employees always remain focused.
- 4) Plan to achieve; celebrate wins, which means that once the employees are being inspired they help in achieving the goals of the organization effectively.

**Hypotheses of the Study:**

Following are the alternate hypotheses generated from the objectives of the study:

**H1** : Some of the western motivation theories are not applicable for Indian organizations.

**H2** : Leadership behavior affects employee motivation.

**H3** : Financial and non-financial motivators have direct impact on employee motivation.

**H4** : There is a relation between Motivation and personal effectiveness.

**H5** : Motivation is a force (energy) to achieve any objective a person sets for himself or for the motivator without questioning the motive behind the objective assigned to him because of bonding created between him and the motivator.

**Research Design:**

As Sellitz et al (1965) state. "A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure."

Ghauri *et al* (1995) proposed three types of research: exploratory research, descriptive research and casual research.

Exploratory research is conducted into an issue or problem where there are few or no earlier studies to refer to. The focus is on gaining insights and familiarity for later investigation. The objective of exploratory research is to gather preliminary

information that will help define problems and suggest hypotheses. Exploratory studies are also necessary when some facts are known but more information is needed for developing a viable theoretical framework. An exploratory study is undertaken when not much is known about the situation at hand or no information is available on how similar problem or research issues have been solved in the past. In such cases, extensive preliminary work needs to be done to gain familiarity with the phenomenon in the situation and understand what is occurring before we develop a model and set up a rigorous design for comprehensive investigation. On the contrary, descriptive research is used when the phenomenon is well structured and understood. This kind of approach requires a critical approach to the obtained information. The casual research is used when the problems under research are structured. The main tasks under casual research are to isolate cause(s), and to tell whether and to what extent cause(s) result in effect. Both descriptive and casual research use structured problem. As the aim of the present study is to find out the nature of relation between motivation level vs. Leadership Behavior, Organizational Culture, Team Spirit, Personal Effectiveness and Financial Motivators, the problem statement implies that the aim is at understanding this unclear phenomenon, this research could be considered exploratory. Hence, the research design was exploratory research design. An exploratory study using primary data was chosen as appropriate means to investigate the objectives and the hypotheses. With a view to capture the motivators response comparative analysis on motivation and to recommend new motivation model, questionnaires were devised to be answered by those who are actually employed in combat. As it is not possible to examine the entire population, sample population was chosen from managerial cadre and above.

**Limitations of the Study:**

- 1) The organizations chosen for the study were based on convenience. However, adequate attention was paid to selecting the organizations that fulfilled the parameters of the research.
- 2) As a field study, the research was mainly based on self-perceived motives and beliefs, which is not sufficient to build a comprehensive picture of motivation. The study of motivation level requires an in-depth probe as it is presumed that each organization has its own work environment, requiring varied motivators. However, care has been taken to get a bigger picture of universality of motivators by choosing

Defence, public and private (small, medium, large-sized) organizations as population.

- 3) The current study relies on questionnaire investigation with concise question contents and lacks the depth of qualitative research methods. The main reason for this could be attributed to the paucity of time and resource constraints.

## SUCCESSION IS PLANNING - A CRITICAL ANALYSIS OF FACTORS AFFECTING THE PROCESS IN LEADING CORPORATE

**Prof. R. K. Sinha**

ASM's IBMR

rksinha@asmedu.org

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### **Abstract**

*In fact, the basic ethos of succession planning process in today's corporate world has become synonymous with the process of talent nurturing and consolidating the leadership dimension for its survival and growth of the respective companies based on the performance indicators & their vision statement of the company. The career succession planning hovers around the process of identifying the right talent and their consequential development in the desired perspectives of the organizational positions in the critical areas for the future needs in a seamless manner. With the growth and development of the organization in the current scenario, it has become absolutely essential to have distinct and well defined Career succession policy framework and it has to be implemented in the true spirit of the sense and purpose for which it has been created, so that the organization does not suffer from in competencies and leadership gaps, thereby jeopardizing the achievements of organizational goals and objectives in a subtle manner. The issues pertaining to the succession planning has already affected the major Corporate companies like Tata sons, Infosys, ITC, L& T and leading companies to mention have adversely their Corporate performances and brand image in the changing marketing dynamics and at many times the fate & existence of the stakeholders and shareholders at stake and also lead to huge financial losses and reputation due to the above factors under consideration. Learning's from the experiences of the leading Corporate Companies on account of Succession planning, the Axis Bank ltd, has already established a well defined corporate succession planning system in their board's operation and it has been aggressively followed by the chairperson. The Bank has been focusing on the development of the Market place and their capabilities across Corporate and Small & Medium Enterprises, Retail and Corporate solutions, so that the bank can improvise its capabilities in the relevant business domains with the right talent pool and in period of next 3-4 years, it can*

*become the ‘‘ Most preferred bank’’ in the existing financial sector of economy. This would further, help to turnaround the bank’s performance and would effective control on the volatility factors and also the credit cost expeditiously. In this context, the Axis Bank has already acquired ‘‘ freecharge’’ for 385 cr. from Snap deal for generating customer’s base through the Payment Technology Solutions. Further to this, the projected Indian demography indicates that by 2050, the number of persons in the working population and of the senior citizens would be approximately 50:50, which suggests clearly the efficacy of Career Succession Planning for the Corporate, otherwise the leading positions within the company would remain vacant and create ‘‘Organizational Vacuum ‘‘ in the subsequent years to come.*

**Key words:** Career progression, Talent development, organizational performance.

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**Introduction:**

It is an established fact that the organizations are primarily responsible for the right grooming of their employees in terms of their knowledge content, skills, talents and capabilities and in view of the above requirements they adopt the process of succession planning to develop and maintain the leadership pipeline seamlessly, so that the organization is capable in handling any such challenges at a point of time. This further helps as a strategic tool for identifying the people, who would be required in the short & long terms of the existence of the organization including the key positions to be filled at the right time. The managerial personnel are normally engaged in the leadership development process to assume the responsibilities of Developmental specialist, Consultants, Academia and other professionals as per the needs & aspirations of the organization concerned. any times, it is observed in the corporate world, they fail to recruit the right candidate for their respective companies owing to many fold reasons for critical positions like CEO’s/CXO’s/CFO’s/CTO’s or even for the positions like the members of the board of directors.

Under such circumstances, the organization’s are forced to move for external/lateral hiring to fill such positions, sometimes even compromising the right quality of the candidates for the company. Similarly, such problems becomes prominent and more critical in the family owned businesses , wherein the successors have to be nominated in advance to the concerned board of director’s and critical positions within the company otherwise it may create a chaos in the various managerial decisions to be taken at the appropriate time affecting the family business domain

adversely. Organizational growth dimension are focused towards the individual & team growth and without which no growth strategy will have any significance in the real sense of term and also in the direction of finding the right talent pool & at the same time culture also plays a biggest driver of effective & innovative growth potential of an organization in order to beat the competitor's in the business world significantly.

**Scope of study:**

The scope of the study was restricted to the evaluation of concepts and its implementation of "succession planning" within the corporate and its ramifications on the subject. The study would further evaluate the areas where improvements could be brought in the formulation and the implementation strategy at the corporate level with the role of HR – department as a business strategic partner in the above process.

**Hypothesis:**

The following hypotheses were initially drawn for the purpose of the research work to be established accordingly.

**H01:** There is no significant association between the factors affecting the succession planning and the employees of the organization.

**Ha1:** There is significant association between the factors of succession planning and the employees as such.

**H02:** There is no significant association between the strategic planning initiatives of the company with the offshoots of the succession planning.

**Ha2:** There is significant relationship between the strategic planning and the offshoots of the succession planning initiatives of the company.

**H03:** There is no significant relationship between the talent nurturing & developmental activities with that of the succession planning of the company.

**Ha3:** There is significant relationship between the talent nurturing and development with that of the succession planning initiatives of the company.

**Objective of study:**

The objectives of study were undertaken for the purpose of the research work as under:

- 1) To examine the core and subsidiary factors affecting the process of succession planning in an organization.
- 2) To visualize the overall impact of strategic planning initiatives on the succession planning and its ramifications.

- 3) To establish the linkages between the talent nurturing and initiatives with that of the succession planning of the organization concerned.
- 4) To establish linkages between the role motivational inputs in shaping the effective implementation of succession planning initiatives.
- 5) To examine the efficacy of the succession planning model in its implementation strategy and consequent challenges thereupon.
- 6) To review the succession planning of leading corporate in India & suggesting ways and means to consolidate the existing system.

**Research methodology:**

The following research methods have been adopted for the purpose of this study under reference as under:

- 1) Primarily exploratory research method has been utilized for the purpose of data collection and its evaluation so that we can concentrate on secondary data already available in record through the internet, journals, articles from newspapers and other sources to complete the said process.
- 2) The entire data analysis is made through the bar charts, pie charts etc on the subject.

**Literature Review:**

The following literature reviews were made in the context of Succession planning process in the various industries under reference:

M. Dami Baldwin (2005), in his article “The Strategy of Succession Planning” states that succession planning plays a major role in the companies’ strategic planning. Succession planning is not only for CEOs but also for all key positions. It further illustrates the advantages and disadvantages associated with succession planning. The process of developing succession planning requires a long-term strategy for the company involving the key area that requires continuity and development and the key people that the organization wishes to develop. Large consultancies, such as McKinsey, have recently focused on the broader talent issue, but most consulting support to executive succession and development practices probably comes from numerous boutique firms and retired executives in the field.

Although it might be possible to retrace the existence of succession planning (SP) to earlier stages in history, the first conceptualized and institutionalized form of SP appeared both in Europe and the US in the 1600s within the “craft” system of Human



Resources Management where apprentices who joined a shop would expect to remain in that trade for life. Their career path flowed from apprentice to journeyman to master craftsman. The system proved successful and harmonious for around 200 years, because laws and traditions protected it.

Davis and Harveston (1998) used Christensen's elements (1953) as variables and developed a model, which explored the relationships between individual-level characteristics, group-level variables, organizational-level characteristics, and resources on the succession planning process. The individual level of Davis and Harveston's model contained demographic characteristics of the managers that controlled predictive validity regarding critical organizational processes. The group level looked at the family member's involvement and influence over the organizational processes.

Krauss (2007), studied in succession planning and talent management, to having recommendations to reduce workforce attrition and prepare for an aging population. As a result of this study, the recommendations to his targeting organization were implementing a structured succession plan, which distinguished the importance of establishing ownership of the succession plan and aligning the internal culture with external branding. These recommendations were included identifying & developing higher potential within the organization.

s. Ram Charan (2011) had stressed on need of good leaders grown out of a company itself rather than hiring them. Hiring should be stressed at lower levels only, but leaders should grow out of an organization.

Carnegie D. (2009) suggests "succession planning as a systematic way to ensure that employees in a particular organization are competent enough to develop and then replace strategic roles in organization hierarchy.

Spencer Stuart (2011) shares the Indian perspective and how organizations are taking this seriously as a major concern of their HCM plans. During study of literature it was revealed that, there is lack of awareness in companies of the long term impact of ignoring succession planning, also there is not rigid structure or model existing for succession planning, hence study aimed e to incorporate a model which can capture the essence and be a fit to most organizations seeking to implement succession planning.

A generic approach to succession planing identified by Success Labs, a leadership and organizational development consulting firm in Baton Rouge, focuses on five factors: (1) assess your critical people and positions, (2) assess key skills and information, (3) identify key talent, (4) assess key talent, and (5) create individual

development plans (Lemoine, 2015). This approach is similar to the generic model defined by Redman(2006).

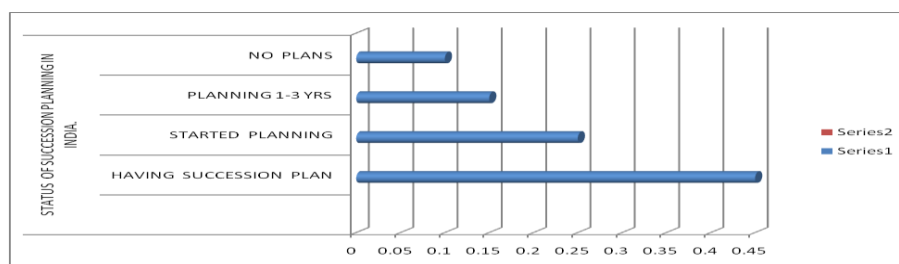
In a recent paper clippings of Larsen & Toubro, it was indicated that the company believes in the ethos of Succession planning which is absolutely vital for the organizational sustainability & as per the decision of the Board of the Director's of the company Mr. Subramanian was appointed as the CEO & Managing Director w.e.f 1<sup>st</sup>. July 2017, reflecting a transparent and well calibrated demonstration of leadership transition in the said industry.

L& T Chairman Mr. A.M.Naik would be focusing the following agenda as under:

- 1) Promote new business with L& T's support.
- 2) Guide the real estate business of L& T.
- 3) Mentor leadership & map succession planning process within the company.
- 4) Operate five philanthropic trusts, two are of his own, two trusts of employer's and One L&T Company trust and its coordination activities.
- 5) Delayer L& T for more manageable operation

#### Data Analysis:

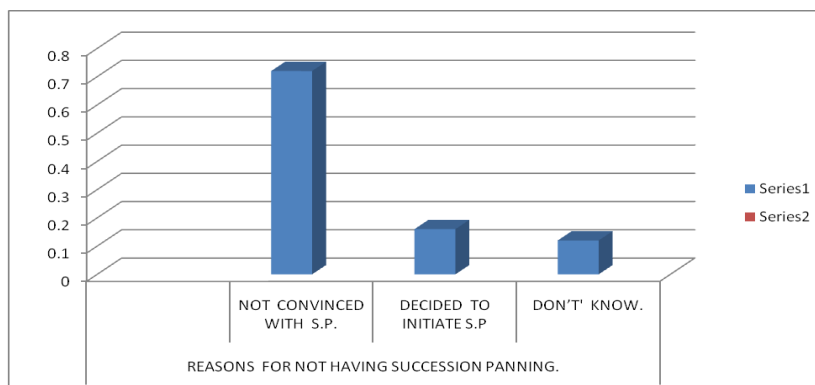
- 1) The data analysis on the issue of succession planning has been made with reference to the secondary data available on record was considered for the purpose of the study in the concerned research work.
- 2) The table-I reflects the status of companies having the system & practices on succession planning in India.
- 3) Table-I( Status of succession planning.



- 4) Table-1(Interpretations:
- 5) This table reflects the status of implementation of succession planning in the Indian context in majority of the companies under consideration.
- 6) it is true that 45% of the companies are having their succession planning system are at place.
- 7) 25% of the companies have already initiated such plans in their organization.

- 8) 15% have indicated that this would be implemented within one year or so.
- 9) 10% of the companies have no such plans to initiate succession planning.

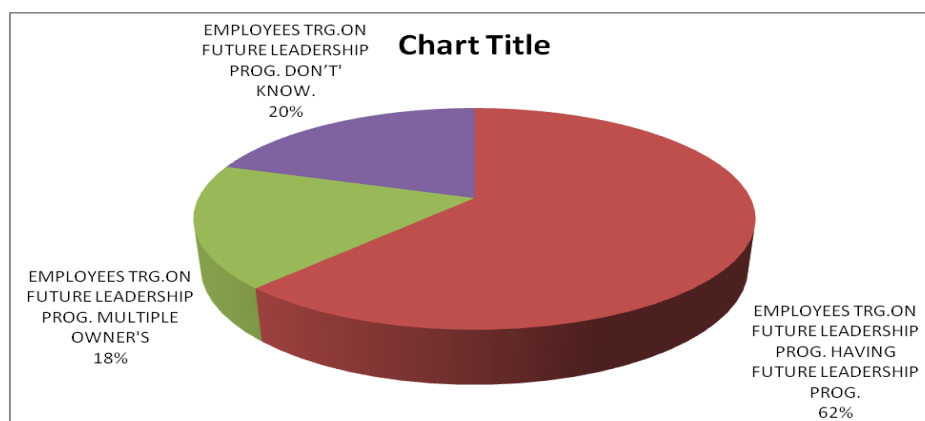
**Table-2(Reasons for not having succession planning).**



### Interpretation-2.

- 1) This table has been made to evaluate the precise reasons for not adopting the systems & practices of succession planning as such, and is evident that 72% of the population is not convinced with the concept and efficacy of succession planning in their respective companies.
- 2) only 16% of decided to initiate the succession planning in their companies, Still 12% have shown their ignorance on the subject.

**Table-3(Training on future leadership domain).**

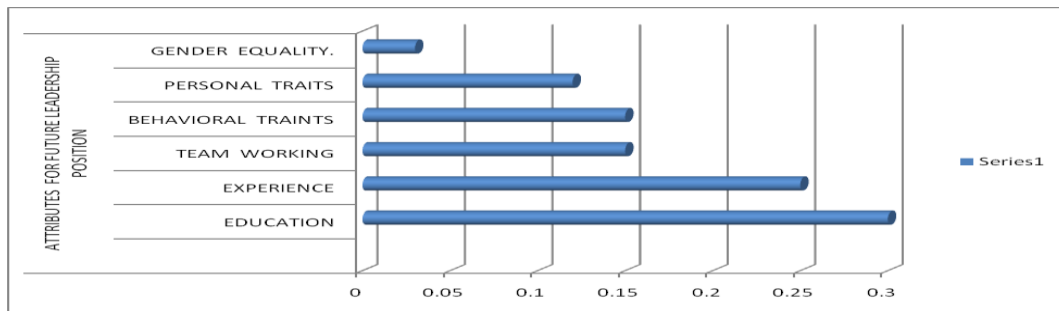


### Interpretations-3.

- 1) This table visualizes the efficacies of the formal learning and development initiatives by the company in the specific leadership domains for the development of future leaders for the company over a period of time.
- 2) 62% indicated that their companies are having formalized learning & development system at place and are fully operational.
- 3) 18% of the company are having due to multiple owners & they are not convinced,

- 4) 20% are still ignorant about its ramifications on organizational performances.

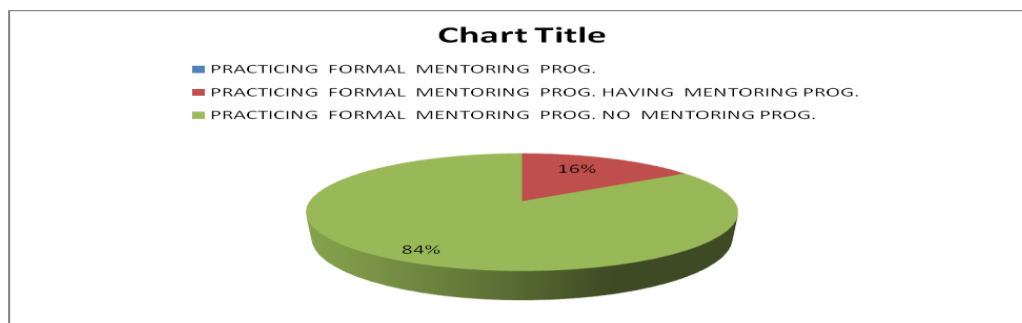
Table-4(Attributes for future leadership position):



#### Interpretation-4:

- 1) This are the various attributes essential for transforming an effective leadership roles in an organization with the respective contribution of each parameter under reference in the said table.

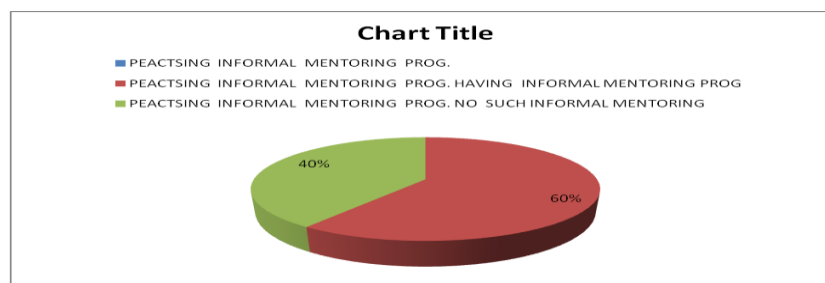
#### Practicing formal mentoring prog:



#### Interpretations-5:

- 1) Only 16% of the companies are practicing the formal mentoring system in their respective organization.
- 2) 84% of the companies have not started this concept in practice so far.

Table-6(Practicing informal mentoring prog.):

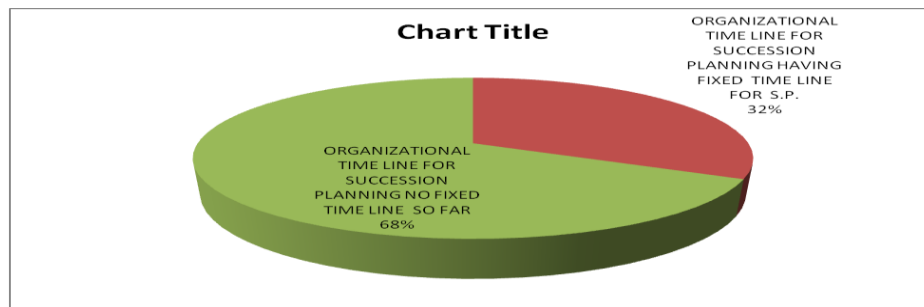


#### Interpretations-6:

- 1) 60% of the companies are having informal mentoring system for their employees to be finally groomed for the leadership positions and make effective application of their potential and commitment on the subject.

- 2) Still 40% of the companies are lagging behind in the implementation of approach for the organizational growth & sustainability.

**Table-7(organizational timeline for succession planning:**



#### **Intepretations-7:**

- 1) It is surprising fact only 32% of the companies have fixed their time lag for implementation of succession planning in their respective organization.
- 2) 68% of the companies have still thought about the issue or consideration.

#### **Suggestions:**

- 1) The following suggestions may be considered as the best practices in the domain of succession planning in a company with the following broad parameters as under:
- 2) The commitment of top management for its involvement right from its formulation to the implementation level in the company is absolutely essential, so that it is not misled or interpreted by anyone and this involves regular talent reviews by the Board of Director's and their respective contributions towards the organization concerned for further improvements on seamless basis.
- 3) A reasonable number of executives should be clearly earmarked within the hierarchies of the organization who could be considered as the "Desired Talent Pool of employees" to be groomed over a period of time for higher positions within the company.
- 4) The goals & objectives of the company should be aligned with efficacy of the succession planning vis-à-vis with the business strategy of the company with least deviations.
- 5) Efforts should be made to minimize the occurrences and interferences of political circles and emotional dynamics, so that the process of implementation of succession planning be made hassle free and without any hindrances.
- 6) New systems and procedures should be developed and evaluated in order to assess the potential employees of the organization without any kind of biases by any individual concerned.

- 7) The process of implementation of succession planning should not be done in isolation keeping at bay the standard operating practices of HRM.
- 8) The company as a part of the vision & mission statement must clearly define the role and function of succession planning and accordingly resources and other support system should be rightly channelized for its implementation in the right spirit.
- 9) The concept of succession planning should be modified and renamed as ‘‘ succession development’’ as such for effective implementation.
- 10) the focus area should be to measure the outcome of performances of the individual as against the process, which is already standardized in terms of sop.
- 11) the organization should be more realistic in this approach, while implementing succession planning in a more pragmatic way.

**Conclusion:**

- 1) If we observe the challenges of the succession planning in companies, which are normally reflected through the leadership crisis are to be addressed suitably by the company.
- 2) It is a core element of the talent strategy and in building the right quantity and quality of the executive candidate for future vacancies & it is a very dynamic process.
- 3) The following are the succession risk which is normally encountered in the implementation process by the companies:
- 4) Vacancy risk: the risk of key position being lying vacant for a long period of time.
- 5) Readiness risk: The risk of unprepared successors.
- 6) Transaction risk: The risk of failure of external successors.
- 7) Portfolio risk: The risk of proper deployment of talent against business goals & objectives of the organization.
- 8) Continuity risk: In the absence of well defined succession planning system in an organization, it may lead to a chaotic situation for survival & growth as on many times the desired manpower may not be available for critical functions to be executed by the organization.
- 9) The above mentioned risks could be minimized and countered by effective deployment of succession planning within the company and making provisions for ‘‘ Emergency successors’’.

**Further research:**

- 1) It was observed during the research study that a very few research work has been undertaken on succession planning in the Indian context & as such specific work may be initiated on sector –wise, so that specific recommendations on the subject may be devised suiting the Indian conditions and cultural value system.
- 2) Pragmatic solutions could be worked out accordingly.

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**ABSENTEEISM OF EMPLOYEE IN INDIAN INDUSTRIES****Prof. Rajeshree Mahapure****MBA Department,**

ASM's Institute of Business Management and Research (IBMR),

Chinchwad, Pune,

SPPU University, PUNE, INDIA

Mobile No.9823779825

E-mail - rajeshreemahapure@asmedu.org

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**Abstract :**

*In Indian Industries, absenteeism is not a new phenomenon. It is the manifestation of a decision of workers not to present themselves at their workplace, at a time when it is planned by the management that they should be in attendance. Many research reports reveal that there has been a phenomenal increase in absenteeism in some industrial sectors. The absenteeism becomes a problem to organizational management particularly when employees absent from their work environment without giving sufficient notice and by justifying their stand by furnishing fake reasons. There are lots of reasons for absenteeism. The factors contributing to absenteeism from work includes individual and environmental factors. These consists of sickness, accidents, occupational diseases, poor production planning (flow of work), bad working conditions and inadequate welfare conditions, lack of trained labourers, insecurity in employment, collective bargaining process, rigid control system, lack of supervisory support, lack of interest, lack of cohesive and cordial culture and so on. The individual reasons may vary from organization to organization depending upon the organizational climate, employee's attitude and influence of external organizational factors (market forces, social activities that influence the industrial culture prevailing in geographical zone etc.). High rate of absenteeism is neither desirable to employers nor good for the employees. The levels of absenteeism and reasons for its occurrence are dependent on many variables in an organizational environment. This research highlights the ways to reduce the absenteeism of the employees in the Indian Industry.*

**Keywords:** *Introduction of the study, Measurement of Absenteeism, Features, Causes of Employees Absenteeism, Strategies, Suggestions and conclusions*

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**Introduction of the study**

The term absenteeism is generally used to refer to unscheduled employee absences from the workplace. There are some genuine reason of absenteeism such as illness, family issues etc. but it can often be traced to other factors such as poor environment or workers who are not committed to their jobs. If such absences become excessive, they can have a seriously adverse impact on a business's operations and, ultimately, its profitability.

It defines that, workers absence from their regular task when he is normally schedule to work. Absenteeism is the habit of being an absentee and an absentee is one who habitually stays away from work.

In other words, it signifies the absence of an employee from work when he is scheduled to be at work. Any employee may stay away from work if he has taken leave to which he is entitled or on ground of sickness or some accident or without any previous sanction of leave. Thus absence may be authorised or unauthorised caused by circumstances beyond the control.

Prevention is better than cure, it is very important to identify the problem and the changes to be made in the procedures and systems which will help to reduce the absenteeism.

For any business owner or manager, to cure excessive absenteeism, it is essential to find and then eliminate the causes

Effective absentee control program has to be located and discontent the causes and modify those causes or eliminate them entirely. Any investigation into absenteeism needs to look at the real reasons for it. There are a few essential questions to consider at the outset if you want to make a measurable improvement to your absenteeism figures.

- 1) What are the real causes for absenteeism? It may be includes sickness, low wages, work stress, work environment, labour welfare policy etc.
- 2) Where and when is excessive absenteeism occurring? In many cases, under- trained supervisors could be a contributing factor.
- 3) Why is your present absenteeism policy ineffective?
- 4) Effective control Program/policy to be located.
- 5) Penalty or punishment policy is to be implemented for those who habitually absence from work without any intimation.

It is commonly expected that low pay, poor benefits and high workloads will be the major causes. However, in numerous employee surveys absenteeism generally

has been identified as a symptom of low job satisfaction, sub-standard working conditions and consistent negative and unfair treatment received by first-line supervisors.

### **Measurement of Absenteeism**

For calculating the rate of absenteeism, we require the number of people scheduled to work and number of people actually present.

Absenteeism can be finding out of absence rate method.

#### **For Example:**

- a) Average number of employees in work force: 100
- b) Number of available workdays during period: 20
- c) Total number of available workdays (a x b): 2,000
- d) Total number of lost days due to absences during the period: 93
- e) Absenteeism percent (d [divided by] c) x 100: 4.65%

Since absenteeism is a major barometer of employee morale, absenteeism above 5 percent has to be considered as very serious (across most industries 3 percent is considered standard).

### **Features of Absenteeism**

Certain observations may be made on the basis of studies undertaken

- 1) The rate of absenteeism is lowest on payday; it increases considerably on the days following the payment of wages and bonus. The level of absenteeism is comparatively high immediately after payday. When worker either feel like having a good time or in some other cases return home to their villages family and after a holiday, has also been found to be higher than that on normal days.
- 2) Absenteeism is generally high workers below 25 years of age and those above 40. —The younger employees are not regular and punctual||.
- 3) The percentage of absenteeism is higher in the night shift than in the day shift. This is so because workers in the night shift experience discomfort in the work compare to day shift,
- 4) Absenteeism in India is seasonal in character. It is the highest during March-April-May, when land has to be prepared for monsoon, sowing and also in harvest season the rate of absenteeism goes very high as 40%.

### Causes of the Absenteeism

The rate of the absenteeism in Indian industries is very high and cannot be dismissed. A Statistical study of absenteeism of Indian Labour observed that, the basic cause of absenteeism in India is that industrial worker is still part-time peasant. Thus the workers go to find jobs at cities after the harvesting their crops. It means that when the transplanting season.

- 1) **Sickness: Almost in Industrial sector the** sickness is most important cause for absenteeism, disease like cholera, dengue, chicken-gunya, anaemia, small-pox and malaria always break out in severe form in most industrial areas.

The low vitality of the Indian workers is due to bad housing and unsanitary conditions of living makes the trouble. The rate of absenteeism among the female workers is higher than the male due to low HB and other reasons related to women.

- 2) **Hours of work:** The long hours of work also affect the workers' efficiency and consequently their sickness rate and absenteeism rate are increased.
- 3) **Nightshift:** The workers feel very discomfort in night shifts so the percentage of absenteeism is higher in the night shift than the day shift.
- 4) **Transport Facility:** The transport facilities also play very important to contribute the absenteeism of the worker in the industries. The rate of absenteeism is higher in those factories where transport facilities are not easily available as compared to those where such facilities are easily available or provided by the factory itself.
- 5) **Rural exodus:** The most predominant cause of absenteeism is the frequent urge of rural exodus. The workers go back to their villages at the time of harvesting and sowing the crops. It increases the rate of absenteeism in factories.
- 6) **Accident:** Industrial accident depends upon the nature of work to be performed by the worker and his ability for doing that work. In case of hazardous nature of job, the accidents occur more frequently which lead to higher rate of absenteeism.
- 7) **Social and Religious Function:** On occasion of social, religious and family functions the workers become absent from their duty. Since the workers like to join their families on such occasions, they go back to their villages for like to join short periods.
- 8) **Drinking and amusement:** The habit of drinking and amusements are also responsible for absenteeism. Since drinking and amusements in the late hours of night make it difficult for the workers to reach in time on their duties. They like to become absent rather than late.

- 9) **After Pay-Day:** The level of absenteeism is comparatively high immediately after the pay-day because they get their wages, they feel like having a good time or return to their villages to make purchases for the family and to meet them, so the absenteeism is high after they got paid.
- 10) **Nature of work:** The absenteeism rate is also affected by the nature of work. The absenteeism prevails because workers are not accustomed to the factory life and factory discipline..
- 11) **Other causes:** The above factor which are caused the absenteeism in the Industrial which are pointed out briefly. However, there can be other factors also which caused the absenteeism in industrial sector. These factors are: a) personal Factors and b) workplace factors.
- a) **Personal Factor** The personal factor are further divided into sub-factors, they are:
- (i) **Personal Attitude:** there are different attitude of employees. The Employees with strong workplace ethics will respect their work and appreciate the contribution they make to their companies. Such employees will not engage themselves in taking unscheduled off. On the other hand, employees with very low or no work ethics are indisciplined and have lot of integrity and behavioural issues. Since, they feel no obligation towards the company, absenteeism comes easily to them.
- (ii) **Age:** The younger employees are often restless. They want to spend time with their friends and have fun, rather than being tied down with work responsibility. This lack of ownership often leads them to take unauthorized time off. With age, people gain experience and maturity, which makes them focused and responsible. Their approach is rather professional and they prefer to stick to their chairs to get the work done. If ever they are found absent, then it could be due to sickness.
- (iii) **Seniority:** Employees, who have been with the company for a long time are well-adjusted with the working culture and the job, therefore, they find no reason to be absent without permission. On the other hand, new hires are more prone to taking ad hoc breaks to unwind themselves.
- (iv) **Gender:** Women generally do a balancing act by shuffling their time between home and work. Family, being their foremost priority, they don't think twice before taking a step towards absenteeism.
- b) **Workplace Factors Stress:** The pressure at work sometimes takes a toll on the employees. This results in increased levels of stress. So they keep stay away from work.

- a. **Work Routine:** Doing the same job over a period of time can get monotonous. The employees find the job functions boring. They rather choose time off to do something interesting than come to work.
- b. **Job Satisfaction:** If employees do not find their job challenging, dissatisfaction creeps in. That leads to more absenteeism in the workplace.

### **Strategies to Control Absenteeism**

Following are the various strategies which help to control the absenteeism.

- 1) High Co-operative culture at workplace.
- 2) Be aware of problems which affect employee attendance or performance
- 3) Help to develop open communication between managers, supervisors and employees.
- 4) Employees are encouraged to voice their concerns so their perceptions of the work place are clear and can be dealt with.
- 5) Management should be encouraged Cooperation with union representatives It will be very helpful in attendance.
- 6) Regularly scheduled department wise meetings are an excellent way not only to hear employee perceptions but also to concerns to communicate organizational goals.
- 7) An employee's relationship with their supervisor can greatly depends on their feelings about work, their co-workers and thus their attendance at work.
- 8) Transparency and more openness on the part of management.
- 9) Make each employee aware that they are a valued member of the "team", that they play an important role in the organization and that their attendance is must.
- 10) Holding of regular meetings, keep your staff informed and involved
- 11) Know your employees; without showing an interest in their personal lives.
- 12) Awareness, commitment and involvement of all levels of staff .
- 13) Match the attendance records during a period of "high" workload to a period of "normal" workload.
- 14) Bonus for unused sick leave
- 15) Official warnings.
- 16) Develop a comprehensive and collaborative continuous improvement program throughout the department.
- 17) Counsel individual employees.

- 18) Discuss with all employees problems .
- 19) Introduce an incentive scheme to reward those who don't have an absent day. This is measured quarterly and annually.
- 20) A management structure be engineered to identify and execute objectives relating to absence prevention, disability management and attendance control.
- 21) Effective training and development program.
- 22) Effective career planning and development program.
- 23) Each worksite should develop and maintain an attendance management policy.
- 24) Employers should track attendance and assign costs based on reliable data.
- 25) Employees should be encouraged to give as much notice as possible for anticipated absences. Absent employees should be requested to keep contact with their employer.
- 26) The employer should be informed of any changes in the employee's health status.
- 27) Employees should be called if they are not keeping contact with the employer. The purpose is to show concern and desire for the employee to regain a healthy status and return to work.
- 28) In addition to individual counselling make use of family counselling methods.

### **Suggestions**

- 1) Measures to be taken to improve the working conditions.
- 2) To provide leave for employees whenever needed.
- 3) To provide sick leave whenever necessary.
- 4) Implementation of Strategies to increase work satisfaction of the employees.
- 5) Measures to be taken to improve workers relationship with superiors.
- 6) Strategies to be adopted to improve understanding between co-workers
- 7) Strategies to motivate employees, for better job rotation and job enrichment.
- 8) Implementation of strategies to create awareness to workers regarding absenteeism.
- 9) Reduction of work pressure and stress.
- 10) Offering employees an affordable medical, dental, and vision package.
- 11) Healthy employees are happy employees, and being able to provide affordable health care for their spouses and families as well is something every company should offer.
- 12) On-site child care would be extremely helpful for parents who have to work long or late hours—especially single parents.

- 13) An added bonus could be vacation time, sick leave.
- 14) Giving employees regular raises and paying well over minimum wage would be an incentive for them to stay.
- 15) Giving them the opportunity to choose which days off they want, or at least giving them two in a row and not working them more than five, would be extremely beneficial in employee retention

### **Conclusion**

Absenteeism is an unavoidable but the organizations have to bear with and it has to be managed. One cannot prepare a fool proof successful formula to eradicate this problem once and for all. Absenteeism ranging between five to ten percent is a common phenomenon in most of the industries. In fact employees remain absent for their work because of various factors, after all they are also human beings. The causation of the feelings towards work is a big challenge and the managements should take appropriate measures like sending employees on holidays, tours etc. The practice of job rotation and multi tasking strategies also work in the minimization of the feeling of monotony. In this study the employees' wages are also not attractive. Managements should pay their wages properly. So that it can motivate them to certain levels. Even though, money is not the sole factor to influence the work behaviour of employees it can certainly boost their morale towards work to some extent.

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## SIGNIFICANCE OF PERFORMANCE MANAGEMENT SYSTEM FOR RETAINING HIGH PERFORMERS IN SIEMENS LTD

**Mr. Chintan N**

Project Manager, Siemens

chintanahbc@gmail.com

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### ***Abstract***






*This report is based on the survey conducted by Siemens limited in Jan 2017. An E-Questionnaire of 13 Question (12 Objective & 1 descriptive) was sent to all employees and they were asked to provide their feedback on the performance management process.*

*Employee strength in Siemens Ltd was 7694. Total number of responses received was 1846. This survey was conducted in all five sectors: - Energy, Healthcare, Corporate, Industry, Infrastructure & Cities.*

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The primary focus of this survey was to get the employee feedback on the implementation of Performance system in India & identify the gaps in implementation.

This Survey has five parameters to judge each objective question such as:

-  Strongly Disagree
-  Disagree
-  Neither Agree
-  Agree
-  Strongly Agree

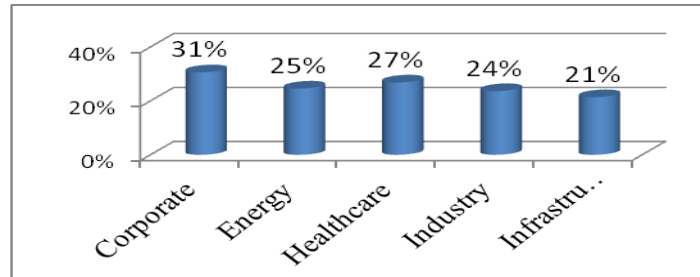
The Questionnaire in the survey contains both objective & descriptive questions covering various area of the Performance management process implementation. The questions can be broadly classified under following functions :-

- ✓ Performance Management Process,
- ✓ Manager Role in Performance setting
- ✓ Performance Management Tool,
- ✓ Communication on Processes & tools,
- ✓ Credibility of PMP,
- ✓ Human Resource role on effective implementation of PMP ,



- ✓ Feedback on Employee Dialogue Process,
- ✓ Feedback on Performance Management Rating Process

Sector wise responses:



## 11. PMP - Survey Analysis

The analysis of the PMP Survey was done to understand the gaps of PMP engagement in Siemens Ltd. To arrive at a final result, I combined - Strongly Disagree, Disagree and Neither Agree as Dissatisfied and Satisfied as - Strongly Agree and Agree.

Overall employee feedback was highlighting on the effective implementation of the Performance management process in Siemens but still a small group of employees recommended some improvement on the below mentioned points:

- ✓ Clear Delegation of Roles & responsibility
- ✓ Availability of adequate information/material on performance management processes and tools
- ✓ Improvement in the Performance management processes & Employee Performance rating
- ✓ Managers role in the effective Employee Dialogues & performance evaluation process
- ✓ Relevant training & development program for skill development of employees.

The survey threshold has been specified at 70% (level of satisfaction): Any response below 70% has been identified as an area of concern and Siemens would be concentrating their efforts in improving those specified areas by taking the appropriate corrective actions.

Total questions and overall responses:

Serial No.	Questions	Strongly Disagree	Disagree	Neither Agree	Agree	Strongly Agree
1	I am aware of Performance	2%	4%	7%	75%	12%

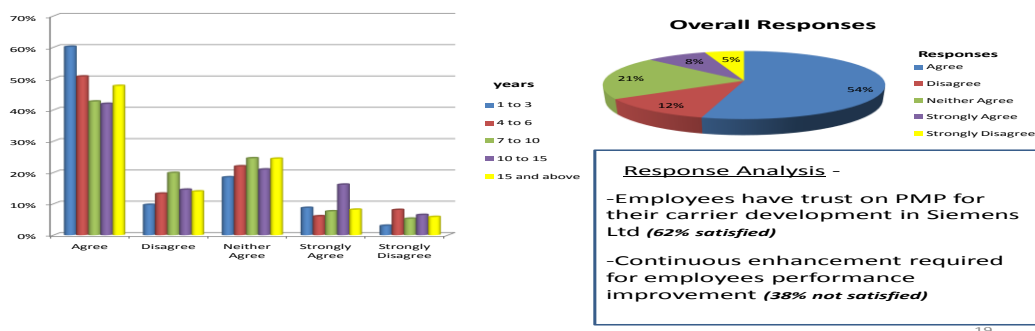
	Management Process (PMP) at Siemens					
2	My manager sets performance targets on time and clearly defines my roles and responsibilities	4%	9%	13%	60%	13%
3	Adequate information / materials regarding PMP are available for me to understand the process & tool	2%	11%	16%	65%	6%
4	I believe that PMP enables my performance and development in Siemens	5%	12%	21%	54%	8%
5	HR facilitates for effective implementation of Performance Management Process	5%	13%	19%	59%	4%
6	My manager spends quality time during employee dialogue (ED) process	5%	9%	13%	59%	14%
7	I am satisfied with the process of my performance evaluation	8%	17%	19%	51%	5%
8	My manager believes and drives performance through PMP	4%	8%	18%	60%	10%
9	I agree to the performance rating given to me during last PMP cycle	8%	13%	18%	54%	7%
10	My Manager gives feedback about my Performance at regular intervals	5%	13%	18%	54%	11%
11	My Manager identifies the relevant Training & Development needs during ED to improve my skills	5%	12%	18%	56%	9%

After analyzing all the questions what I found that role of managers is more critical in PMP and managers required more training on employee dialogue and feedback process. Below table showing those concerned areas:

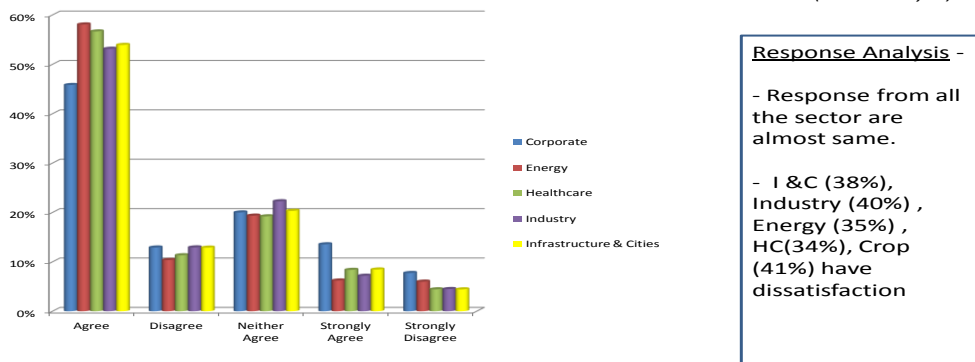
Following Concern Areas identified based on low responses ( < 70% satisfied)*	
Q No.	Survey Questions
4	I believe that PMP enables my performance and development in Siemens
5	I am satisfied with the process of my performance evaluation
7	I agree to the performance rating given to me during last PMP cycle
9	My Manager gives feedback about my Performance at regular intervals
10	My Manager identifies the relevant T&D needs during ED to improve my skills
11	HR facilitates for effective implementation of Performance Management Process

## 12. Detail Analysis of questions

I believe that PMP enables my performance and development in Siemens  
(Company Analysis)

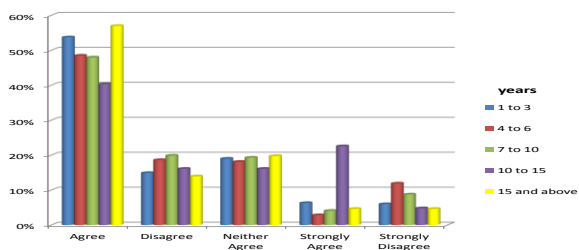


I believe that PMP enables my performance and development Siemens  
(Sector Analysis)

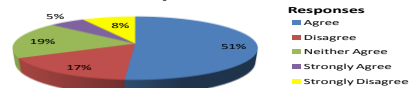


## I am satisfied with the process of my performance evaluation

(Company Analysis)



## Overall Responses



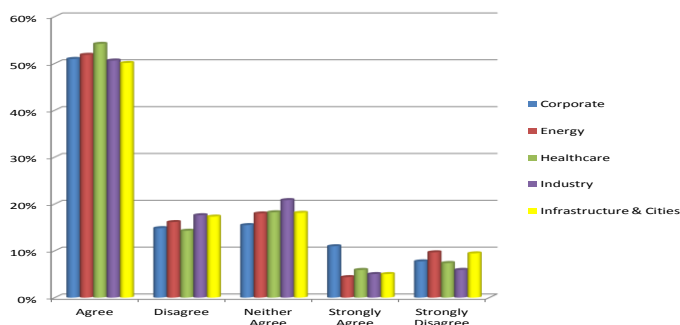
## Response Analysis:-

-Employees satisfied with their own performance evaluation process(**56% satisfied**)

-Redefine of performance evaluation process required due to more no. of employees are unconvinced(**44% not satisfied**)

## I am satisfied with the process of my performance evaluation

(Sector Analysis)



## Response Analysis -

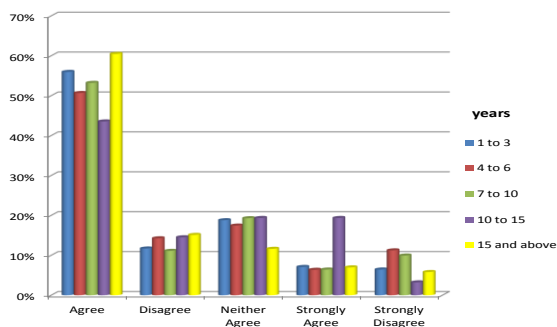
- Response from all the sector are almost same.

- I & C(45%), Industry, Energy (44%), HC(40%), Crop (38%) have more discontent

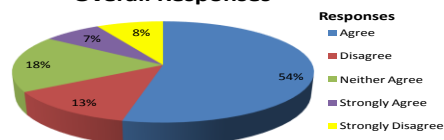
27

## I agree to the performance rating given to me during last PMP cycle

(Company Analysis)



## Overall Responses



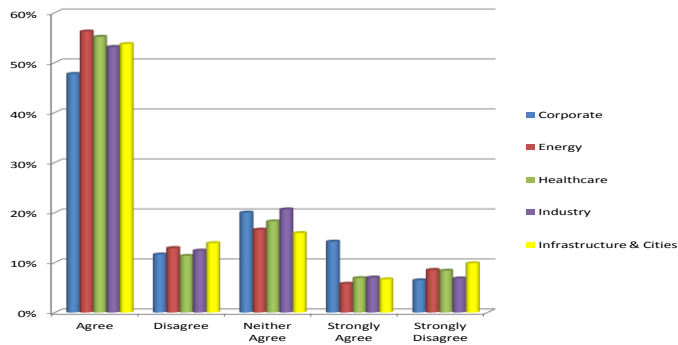
## Response Analysis -

-Performance rating process is not more effective (**only 61 satisfied**)

-Performance rating process to be more transparent (**39% not satisfied**)

### I agree to the performance rating given to me during last PMP cycle

(Sector Analysis)



#### Response Analysis -

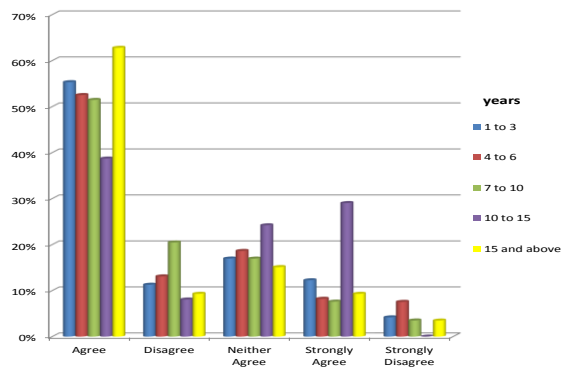
- Response from all the sector are almost same.

- Industry , I & C (40%), Energy, Crop, HC(38%), have more dissatisfaction

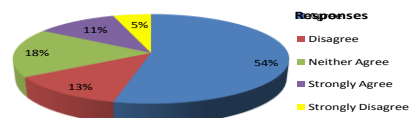
32

### My Manager gives feedback about my Performance at regular intervals

(Company Analysis)



#### Overall Responses



#### Response Analysis

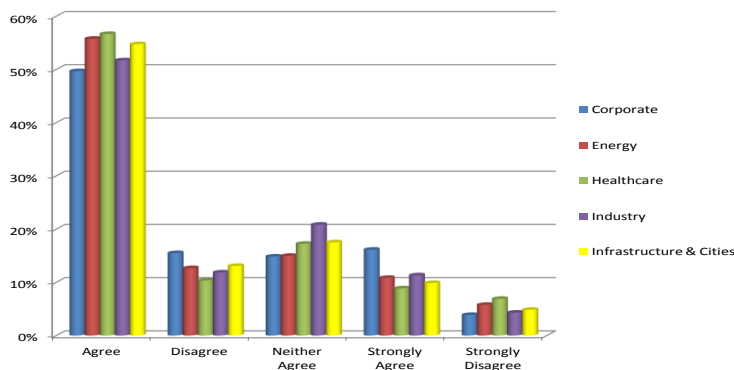
-Small no. of employees are satisfied with their feedback process (**only 65% satisfied**)

-Effective feedback mechanism process to be implemented (**35% not satisfied**)

34

### My Manager gives feedback about my Performance at regular intervals

(Sector Analysis)



#### Response Analysis -

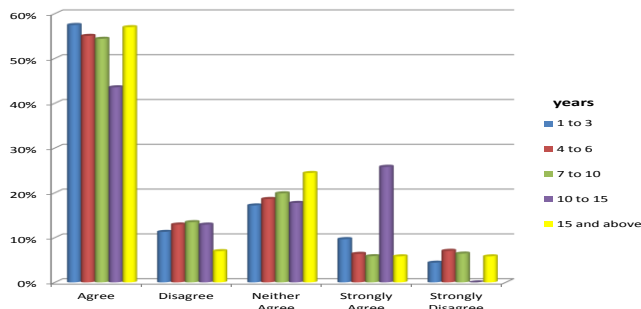
- Response from all the sector are almost same.

- Industry(37%), I & C (35%), Energy (33%), Crop , HC(34%), have more dissatisfaction

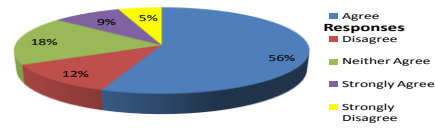
35

### My Manager identifies the relevant Training & Development needs during ED to improve my skills

(Company Analysis)



#### Overall Responses



#### Response Analysis

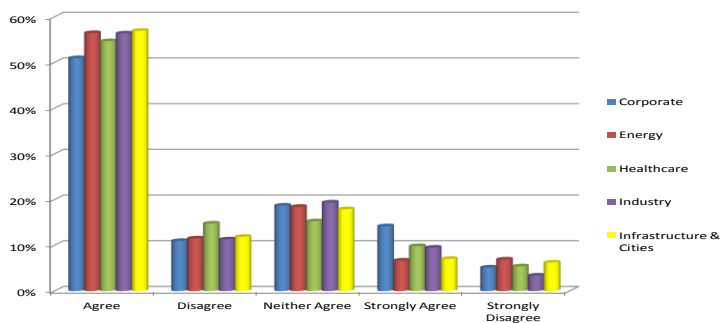
-Employees are satisfied with their training & development **(65% satisfied)**

-Relevant training & development program required for improvement of skills **(35% not satisfied)**

37

### My Manager identifies the relevant Training & Development needs during ED to improve my skills

(Sector Analysis)



#### Response Analysis -

- Response from all the sector are almost same.

- Industry(34%), I & C (36%), Energy (37%), Crop ,HC(35%), have more dissatisfaction

38

Based on the analysis of the survey feedback below are some of the action points recommended in order to further enhance the effective implementation of Performance Management process

- ✓ HR should conduct continuous Induction program/training on PMP for employees to clearly understand the PMP cycle.
- ✓ Pre round table approval of ED by HR
- ✓ Impart training to managers on employee dialogue, feedback process & delegation of role, responsibility.

### 13. Retaining High Performers - Siemens

For retaining high performers (top talent) following are a few strategies adopted by Siemens:

#### 1. Job Rotation

Job Rotation is a management approach where employees are shifted between two or more assignments or jobs at regular intervals of time in order to expose them to

all verticals of an organization. It is a pre-planned approach with an objective to test the employee skills and competencies in order to place him or her at the right place. In addition to it, it reduces the monotony of the job and gives them a wider experience and helps them gain more insights.

## **2. Wild Card Entry**

Through wild card entry high performers get invitation for communication meeting which are conducted by senior management for senior managers to give more exposure in other fields. In these meetings these employees share their experience with senior management on how their “out of box” thinking & approach has helped organization in achieving success for their assignment.

## **3. Divisional Review**

In divisional review, senior management does review of each division to understand and facilitate the top talent. The Top talent identified are thus facilitated & recognized in various forums like breakfast meeting along with Senior Management.

## **4. International Project exposure or delegation to other country**

The Identified high performers (Top Talent) also get opportunities of working in cross country assignments. This helps in getting international project & cross culture working exposure to the employees. The employees are also deputed in delegation to international project in order to understand the best practices followed there & implement the same back in India.

## **5. Special project**

Special Project is the projects which are very closely monitored by Senior Management. The high performer employees are also assigned to this critical project in order to give the best for the success of these projects. It helps the senior managers to understand their roles better & provide them growth in organization.

## **6. Invitation for top management to communication meeting**

In this meeting top managers meet to understand top talent better & facilitate their growth. The best practices are shared & management guidance is provided in order to support employees for their further growth in the organization.

There are some continuous efforts also taken by Siemens Ltd for retaining high performers such as:

- 1. Compensation & Benefits** – Continuous efforts are done in order to match the compensation & benefits rewarded to employees as per market standard.

- 2. Reward and Recognition** – The Employees are continuously recognized & financially rewarded for their good jobs by their managers.
- 3. Work life balance Policy** – To improve the work-life balance, introduce the following benefits to Officers
  - a. Flexi timing policy
  - b. Work from Home under special circumstances
- 4. Transfer Policy** – It is based on the business needs. Transfer is also planned as part of job rotation & support individual development plans.
- 5. Career progression and training** – Various career development training are provided to employees for growth & organizational benefits.
- 6. Financial bonus** – Employees are also rewarded bonus based on the company performance & profit achieved.

India is one of the largest emerging markets due to more resources, more demand and more purchasing power capability. Hence special programs like top talent growth, identification of top talent based on high performance are designed for talent in Indian market. These employees also get more opportunities to work on specialized area in BRIC (Brazil, Russia, India, and China) countries.

By Retaining high performers Siemens gets more benefits such as:

- ✚ High Skilled and Top performers remain in the same organization
- ✚ Less expenditure
- ✚ Organization growth

## Conclusion

Based on the analysis of the feedback received on the survey conducted, most of the employees are satisfied with performance management process in Siemens India. There are some gaps like orientation of managers towards employee dialogue & performance evaluation process which needs to be handled for further enhancement of the PM processes.

The continuous training & development is the key for any processes to achieve constant success. Further, communication is also a very important part which needs to be ongoing process so that employees are aware and take maximum benefits of what is available to them.

The effective Performance Management System would help the organization to grow in this competitive world & would help in achieving the organization goals & objectives.



## ORGANISATIONAL DEVELOPMENT: ORGANISATIONAL CULTURE AND SPIRITUALITY

**Authors: Mr. Rahul Pandey**

Manager, ICICI Bank

rahul.pand77@gmail.com

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**Abstact:**

*Sumantra Ghoshal has written on Organisational Structure. Trompenaars' four cultures also does the same elaborating on Organisational Culture. This is taken as the base in the paper study together with the work of Organisational Spirituality writer Danah Zohar to elaborate on Organisational Development.*

**Abstract Rationale:** *Organisational Culture and Spirituality may be said to be the DNA of an organization.*

**Objectives:**

*Study the Organisational Culture and Spirituality theories and correlate with the enterprise structure of some organizations. Expected Contribution: Manage Business Culture differences.*

**Key words:**

*Chakra, Enterprise*

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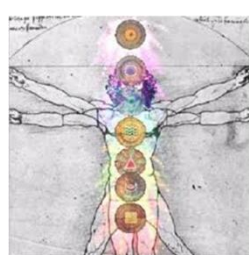
*'Corporations exist to earn money. They define work simply as making money. In essence, however, people are spiritual beings. Our whole lives are spent looking for purpose and meaning. Ergo, corporate life negates all that is really important to us.'*<sup>1</sup>

In the world, India is known for its secular spirituality and the West is known for its organizational aesthetic culture. Many industries in the way we know at present have their genesis from the management thinkers around the Chicago belt. English language is known to convey abstract thoughts. The forms of the international enterprise are juxtaposed with Trompenaars' labels of organization culture to elucidate in the spiritual chakras.

Seers in India espoused on the seven chakras. Perhaps they stuck to the lucky number seven as in its root form it has the alphabets s and t which together also mean

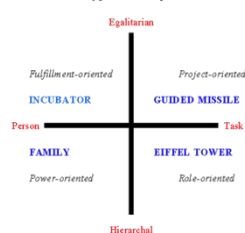
eternity. The chakras are often likened to the petals of a lotus. In the history of the human race, royals mostly wore a crown. Indian seers have likened this area where it is worn as a crown chakra nomenclature and in Indonesian culture thou shall not touch this part of others even though it is to give blessings. This could also therefore mean that all humans are royals. However the third eye chakra immediately follows, which for its intuitive powers humans would have to share its blessings with animals. Married Hindu women decorate this area with a bindi, or like most Hindus smear it with a color, read tikka. However in the throat chakra, humans with its incomprehension of the speech of other beings consider themselves blessed. The heart chakra is central of the given chakras followed by the solar plexus perhaps denoting the sun and the root alluding to the earth, and the sacral perhaps connoting by its shape to the intestines and the long digestion process.

The chakras are the rotating wheels in the human anatomy and do not include the protruding hands and legs. Nevertheless there are revolving organizations formed by groups of humans classified by Bartlett and Ghoshal with global and multinational enterprises in the two ends of a segment with the international enterprise somewhere in the centre and the transnational enterprise touted as an ideal internationalization. Unlike for Chakras, these labels of internationalization are not fixed; also the case for Trompenaars typology of organization cultures across the political geographies. Therefore the below paper starts with the chakras, continued by Trompenaars culture typology and then at last by Bartlett and Ghoshal's internationalization forms.

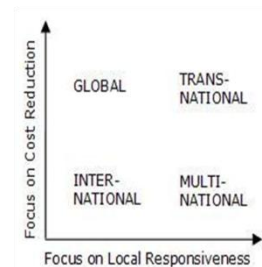


2

Four Basic Types of Corporate Culture



3



4

### *Crown Chakra: Universal Consciousness*

Materialist spiritual industries are run by godmen who philosophically massage people who play the strings of the majority common masses. Like most early disciplines, Yoga started humbly as an awareness of breath which unites the body with life.

The wheels (chakras) have rolled spirituality to culture, as culture has from nature. The left part of the brain is traditionally more developed upon in academics. Hence a similarity with Eiffel tower structure can be said as the focus is on centralization (crown ubication that is) and task focus. Again it is the ubication that have us dub crown chakra as an ideal type of internationalization i.e. transnational enterprise.

### ***Third eye Chakra: Insight, Intuition***

Popular Organizational Development prefers polar opposite of Sensing over Intuition. A dual conception of opposites or multiple dual conceptions sets up things in motion as against a frozen Nostradamus who did not save himself from imminent death. The Third Sex (Animals) embodies a defeat of human exclusiveness of such higher-order chakras.

The organizational negotiating culture is more apt for incubators as the enterprise is generally a startup e.g., Silicon Valley.

As an incubator tries to balance individuals, groups and goals, the internationalization structure is more of a loosely federated multinational enterprise.

### ***Throat Chakra: Communication***

The writers communication for this paper is a step to his Ph.D following pre-Descartesian logic of *I am therefore I think* and write this paper so as then to bounce assumingly with fellow paper presenters who too have sublimated themselves by words. Such confession is the laying of all cards in the table of spirituality. Lawyers are the byproduct of a society which swears of the pen being mightier than the sword. A globalised world which seeks standardization, women successfully beget status by mastery of the standard dialect.

A correlation can be said to be with family structure as a paternalist's action (assumption to smaller scale) would be towards lucid coparceners. It would be a multinational enterprise as communication has borders and subsidiaries triumph the head office.

### ***Heart Chakra: Love***

Mr. Richard Branson evokes this love in its popular understanding for being of the Virgin group fame. Although love is not institutionalized, publications with its bestsellers, art industry with its masterpieces have drawn their sustenance. Milestones are set with people who have delivered with love a.k.a. Mother Parvati alone whose

food contented Lord Ganesha against Kuberas limitless food. The works of love stay the longest. Like Virgin Group business with its keiretsu structure- interlinkages, multiple dominancies would have Heart Chakra merit the label of the Guided Missile as love is never to be regulated like Eiffel structures. As the Guided Missile is more task oriented and decentralized, it would be a transnational enterprise.

### ***Solar Plexus Chakra: Respect, Willpower***

The umbilical cord unites a new born with a mother. Most sages regard the role of women first as mothers as the navel remains a visible part in most bodies. Traditionally a women or a subordinate has to show respect and to earn the masters esteem has to have the necessary willpower à la donkey. Although these words are chauvinistic, the only point is that the chakra is more active in women or so the navel says it to the sages.

### **House truth being most domestic engineers are women.**

Incubators being essentially startups have to show respect and earn the masters esteem. However we also find that most entrepreneurs in Silicon Valley are not women. As the focus is on operative aspects which being daily and recurring in nature, a multinational enterprise is more suited.

### ***Sacral Chakra: Relationships, Creativity***

It is a truth universally acknowledged that most jobs are in the tertiary service sector which demand participants to fake themselves emotionally to others. Pornography, advertising, travel, art are now multibillion dollar industries with countless aspirants on the roll.

In India we witness during Holi the use of *bhanga*. Seers in India and Peru as well as some psychologists who have called for the use of coca leaves and some other intoxicants are stonewalled by a legal system which in connivance with the political system promotes the export of alcohol and cigarette.

A guided missile could be the case as the enterprise is large, and the structure is essentially team based.

An International enterprise could be the organization structure as the nature of the enterprise precludes a transnational objective enterprise.

***Root Chakra: Surviva***

C.K. Pralahad's choice of the word 'Fortune at the Bottom of the Pyramid' may also be interpreted to be a top-down view which for its many participants is a red ocean world whose only concern is to find their feet in this world. This may preclude the thriving black economy but a reality to the many temp workers who have to leave their minds outside when they enter their bodies in the work place. Eiffel Tower- the typical image that this Chakra would conjure up these days is of limitless structures to the initiated where a maze of processes needs to be negotiated upon.

As survival assumes competition, this big need to fix responsibility results in a Global enterprise where a centralisation can claim to play the strings.

<b>Emotional Chakras</b>	<b>Organisation culture labels (Trompenaars)</b>	<b>Internationalization types (Bartlett &amp; Ghoshal)</b>
<b>Crown</b>	Eiffel Tower	Transnational
<b>Third Eye</b>	Incubator	International
<b>Throat</b>	Family	Multinational
<b>Heart</b>	Guided Missile	Transnational
<b>Solar Plexus</b>	Incubators	Multinational
<b>Sacral</b>	Guided Missile	International
<b>Root</b>	Eiffel Tower	Global

The limitation of this study would be to establish a complete match between the variables of emotional chakras, organization culture labels and internationalization types. Moreover it cannot be affirmed that these concepts have a positive correlation. Here it might be of interest to note that the western (modern) conception of organization structure-MNCs, TNCs, Global, International types trace their roots to the early military and the Catholic church. Thus the present secular deprecation of western spirituality (read religion) is to be revised in the light of the origin it shared.

A relook by academicians, although their experiences might not have them in positions to experience the difference among organization and internationalization, teachers as the academic parents are to now groom customers and not students- a fundamental shift perhaps in the product which would pass out from educational institutes to the different corporates.

*'And then most folks are so darn crooked themselves that they expect a fellow to do a little lying, so if I was fool enough to never whoop the ante I'd get the credit for lying anyway!'*<sup>5</sup>

### References

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- 2) Seven Chakras image retrieved on January 30 from [http://biocog.com/Site/images/7\\_Chakras.jpg](http://biocog.com/Site/images/7_Chakras.jpg)
- 3) Fons' Corporate Culture image retrieved on January 30 from [http://www.emeraldinsight.com/content\\_images/fig/0500160304001.png](http://www.emeraldinsight.com/content_images/fig/0500160304001.png)
- 4) Bartlett and Ghoshal's Internationalization type's image retrieved on January 30 from <http://blogs.bnet.com/intercom/images/internationalstrategies.JPG>
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Peter ten Hoopen & Fons Trompenaars, *The Enlightened Leader*, Jossey-Bass, 2009

## **EMPLOYEE ENGAGEMENT IN LARSEN AND TOUBRO LTD , POWAI**

**Authors: Mr.Udaykant P**

IT Manager, L&T

Udaykant125@yahoo.co.in

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### **Abstract:**

Policies and practices supporting employee engagement, handling of people issues by line and HR, recognised rights and responsibilities of individual and in case of existence of union / value / policy based interface with unions.

### **Keywords:**

Employee Engagement, L&T

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L&T has been in operation for over more than 70 years. In due course of time, It has adopted various policies and implemented various policies that aids in making the work environment more conducive. Event at times, it never backed away in making changes in the policies and practise to adapt to changing economic and political climate. So L&T as a company can has employee friendly policies and practices which have been in place for years together and which were being readily adopted by the employees / workers.

There are practices, which are being followed in order to take care for employee engagement. Few of such practises can bee stated as follows:

### **Career advancement / improvement opportunities.**

L&T gives lot of importance to career growth and thus places a lot of stress on training and development in order to equip the employees with various skill sets so as to make them ready for talking new responsibilities and climb career ladder higher and higher. Other than the training program, the company gives the employees a freedom to work in their own desired way. This enables the employee to find smarter ways of doing work which in the end aids in enhanced productivity.

It has been noted that every plant improvement were being made outside the suggestion system, where employees initiated changes in order to ready the bonuses generated by the subsequent cost savings.

**Regular feedback and dialogue with the supervisors.**

L&T believes that regular feedback is the key to giving employees a sense of where they are going and a regular dialogue with the superior makes the employee understand that every individual is being valued. Employees engagement is a direct reflection of how employee feel about the relationship with the boss. So an open door policy helps in a direct engagement between the employees and their superiors which helps in maintaining a healthy relationship between the peers and the sub-ordinates.

**Reward to engage.**

An incentive to reward good work is a tiered and test way of boosting staff morale and enhancing engagement. L&T has adopted lots of strategies to ensure that the incentive scheme hits the mark with the workforce such as : setting realistic targets, selecting the rights rewards for the incentive programme, communication the effectively and frequently, having lots of winners and reward all achievers encouraging sustained efforts, present awards publicly and evaluate the incentive scheme regularly etc. So be it attendance or long services employees are rewarded in every possible way to make them value the smallest of their efforts which help in adding value to company.

**Suggestion in Designing Training programme for workers.**

The line managers play an important role in skill building and the growth of workmen. Training modules for the workmen are being designed in consultation with the line managers. Appropriate brief with regard to the business plan and manufacturing plan is taken from the line manager. In line with the same discussion are done with the concerned line manager in term of the mode and contents of the program. These training programs are conducted under one theme which is consistent for a particular period. Some of the titles of the are mentioned below.

Utsah.

Chaitanya.

Utkarsh.

Naveen Ahwane.

Sanjeevani.

For example: In the beginning, the productivity was good and the industry was flourishing, and the module designed was “Utkarsh”, which was a synonym to the growth productivity. But by the end the economy faced the recession, and the productivity was decline. Here the line manager were instrumental in suggestion ideas for redefining the module of training programs, which was named “New challenges”



which helped in keeping the worker well motivated and taught them how to cope up with the economic down turn. On similar lines , last year new module of training was launched , which emphasized on “spiritual” training. The contents of these various modules of the training programme include work ethics, global workmanship, flexibility, value addition, cost management initiative, innovation and creativity etc.

Employee communication processes.

#### **Newsletter from other departments.**

The in-house magazines ,“Powai Pageant” is published once in 3 months and is an important channel for communication. This magazines brief up the reader with the latest happening in and around the company’s. It includes news from various activities, welfare programs, medical camps, long service award recipients, achievements by children, retirements and obituaries, various training programs and other initiatives. It also gives details of award and acclamation bestowed to the company or its employees. This in-house magazine is also published in Marathi. Other than the in-house magazine, there is “The L&T-ites”. which is also published quarterly and is circulated across all the branched in company. It gives the employees the latest thing happening in the company. These quarterly magazines are one of the important medium of communication across the company.

#### **Customer Dialogue Week.**

Customer dialogue week is carried out annually at Powai campus. Feedback with regard to service level, areas of improvement, new requirement is obtained from the internal customers. A structure based on several different parameters is administered for a pre decided sample/population. Industrial relation climate is one of the items in this CDW survey. After the responses from internal customer are obtained analysis with regard to rating on scale of 1 to 10 is done. The CDW also capture the qualitative comments obtained from the key customers. The findings of the survey are then shared with the management, owner department and the employees. Subsequent to this each department creates an action plan which addresses the issue of enhancing department score, catering to new requirement of customer and also effecting improvement wherever possible and feasible. Till date about 8 CDW survey have been conducted in the campus. This tool has been instrumented in enhancing overall service levels and delighting the internal customers.

Besides this notice, department meeting, meeting with the union committee members and the shop representatives are some other platform of communication. The

suggestion scheme, culture building training programs, employees satisfaction survey are the channels of upward communication. Open house are also conducted at regular intervals and have been effective models of communication at L&T. Most of these open houses have concluded in formation of voluntary groups where employees cutting across designation and function work together and strive towards making L&T a better place to work.

### **Workmen training**

The name L&T is synonymous with the learning & training L&T invest quite heavily in the learning of its employees and to train them in order to quick adept to the changing environment. The objective of all training initiatives in our is two fold:

- Building a culture.
- Transforming people.

History has shown that training is a key for transformation. The rule has not changed, only the tools have changed. With the time, the ways of learning and the technique might have gone through changes, but still it held the key to one's transformation and growth . Just to elaborate further, the essence of training in L&T revolves around:

- 1) Integrated approach of learning.
- 2) Value addition.
- 3) Building a participative work culture.
- 4) Unlocking full potential of employees.
- 5) Process Improvement.
- 6) Faster responses to the changes in the external environment.
- 7) Obtain mobility/flexibility.
- 8) Encourage team work.
- 9) Involvement of employees.
- 10) Continuous improvement.

All training programmes for the workers are grouped under one training module .such a training module is designed once in every two years. The design of the training module is planned with keeping an eye on the changing work environment and the fluctuating world market. After the turmoil that the economy went through due to the economic meltdown, there was a need felt to recharge rejuvenate the mind, body and spirit in

relation to the workplace. With this objective in mind the SANJEEVANI module was conceptualized.

Name of the programme conducted...

- 1) Art of living.
- 2) Meri pechan.
- 3) retirement Planing.
- 4) Sanjeevani-Brahma Kumari.
- 5) Sanjeevani- Jeevan Vidya.
- 6) Smile-Art of self healing.

Encouraging employees in volunteering in CSR activities or other community service activities.

The company is strongly committed to fulfilling social obligation of conducting business. The support various community welfare programme in health –care, environment and rural development. Across the company, there is total commitment towards environment protection, implementation of safety measures and conservation of natural resources. And so the company urges its employees to take part in CSR and other community service activities. Over 120 employees volunteers, work regularly in and around Mumbai campus for community service activities. The CSI (corporate social initiative) cell of L&T looks after all the CSR initiatives, activities and programs for the social cause. The CSI cell is being helped by employee volunteers in the planning conducting various social activities like.

- 1) In-house AIDS awareness programs.
- 2) Activities that support education like supply of educational materials, teaching aids, recreational tools and up scaling school infrastructure.
- 3) Summer camps, Maths coaching, providing facilities like science laboratories, scholarship to deserving student etc.
- 4) Blood donation camps, Tree plantation drive etc..

L&T has honoured for making the “2nd highest employee contribution” to Standard Chartered Mumbai Marathon Corporate Challenge – 2011. The employee of the company ran in the Mumbai Marathon, Promoting a social cause- Awareness for cancer.

L&T’s CSR honoured with “Golden Peacock Global CSR award 2011”.L&T was selected in the category of “Top Performer award” for its accomplishment in the

large enterprise segment. The award honours the company's commitment towards community welfare and social development.

**Involvement of family.**

For a good performance of the company, it is very much essential that the employee perform well too. And to achieve this, it is very important to keep a stress less and focused mind. And in present times, maintaining a work life balance while giving a very good performance. So in order to help the employees in maintaining a good work life balance and to bring company closer to the families of the employee, the company has taken many initiatives and conducted many programs.

**Powai Darshan:**

Family members of workers (greater than 18 years of age) are invited to visit the Powai campus. They get the chance to see the workplace of the workers and in a way it connects the work life & home life of the workers. It strengthens the relationship between the families and the companies. They were made aware of all the working conditions and how the manufacturing is done. Even they informed about the safety norms followed in the company in order to make them realize that working environments is very safe and employee friendly. In a way this program helps in maintaining a better work – life balance for the employees by bringing the personal and professional life on the same platform and strengthening the bond between the worker's family and the company.

**Annual Social Gathering:**

Annual social Gathering is a yearly event which is aimed at increasing the harmony amongst the worker also bring the worker family closer to the company as well as to each other. It is organised at mass level where the employees, irrespective of management or unionised, come together. chocolates and sweet boxes are distributed among the employees. The families of workers get an opportunity to be a part of the gathering of the company and thus it strengthen the bonds between the family and company. Also 5 show/drama are organized during this periods. The employees can come along with there families and watch any of the 5 shows. It is a great opportunity for workers family to gel with the other families. The social gathering gives an opportunity to the employees to enhance their social quotient and in way increase the harmony amongst the workers. It not only makes the workers and their families feel

belongingness towards the company but also promotes spirit of togetherness. The works committee organizes the annual social gathering. This event generates a sense of belongingness and a spirit of brotherhood among the employees.

**Contribution to employee wellness & work life balance.****Health workshops and campaigns:**

A number of health workshops are being organised along with various types of counselling sessions in order to take care of physical and mental stress of the employees. The working environment, over time, long hours of toil, the work pressure, peer pressure, family pressure, changing weather and many other things lead to mental, physical and social health issues. So these health workshops and campaigns along with counselling activities are conducted in order to answer the stress issues of the employees and to take care of their mental and physical wellness.

**Yoga classes...**

Regular yoga classes for employees were conducted which special yoga classes for obsessed employees and employees suffering from backache and joint pain, heart ailment & hypertension, chronic respiratory disorders. Also initiated executive batch for office staff where more emphasis was given on sedentary life style.

## SIGNIFICANCE OF PERFORMANCE MANAGEMENT SYSTEM FOR RETAINING HIGH PERFORMERS IN SIEMENS LTD

**Authors: Ms. Amit G**

Asst. Manager, Siemens

a.gangwani@yahoo.com

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**Abstract:**

*Today's dynamic environment is becoming more and more complex as well as important for managing human resource. Recognition of people as valuable assets in the organization has led to increased trends in employee maintenance, job security, etc. Performance Management System is a process that guides management to understand employees better & helps to set clear goals in accordance with organizational mission. Today's evolving business challenges have lead organizations to be sure that their projects and activities are aligned with overall strategic goals and business objectives.*

*This project aims at understanding the significance of Performance Management System for retaining high performers in Siemens Ltd. The PMS system helps identify high performers and hence aids in charting retention strategy. This project uses survey to assess the current level of satisfaction within the employee's level.*

**Keywords:-**

PMS, Siemens, employee motivation

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SIEMENS (SIEMENS Ltd.), the 25% Indian subsidiary of Siemens AG, Germany is a leader in the electrical and electronic engineering sector. It offers products, systems, solutions and services in power generation, power transmission and distribution, automation and drives, industrial solutions and services, transportation systems, enterprise communications, mobile phones and medical solutions. The company was established in 1957. Siemens AG holds a 75% stake in SIEMENS. From a small back building workshop in Berlin to a global firm - there are few industrial corporations that can look back on such a long history of success as Siemens has.

### 8.1 History

Siemens was founded in Berlin by Werner von Siemens in 1847. As an extraordinary inventor, engineer and entrepreneur, Werner von Siemens made the world's first pointer

telegraph and electric dynamo; inventions that helped put the spin in the industrial revolution. He was the man behind one of the most fascinating success stories of all time - by turning a humble little workshop into one of the world's largest enterprises.

As Werner had envisioned, the company he started grew from strength to strength in every field of electrical engineering. From constructing the world's first electric railway to laying the first telegraph line linking Britain and India, Siemens was responsible for building much of the modern world's infrastructure.

While Werner was a tireless inventor during his days, Siemens today remains a relentless innovator. With innovations averaging 18 a day, it seems like the revolution Werner started is still going strong.

## 8.2 Values

Three values of Siemens:

- **Excellent:** Excellent describes high performance culture and superior results they are obtaining.
- **Responsible:** Responsible means that every one of us is dedicated to ethical behavior and takes responsibility of his actions.
- **Innovative:** Innovative shows that we are aiming at creating sustainable value for now and future.

These values have been basis of their success for more than 160 years and continue to be so in future.

## 8.3 Vision

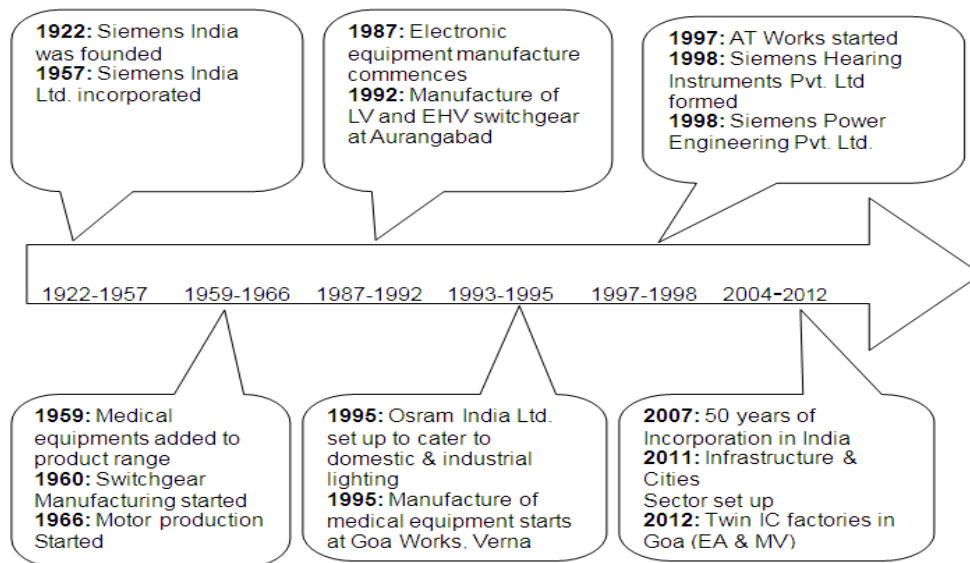
“Demographic change, urbanization, climate change and globalization – these megatrends are creating unprecedented challenges for humankind. The transformations occurring now will have a lasting impact on our world. It’s in light of these profound changes that we’ve defined our goals and the vision for all our business fields”.

## 8.4 Mission

The mission of Siemens is

“Throughout global network of innovation and strong local presence, pooling and developing knowledge and competencies within a high performance organization, aiming to create outstanding value for clients, employees, shareholders and society”.

## 8.5 Siemens & India: An Enduring Partnership



The Siemens Group in India has emerged as a leading inventor, innovator and implementer of leading-edge technology enabled solutions operating in the core business segments of Industry, Energy, Healthcare & Infrastructure Cites.

Siemens brings to India state-of-the-art technology that adds value to customers through a combination of multiple high-end technologies for complete solutions. The Group has the competence and capability to integrate all products, systems and services. It caters to Industry needs across market segments by undertaking complete projects such as Hospitals, Airports and Industrial units.

The Siemens Group in India comprises of 17 companies, providing direct employment to over 18,000 persons. Currently, the group has 21 manufacturing plants, a wide network up of Sales and Service offices across the country as well as over 500 channel partners.

Today, Siemens, with its world-class solutions plays a key role in India's quest for developing modern infrastructure. The company has a wide presence across the country; its operations include 15 Manufacturing plants and 16 sales offices.

Siemens is today a technology giant in more than 190 countries, employing some 4,40,000 people worldwide. Their work in the fields of energy, industry, communications, information, transportation, healthcare, components and lighting has become essential parts of everyday life.

### Performance Management System in Siemens

The Performance Management System in Siemens is called as Performance Management Process. It targets to:



- 1) Align business strategy and performance measures with individual Performance Targets
- 2) Enable management to evaluate the achievement of these targets along with evaluating the Employee's capabilities.

Development of Employees also helps in enabling Employees to increase their contribution to the organization goals and challenges along with the reward and recognition of the employee

### 1.1 Target Group

This Process is applicable for Employees of Siemens worldwide irrespective of his position level within organization.

#### 1.1 Core Element

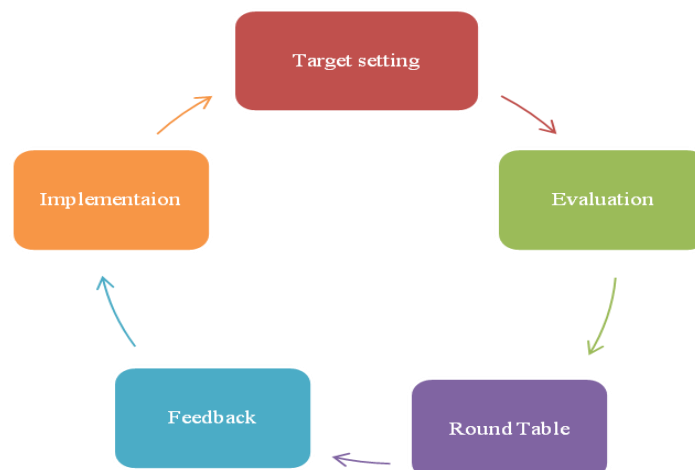


The Core element is the various processes defined within the Performance Management process and include the mandatory content in performing the step.

### 1.3 Key Milestone & Timelines

- 1) Target Setting for employees – October till December
- 2) Continuous Dialogue & Monitoring - end July
- 3) Evaluation – August till September
- 4) Round table – September till November
- 5) Feedback – September till December
- 6) Implementation – Next financial year(Fiscal Year)

### 1.4 Process of PMP in Siemens



### **1.4.1 Target Setting**

Target Setting is the first step in the Performance Management Process. The aim is to provide Employees within the Target Group with individual targets in order to support the overall business targets and perform their tasks.

The Target Setting process is a dialogue between Employee and Managers and the process is as below:

- 1) The Employee draft a proposal based on his/her understanding of the role.
- 2) Managers review the draft and help refine targets.

Targets are been finalized & cannot be modified within the Financial Year except in the case of:

- Change in department strategy
- Change in job responsibilities
- Structural / personnel changes

Manager and the employees come to an agreement and manager's proposal prevails. Throughout the year, Manager and Employee regularly review the status quo of target achievement and discuss the capabilities.

### **1.4.2 Evaluation**

Evaluation is the second step of performance management process. It is the individual assessment by the Manager of an Employee's

- Performance (Results and Capabilities where applicable)
- Potential

During Evaluation the Manager conducts a fair and objective assessment of an Employee's performance throughout the year.

The Results Rating is one of three determining factors for placing an employee in the Potential Matrix and relevant for compensation actions.

#### **1.4.2.1 Performance Evaluation**

The Performance of the Employee is combination of both results and capabilities. "Performance" includes the Total Results Rating and the Employee Capability Profile.

#### **Steps for Rating of Result in Siemens**

- 1) Partially Exceeded- Performance fully meets all and far exceeds several expectation
- 2) Consistently exceeded- Performance fully meets all and far exceeds more expectation

- 3) Achieved- Performance fully meets all expectation against the target and task.
- 4) Partially Achieved- Performance meets some but not all expectation
- 5) Not Achieved- Performance fails to adequately meet any of the expectations or fail to meet expectation.

Here after all these steps I found that by using above mentioned 5 steps Siemens Ltd recognize its top/high performers.

#### **Siemens Leadership Framework (SLF) Capabilities Evaluation**

SLF Capabilities
Business Results Orientation
Strategic Innovative Orientation
Customer Orientation
Change Management
Collaboration & Influencing
Intercultural Sensitivity
Leadership
Team Development
Value Orientation

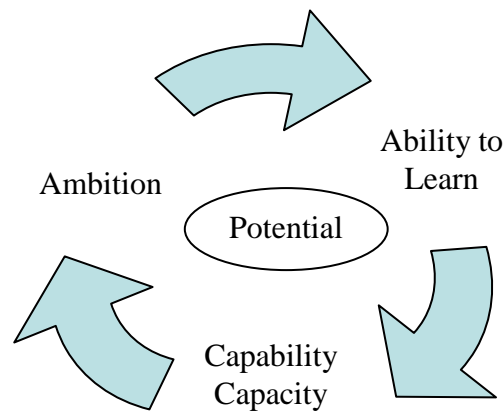
This Evaluation is mandatory for Employees who are Senior Managers in Siemens. Employee's demonstrated behaviours of managers are rated against the indicators in the nine SLF Capabilities:

#### **1.4.2.2 Potential Evaluation**

Potential is the third determining factor to decide on the positioning of the Employee in the Potential Matrix. Potential describes an Employee's ability to grow significantly in the future, either in the current role or beyond into a new, expanded and/or more complex role.

#### **Potential Ring for Employee Evaluation**

Its three potential-defining components, helps the manager to make the assessments of employees in a structured approach.



There are three potential-defining components:

- 1) Capability Capacity:** already developed and exemplified behaviour
- 2) Ambition:** underlying enablers to drive development
- 3) Ability to Learn:** ability to take on new challenges and learn quickly

During the evaluation phase, the Manager attributes employee's potential across each component.

#### **Component 1 - Capability Capacity**

The capability assessment of the employees by the managers is done on three future-focused, which indicates the potential of the employee:

- a) Business Results Orientation:** exceeding current standards
- b) Strategic-Innovative Orientation:** thinking into the future
- c) Change Management:** spreading waves of impact

The next step is the assessment as per defined "Potential Ring".

- 1)** At the start of the assessment, the manager verify if the employee displays behaviour in the three future-focused capabilities and if so, at which level.
- 2)** Potential of the employees Target capability levels as defined in Master Job Profiles and / or Target Capability Profiles in his current role.
- 3)** If the target capability level is absent then managers gives their judgement as per the behaviour of the employees.

#### **Component 2: Ambition**

- a) Life Choices and Values:** It means alignment between one's professional and private life. Ones personal values also influenced the organisation core value. So it should be aligned with Siemens core values

**b) Motivation: It includes**

**Achievement:** It Focus on Improvement, Efficiency, Individual effort, goal Setting and winning

**Affiliation:** It Focus on building Rapport within a working group

**Influence:** It Focus on influencing others & getting others to respond

**Component 3: Ability to Learn:** It defines the employee learning agility over organization growth & development.

**Summary on Potential Evaluation:**

To arrive at a Potential Evaluation, the Manager combine his/her assessment of all of the three aforementioned components..

**1.4.2.3 Potential-Matrix**

The Potential Matrix combines two dimensions:

**I. Potential****II. Performance**

The Potential Matrix further help in rating employees as below & helps in identifying & retaining the precious asset for an Organization.

- Potential Talent
- Talent
- Exceptional Talent

This further helps in deciding employee growth as helps in clearly categorization as:

- Ability to take bigger role in future
- Ability to take expandable role over time
- Maintain current level

Thus the potential matrix provides a Snap shot of last 12 month regarding the performance & potential capability of all employees. It consists of 9 boxes which indicate Employee potential and performance. It also helps to take necessary actions regarding development.

During the Evaluation phase, the Potential Matrix allows the Manager to directly place his/her Employees in one of the nine performance-potential boxes, based on the combination of the individual Performance and Potential Evaluation. Each Employee has to be assigned to one box.

**Potential Matrix:**

P o t e n t i a l	<b>Potential Talent</b>	<b>Talent</b>	<b>Exceptional Talent</b>
	<b>Re-assign or Re-scope</b>	<b>Performer with Potential</b>	<b>High Performer with Potential</b>
	<b>Evaluate Further</b>	<b>Solid Performer</b>	<b>High Performer</b>

**1.4.3 Round Table**

From the PMP Handbook of Siemens Ltd I found that calibration meeting is very important for performance management process. It helps to objectively calibrate Employees (Peer Validation), based on their Performance and Potential evaluation.

Aims of Round Table discussions are

- Harmonized application of evaluation criteria
- Objective performance evaluation to achieve an increased quality of the calibrated results
- Verification of potential statements through peer comparison

Output of the Round Table is input for the Feedback Dialog with the evaluated Employee.

**1.4.4 Feedback**

As the outcome of round table discussion , Feedback dialog between the Manager and Employee is done on an annual basis and based on the 5 mandatory modules (role & responsibilities, targets, analysis of performance, potential statement, actions).

During the Feedback Dialog both parties remain open-minded, be able to propose topics for discussion, make suggestions and also give constructive feedback.

The Feedback Dialog consists of six elements:

- 1)** Manager informs the Employee
  - Evaluation of Employee's SLF results and capabilities
  - Feedback on Employee's statement on potential and optionally, positioning in the Potential Matrix
  - Informing Employee about Compensation Actions, if relevant
- 2)** Employee provides his/her perspective of the evaluation.
- 3)** Manager and Employee review Development actions, if applicable, including fulfilment of previous year.
- 4)** Manager and Employee acknowledge the documentation with their signature.
- 5)** Manager acknowledges information with his/her signature if disagreement or additional relevant information aroused in the Feedback Dialog.
- 6)** Compensation Actions established in the Round Table released for implementation (completed Feedback Dialog documentation submitted to HR as pre-requisite).

## DIGITIZATION OF HR TALENT

**Advocate Dr. Ruby Chhatwal**

Research Scholar

SAI-AMBIENCE, F-BUILDING, FLAT NO.502,

PIMPLE-SAUDAGAR, PUNE-411027.

**E-mail :** rpchhatwal@gmail.com

**Mobile No.** 9422526508

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***Abstract :***

*This involves Policy Development , managing processes and undertake change management activities as required to implement the vision for recruitment in the modern industries with technological change.*

- 1) Perennial fears about impact of automation on employment.*
- 2) Estimates of future automation impact range from 47% of U.S Employment at risk to only 9%.*
- 3) Controversly, technology amplifies human performance in some occupations and gives rise to entirely new occupations and sectors.*

***Large Scale Digitization :***

- 1) Implementing tracking system for the applicant seeking job.*
- 2) Integrating with social hiring*
- 3) Continuous monitoring the system*
- 4) Error free*

***Key Words:***

*Resources, Diversified Skills, Execution , Tracking System ,Continuous Monitoring*

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**Introduction:**

The true strength of any organization is its manpower, and good manpower is the hard work of the good boss, Wealth tends to create more wealth. But a wealthy background is not necessarily the only way to reach top. Sometimes people coming from very humble background also climb to the top of their profession through sheer grit, determination and bit of luck.



A range of modern careers will now develop the educational track and develop professionalism to give credit to people for achieving success.

Globalization is also forcing difficult changes similar to those introduced by the industrial revolution. Shifting from an agrarian society to an industrial economy compelled workers to leave farms in search of factory jobs. Industrialization created anxiety and fear, and demanded that workers learn new skills. And so it is today, but the skills demanded are more complex.

Slowly but gradually, globalization has created, transformed, downsized, and streamlined jobs in the United States. This has forced workers to continually improve their job skills, add greater value, and increase their productivity.

Globalization can't be turned off or slowed down. Consequently, it is essential for everyone to adapt to the best of his/her ability. To adapt more easily, individuals must pursue life-long learning, companies must nurture proactive global corporate cultures, and nations need to maintain open markets, to help achieve success, governments must encourage companies to expand internationally, and forge new trade agreements that improve access better goods and services.

We cannot however survive on our past successes. We must endeavor to do better with great zeal and innovative ideas to provide sustainable solutions and reduce the poverty and increase economic conditions.

**Scope:**

Digitization fit for aligned changing requirements of the business environment, and can be communicated to the relevant stake holders through out the organization. The organization should have strong policies to retain its employees.

This involves Policy Development, managing processes and undertake change management activities as required to implement the vision for recruitment in the modern industries with technological change.

Technology is not a challenge but acceptability, but it can make wonders is a challenge which people have started experiencing and understanding.

Digitization will help to succeed in the changing world as under :

- 1) Giving solution
- 2) Innovativeness to creativity- NEW
- 3) Communication skill
- 4) Socialising with people

**Aims And Objectives :**

The paper aims to track the time and identify the factors that will affect the next generation. The Objectives underlying the primary are being listed below :

- 1) Digitization will help to explore the concept of diverse opportunities to a range of modern careers.
- 2) To track the changes over the time and identify the critical factors responsible for each transition.
- 3) To anticipate the future trends on the basis of analysis of history of industries.
- 4) To make awareness for the next generation.

**Literature Review:**

Higher education and development of a nation are inextricably linked. The interrelationship has been recognized for long. It is a foregone conclusion that higher education is critical to the nation through teaching, research and engagement. Higher education is necessary for the economy, for equipping individuals for jobs, and the economy to gain from the productivity that results from higher education. Now, in India there is a large system of wide access but low quality. There are very few good Institutions, but students need outrageously high scores to get into these colleges. We have created a system where there is excess demand for high quality institutions which are very few. There are plenty of other institutions but their quality is very low. In this process we have created a class divide. Strength of the education system also matters. The American system of education is much more democratic than the British system. Online education is very important and its availability must be increased in India. Lot can be done for education in India by either pumping in resources utilizing technology, and reducing the dependence on the old fashioned and sometimes archaic system of education that is currently prevailing.

Digitization in HR Talent will be more refined, enjoyable and better in future. HR professions need to explore build a culture, which will nurture the talent and can optimize relationship among the employees.

**Anticipated Future Trends And Benefits Of Highly Skilled Courses:**

- 1) Globalization has also made distant education available inside the country. The instant impact of digitization is that students who care diligent and meritorious

lot but devoid of resources to avail the latest education through digitization would get the facility in India.

- 2) Domestic and International market is of fundamental concern in order to allow continued development in skills and other professional courses.
- 3) Highly networked project clusters with multidiscipline teams and feedback is becoming more straight forward and acceptable.

**Conclusion:**

There is increasing pressure of maintaining quality in the light of International Competition in all sectors. The best work is done when everyone contributes to their strengths and this holds true for every job, irrespective of their disabilities.

Indian culture is facing bureaucracy and is witnessing sea-change in all sectors which will help Indian business to face all challenges and opportunities.

With new strategies and technologies that are affecting Indian economy. In fact other organizational functions like demand on rise for skilled professionals in all sectors.

Digitization will be successful if few steps are seriously followed :

- 1) Ability to think
- 2) Ability to critically evaluate the difficulties and its solutions
- 3) Socialising
- 4) Creativity – Innovation
- 5) Continuous monitoring

Thus, Digitization is key to success.

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- 1) [www.corporatecitizen.in](http://www.corporatecitizen.in)

## EMPLOYER BRANDING – AS A TOOL TO ATTRACT COMPETENT EMPLOYEE

**Dr. Pragya Singh**

Assistant Professor,  
Pune, India.

**Mrs. Sarita Goyal**

Assistant Professor, ASM's CSIT,  
Chinchwad , Pune, India.

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### ***Abstract:-***

*This paper is helpful to make understandable to all about employer branding as a core value of an organization. It focuses on organizational values, culture, system, attitudes and employee relations. This is a tool for HR (Human Resources) to attract and retain employees for an organizational effectiveness in this competitive world.*

*A Strong brand needs a brand driven organization, which can assimilate the brand into employees (Keller K.et. at 2000).*

*The purpose of the proposed research will be to analyses the effect of employer branding and its impacts on various organization. This research will define the corporate brand, employer preference, employee motivation and organization performance.*

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### **Introduction:-**

“Building a strong employer brand is not the sole responsibility of Human Resources. It is a team approach that starts from the leadership and includes Human Resources, Marketing and Finance. In fact, everyone in the organization is an ambassador of the Brand.”

Employer brand denotes an organization's reputation as an employer and Organization reputation shows the overall attractiveness of an organization. The term Employer Brand was first used in the early 1990s, and now a days this term is used globally. In today's world organizations are not attracting talented and competent employees rather they selects organizations based on organization reputation .In the 21st century, the image of the company attracts much talented employees so that the success of every company largely depends upon their efficiency to make their brand effective .Attracting and retaining talented employees has become for companies a big challenge these days. Employer branding can be one of the best way for attracting and retaining talented employers and solution to offset the shortage of talent. Employer

branding is concerned with the attraction, engagement and retention initiatives targeted at enhancing company's employer brand. it is a central to the concept in HR Marketing. It defines the personality of a company as a preferred employer and it is the most powerful tool for attracting; engaging and retaining the right talent/culture fit that will help leaders grow their organization.

**Objective:** The objective of this study is—

- 1) To know the meaning and concept of Employer Branding.
- 2) To study the needs & benefits of Employer Branding.
- 3) To study the effect and impact of Employer Branding.

### **Literature Review on employer branding**

There are a large number of literatures discussing corporate image and corporate reputation, however, there are only a few theories available concerning employer branding. A brand was defined as a name, term, sign, symbol or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors (Gardner & Levy, 1995). Clark (1987) on the other hand, offered another definition relating brands with values, i.e. brand is values that provide the important link between consumers and marketers, while Kapferer (1992) approaches that a brand is not a mere product. It is a product's essence and often brands are examined through their component parts like brand name, logo, design or packaging etc. Feldwick (2009, P. 21). While Rogan (2003) believes that a brand is a recognisable product, service, person or place portrayed in such a manner that the users feel or see it as a satisfaction to their needs. Similarly, Murphy J (1998) agrees that brand can be anything that is used to differentiate a product from that of its competitors.

The increasing demand for skilled workforce and the preference of the competent employees to change job has resulted an increase in the war for talent. In such an environment the requirement of employer branding for the organizations has been essential.

Barrow, (1990's) gave the concept of employer branding and its development became important.

Ambler, and Barrow, (1996), observed employer branding as “package of functional, economic, and psychological benefits provided by employment, and identified with the employing company”.

Hendry, and Jenkins, (1997) observed that in the traditional concept of the psychological contract between workers and employers, workers promised loyalty to the firm in exchange for job security.

Peters, (1999) observed that originally branding was used to differentiate tangible products and now it is being used to differentiating people, places and firms.

Priem, and Butler, (2001) stated that we mostly consider fixed resources like equipment and capital as resources that create competitive advantage, however human capital has also been shown to as an important resource which creates competitive advantage.

Torricelli, & Karg (2002), opined that skilled employees are hard to attract and difficult to retain and they have become critical to business success. The employer branding is used for corporate identity, building reputation and communicating its image to current and potential employees.

Einwiller and Will (2002), Employer branding is not something that employers undertake in isolation from their other business activities or independently of their employees. Stakeholders such as employee customers and investors are part of inadvertent and planned branding which encompasses the use of symbolism, behaviors and communication activities.

Backhaus, and Tikoo, (2004). opine that organization are facing challenge in recruitment and retention.

Moroko and Uncles (2008) proposed that economic benefits of employer branding can be tracked through HR metrics, including externally focused measures (number of applicants per job and the percentage of job offers accepted) and internal measures (average length of tenure and staff turnover).

Edwards, (2010) stated that when there is a strong perception of employees towards an employer image and identity, it creates higher levels of employee commitment and identification. It also results in higher level of talent attraction.

Schlager , (2011) empirically tested the impact of employer branding on employees' attitude, especially in the service industry. Sokro, (2012) stated that employer branding is positively related to attraction and retention of employees.

Gupta, (2015) conducted conceptual study and stated that the concept of employer branding is common among HR & Brand consultants. Right brand of the employer gives the benefit of attracting and retaining talent.

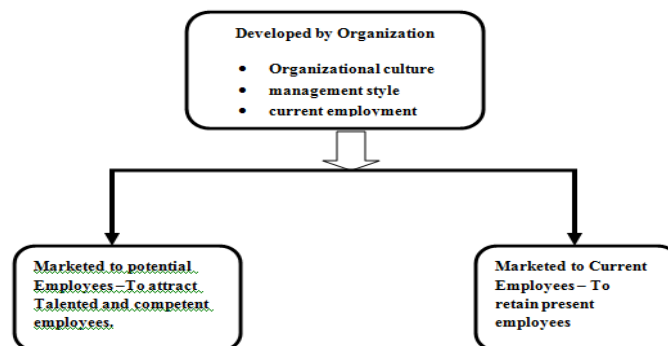
Review of various studies reflect that employees want to work for an organization that provides them good working conditions, development facilities, cooperative work environment and the ambience to use their skills .

### Employer branding: concepts:-

This concept is first conceptualized by Ambler & Barrow (1996). Ambler and Barrow (1996) define the employer brand in terms of benefits, calling it “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company.” Some others define an employer brand as the reputation and image of an organization. The employer brand puts forth an image showing the organization a “good place to work”, so being an attractive place to work. The term also includes long term strategy that establishes an organization’s identity as an employer in the employment market. The employee branding process is a complex process that has its foundation in an organization’s mission and values. It defines the desired brand image, which, if transmitted effectively and consistently to employees, enables them to understand and experience the brand image that an organization wishes to convey.

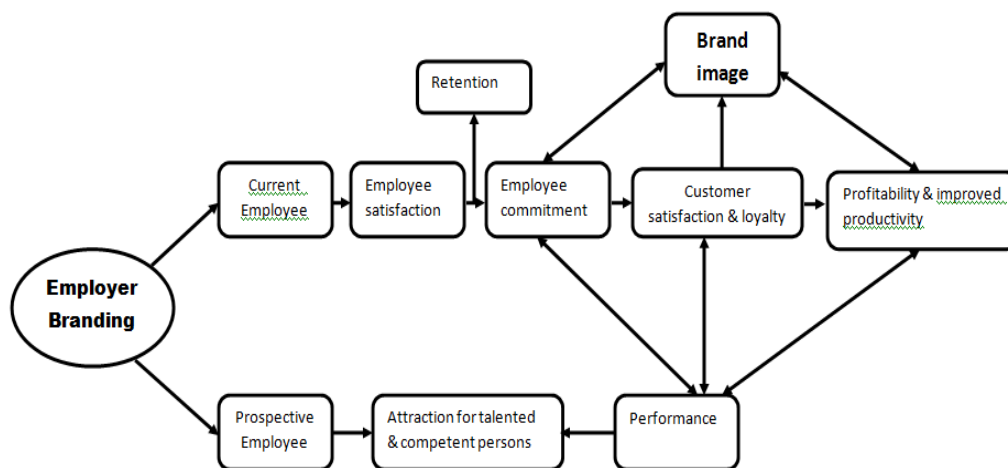
Employer branding has three elements.

- 1) The element which is developed by the organization in the terms of Organizational culture, management style, current employment image which enable the organization to conceptualize the value offered by their organization to employees.
- 2) This element is marketed to potential employees.
- 3) The element is also marketed to current employees so they enact the company’s values. This is also called as internal employer branding and comes under the third stage of the Employer Branding it contributes to employee productivity and retention.



**Fig: Employer branding elements.**

The employer brand generates value by creating a unifying and strong culture as well as increased employee satisfaction and commitment. Thus, the rationale behind employer branding is that it will indirectly have a positive influence on organizational profitability. Figure below depicts this indirect correlation between employer branding and organizational profitability. It also shows the brand image which is influenced by employer branding. This branding is not only shows the impact on current employees for retaining current employees but also have a strong impact on attracting talents for an organization.



**Fig.: Organization's brand value created through employer branding**

Need & Benefits of Employer branding for an organization:

Employer branding is used not only to transfer the message for company image but it also has been used as a tool to motivate & engage employees. It is concerned with enhancing company's employer brand. There was an opinion that a good work place is believed to produce the higher quality products, it increases innovation & creativeness and it is useful to attract more talented & competent people. Good working conditions, career development, core values of the organization are foremost reasons for talent attraction whereas opportunity for growth, job security, company image are significant reasons for retention of employees.

Some benefits as follows.

- 1) To attract and retain best people for organizational effectiveness.
- 2) Helps an organization to choose the right man power whose goal matched with the organizational goal.
- 3) It is also helpful for an organization to face challenging situations.



- 4) Employer branding helps in reducing the cost of recruitment as it encourage current employees to refer there organization to others. That is the cheapest means external source of recruitment.
- 5) Another benefit of employer branding is an increase and develop the reputation of an organization which attracts potential candidates for making a pool of talents.
- 6) The employer branding is a best tool for providing motivation to the current employees which is ultimately result in increasing productivity and success rate of organization.

### **Impacts of a Strong Employer Branding**

- 1) **low Cost of recruitment:** A good employer branding helps in lowering the Cost per hire as it act as a referrals for the organization, It fosters a great work environment which encourages current employees to refer their organization to other professionals, which act as an attraction for candidates to apply & join the organization. Thus, helps the organization to tap the best candidates at minimum cost.
- 2) **Creation of talent pool:** A good employer brand helps in creating talent pool from which the organizations can fill vacancies .The organizations develop their reputation as an excellent work place to work that will attract exceptional talents .These talents will increase the talent pool of organization from which best talents may be hired for present job as well as they can be utilized for future prospects also.
- 3) **Reducing the time of recruitment:** A good employer brand helps in reducing the time to recruit the employee. Recruiting an employee is a lengthy process & can be done through many ways. Many companies start its search by looking for new candidates and investing too much on advertising by means of traditional method as well as e-recruitment process. ,but employer branding is helpful to improve the recruitment process as it includes the creation of talent pool which reduces the time to hire the right candidate according to organizational needs.
- 4) **Improvement in Organizational Culture:** Company's culture also plays a very vital role in building Employer Branding: Many corporate leaders lay emphasis on building a communication model in recruiting candidates. A good communication model will help in making a transparent organization culture that will helps the candidate joining the organization about what is expected from them.

- 5) **Employee commitment & engagement:** A good employer branding does not only impact on potential employees but also affects current employees as through employer Branding there will an improved working condition ,personal growth and career development which will improve the motivation of employees hence, improved level of commitment and engagement with the organization.
- 6) **lower employee absenteeism & turnover:** The employees becomes passionate for their job and they love to do their work and work place they have dedication towards their allotted work and are likely to stay with the organization that will result in less investment on advertisement recruitment and training on new staff.
- 7) **Increasing Growth rate:** A good employer branding improves morale of employees and also increase the level of commitment, which ultimately increase the productivity and the rate of growth of an organization.

### Conclusion

In this paper we have attempted to highlight the need of employer branding for organizations as a new term in HR .In order to attract and retain talent in competitive labour markets. The role of branding and industry image are important in attracting the human capital that is required to contribute to the strategic aims and financial performance of the organisation. Not only does branding provide an organization with a framework to simplify and focus priorities and increase productivity; it is also important for improving recruitment, retention and commitment of employees. We have raised employee branding as an important component of an organizational overall branding strategy. Employees refer their organizational image and brand to customers and other professionals including potential employees.

A weak brand image and reputation as an employer can lead to poorer candidates, disengaged and resentful employees, higher turnover and ultimately reduced organisational performance.

Hence Employer Branding becomes an important tool of an organisational effectiveness.

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## EMPLOYEE PRESERVATION TECHNIQUES IN MODERN ORGANIZATIONS

**Vijay V Nimbalkar**

Research Scholar, Pacific University,  
Udaipur

**Dr. K. C. Goyal**

Director

Name and Address of the Institution:

ASM's IIBR

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### **Abstract**

*Employee preservation techniques are nothing but the employee retention strategies practiced by organizations. Today employee safeguarding and preservation has turned into an imperative, planned and strategic perspective for the association. It isn't just essential to have the best and the most gifted workers however it is similarly important to have the capacity to hold them for long term advantages to both the association and its kin.*

*The reason for this exploration paper is to survey the discoveries of research papers of different creators to infer the variables that impact worker confirmation and safeguarding inside the association.*

*This examination paper arranges these variables into three groups, viz. Personal Factors, Organizational Factors and Work Related Factors.*

*Preservation (of Employees) is a multifaceted discernment and there is no single equation or technique for keeping workers with an association. This is for the most part in light of the facts that above said viewpoints significantly fluctuate crosswise over various associations. It is seen that different associations give various significance to these variables. This may rely on their suitability affecting the maintenance.*

*In light of our comprehension of the pertinent writing evaluated by the analyst, recommendations are drawn which give an all encompassing perspective on the different practices that associations may receive to keep the level of representative maintenance and duty high.*

**Keywords:** *Ways of Employee Preservation, Employee Retention, Employee Management, Preservation Techniques, Reward, Recognition, Retention, Satisfaction.*

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**1) Employee Preservation / Retention – Understanding the Concept**

Employee or preservation alludes to the capacity of an association to save or hold its representatives. Worker safeguarding can be spoken to by a straightforward measurement (for instance, a conservation rate of 60% as a rule shows that an association kept 60% of its representatives in a given period). Be that as it may, many consider representative protection as identifying with the endeavors by which bosses endeavor to hold representatives in their workforce. In this sense, protection turns into the systems as opposed to the result.

Employees are backbone of an association. Cheerful clients are made just when the workers are glad. Associations contribute a considerable measure of time and cash in preparing representatives. Be that as it may, they additionally need to focus on their representative's prosperity. An organization with demoralized workers will dependably battle to survive. Advancing group fulfillment is a noteworthy advance towards holding your representatives.

Representative maintenance procedures are of immense significance to organizations since they cut down the preparation time and expenses. Maybe a couple of the explanations behind workers leaving an association are disappointment with their activity parts or potentially absence of expert development. [1]

It is no big surprise that financially savvy worker maintenance measures has pulled in various commitments from specialists and HR professionals that endeavor to research on different components impacting motivation to leave or skip work from the representatives' perspective, their interrelationship and conceivable results of the maintenance measures actualized crosswise over various levels of the workers inside the association.

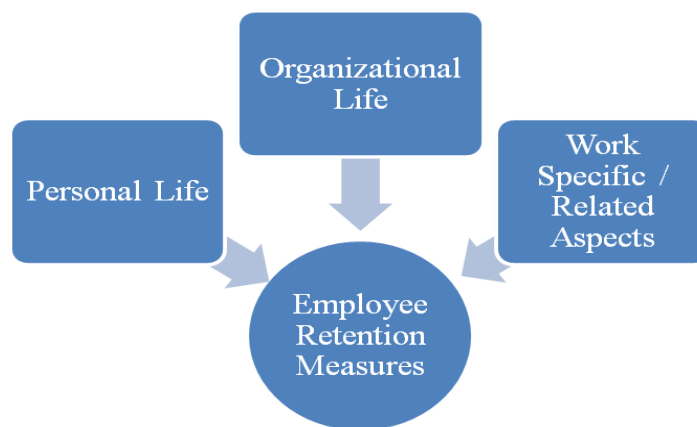
With the landing of Liberalization, Privatization and Globalization, India has come to be perceived as one of the major rising economies of the world, requiring groundbreaking perspective changes in business forms that force associations to change the manner by which they work contrasted with before days. Expanded accentuation on rivalry and radical mechanical headways has brought about associations to be more aggressive, responsive, adaptable and client centered. Thus associations require, enabled representatives having higher capabilities and multitasking aptitudes with a specific end goal to guarantee supported development at least operational expenses.

Representatives working in associations of the advanced period regularly experience everlasting test of performing great and are compelled to commit the majority of their

opportunity at work in this improved aggressive work setting. Notwithstanding, duty towards self advancement, devotion to family and social life keeping in mind the end goal to satisfy the requests and obligations alongside hierarchical commitments are basic for any individual representative. In this manner the representative maintenance measures inside the associations were gone for accomplishing work life adjust for the representatives.

The exercise in careful control of a person in this three dimensional parts of representative maintenance viz. hierarchical, work particular viewpoints and representative's close to home life as appeared in the schematic graph underneath. [2]

### Employee Preservation / Retention Measures - Schematic Diagram



Naturally, any irregularity amongst authoritative and individual duties and the wasteful administration of life needs can prompt genuine outcomes in each or these spaces.

## 2) Theoretical definitions of Employee Retention

Preservation (of Employees) is a multifaceted perception and there is no single formula or technique for keeping employees with an organization.

Employee retention refers to the ability of an organization to retain its employees.

In simple terms, employee retention is defined as “the extent to which an organization is able to withhold its outgoing employees with themselves. Additionally, the organization also succeeds in engaging the employees with their work as well as making them equally satisfied with professional life (work environment) and the personal life (family environment) roles”.

Some of the definitions as mentioned by the researchers are given below.

- Zineldin et al. [3] viewed retentions as “a compulsion or requirement to stay with and continue to do business or exchange with a particular organization on a continuing basis.

- Strauss et al. [4] had put a more elaborated and recent explanation for the concept of retention and is “end user (customer) preferences (liking), classification, obligation, trust, willingness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioral intentions”.

Various researchers and their research studies have attempted to have tried to identify the kinds of factors that influence employee retention.

Earlier studies have also indicated that retention is driven by several key factors, which ought to be managed congruently: organizational culture, communication, strategy, pay and benefits, flexible work schedule and career development systems.

A research study on employee retention strategies identifies following factors that may be taken into account. These are individual factors, organizational factors, work specific factors, and other factors. The said research study further mentions that measures of employee retention can be better explained with the help of these factors as listed below [5].

- Individual Factors: Individual factors influencing the perception of someone’s work interest may be described in terms of existing skills, innovativeness, willingness to learn and upgrade, and effective communication.
- Organizational Factors: Organizational factors are the aspects influencing the perceptions of employees about the organization among themselves and may be described in terms of providing pro-learning and pro-working climate, one to one interaction, organization commitment (to have mutually beneficial policies and programmes), and employee motivation.
- Work Related Factors: The work related factors influencing the ways to retain the employees may be described in terms of benefits and compensation offered (for their work), and career development options provided to them.

Researchers observed that a keeping the good employees is very essential for the organizations to achieve high performance and growth in profitability.

There exist benefits to organizations as well as benefits to the employees as stated below. [6]

- Benefits to the Organizations:
  - Employee loyalty and commitment.
  - Improved productivity.



- Enhanced organizational image.
  - Reduced staff turnover rates.
  - Increased retention of valuable employees.
  - Reduced absenteeism.
- Benefits to the Employees:
  - Increased job satisfaction.
  - Enhanced control over work life environment.
  - A greater sense of job security.
  - Better physical and mental health.
  - Reduction in job stress levels.

From the above explanations, it can be concluded that

- Employee Prevention Techniques is not a simple thing but is complicated in nature.
- Employee Preservation is a multi-dimensional concept.
- As Employee preservation is a multi-dimensional in nature, it is a relative concept that cannot be defined more accurately and measured.

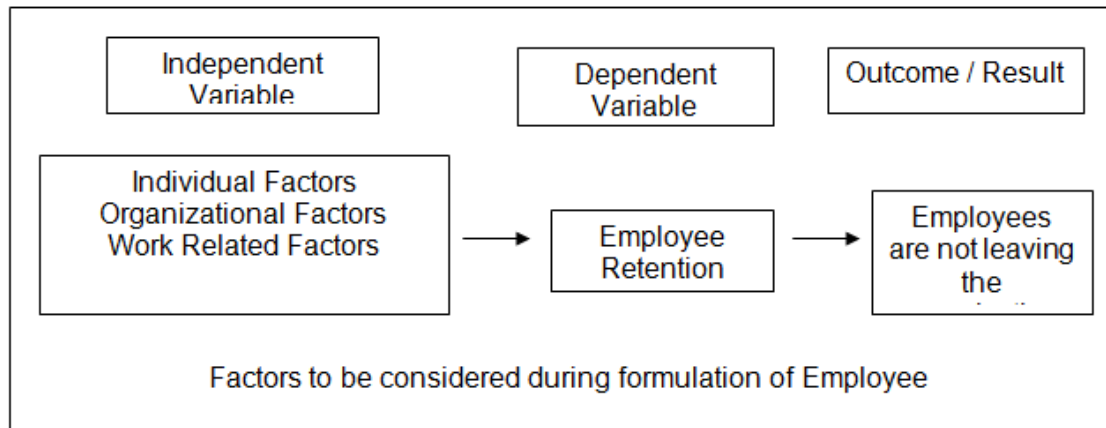
It is observed that the employees with good employees and their skills, experiences were more likely to be satisfied with their job. The research study done also states that there is a positive relationship between the independent (Factors to be considered during formulation of Employee Retention Measures) and the dependent variables (Employee Retention).

### **3)Theoretical Framework for the Study**

The dependent variable is employee retention and the independent variable is a wide range of factors influencing the employees to think of alternative career options. Some of these factors are:

- Individual Factors
- Organizational Factors
- Work Related Factors

Exhibit 1: The Proposed Theoretical Framework assumed [5] [6]



### Empirical Research Results [7]

#### 4) Empirical Data [7]

The study done earlier stated that above listed factors are essential for employee retention. These factors are referred to as ‘Three Rs’ of keeping the employees. Employee retention consists of three R’s which facilitates prevention of employees. These are Respect (Individual Factor), Recognition (Organizational Factor), and Rewards (Work Related Factor).

The said empirical study was carried out with a sample size of 100 employees and those are selected from select multinational companies in India. Most of them i.e. about three fifth of them are young (within the age group of 26-35 years) and have annual income above Rs. 1 Lakh.

The said study has one hypothesis that says ‘Three Rs’ i.e. Respect, Recognition and Rewards do not have an impact on the retention of employees. This was tested using Chi-Square. Details are presented below:

Exhibit 2: Hypothesis Testing Statistics for the Study [7]

Table	Chi-Square	Statistics	for	Hypothesis
Chi Square for Three R’s				
	Observed N	Expected N	Residual	
1	1	25.00	-24.00	
2	38	25.00	13.00	
3	51	25.00	26.00	
4	10	25.00	-15.00	
Total	100			
Chi-Square	65.84			
df	3			
Asymp Sig.	0.00			

The study calculations state that table value for Chi-Square at  $df = 3$  is 7.815 while the calculated value is 65.84. This indicates that the calculated value is more than the table value. Hence the null hypothesis stands cancelled. Thus according to the said study, it can be reckoned that the three R's - Respect (Individual Factor), Recognition (Organizational Factor), and Rewards (Work Related Factor) has considerable bearing on preservation of the employees. Amongst these three R's, Rewards (Work Related Factor) have the highest bearing on retaining employees.

### **5) Inferences / Suggestions [8]**

As expressed before, Preservation (of Employees) is a multifaceted recognition and there is no single equation or method for keeping workers with an association. This is basically on the grounds that above said angles extensively fluctuate crosswise over various associations. It is seen that different associations give various significance to these elements. This may rely on their fittingness impacting the maintenance.

Enlistment or procuring representatives is only the begin to making a solid propelled labor. The genuine errand is to save or withhold them. In light of the exploration, following focuses are a rundown of a portion of the proposals that might be seen as suggestions for worker safeguarding and responsibility:-

- Organizations may embrace "in" and "out" meetings to comprehend in the matter of why representatives stayed or leave the association. This data will help in understanding the reasons why representatives are not holding with the association. In view of this associations may figure their worker maintenance approaches.
- Organizations may have rivalries to keep representatives motivated and dynamic. On the off chance that done in suitably such occasions may keep representatives more dedicated, decided and enlivened about their work.
- Organizations may bolster representatives to be a piece of their corporate social obligation activities with the goal that they may feel that they are working for the association as well as they are helping out great purpose or doing admirably for the general public.
- Organizations may consider savvy employing. They may employ on specifically premise from the begin by keeping in essential things basic, for example, due constancy, state of mind, unwavering quality, scholastic capability, aptitudes and pertinent work understanding.

- Organizations may teach thought of treating each representative similarly and decently. This is something that businesses dependably remember. It is mostly on the grounds that for the workers it is essential that they should see, know and perceive the way that their association treats everybody a similar path with no inclination.
- Organizations may attempt and support and request that their chiefs be more associated with the correspondence procedure. Supervisors may commit adequate and quality time towards preparing of representatives, spurring them to accomplish great execution and rise to more up to date positions up the various leveled stepping stool and move other low entertainers to work better.
- Organization may attempt and perceive the requirement for representatives close to home time off. Giving representative an opportunity to keep his/her own life set up is likewise imperative for worker maintenance.

The above discourse may encourage us to infer that the recognizable proof of the different variables required for worker maintenance.

Through this examination paper it was endeavored to see different factors and practices utilized crosswise over ventures for enhancing employee engagement and responsibility. For any associations to make due in the present regularly expanding rivalry where representative poaching is on the ascent, it is extremely fundamental to keep up their best workers and keep them obliged towards the association.

The requirement for associations to hold their gifted labor is extremely fundamental and urgent for their capacity to be aggressive (stay in business) relies upon it. Despite the fact that this exploration paper endeavored to deliver every one of the elements identified with representative maintenance, this entangled region of human asset needs assist examinations.

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**SOCIAL MEDIA RECRUITMENT****Mr. Varun Menon MBA-HRD****Prof. Swati Yeole,**

Student

Assistant Professor

ASM IBMR, Chinchwad,

ASM IBMR, Chinchwad

Pune-411019.

Pune-411019.

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**Abstract:**

*In a short space of time, the use of social media in recruitment – currently being called social recruiting – has increasingly moved up the agenda of business executives. The recruitment industry has always maintained a healthy relationship with innovation and change, and when the social networks, like Facebook, LinkedIn and Twitter, started their exponential growth back in 2008, recruiters the world over immediately recognized the opportunity to use these fast growing people networks as part of their ongoing recruitment strategies.*

*The immediate result of this global phenomenon was that business executives all around the world believed this to be a threat to their businesses, information security and workplace efficiencies. So they proceeded to restrict employee access to all the social networks in the workplace. At this stage there was no real evidence that social media could be used effectively for recruitment, so it wasn't even on the agenda.*

*Technology evolved again – the age of the smartphone arrived. These same business executives now had a problem. Previous restrictions on accessing the social networks became inconsequential as anyone with a smartphone now had easy access to all the social networks they wanted.*

*Social media was now becoming a viable way to interact quickly with candidates, and a number of innovative companies immediately saw the potential of using social media in their recruitment strategies. Now, social recruiting case studies were starting to appear, as more and more companies accepted that social media was going to become firmly part of their business agenda.*

*Smart Social Media Recruitment Strategies looks at why organizations now need to embrace the use of social media, the business case for such a move and a selection of new social recruiting case studies that finally prove that obtaining a social media return on investment (ROI) is now a measurable metric.*

*This report examines why business has been slow in adopting social media in recruitment, and how the changing expectations of job seekers are now fuelling the need to adopt new approaches to recruiting future talent.*

*There are numerous social media networks, platforms, tools and applications to choose from and this report will look at those being adopted by this company as part of their recruitment strategy, and provide advice and guidance on which ones would best suit companies starting out in the world of social recruiting.*

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## **Literature Review**

### **Recruitment:**

According to Flippo, “Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation.”

It is the activity which links the employer and the job seekers.

According to Yoder, “Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate number to facilitate effective selection of an efficient working force”.

“Recruitment is the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labour upon whom the organisation can draw when it needs additional employees”.

### **Social Media Recruitment**

Selecting the opportune individual at the ideal time is not a simple undertaking. It's no big surprise why spotters are continually searching for the silver slug and why each merchant touts their capacity to give the shot itself!

The first silver shot came as candidate following frameworks that guaranteed to streamline the selecting procedure, spare spotters time, and give a plenitude of applicants through the organization's vocation site. In spite of the fact that there is awesome incentive in legitimately utilizing an ATS, numerous selection representatives depended only on the applicants that came to them, making a profoundly value-based, exceptionally authoritative spotter. Basically, candidate following frameworks improved contracts.

Finally! A goldmine of LinkedIn gatherings to loot, MySpace and Facebook profiles to inspect (and even vet ahead of time), Twitter tribes to meet and join. Aloof applicants are currently accessible on the Web, gathering in gatherings and uncovering an abundance of data about themselves. Self-announced web-based social networking —experts|| jump up every day, showing classes on the most proficient method to locate the ideal hopeful quick and shoddy. Starry-eyed selection representatives are again dropping every other strategy and concentrating via web-based networking media as their definitive sourcing device.

### **What Social Media is Good For:**

Let's get straight to the point: social media is digging in for the long haul for years to come and can be a powerful recruitment device if utilized appropriately. It is additionally essential to comprehend that this same device can conflict with your association. These new media channels can help recognize hopefuls whose abilities and interests coordinate those of your association. The twofold edged sword is that these same channels can annihilate your association's image as a business of decision. The experience every competitor has with your association, your selection representatives, and the enlisting procedure can wind up spread crosswise over many social media channels – similar ones your scouts use to recognize potential applicants.

In the event that we are going to appropriately use instruments, for example, social media, it is basic to comprehend who is utilizing these devices and how they utilize them with a specific end goal to focus on the correct applicant fragment. Forrester Research finds that the best utilization of social innovation is spoken to by the accompanying three gatherings:

- Highly paid experts (Annual wages in overabundance of \$100,000)
- The knowledgeable (Some post-graduate instruction)
- New contestants into the workforce.

### **How about we take a gander at them in detail:**

#### **Facebook:**

Begun in 2004, Facebook is a long range relational correspondence goals used for partner with various customers wherever all through the world. It's been more than 10 years we are using Facebook and now its usage is obliged to sharing pictures and messages and in addition now it is used for sharing openings for work too. Specialists



use their profiles to convey openings and offer openings for work with others. Facebook has crossed 100 million customers in India, making it the second greatest nation on the online person to person communication page, after the US As a nation.

**LinkedIn:**

Begun in the 2003, LinkedIn is a champion among the best individual to individual correspondence areas used by work searchers and choice agents to find best match for the association. The focal limit of LinkedIn grants customers (workers and supervisors) to make "relationship" with each other in an online framework which may address certifiable master associations. Customers can request anyone to wind up discernibly an affiliation. In like manner occupations can be shared, implied and display by organizations on find sensible candidates. It is said that there are more than 20 million LinkedIn customers in India.

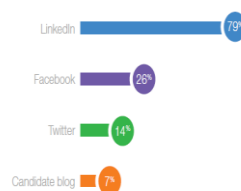
**Twitter:**

2006 was the year in which this long range relational correspondence site opens the portal for customers to send and read short 140-character messages. These messages are known as "tweets". Twitter allows to enlistment experts and work searchers to interface and offer purge occupations keeping in mind the end goal to find the suitable match. It is used for people's view about association and gives a photograph to work searchers about association's condition and its lifestyle.

**Google+:**

Propelled in 2011 it is a long range casual correspondence site which empowers a customer to incorporate his mates and known "Around", Circle is an extraordinary segment given by Google + which gives another option to customer to give information just to his picked float not to all. Notwithstanding the way that Google + is an as of late pushed site yet in the meantime it is collecting a significant measure of thought of determination delegates and business searchers and from an examination it is seen that out of each one of the 37% of occupation searchers favouring Google+ for work pursuing.

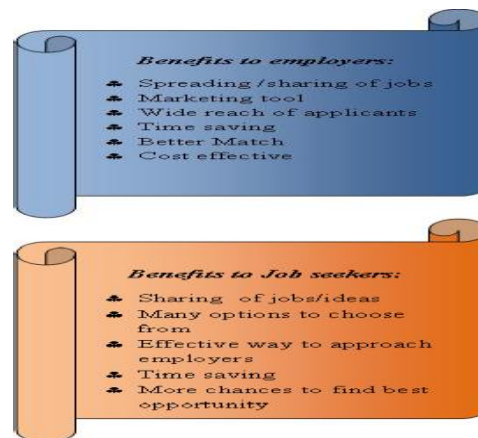
73% of recruiters have hired a candidate through social media.



**Fig 3: Jobvite - Social Recruiting Survey Results 2014**

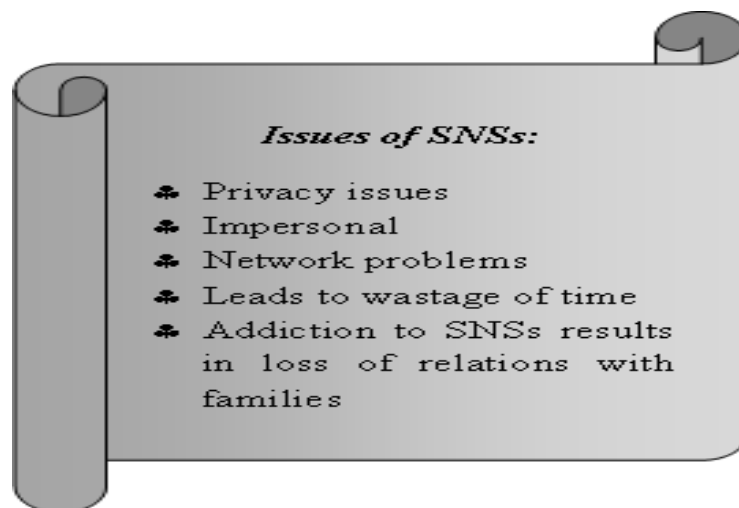
Considering information from study led by Jobvite we can see that around 79 % of spotters have procured applicants from LinkedIn and around 26% have employed through Facebook and rest 14 % and 7 % from twitter and web journals. This demonstrates the explanation behind long range interpersonal communication getting popular among selection representatives as it gives them a substantial number of opportunities to discover best match applicant. Likewise from an overview it is said that in coming years businesses are intending to build their interest in informal communities around 73 % and furthermore to put around 60% in their corporate sites.

**Major benefits of using Social networking sites are:**



Along with benefits there are some concerns/issues with SNSs like privacy issues are major concern in SNSs in fact some people do not reveal their true identity to SNSs only because of the fact that their personal information and activities can be seen by all friends on networking sites. SNSs are too impersonal reason behind this is that people are using virtual environment to get in contact with each other and therefore they can't meet each other physically and which makes it less effectual then personal meeting. Sometimes when recruiters use social media to find suitable candidates, they get occupied with other things or links which distract their mind and attention from work to personal stuff and therefore it leads to wastage of productive time. As people get addicted to SNSs they tend to speak less and this leads to lack of communication among family members. This is a serious issue as real world is much important for all then virtual world so people should divide their time to SNSs and their real life as it will help them to be more enthusiastic and more productive for both family and company. SNSs and their issues are as follows:

- **Twitter:** It is little complicated to effectively broadcast vacant jobs in Twitter. “Tweets” have a low shelf life (Because of lot of traffic on Twitter) making the lifeline of updates limited. The 140 character limit restricts which makes difficult to say all about the profile.
- **Facebook:** Initially Facebook is mainly used as a social tool to communicate with friends and family rather than for business and this makes many candidates maybe unwilling to connect with companies through Facebook. If we are looking for a skilled niche of applicants, we may face problems finding such candidates via Facebook. Privacy settings on the site make communication with individuals far more difficult. Candidates that we find may not necessarily genuine.
- **Linked In:** It allows a limited number of emails to be sent to other contacts which can make communication with many difficult. It’s a long approach as it requires users to build contacts first. You cannot send messages to users who are not in your contact list.



### Objectives

- To study the effectiveness of the use of Social Media in the recruitment process.
- To identify few of the most effective social networking sites that is helpful in the recruitment of right candidates for the right vacancies.
- To spread awareness about the effectiveness of the use of social media to attract passive job seekers.
- To integrate the use of social media as a part screening and assessing the candidate before hiring them.
- To identify and use certain tools found in the internet which helps in sourcing the right candidates through various social media platforms.

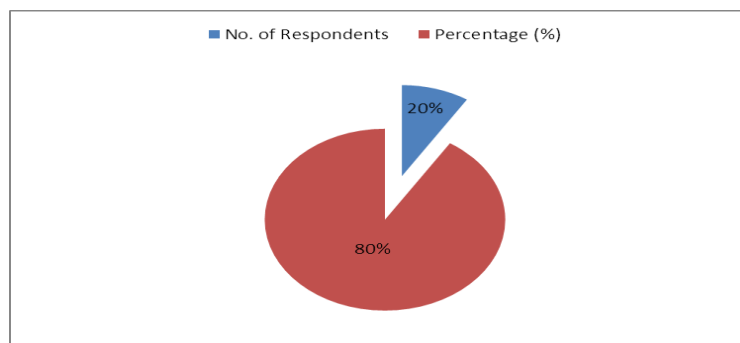
### Research Methodology

The study is based on secondary data collection from published sources and internet search. The exploratory research design is used. The collected data was analysed with the help of simple analytical tool like percentage, average etc. The tabular analysis is done and results are presented to meet the objectives of the study.

### Data Analysis And Interpretation

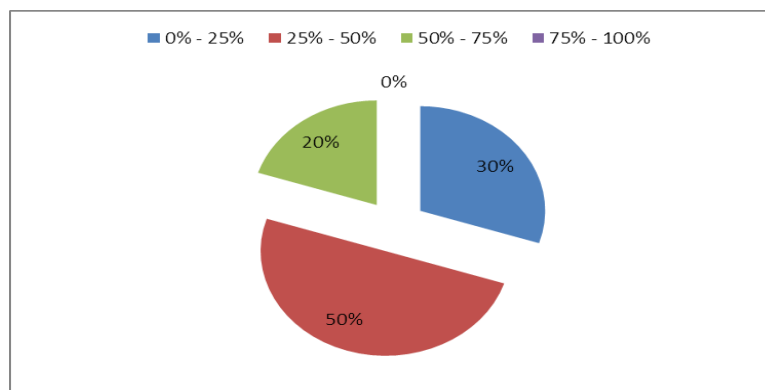
1. Do you think that Social media is considered an effective tool in finding job vacancies?

- ☐ Yes  
☐ No



2. How much percentage of the total recruitment is being covered by Social Networking Sites as recruitment method?

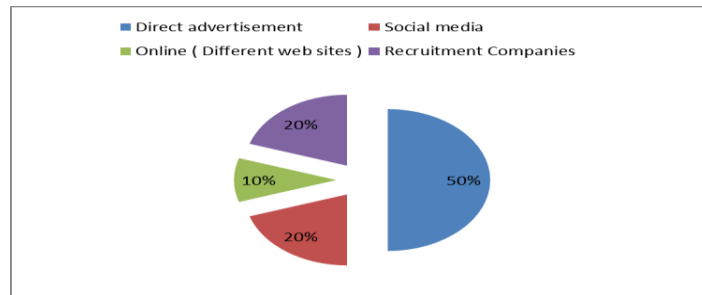
- ☐ 0% - 25%  
☐ 25% - 50%  
☐ 50% - 75%  
☐ 75% - 100%



3. Which way is more preferable to you to advertise your job vacancies ?

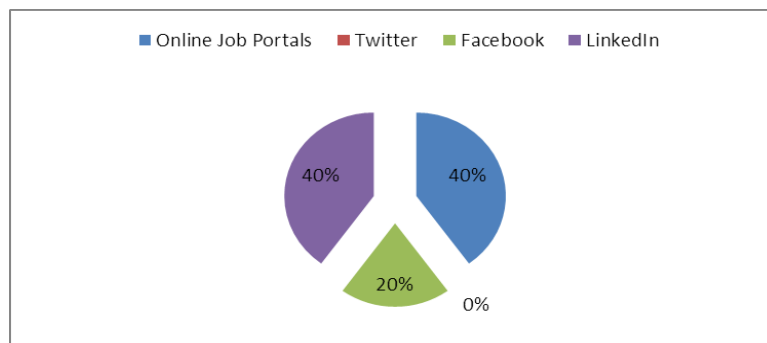
- ☐ Direct advertisement

- ☐ Social media
- ☐ Online ( Different web sites )
- ☐ Recruitment Companies



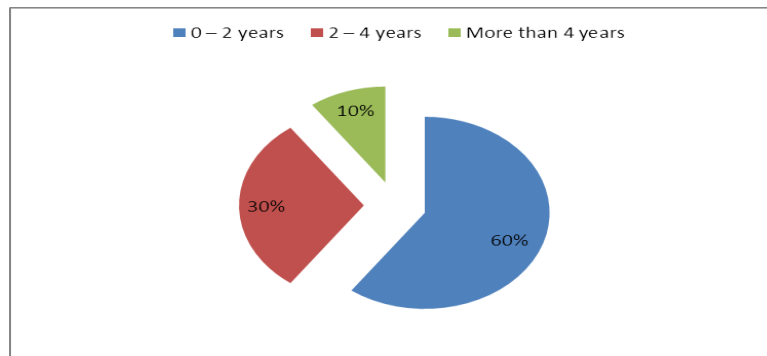
4. Which of the sites do you more prefer to use to select your Employees?

- ☐ Online Job Portals
- ☐ Twitter
- ☐ Facebook
- ☐ linked IN

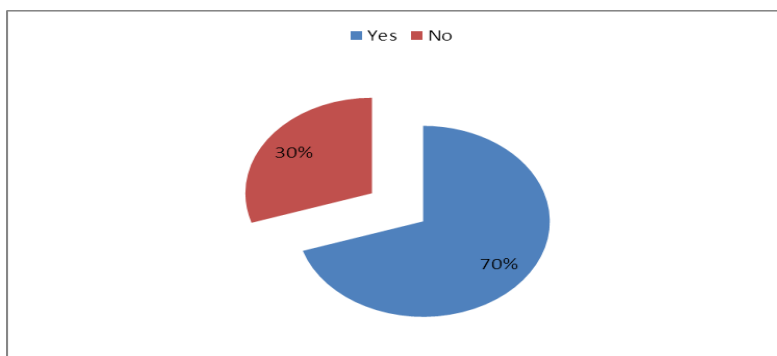


5. Since when did you start to use Social media as source of your employee selection?

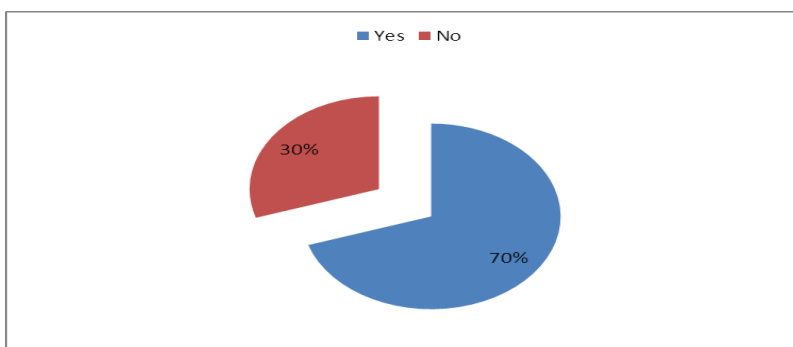
- ☐ 0 – 2
- ☐ 2 - 4
- ☐ More than that



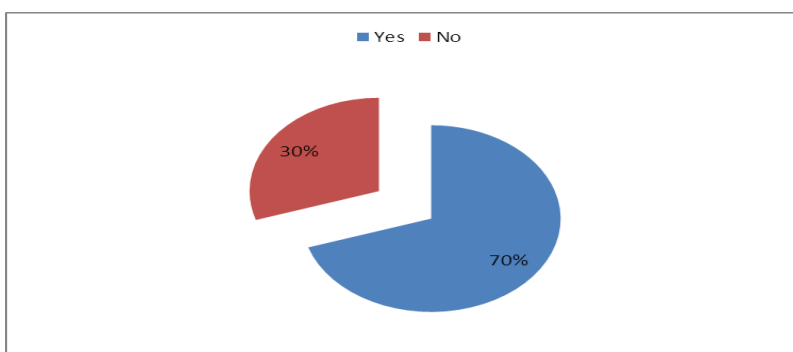
6. Do you think Social media gives opportunity and diversity to the companies to choose qualified Employees ( nationality, qualifications) ?

☐ Yes☐ No

7. Do you think that Social network helps in selecting the right employee?

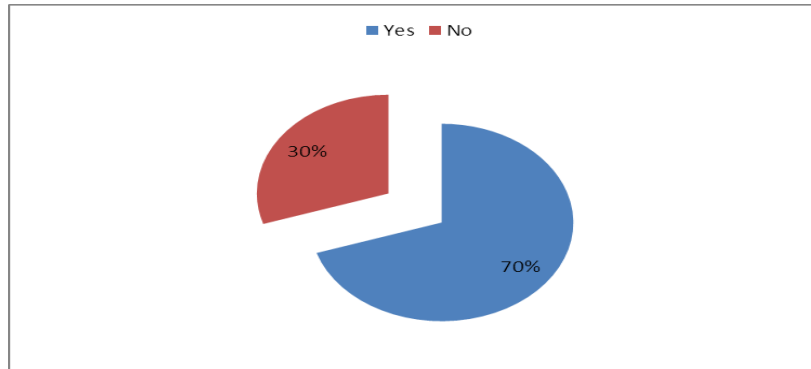
☐ yes☐ No

8. Do you think that qualified employee used social media to present their talent?

☐ Yes☐ No

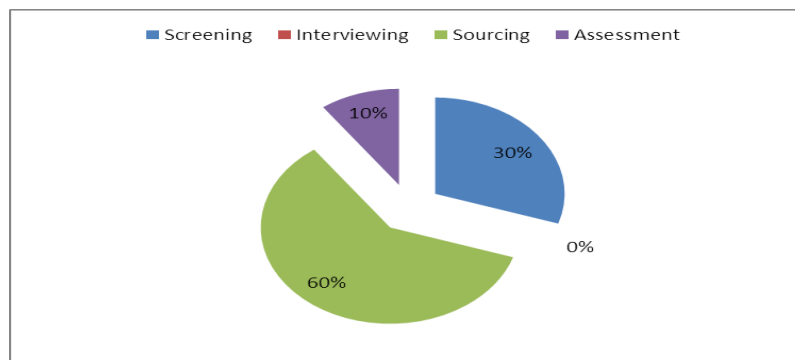
9. Do you think that social media facilitate and helps in managing the recruitment process?

☐ Yes☐ No



10. What according to you has social media improved more in the recruitment process that?

- ☐ Screening
- ☐ Interviewing
- ☐ Assessment
- ☐ Selection
- ☐ Induction



## Findings

After the data analysis and interpretation the findings are:

- The findings show that the recruitment team of this company have started the use of social media sites and tools as part of their recruitment process.
- In this study, Facebook is defined as a social-oriented site. It is not often used for recruitment at this point in time, but companies predict that Facebook will gain more importance within the next few years.
- LinkedIn has been extensively used and it is turning out to be the first place recruiters go to post exhausting the Job Portals.
- Social Media has been widely used for the Bulk Hiring Requirements or for the very Niche Hiring Requirements.

- The team estimate the networking scope as a benefit for recruitment. The wider the networking scope, the easier to reach more people and to hit the right target group.

### **Limitations of the Study**

Limitations of the study can be outlined as the following:

- The research sample is limited to recruitment team of a single company in Chennai and it can be ruled out that certain cultural influences have affected the results.
- In addition, the amount of members in the recruitment team which are making use of social-oriented networking sites is small which may limit the generalizability of the study.
- Use of social media in recruitment in the current scenario is a bit more time consuming.
- As many of the social media pages have low shelf life, the lifeline of your job posts or updated regarding the job or your company is limited.
- It sometimes becomes difficult to find a candidate directly who fits in all our required criteria. Hence we need to go through a bit longer process of contacting him and then trying to know about his credentials which at the end may or may not match our requirement.

### **Suggestions & Recommendations**

In order to conclude this study in brief, following are the suggestions for the recruiters to have an effective and upgraded recruitment process to hire perfect candidates for the available vacancies:

- Use of social media can increase the sources to search the right candidates for your organization.
- There are lot of tools available on the internet that helps to contact the right person who are mostly passive job seekers and who do not provide their contact information directly on any site.
- These tools use the presence of the person on various social media sites and give us more information about his professional and personal profile.
- Social media sites have also started coming very much handy to screen the personal attributes of any person.



**Conclusion:**

A combination of the theoretical background and the findings of the survey lead to the conclusion that Social Networking Sites are an important and upcoming topic in the corporate HR departments. Especially, the networking scope of the Social Networking Sites is the most predicting factor for effective recruitment, in particular for the target group orientation. Interestingly, recruitment costs are not affected by the qualities of Social Networking Sites. It can be assumed that HR departments cannot observe a cost reduction caused by the usage of Social Networking Sites because of the fact that they have recently started using them for recruitment.

A cost reduction might be experienced on the long-term. In conclusion, HR departments are entering a new terrain and gaining their first experiences with Social Networking Sites in combination with recruitment. The outcomes indicate a trend to use the sites for recruitment and it has become obvious that this issue will gain importance in the future.

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**THE ROLE OF EMPLOYEE ENGAGEMENT PRACTICES IN ORGANISED AND UNORGANISED RETAIL****Vaneeta Raney**

Course Coordinator,

SIES

9323405960

**Dr.Prashant Warke**

Director, GIMS

vaneeta80@gmail.com

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**Abstract:**

*An Engaged Employee plays a crucial role in leading a retail organisation towards success. Especially in today's techno-age when retail is one of the fastest growing sectors in India. Therefore, exercising Employee Engagement techniques are a must requisite. The objective of the research paper is to understand the conceptual significance of Employee Engagement practices in organised and unorganised retail of Mumbai Metropolitan Region. Hence the paper aims to identify and compare the extent of Employee Engagement practices that are carried out in Organised and Unorganized Retail Stores in Mumbai region. The paper also suggests a number of engagement guidelines for retail stores to follow. A structured interview format is used to conduct primary research in an organised (Sahakari Bhandar, Mulund) and unorganised (Savla Dry Fruits, Kurla) store to understand and compare the engagement practices conducted in these store formats.*

**Keywords:** Employee engagement, organised and unorganised, retail

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**Introduction:**

Employee Engagement is the extent to which an employee will commit, involve or contribute towards his/her job. An engaged employee understands the vision of the company and works hard to sustain it. This is always beneficial to the company as the employee is willing to work extra to help improve the performance of the company and thus increasing their profits. An engaged employee always looks for methods to help improve the performance of their job for the benefit of the company. Engaged Employees exhibit voluntary behaviour and efforts in favour of the company, they are worried for the future and thus take discretionary measures to help the company. Hence, we can say that Employee Engagement reveals the affiliation or bond of an employee towards their workplace/company. Effective Employee Engagement

encourages employees to take that little extra effort or go the extra mile for their organisations. Here is a simple quote that explains the role of an engaged employee towards creating a good experience for the customer, which in turn helps the overall reputation and performance of an organisation.

“Highly engaged employees make the customer experience. Disengaged employees break it.” –Timothy R. Clark

**RETAIL INDUSTRY:** Retail is an industry that has been around for so long that now, it ranges from our local kirana stores to the stores that we can see in shopping malls today. The basic concept of retailing consists of the practice of selling consumer goods and services via various mediums of distribution for profit. Retail industry aims to satisfy the demands of its consumers. The retail industry can be classified in to two types namely, Organised and Unorganised. However, maintaining the pace with today’s internet era even retailing has become digital, one can find online stores that satisfy consumer demands similar to how traditional retailers do.

**ORGANISED RETAIL:** Organised retail includes sale of goods and services undertaken by licensed retailers. This includes all those retailers who are legally listed for income tax, sales tax, among others. Corporate supermarkets, Hypermarkets, Retail chains, stores in Shopping malls and privately owned large retail stores are some examples of Organised Retail Industry.

**UNORGANISED RETAIL:** Unorganised retail includes all unauthorized small shops such as General stores, Kirana shops, corner shops and other various other small retail stores. These unorganised retail outlets are a significant part of the Indian retail industry. Mom and Pop Stores and Convenience stores are examples of Unorganised retail stores.

### **Importance of Employee Engagement in Retail:**

According to Gallup, “Engaged Employees are those who are involved in, enthusiastic about and committed to their work and workplace.”

It is often believed that the problem in any retail organisation begins due to low customer satisfaction, while this might be partially correct it is also true that customer perceptions are formed based on the services that the employee of an organisation provides them. Hence it is very important to ensure employee satisfaction before thinking about customer satisfaction. This holds true especially, in the retail sector where customer-employee interaction is constant. Thus, inculcating Employee Engagement

practices is essential to make sure that one's employees are engaged employees. One unpleasant experience can cost a company a prospective customer forever which is why employee engagement is of paramount importance. It is believed that companies generate twice the amount of revenue when they have engaged employees who are in parallel with each other. Certain basic factors that help achieve employee engagement are internal communication, scope for growth, recognition and appreciation from seniors, encouragement, safe work environment among other such factors.

### **Difference Between organised and Unorganised Retail:**

Retailing in India is one of the major revenue generator of the economy, accounting for roughly 15% of the country's GDP. It is also said that India has one of the fastest growing retail markets in the world. Traditionally the retail sector in India consisted of local kirana stores, mom and pop store, street stores, local vendors or other such small-scale shops. These is also called as unorganised retail. But today, the retail scene has undergone a huge change, especially over the last few years. The change has considerably improved the entire consumer experience. This alteration has taken place due to the entrance of the organised retail industry in India. Organised retailing includes huge shopping centres like in shopping malls, multi storied departmental stores and so on. The influx of organised retailers in the Indian market has given a boost to the growing economy.

Some of the distinctive features of organised and unorganised retailing are mentioned here:

#### **1) *Origin:***

Unorganised retail also known as Traditional retail has been around for quite a few centuries now and is still quite popular in India. Whereas, Organized Retail also known as Modern Retail is relatively new and was established in the late 20<sup>th</sup> century in India.

#### **2) *Ownership:***

Organised retail is usually owned by huge corporate firms or large retailers and is large scale, while, unorganized retail is owner operated and run on a small-scale.

#### **3) *Functioning Expense:***

In organised retailing there are heavy expenses, for example, maintenance costs, merchandising costs, labor costs and so on. In unorganized retailing, all these expenses are minimal or non-existent.

**4) *Product variety & Brands:***

Organised retail stores provide variety and choice to one's customers, they have a wide range of products of different brands and companies. Unlike in organised retail, unorganized retail stores have a limited range of products, and these might not necessarily be branded products.

**5) *Customer Know-how:***

Since Traditional retail has been around longer than Modern retail, consumers are more familiar and comfortable with it. Owing to the same, unorganized retail has a loyal customer base, who trusts them due to familiarity. Whereas, organized retail has to depend on the market research and understanding of buying behavior of the consumers. Brands struggle to build trust.

**6) *Shopping Ease:***

Organised retail offers comfort and convenience to their customers while shopping. E.g. In a shopping mall there are facilities and comfort levels like air-conditioning, rest-rooms, food-courts etc. On the contrary, the facilities are not offered and unavailable, while, one is shopping in unorganized retail stores.

**7) *Consumer Type:***

Organised Retail outlets generally caters to upper middle class and upper-class consumers. Middle and lower-class customer don't usually shop for their requirements in organised retail stores.

Unorganized retail stores are usually visited by lower middle class and the lower-class customers. But the middle upper class and upper class also buy a number of thing here as per their requirement and convenience.

**8) *Locale:***

Organised retail stores are commonly located in busy metropolitan regions and not in rural or remote areas. Vis a vis unorganized retail outlet usually thrives in rural or semi-urban areas.

**9) *Financing:***

To build an organized retail outlet one requires a heavy investment, approximately to crores of rupees. Whereas, unorganized retail stores can be established with regulated finance and a limited budget.

**10) *Breaking-even:***

Achieving break-even point in one's business is essential, this proves be a hurdle especially in organized retail outlets on account of large-scale operations, thus

incurring losses. This problem is not faced by unorganized retail as they reach breakeven point in a short period due to lower investments and small-scale work.

**11) Technology:**

Organised retail outlets make optimum use of modern technology. For e.g. billing inventory, accounting public address system, offers announcement through message service, security checks cctvs etc... Unorganized retail fails to do the same usually, due to low turnover of business.

**12) Promotion:**

Organised retailers employ various promotion techniques to popularize their outlets. They make use of tools such as advertisements, sales campaigns, events etc. Unorganized retailers barely invest in any kind of promotions or advertisements.

**13) Legal Requisitions:**

Organised retail is registered, regulated and taxed by the government, here people get assured work, the employment terms are fixed and regular. A few acts apply to the stores falling in this sector.

Unorganized retail is not always registered, regulated or taxed by the government. Sometimes there is no assured work or employment terms here. They are not always governed by acts.

**14) Remuneration:**

In organised retail the employees receive a fixed monthly payment/income, working hours and hike in salary at regular periods. In unorganized retail, it is not observed or recorded.

**15) Benefits and perquisites:**

Under organised sector the employees are provided with certain perks and benefits such as job security, insurance, paid leave, maternity/paternity leave other perquisites. The employees of the unorganised sector do not enjoy and perks allowances and incentives.

**Guidelines to Achieve An Engaged Workforce:**

While there are a lot of differences between Organised and Unorganised retail both these are in need of an engaged workforce to put forth productive results. Since one has come to understand the significance of employee it is equally essential to acknowledge what it entails.

Listed below are a few guidelines towards achieving the same:

**1. Feedback:**

Giving frequent or timely feedback to an employee is very important. This creates a good impression in the minds of the employee, it makes them think that their work actually matters and that it is valued, this thus helps in improving engagement levels. Periodic feedback should not stretch over prolonged periods such as a year or six months, but they should be more frequent for example, monthly or even weekly.

**2. Communication:**

It is essential that a company share with their employees its aims, goals, visions and missions. The most basic requirement is that every employee must know about his or her role in the company, this unshackles one off any miscommunications or misunderstandings that they may conceive. Other than that, the company should exercise and encourage transparency and honesty. Employees should be informed about any major or minor decisions or actions that the company is going to take. This helps the employee feel more in coordination and connected to the company.

**3. Respecting Opinions:**

Employees in the retail sector are generally in the front-end and interact with the customers a lot hence taking their suggestions seriously and not undermining them is crucial. Respect goes both ways, if the workers are treated with respect and importance they will extend the gentility same towards the company they work for.

**4. Recognition & Appreciation:**

When the employer pays attention, and appreciates the effort and arduous work put in by the employee it encourages the employee to continue the good work. Recognition which is a type of acknowledgement in the form of praise or awards like ‘Employee of the Month’, increase in salary or departmental promotions, all these help in making an employee more dedicated towards the store/company.

“Research indicates that workers have three prime needs: Interesting work, recognition for doing a good job, and being let in on things that are going on in the company.” –Zig Ziglar

**5. Perks and Benefits:**

Other than recognition and the usual requisite salary other non-wage compensations can also be provided to an employee such as health insurance, life insurance, housing, sick leave, vacation, social security, reimbursements among other such benefits in kind. These benefits are beneficial to everyone and creates a better



impression of the company. Such perks add to the appeal towards the place of work and increases engagement level. It is often seen that such benefits are absent in unorganised retail.

“To win in the marketplace you must first win in the workplace.” –**Doug Conant**

## **6. Combating Turnover:**

While it is not always in the employers control when an employee leaves his/her job, efficient engagement techniques can help combat turnover rates. Engagement can encourage worker to continue working for longer. This thus helps employers avoid wasting time and money in recruiting and training a new employee.

## **7. Providing Flexibility:**

In most cases, especially in unorganised retail, majority of the workforce is unskilled labour. These employees are often juggling between family life, additional jobs or classes thus providing them with work hours and schedules as per their convenience can help improve engagement levels. Since, they have a sense of control and are provided with more suitable work hours which thus improves productivity.

### **○ Survey & Findings:**

A survey was conducted in both organised and unorganised retail outlets alike to understand their functioning and engagement practices ensured here. This is a three-fold dimension survey and seeks to understand the retail manager, employee and the customer.

The aim of this survey is to question the store's manager, employee and customer to understand the understanding about employee engagement practices in these stores at different levels of management and sales. It oughts' to learn about employee engagement from the perspective of the manager and employee alike and then to learn about the effect of these practices on the customer buying experience.

### **○ Questionnaire:**

#### **• Unorganised Retail Store:**

The survey for unorganised retail was conducted in the, unorganised retail outlet of **Savla Dry Fruits** and general store which is situated in Kurla, Mumbai.

The Questions & Answers from the questionnaire used to conduct the survey are mentioned below in the box:

▪ **To the Employee: Mohammed Altaf**

1. How do you feel about your workplace?

I am quite satisfied with this job. The work environment is comfortable and helps me meet my daily needs.

2. What are your goals to ensure customer satisfaction?

I always help the customers with their shopping. The customers are always satisfied with our products and I have noticed many customers visit the store several times.

▪ **To the Manager: Arjun B Morre**

1. How do you feel about the employees and the store?

The employees in my store are hard-working and efficient. I recognise their efforts and always acknowledge them.

2. What is your understanding of the goals and missions of the organisation? How well do you communicate these to your employees?

I have a good understanding of the mission and the goals of the store and ensure that the employees are aware of it too. The employees are updated with internal communication system.

3. What is your opinion of your store manager?

I think my store manager is good at his job, open and participative.

▪ **To the Customer: Nishat Asif Satked and Shamim Shaikh**

1. How is the customer service at the store?

The retail staff is well informed about the brand happenings and pass to the customers. The staff is quite cooperative during sale or rush period.

2. What do you think of the store?

There is good variety at the store and has high discount sales. Also, the staff is well trained and always ready to help.

• **Organised Retail Store: Case Study**

The survey for organised retail was conducted in the public sector, organised retail outlet of **Sahakari Bhandar** which is situated in Mulund, Mumbai.

The Questions & Answers from the questionnaire used to conduct this survey are

▪ **To the Employee: Vinod Katkar**

1. How do you feel about your workplace?

It is a good place to work. Because we are situated in a residential complex we always

have customers, this is good, but it can be tiring sometimes

2. What is your opinion about your Store Manager?

Our manager is a good leader and very clear with communicating the expectations and goals of the store. He is very friendly and approachable

3. What are your goals to ensure customer satisfaction?

We always aim to aid our customers in any way possible so that they are happy with their purchase.

4. Any improvements that you would suggest for the store management?

I wish we could get more commission or salary.

▪ **To the Manager: Sanjay Nachankar**

1. How do you go about your job?

We believe in maintaining good relations with all the employees irrespective of their job criteria. Every morning before the store opens we conduct morning briefings to discuss job expectations, goals or any other problems.

2. What is your view on Employee Engagement?

To boost employee morale, we have an esteemed post for 'Cashier of the Month'. Furthermore, we celebrate collective birthdays on the second Friday of every month for those of our employees who are celebrating their birthday that month. This helps create a friendly environment at work.

3. How do feel about Customer Interaction?

We welcome students of various school for Customer Interaction and Educational Visits.

▪ **To the Customer: Tanushree Iyer**

1. What do think about the Store?

The store is inside my society so it's very convenient to get things from here. It has a lot of variety in goods. My shopping experience here is always fulfilling and comfortable.

2. How are the offers and discounts that the store offers?

This store hosts a number of products sales and often gives be free samples and value discounts.

3. How are the Employees here?

The employees here are really friendly and always ready to help and assist me whenever required.

○ **Findings and Inferences:**

The inferences drawn from the survey responses collected by the researcher included certain key drivers of engagement. These include:

**i. Leadership:**

While it stands true that leadership is good at both stores, the data collected indicates that the leadership level in organised retail fairs better in comparison to that of unorganised retail sector.

**ii. Internal Communication System:**

From the present study conducted and the responses given by the organised and unorganised sector employees it is evident that the internal communication system at both stores is at par.

**iii. Pay Benefits:**

From the survey responses collected it is understood that pay benefit and commissions are received only by the employees of the organised retail store and not the unorganised retail store.

**iv. Work Pressure:**

It is observed from the survey conducted that work pressure and stress is experienced more by the employees of organised sector as compared to those of the unorganised sector store.

**v. Work Hours:**

The work hours of employees from the organised sector store is fixed whereas those from the unorganised sector store are sometimes obligated to work extra time during peak periods.

From the above case study survey of the organised and unorganised retail sector stores it is quite evident from the responses collected that conducting employee engagement practices in both sectors i.e. in Organised and Unorganised Retail is crucial.

In both store formats employee engagement is practiced, but the way of engagement conducted is different. In organised retail, this is prominent because it is significantly large-scale, has more number of employees for operation, more professional and better recognised. Whereas, this is not the case with Unorganised retail since it is small scale, has less number of employees and is more casual in approach. This thus enforces the significance of encouraging employee engagement in both organised and unorganised retail.

**Conclusion:**

Employee Engagement is an important aspect required to make any business a success, irrespective of whether it is small-scale or large-scale business. The above data conveys the causes of and importance of conducting employee engagement practices in the retail industry is imperative. It also throws light on the two types of retail viz, Organised and Unorganised Retail, their comparative differences and with the help of survey findings and interview responses depicting their employee engagement practices. The study undertaken have been derived using primary research and Questionnaire method. These aid to articulate the significance and need for employee engagement practices in Organised and Unorganised retail sector. Since Unorganised is dominant in India whereas, organised is rapidly scaling the popularity ladder today it is high time that both sectors give employee engagement the credit that it is due for.

“Engaged employees are in the game for the sake of the game; they believe in the cause of the organization.”

– Paul Marciano, PhD

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## A STUDY ON EMPLOYEE ENGAGEMENT OF EMPLOYEE WORKING IN RETAIL SECTOR

**Ms. Jyoti Sanap**

Assistant Professor

Institute of management &  
Computer Studies

**Ms. Samruddhi Shinde**

SY BMS

Institute of management &  
Computer Studies

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### **Abstract:**

*Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. It is a positive attitude held by the employees towards the organization and its values. Employees who are engaged significantly lower the risk of turnover for the company. As engaged employees are more invested in the success of the company they also become more loyal. Engaged employees perform at a higher level and bring passion and interest to their job, which often leads to innovation in the workplace. Employee engagement strategies have been proven to reduce staff turnover, improve productivity and efficiency, retain customers at a higher rate, and make more profits. Most importantly, engaged employees are happier, both at work and in their lives. When you're engaged, it infuses everything you do with purpose, energy, and enthusiasm. The purpose of this research Paper is to examine the levels of employee engagement in a Retail Industry.*

**Keywords:** *Employee Engagement, Productivity, Efficiency, Staff Turnover*

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### **Introduction:**

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. Employee engagement is the emotional attachment employees feel towards their place of work, job role, position within the company, colleagues and culture and the affect this attachment has on wellbeing and productivity. From an employer's point-of-view, employee engagement is concerned with using new measures and initiatives to increase

the positive emotional attachment felt and therefore productivity and overall business success

### **What affects Employee Engagement?**

Factors that Influence Employee Engagement:

1. Strategic Alignment – employees work is in line with where the business is going and how it is going to get there
2. Trust in Senior Leadership – Employees believe in, trust and follow senior leaders
3. Immediate Manager Working Relationship – the quality of the management team directly impacts the performance and retention of employees
4. Peer Culture – effective peer relationships leads to highly engaged, productive employees and drives organization performance
5. Personal Influence – employees feel that they can strive to seek better ways of doing things, to innovate new ideas and that their efforts (be they successful or not) will be recognized
6. Nature of my Career – providing employees with meaningful career paths, that will inspire and provide them with a variety of opportunities to grow and develop and lead to their goals
7. Career Support – providing employees with the opportunity to develop through assignments or key jobs
8. Nature of the Job – providing employees with jobs that are designed to challenge them; that are a good fit with employees skills, qualifications, experience
9. Development Opportunities – providing employees not only with formal learning programs but also with the opportunity to practice their newly acquired skills and knowledge on the job under the watchful eye and also the opportunity to learn from others outside formal learning programs.
10. Employee Recognition – recognizing in a sincere and timely manner employee contributions and incremental improvements
11. Pay Fairness – motivate employees by implementing equitable pay linked to performance and also to the type of the company (e.g. industry leader or follower)

### **Literature Review:**

Kelman's (1958) highest level of motivation involved the investment of not only physical and cognitive resources, but also involved an investment of emotions. At this level of motivation, individuals are engaged in their work role through an emotional connection between Page | 20 themselves and their role. This view is consistent with

Kahn's (1990), who noted that role engagement was the highest when people were emotionally connected to their work activity

According to Sirota (2005) "Morale is a direct consequence of being treated well by the company, and employees return the „gift“ of good treatment with higher productivity and work quality, lower turnover (which reduces recruiting and training costs), a decrease in workers shirking their duties, and a superior pool of job applicants. These gains translate directly into higher company profitability. Satisfied employees lead to satisfied customers, which results in higher sales. Satisfied customers and higher sales, in turn, result in more satisfied employees who can enjoy the sense of achievement and the material benefits that come from working for a successful company. It's a „virtuous circle“ – the best of all worlds”.

Gallup (2006) studied approximately 24,000 organizations and compared the top quartile and bottom quartile financial performance with engagement scores. Organizations with employees having engagement scores in the bottom quartile averaged 31-51 percent more employee turnover, 51 percent more inventory shrinkage and 62 percent more employee accidents. While those with engagement scores in the top quartile averaged 12 percent higher customer advocacy, 18 percent higher productivity and 12 percent higher profitability.

### **Objectives of the study:**

Different studies and theories have brought out various factors as relevant in the context of employee engagement of employees. The basic objective of this study is to provide an analysis of these factors that appear to be relevant in the context of employee engagement of employees in the reliance industry.

### **Scope of the study:**

The scope of the study is confined to around 80 samples of the employees working in Reliance Retail India (Mumbai)

### **Research Tool:**

Questionnaire

### **Sampling technique:**

**Sampling unit:-** the sampling unit was limited to the reliance Retail( Navi Mumbai)

**Sample size:-** 80 samples taken

**Statistical tools:** - the constructed questionnaire was used for the survey purpose. The Questionnaire comprised of closed ended questions.



**Data Analysis & Interpretation:****Gender:**

Respondent	Male	Female
Gender	59	21

**Age:**

Respondent	21-30	31-40	41-50	50 Above
Age	41	16	11	01

From above table we observe that majority of respondent are of 21-30 Age group.

**Q.1. I feel Proud to tell people I work in this organization**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	47	21	10	1	1

From above table we can observe the Mean Value-4.387. which indicates that employees of company feels extremely proud to work in company.

**Q.2. I am very satisfied with my job**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	20	36	19	4	1

From above table we can observe the Mean Value-3.875. It indicates that majority of employees are satisfied with their jobs

**Q.3. I would like to continue with this organization & I am not looking for job in other organization**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	22	27	18	9	4

From above table we can observe the Mean Value-3.675. It indicates that employees agrees that they would like to continue in same organization

**Q.4. I have a good understanding of my company's Mission and goals**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	31	31	16	1	1

From above table we can observe the Mean Value-4.125. It indicates that to the large Extent Employees have understanding of mission and goals of the company

**Q.5. My work is challenging, interesting and rewarding**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	27	30	17	5	1

From above table we can observe the Mean Value-3.962. It indicates that majority of employees agree that their work is interesting, challenging and rewarding

**Q.6. I understand how my role contributes to the organization's success**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	33	38	7	1	1

From above table we can observe the Mean Value-4.262. It indicates that Employees have clarity about their contribution in organization's success.

**Q.7. My Management encourages me to go above and beyond in my role**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	23	35	15	4	3

From above table we can observe the Mean Value-3.887. It Indicates that Employees agree that organization encourage them

**Q.8. I have access to things (Tools/Technology) I need to do my job well**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	26	36	15	1	2

From above table we can observe the Mean Value-4.037. Majority of employees agree that resources are available to them

**Q.9. I have training/ Access to learning and development to perform my job well**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	17	42	19	2	0

From above table we can observe the Mean Value-3.925. Indicates that majority of employees agree that they have access to learning and development

**Q.10. I feel my pay is fair compared to people in similar roles in other organizations**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	8	20	30	18	4

From above table we can observe the Mean Value-3.125. Most of the employees feels that their salary is not fair compare to competitors

**Q.11. I have appropriate decision making authority related to my work**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	19	24	30	6	1

From above table we can observe the Mean Value-3.675. Employees somewhat agrees that they have appropriate decision making authority

**Q.12. Our Management appreciates feedback/Suggestions from Employees**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	19	30	24	5	2

From above table we can observe the Mean Value-3.737. Employees agrees that their feedback is valued.

**Q.13. There are good opportunities for career progression in this company**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	21	34	17	5	3

From above table we can observe the Mean Value-3.812. Employees agrees that they have good opportunities in Company

**Q.14. There is open and honest two way communication in this company**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	18	30	28	3	1

From above table we can observe the Mean Value-3.762. It indicates that employees somewhat agree about they have honest and open communication.

**Q.15. My Manager helps me to understand my strengths and areas for development.**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	27	35	11	5	2

From above table we can observe the Mean Value-4. Most of the employees agree that their Manager is Supportive

**Q.16. I get appropriate recognition when I do good work**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	22	38	14	3	3

From above table we can observe the Mean Value-3.912. It indicates that employees agree that they get appropriate recognition for their work.

**Q.17. Company policies and environment Supports work life balance**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	23	33	20	3	1

From above table we can observe the Mean Value-3.925.Indicates that Majority of employees agrees that company policies and environment supports work life balance

**Q.18. My co-workers are very supportive**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	39	28	11	1	1

From above table we can observe the Mean Value-4.287.It indicates that according to respondent their co-workers are very supportive

**Q.19. Our Management Care about the employees**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	26	34	16	2	2

From above table we can observe the Mean Value-4.Which means Management is cares about employee

**Q.20. There is strong feeling of teamwork and cooperation in this organization**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	26	33	14	4	2

From above table we can observe the Mean Value-3.925. Employees Agree that there is strong feeling of co-operation in company.

**Q.21. I would recommend this organization as a great place to work**

Respondent	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Number	36	25	15	4	0

From above table we can observe the Mean Value-4.162. It Indicates that Employees strongly agrees that they will recommend company as great place to work.

**Findings:**

- Employees of this organization are satisfied and feel proud about organization.
- Employees have understanding of mission and goals of company and their contribution to organization
- Employees agree that they have all resources and training to perform their Job.
- Management is supportive and cares about employee.
- Employees are somewhat agrees about fair pay and decision making authority.
- Work Environment is Supportive.
- Employees get appropriate recognition from organization.
- Good opportunities for career Progression is available to employees.
- Employee agrees that organization policy supports work life balance.

**Limitations of study**

The study was confined to only 80 Samples. Result is based on the responses given by employees of one region only

**Conclusion:**

Reliance Retail is good place to work and employees are highly committed and satisfied. Employees are satisfied with Management and thinks that their management cares about them though they are not satisfied with salary.

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## ANALYSING EFFECTIVENESS OF LABOUR WELFARE TOWARDS MOTIVATIONAL LEVEL OF BLUE COLLAR EMPLOYEES

**Dr. Amit Hole**

Assistant Professor,  
S.V.P.M'S Institute of Management,  
amithole11@gmail.com

**Dr. Neelkanth Dhone**

Assistant Professor,  
S.V.P.M'S Institute of Management,  
neelkanthdhone@gmail.com

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### **Abstract:**

*The basic purpose of this study is to find out various labour welfare measures provided to employees by the manufacturing industries. The study reveals impact of inadequate welfare measures on employee absenteeism and attrition. The study is carried out for the blue collar employees of the company by using descriptive research design. The workforce is divided into two categories viz white collar & blue collar workers. In total 113 samples size is taken to collect relevant information from the employees. Stratified random sampling method with structured questionnaires is chosen for the study. After analyzing the entire data it is found that an inadequate welfare measure does not make an impact on employee absenteeism and attrition. But it is also found that health problem, stress and family problem are the major causes of absenteeism. As far as employees' attrition is concerned non availability or inadequacy of First Aid and Medical facilities lead to blue collar employee's attrition whereas non availability of Canteen and Medical facilities causes white collar employee's attrition. The Industrial worker is indeed a soldier safeguarding the social and economic factors of the industrial economy. Therefore, there is need to take care of the workers, to provide both statutory and non-statutory facilities to them, which has direct influence on the social and economic development of the organization as well as the nation.*

**Keywords:** Labour Welfare Measures, Absenteeism and Attrition, Motivational Level, Blue Collar Employee.

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### **1. INTRODUCTION**

The term welfare suggests the state of well being and implies wholesomeness of the human being. It is a desirable state of existence involving the mental, physical, moral and emotional factor of a person. Adequate levels of earnings, safe and humane

conditions of work and Access to some minimum social security benefits are the major qualitative dimensions of employment. Labour welfare' is dynamic concept. It bears a different interpretation from country to country and from time to time. Different factors like value system, social institutions, degree of industrialization and the general level of social and economic development obtaining in a country at a particular time determine the contents of labour welfare. But broadly speaking, labour welfare should meet the necessary requirements of labour. Labour welfare measures enable workers to live a richer and a more satisfactory life and it contribute to the productivity of labour and efficiency of the enterprise. It also enhances the standard of living of workers by indirectly reducing the burden on their purse. It also promotes harmony with similar Service obtaining in the neighborhood community where the enterprise is situated. An efficient, skilled, cheerful and contented employee will be an asset to any organisation if he is happy, he will concentrate on his work and better results can be achieved. An employee will be happy only when his needs are fulfilled. Labour is a crucial factor, which is very difficult to manage. The progress of a nation and in particular industrial growth purely depends upon a contented labour force. The Schemes of labour – welfare may be regarded as a “wise investment” which should and usually does bring profitable returns in the form of greater efficiency.

The significance of welfare measures was accepted as early as 1931, when the Royal commission on labour stated. The benefits are of great importance to the worker which he is unable to secure by himself. The schemes of labour welfare may be regarded as a wise investment because these would bring a profitable return in the form of greater efficiency. The concept of labour welfare is flexible and elastic and differs widely with times, region to region, industry, country social values and customs, degree of industrialization and general socio-economic development of people. The textile industry in India traditionally, after agriculture, is the only industry that has generated huge employment for both skilled and unskilled labor in textiles. The textile industry continues to be the second largest employment generating sector in India. The share of textiles in total exports was 11.04% during April–July 2010, as per the Ministry of Textiles. India is the second largest producer of fibre in the world and the major fibre produced is cotton. Other fibres produced in India include silk, jute, wool, and man-made fibers. 60% of the Indian textile Industry is cotton based. Government of India passed the National Textile Policy in 2000.

The Indian Textile industries are mainly dominated by some government, semi government and private institutions. As overall textile industries are concerned large numbers of men and women workers are working. The working environment in such industries is hazardous for their health. Due to this the absenteeism, rate of attrition and labour turnover is high. Also labour may suffer from disease and injuries. Therefore to overcome this problem, maintain healthy working conditions and to retain the employees, industries are offering various safety measures along with the various welfare facilities. In the light of above, the Researcher has selected the textile industry in Baramati (MH) to analyze the impact of labour welfare measures on employee motivation on the basis of responses of sample respondents.

### 1.1 Concept of Labour Welfare Measures

Labour welfare is part of social welfare, both conceptually and operationally. It covers state of well-being, happiness, satisfaction, conversation and development of human resources.

**The total concept of welfare is that** desirable state of existence involving the physical, mental and emotional well-being.

**The social welfare** states the welfare of man, his family and his community and it interrelated and work together.

**The relative concept of welfare** implies that welfare is relative in time and place. It differs with time, region, industry and country depending on the value system, level of education, social customs, political system, degree of industrialization and general standard of the socio-economic development of the people. Labour welfare implies the setting up of the minimum desirable standards and the provisions of facilities like health, clothing, housing, medical assistance, education, insurance, job security, recreation and so on. Such facilities enable the worker and his family to lead a good work life, family life and social life.

### 1.2 Definitions of Labour Welfare Measures

Labour welfare has been defined in various ways, though no single definition has found universal acceptance. The Oxford dictionary defines labour welfare as "Efforts to make life worth living for workmen."

Chambers dictionary defines welfare as "A state of faring or doing well. Freedom from calamity, enjoyment of health and prosperity".

The Encyclopaedia of Social Sciences defines is as "the voluntary efforts of the employers to establish within the existing industrial system, working and sometimes.



Living and cultural conditions of employees beyond what is required by law, the customer of the industry and the conditions of the markets.” Arthur James Todd defines welfare work as “anything done for the comfort and improvement, intellectual and social, of the employees over and above the wages paid, which is not a necessity of the industry.” According to a report of the International Labour Organization, “Workers welfare should be understood as such services, facilities and amenities which may be established in the vicinity of an undertaking to enable the persons employed in them to perform their work in healthy, congenial to good health and high morale”.

The Report of the Committee on Labour welfare (1969) includes under it "such services, facilities and amenities as adequate canteens, rest and recreation facilities, sanitary and medical facilities, arrangements for travel to and from work and for the accommodation of workers employed at a distance from their homes and such other services, amenities and facilities including social security measures as contribute to improve the conditions under which worker are employed."

According to the employee investigation committee (1946) employee welfare means anything done for intellectual, physical more and economic betterment of the workers, whether by employee by government or by other agencies over and above what is laid down by law or normally expected on the part of its contracted benefit for which workers may have bargaining.

Employee welfare is a comprehensive term including various services, benefits and facilities offered to employees & by the employers. Welfare includes anything that is one for the comfort and improvement of employees and is provided over and above the wages. The welfare measures need not be in monetary terms only but in any kind/forms. Employee welfare includes monitoring of working conditions, creation of industrial harmony through infrastructure for health, industrial relations and insurance against disease, accident and unemployment for the workers and their families. The very logic behind providing welfare schemes is to create efficient, healthy, loyal and satisfied labor force for the organization. The purpose of providing such facilities is to make their work life better and also to raise their standard of living.

### **1.3 Following are the some inferences presented by the researcher as follows.**

1. **“Cooperative Unionism and Employee Welfare”** by Michael R. White (University of Westminster - Policy Studies Institute) Industrial Relations Journal, Vol. 36, No. 5, pp. 348-366, September 2005. Using British national survey data, this article assesses the impact of unions on management practices to reduce labour

costs, implement high-performance work systems, and make employee welfare provisions. Relative to non-union workplaces, those with unions are found to have practices which are consistent with 'mutual gains' outcomes.

2. **“Provision Of Welfare Under Factories Act & Its Impact On Employee Satisfaction”** by Parul P Bhati (Research scholar Karpagam University), Dr. Ashokkumar M (Professor & Head, Department of Management, Karpagam University) Journal of Business Management & Social Sciences Research (JBM&SSR) ISSN No: 2319-5614 Volume 2, No.2, February 2013. This paper studies the impact of Welfare Under Factories Act 1948 On Employee Satisfaction. For this researcher have taken the overviews of Engineering Industry. Researcher has measured the impact of welfare provisions on employee satisfaction by way of the correlation technique and also measured that whether any difference in terms of employee satisfaction towards welfare provision exists by way of using one way Annova test.
3. **“A Study On Performance of Labour Welfare Measures of Indian Industries: An Overview”** by Dr. A. Jebamalairaja (Associate Professor, Dept of Economics , Urumu Dhanalakshmi College, Trichy, Tamilnadu, India) R. Pichumani (Associate Professor, Dept of Economics , A.A.Govt. Arts College, Musiri, Trichy, Tamilnadu, India) IJMRR April 2012/ Volume 2/Issue 4/Article No-9/546-551 ISSN: 2249-7196. In this article it is found out the labour-welfare measures adopted by various industries in India, analyzed the statutory and non-statutory measures of Industrial labour, effectiveness of these measures in morale building and in enhancing the productivity of the Organization, assess the social security measures at Industrial labours.
4. **Labour Welfare Measures In Cement Industries In India (A Case Of KcpLimited, Cement Division, Macherla, Andhra Pradesh)**by M. Rama Satyanarayana, Dr.R.Jayaprakash Reddy July 2012 IJPSS Volume 2, Issue 7 ISSN: 2249-5894. This study is undertaken to know the satisfaction levels of employees about labour welfare measures in KCP limited (Cement Division). After analyzing the whole data researcher has stated that the overall satisfaction levels of employees about welfare measures in the organization is satisfactory. However, a few are not satisfied with welfare measures provided by the organization. Therefore researcher has suggested that the existing welfare measures may be improved further. Such

welfare measures enrich the employees" standard of living and their satisfaction levels.

- 5. A Study On Absenteeism Among The Employees Of Textiles Industries, Coimbatore District** By K.Vishnupriya, N.S.Suganya, P.Bhuvaneswari Sep 2012 IJMT Volume 2, Issue 9 ISSN: 2249-1058. This study is concerned with the issues, factors and causes related to absenteeism. In this study researcher has found that, there exist a significant relation between absenteeism rate and the salary given and also there exist a relation between absenteeism rate and the age group of respondents. For improving the things researcher has given some suggestions like; the working conditions of the work place have to be improved. The regulations for availing leave are to be made stricter. The relations between the management and the employees should be increased for better results.

- 6. Effectiveness of Labour Welfare Measures in India** by K. Kaliyamurthy Associate Professor & Research Advisor, Pg And Research Department Of Economics, Urumu Dhanalakshmi College, Kattur, Tiruchirappalli and J. Shyamala Devi Ph.d Research Scholar, Pg And Research Department Of Economics, Urumu Dhanalakshmi College, Kattur, Tiruchirappalli. International Global Research Analysis Volume : 1 | Issue : 7 | Dec 2012 • ISSN No 2277 – 8160. In this researcher has studied the various labour welfare measures available in the organization. The satisfaction levels of employees about Labour welfare measures provided by the organization. In the light of above, the researcher has selected the KCP Limited (Cement Division), to know the satisfaction levels of employees about labour welfare measures provided by the organization on the basis of responses of sample respondents. After analyzing the whole data researcher has stated that, the overall satisfaction levels of employees about welfare measures in the organization cover under study is satisfactory. However, a few are not satisfied with welfare measures provided by the organization. Therefore it is suggested that the existing welfare measures may be improved further. Such welfare measures enrich the employee's standard of living and their satisfaction levels.

## **2. OBJECTIVES OF THE STUDY**

- 1.** To analyze the effectiveness of labour welfare on motivational level of blue collar employees at manufacturing industries.
- 2.** To evaluate the impact of welfare measures on the operational performance of employees.

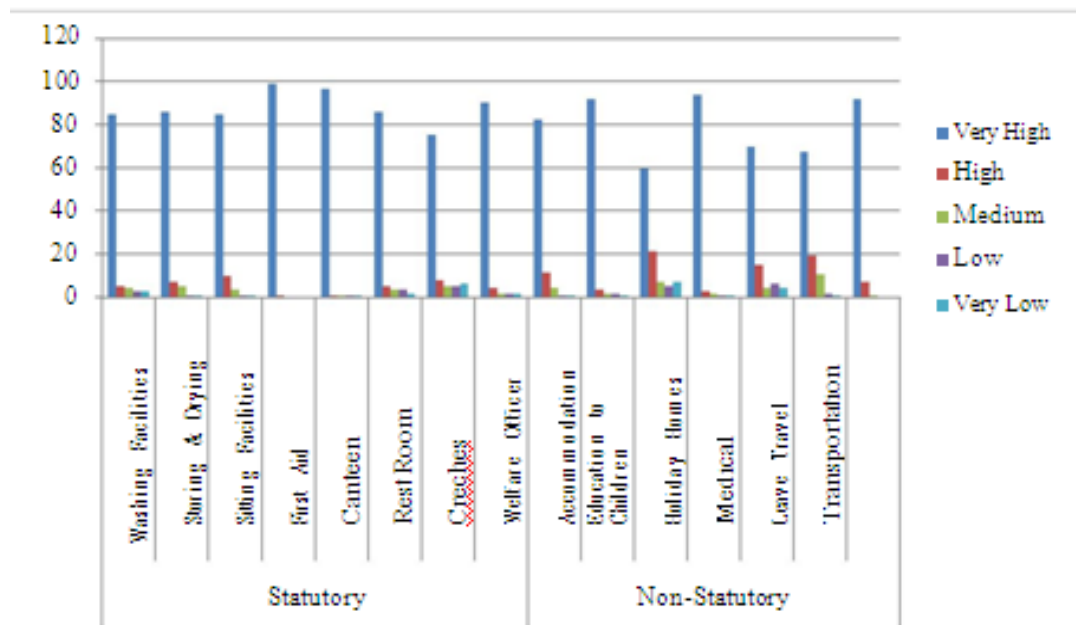
### 3. METHODOLOGY

The nature of the study is descriptive research. Working blue collar employees from textile industry from Baramati MIDC area is sample unit for this research. The sample for the study is in total 113 numbers. Stratified Random Sampling method has been used for the study.

### 4. DATA COLLECTION AND INFERENCES

#### A) Preference Given by Blue Collar Employees for Essentiality of Welfare Measures in future.

Sr. No.	Welfare Measures		Essentiality of Welfare Measures In Future (Percentage)				
			Employee Response				
			Very High	High	Medium	Low	Very Low
1	Statutory	Washing Facilities	84.95	5.30	4.42	2.65	2.65
2		Storing & Drying	85.84	7.07	5.30	0.88	0.88
3		Sitting Facilities	84.95	9.73	3.53	0.88	0.88
4		First Aid	99.11	0.88	0	0	0
5		Canteen	96.46	0.88	0.88	0.88	0.88
6		Rest Room	85.84	5.30	3.53	3.53	1.76
7		Creches	75.22	7.96	5.30	5.30	6.19
8		Welfare Officer	90.26	4.42	1.76	1.76	1.76
1	Non- Statutory	Accommodation	82.30	11.50	4.42	0.88	0.88
2		Education to Children	92.03	3.53	1.76	1.76	0.88
3		Holiday Homes	59.29	21.23	7.07	5.30	7.07
4		Medical	93.80	2.65	1.76	0.88	0.88
5		Leave Travel	69.91	15.04	4.42	6.19	4.42
6		Transportation	67.25	19.46	10.61	1.76	0.88
7		Uniforms	92.03	7.07	0.88	0	0



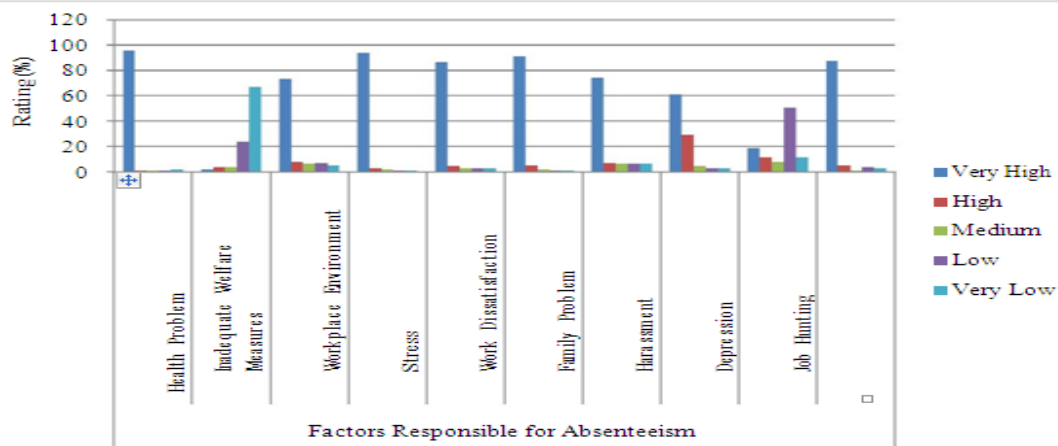
### Inferences:

The above table and graph depict the opinion of blue collar employees for welfare measures that are essential and they would like to have these facilities in future also. Most of the blue collar employees i.e. 99.11%, 96.46%, 90.26%, 85.84%, 84.95%, 84.95%, & 84.95% have given very high preference to First Aid, Canteen, Welfare Officer, Storing and Drying Facilities, Washing Facilities, Sitting Facilities & Rest Room Facilities respectively.

As far as non statutory welfare measures are concerned blue collar employees that comprise of 93.80%, 92.03%, 92.03% and 82.30% have given very high preference to Medical, Education to Children, Uniforms and Accommodation respectively. Blue collar employees have given high preference to Holiday Home & Leave Travel also; medium preference is given to Transportation i.e 10.61% respondents. The reason behind this is that company does not give these facilities (Leave Travel, Holiday Homes & Transportation) to the blue collar employees. Hence, blue collar employees do not bother about these & so only worry or focus on the routine facilities.

### B) Rating of Various Factors Responsible for Absenteeism (Blue Collar Employee)

Sr. No	Factors Responsible for Absenteeism	Factors Responsible for Absenteeism (Percentage)				
		Opinion of Blue Collar Employee				
		Very High	High	Medium	Low	Very Low
1	Health Problem	95.57	0.88	0.88	0.88	1.76
2	Inadequate Welfare Measures	1.76	3.53	3.53	23.89	67.25
3	Workplace Environment	73.45	7.96	6.19	7.07	5.30
4	Stress	93.80	2.65	1.76	0.88	0.88
5	Work Dissatisfaction	86.72	4.42	2.65	2.65	2.65
6	Family Problem	91.15	5.30	1.76	0.88	0.88
7	Harassment	74.33	7.07	6.19	6.19	6.19
8	Depression	61.06	29.20	4.42	2.65	2.65
9	Job Hunting	18.58	11.50	7.96	50.44	11.50
10	Partial Shifts	87.61	5.30	0.88	3.53	2.65



**Inferences :** The above table and graph shows that, for blue collar employees 95.57%, 93.80%, 91.15% & 87.61, Health Problem, Stress, Family Problem and Partial Shifts are the major causes of absenteeism respectively. The reason behind this is that blue collar employees deal with actual manufacturing process. They work on heavy machinery, so they face health problems and are stressed due to unhealthy workplace environment. 67.25% blue collar employees responded that inadequate welfare measure does not lead to absenteeism.

## 5. FINDINGS

1. Almost all blue collar employees are getting statutory and non-statutory welfare measures except leave travel and holiday home for blue collar and non availability of welfare officer.
2. An inadequate welfare measure doesn't make any impact on absenteeism of blue collar employee.
3. There is less attrition on part of employees as adequate welfare measures are provided.
4. It is found that non availability of first aid and medical facilities are the reasons for blue collar employee to leave the job from the company.

## 6. CONCLUSION

Generally, welfare measures are recreational, medical, educational, housing, sanitation and so on. Every organization provides the statutory welfare measures but some organization provides some more welfare facilities to the employees so that they may retain the employees and their quality of work life. By the result of increased quality of work life among the employees they get satisfaction in their personal and professional life. An organization could see the reflection of these things in increased productivity. As far as textile industry is concerned welfare measures are very much essential because the workplace environment in the textile industry is hazardous and it directly affects workers health. Therefore it leads to absenteeism and attrition. The national scenario depicts that labour turnover rate is very high in textile industry due unhealthy workplace environment. So to overcome this scenario the small units of textile industry have to implement and apply labour welfare practices. As a result of this, organizations will definitely achieve their goals & objective effectively and efficiently.

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# FINANCIAL MANAGEMENT



## A STUDY ON WIRELESS DATA COST AND IMPACT OF RELIANCE JIO'S 4G DATA RATES IN INDIA

**Mr. Pandurang Kishanrao More**

(Manager Human Resource, Trinity India Forgetech Private Limited, Pune)

**Dr. S.P.Kalyankar**

**Dr. Arun .P. Pardhi**

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### **Abstract:**

*Annualised cost of 1GB per month plan vs. annual price of 1GB of data per month as percentage of GDP per capital revealed that it has declined continuously from Q1 of 2014 to Q1 of 2017. Annualised cost of 1GB per month plan was \$Rs. 53 in Q1 of 2014 has declined to \$51 in Q1 of 2015 and further to \$44 and \$23 in Q1 of 2016 and 2017 respectively.*

*Annual price of 1GB of data per month as a percent of GDP per capita during above period has also declined from more than 3.5 percent to less than 2 percent. Reliance Jio's 4G data rates are the world's cheapest. It will start at Rs.50/- for 1GB which comes down to 5 paisa per MB 1GB data at Rs. 50/- is the lowest data tariff in the world.*

**Key Words:** Annual, cost, data, Jio.

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### **Introduction:**

The cost of tariff plan for 1GB data mostly depends on number of customer, cost of spectrum in addition to other factors like overheads and infrastructure laying cost of the company concerned. The spectrum is a collection of waves of varying frequencies called bands. These bands are normally used to broadcast mobile signals. Spectrum is brought on lease for 20 years in an auction managed by department of communications of Government of India. In the present study attempt is made to examine why the rates are varying for monthly plan in various companies. The specific objectives are:

### **Objectives:**

- 1) To study the comparative rates of auction bids of major players in India.
- 2) To study reasons of varying prices of tariffs plan in Indian service providers.
- 3) To study impact of Jio's 4G on data rates.

**Research Methodology:**

It is a review paper in which data were collected from secondary published source for last 4 years and simple tabular analysis is done with the help of percentage, averages etc. to meet the objectives of present study.

**Results:**

In the spectrum auction of 2016, the rate offered to words bids by three major companies are given in Table No.1

**Table 1: Price paid for spectrum (2016)**

Name of Company	Price on the bids in Rs.	MHZ
Reliance Jio	13672 corers	269.2
Bharti Airtel	14244 Corers	173.8

In auction, price depends on the bids, one who bids higher wins the auction. Airtel surely bids higher than spectrums original cost. Hence, Airtel plan rates are higher. Government allows the companies to recover the cost of spectrum by selling telecommunications tariffs to customers.

**Pricing of Tariff Plan:**

Tariff must cover the cost of providing the service to the consumer. He may be final or intermediary user such as service provider. If the telecommunication operator cannot recover its minimum cost, it may result in loss. It should also cover minimum maintenance, research and other indirect cost related to service having provided to customers. The cost could be recovered only if the number of customers are more and the cost of plan rates will be cheaper subsequently otherwise there can be costlier plan.

The company like Airtel has quite a high number of customers however they paid very high cost for spectrum which has resulted in higher plan rate.

The company Reliance Jio has increased its customer base by giving out free internet and other services for some specified period. They provided free service for 6 months to increase the number of loyal customers. It may recover the cost in few years and will have more customers resulting in cheaper plan rates. This is the main reason for varying prices of tariff plan in two companies.

**Impact of Jio:**

Jio is giving out free data easily as a part of their business plan to broaden the base of loyal customers. Airtel/Idea are not overpricing than plans, they did it to recover the

basic cost of spectrum. The cost of 1GB data can be calculated only if you know in influencing factors on cost of tariff plans. The basic information which is required includes details of spectrum, cost of bids, number of customers, overhead details and infrastructure laying cost. The company will not like to lose their customers by overpricing the tariff plans.

**Table2: annualised cost of 1GB per month and percetage of GDP per capita**

Quarter & Year	Cost of 1GB/month in \$	% of GDP per capita	% decline in 1GB cost over previous quarter
Q1 2014	53	3.5 to 4.0 approx.	
Q12015	51	3.0 to 3.5 approx.	5%
Q1 2016	44	2.5 to 3.0 approx.	15%
Q1 2017	23	1.5 to 2.0 approx.	48%

Figures in Table No 2 clearly indicates that the cost of 1GB per month has declined from \$53 in Q1 of 2014 to \$23 in Q1 of 2017. The per cent decline was more in Q1 of 2017 as impact of Jio as seen drastic reduction from 15% in previous year to 48% in Q1 of 2017.

The current data tariff plan in India is significantly higher as compared to other countries in the world, when adjusted to per capita income to normalise for affordability levels of customers.

Building a Road (spectrum) alone costs it does not matters Bus (100 GB) or cycle (1GB).

### **Conclusions:**

- 1) Comparative bid for auction of spectrum was higher in case of Airtel than the spectrums original cost. Hence it resulted in higher plan rates than Jio.
- 2) The varying prices of plan are due to variations in spectrum cost of bids, number of customers, overhead charges and infrastructure laying costs.
- 3) The impact of Jio resulted in drastic reduction of cost of 1GB data plan per month.
- 4) The annualised cost of 1 GB per month and its percentage to GDP per capita has also declined continuously in India.

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**TAX REFORMS: IMPLICATIONS OF GST ON INDIAN ECONOMY****Author: Prof. Sandeep L. Sarkale****Co-Author: Dr. Prashant B. Ashturkar**

Assistant Professor

Research Guide, Dept of Commerce &amp;

ASM's Institute of Professional

Management,

Studies, Pune (MH)

KRM Mahila College, Nanded (MH)

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**Abstract:**

*This paper is an analysis of the taxation trend in India i.e., Goods and Services Tax (GST) and its impact in Indian Economy. Over the years, GST/VAT (Value Added Tax) has been adopted as a main form of taxation. Currently, more than 160 countries have implemented GST/VAT. GST is a better tax system. It is more transparent, efficient, effective, self-policing and less bureaucratic. It is one of the biggest tax revolution in India which is all set to integrate the state and national economy to boost the overall growth of the country. Presently companies and businesses are paying multiple taxes which increases the cost of product and also obstructs the profit level of the company. Multiple tax and complex taxation system is one of the biggest hurdle for economic growth of the country. India is a centralized democratic and therefore the GST will be implemented parallel by the central and state governments as CGST & SGST respectively. GST system is already applied in India while and it is a single tax system which is a significant development in comprehensive indirect taxation reform.*

**Key Words:** *Goods and service tax, economic development, Indian economy and value added tax.*

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**Introduction:**

The tax is derived from the Latin word tax are which means to estimate.

“A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority” and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name.”

It is not a voluntary payment it is levied by the government. There are two types of taxes collected by the Indian government they are direct (income tax, capital gains tax, perquisites tax, corporate taxes etc.,) and indirect taxes (sales tax, service tax, value

added tax, custom duty, excise duty , etc.,). France was the first country introduced GST in 1954. Currently 160 countries are implemented GST. Now India has chosen the dual GST model, it is also called Canadian model of dual GST. It has 3 components. They are,

- 5) CGST- Central Goods and Service Tax: it is collected by central government.
- 6) SGST- State Goods and Service Tax: it is collected by state governments.
- 7) IGST- Integrated Goods and Service Tax: it means interstate GST, collected by central government.

Additional Tax (up to 1%) to be levied in case of inter-state supply of goods. Hence, no input credit available on such.

### **Literature Review:**

Ehtisham Ahmed and Satya Poddar (2009) studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India.

**Poirson** (2006) assesses the effects of India’s tax system on growth through the level and productivity of private investment during 1974-75 to 2004-05. She discovers that the overall tax burden, as measured by the Average Effective Tax Rates (AETR), is low in India as compared to advanced economies and higher income emerging markets in the region. She views that the proposed introduction of GST with few exceptions should enhance indirect tax productivity and improve economic efficiency by harmonizing tax rates across states.

Witter and Kym (2002) use a computable general equilibrium model (CGE) to analyze the impact of the GST and wine tax reform on Australia’s wine industry introduced in 2000.

**Pinki, Supriya Kamna & Richa Verma (2014)** Goods and Service Tax - Panacea for Indirect Tax

System in India” it is found that the GST is India’s most ambitious indirect tax reform plan, which aims at removing the cascading effect of tax. The movement of GST was declared in 2008 and supposed to be in force by 2010.

### **Research Methodology:**

The present study is purely depending upon secondary data which is procured from Webpages, books, journals.

**Objectives of the study**

The main objective of this study is to highlight the needs of Goods and Services Tax in India and to study the impact of GST on Indian Economy.

**Understanding Taxation System in India:**

India is a centralized country and both Centre and States have their own rights to collect taxes. Each state is independent in imposing and collecting taxes. The taxation powers are defined clearly in the Indian Constitution. Centre collects all the direct taxes (income tax, corporate taxes etc.) along with the Indirect taxes like Service Tax, Excise duty and Customs duty. The States collect indirect taxes like VAT on goods, CST and Local Taxes. These revenues states keep with themselves. Earlier instead of VAT, States had sales taxes on various goods. Now states have replaced sales taxes with VAT. Each state has adopted its own structure of VAT with different duties and structure.

A Finance Commission is appointed to look at the transfer of a certain percentage of the taxes collected by the Centre to the State. The Finance Commission defines the rules and conditions for the transfer of resources.

Ideally the taxes should be based on value addition and the producer should pay taxes on whatever value he adds to the product. In the absence of such a system, producers ended up paying much higher taxes. Higher taxes are a barrier for business and discourage business activity. The businesses instead spend time trying to save taxes leading to distortions and a parallel economy. A large number of enterprises prefer to stay out of the taxation system and avoid paying taxes. High taxes also lead to lobbying activities where producers of a certain sector ask the government to lower/waiver taxes for their sector. This also leads to multiple taxation rates for multiple products and further increases inefficiency in the system.

GST is an extended version of Value Added Tax (VAT) and aims to cover all goods and services. VAT covers mostly goods and GST covers all goods and services. The States can only tax sale of goods. Hence, States cannot tax services and Centre cannot tax sales of goods.

Hence, implementation of GST was always seen as a concern for States as they surrender their powers to tax.

**Need for GST Model in India**

"Liberal in assessment and ruthless in collection."

- 1) The proposed GST seems to be based on the above principle. Following are the supporting reasons to adopt GST:
- 2) Present system allows for multiplicity of taxes, the introduction of GST is likely to rationalize it.
- 3) Many areas of Services which are exempted from taxation. After the introduction of GST they will also get covered.
- 4) Existing taxes i.e. Excise, VAT, CST, Entry Tax have the cascading effects of taxes. Therefore, we end up in paying tax on tax. GST will replace existing taxes.
- 5) GST will lead to credit availability on interstate purchases and reduction in the cascading effect of tax on the cost of goods and services.
- 6) compliance requirements.
- 7) Also, the variety of VAT tax laws in the country with disparate tax rates and dissimilar tax practices divides the country into separate economic spheres thereby creating tariff and non-tariff barriers thereby hindering the free flow of trade in the country.

**Features of GST**

- GST will include central indirect taxes like excise duty, services tax etc. and also state levies like VAT, Octroi, entry tax, luxury tax etc.
- It will have two components, central GST levied by Centre and State GST levied by the States.
- Only Centre may levy and collect GST on supplies in case of inter-state trade and collection of tax will be divided between center and state.
- A two-rate structure will be adopted. It means lower rate for necessary items and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.
- Over-lapping of tax, tax on tax will be eliminated with GST.
- Both Goods and Services are taxed in same manner in chain of supply till they are reached to consumer. They are not distinguished under GST.

**Impact of GST on Indian Economy**

The Goods and Service Tax (GST) bill is expected to have wide ranging ramifications

for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. Though there are expectations that the GDP growth is likely to go up by 1 to 2 %, the results can only be analysed after the GST implementation.

**Land, Real Estate, Renting:**

Currently, real estates are taxed in the form of stamp duty and rental transactions are covered under service tax. Construction activities and works contracts are liable to service tax. So this sector is currently under multiple tax burdens. As of now, it is not clear whether real estate/land activities are covered under GST net or not as this is a cash cow for both state and central.

**Services:**

There will be increase in prices of mobile bill, Credit Card bill etc. Presently 15% tax is charged on these services and with levy of GST it will be 18%, which will make these services costly. The service sector is a worst hit, if GST implemented at 17-18% rate. The service tax has been increased from 12.36% to 14% last year and further 0.5% as swachh Bharat cess and 0.5% as Krishi Kalyan Cess this year, if this is increased by another 3-4% that would be a definite setback for service sector and for consumers too.

**Financial Services**

In most of the countries GST is not charged on the financial services. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

**Impact on Small Enterprises**

There will be three categories of Small Enterprises in the GST regime. Those below threshold need not register for the GST those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime.

**To The Individuals and Companies**

With the collection of both the central and state taxes proposed to be made at the point

of sale, both components will be charged on the manufacturing costs and the individual will benefit from lowered prices in the process which will subsequently lead to increase in consumption thereby profiting companies.

The common base and common rates across goods and services and very similar rates across Centre and States will result in effective administration and increase compliance while also ensuring the better management of taxes collected in the State.

**Negative Aspects of GST:**

There are following negative aspects of Goods and Services Tax (GST):

- 1) Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the VAT dealers will be required to pay Central Goods and Services Tax (CGST).
- 2) GST is referred as single taxation system in India but in reality it is a dual tax in which both state and center collect separate tax on single transaction of sale & service. However GST has some negative aspect but at the end it will boost economy.
- 3) Most small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs. However, they will require professional assistance to become GST compliant as it is a completely new system.

**Findings and Suggestions:**

1. GST should be preceded by adequate groundwork on the experience of other countries and a credible study on the impact of the GST regime on state revenues.
2. Harmonized Tax Structure should be the guiding principle and not the obligatory feature of the GST.
3. The formation of a GST evaluation committee should monitor and evaluate the implementation of GST. The mandate was to study the immediate impact of GST on inflation, GDP, retail price and other parameters.

**Conclusion:**

The government has not agreed to put any higher cap for tax rates. That very clearly shows that there is always chance of higher rates of taxes. This will tear away the arguments of those who say that GST is good.

GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. There will be a little more ease for tax machinery. That is for the government and not for common man. Retailers have to continue with same formalities as earlier though in different names and forms. However given the challenges in India, the policymakers are hoping GST will help ease these inefficiencies and eliminate them over a period of time.

Introduction of GST aims in such a way to reduce the complexities prevailing in the indirect tax structure in India. A uniform tax system for a nation is the slogan of GST and this proposed mechanism will remove the effect of tax cascading in the nation. According to the World Bank survey after implementing the GST the GDP will be increased to 8%. And also there is a constant increase/growth in further years also. GST will be a game changing reform for Indian economy by developing a common Indian market and reducing

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## COMPARATIVE STUDY OF GOODS AND SERVICE TAX ACROSS THE GLOBE

**Dr.S. P. Kalyankar,**

Professor,

I.B.M.R. Chinchwad, Pune

M.- 9890150384

**Prof. S.P.Dingre,**

Assistant Professor – Finance

I.B.M.R. Chinchwad, Pune

M. – 9850740443

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### **Abstract:**

*Goods and Service Tax is a single tax on the supply of Goods and Services right from the manufacturer to the consumer. Credit of input taxes paid at each stage will be available in the subsequent stages of value addition. The final consumer will bear only the GST charged by the last dealer in the supply chain.*

*The Central Excise duty, Service tax, additional customs duty known as countervailing duty and special additional duty of customs will be subsumed into the GST while at state level subsuming of state value added tax (VAT) sales tax, entertainment tax, Central sales tax levied by the centre and collected by the states , octroi, and entry tax, purchase tax and luxury tax including taxes on lottery, betting, gambling are subsumed at state level.*

*In the present study an attempt is made to study the chronological events that have led to the introduction of GSR, how it will be used to the implementation and commodity groupwise GST rules.*

*The relevant information was collected from published sources from time to time and simple tabular analysis is done to meet the objectives of study like GST journey process, GST rates VS commodity covered under Indian context.*

**Keywords:** *Goods and Service tax, Groups of Commodity, Tax Network.*

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### **Introduction:**

Implementation of Central goods and service tax from July 1, as per Government of India notification made it clear that roll out of the new indirect tax regime is on course. In the run up to GST several companies and stockist including retailers halted supplies in the last week of June 2017. Some companies pushed more products and primary shipment to meet Quarterly sales targets. The GST regulation includes an anti

profiteering clause requiring companies to pass on the benefits of lowering taxes to consumers.

GST is a technology driven system where each and every transaction is to be done digitally. Hence there is need to invest in Software. The other option is to hire third party software providers.

There will be zero tax rate for essential commodities which are used by poor common man. One nation one tax, one market will help to simplify tax compliance and ease of doing business in India.

In terms of sectoral effects the GST is higher than prevailing rates (Excise & Sales tax) in case of autos, two wheelers, beverages, FMCG products, movie and paints. There will be price hike in these sectors and result in slow down demand in short run. Otherwise Lubricants, Coal, adhesive, hair oil, would face lower tax incidence. It will help in growth in demand and profit margins. The items like crude oil, diesel, petrol, natural gas etc. are kept out of GST temporarily.

India has adopted a dual GST model where Central and State Government will simultaneously levy GST on common tax basis. GST is implemented from July 1, 2017.

**Objectives:**

- 1) To study the GST journey process till its notification.
- 2) To study the GST rates VS commodities covered under Indian context
- 3) To study and compare GST model in ten countries of the Globe.

**Research Methodology:**

The study is based on secondary data collected from various publications.

The data were tabulated and analysed to meet the objectives of study.

**Results and Discussion****1) GST Journey Process in India**

The GST pendulum has oscillated between politics and technology from 28<sup>th</sup> March 2013 to 25<sup>th</sup> June 2017 in the present Government. However its journey was very long.

**Politics :**

The GST bill was introduced in Parliament on 19<sup>th</sup> Dec. 2014 and passed on 6<sup>th</sup> May 2015 in Lok Sabha. It was passed in Rajya Sabha with amendment on 3<sup>rd</sup> August

2016.GST council is constituted on 12<sup>th</sup> Sept. 2016. In all 12 GST council meetings till March 17,2017 were held and 17<sup>th</sup> council meetings on 18 th June 2017 reiterates 1<sup>st</sup> July 2017 as rollout date. In the meanwhile many states passed the SGST legislation.

### **Technology :**

GSTN set up as a private co. In Delhi on March 28, 2013. Infosys to design develop GST system on sept. 20, 2015.GSTN opens suvidha providers registration at a Bengluru workshop on 29<sup>th</sup> Jan.2016. The developers portal launched on 25<sup>th</sup> oct.2016. GSTN announces first batch of 34 G Sps envisaged as registered taxpayers interface to GST portal on 7<sup>th</sup> Feb. 2017.GSTN invited for offline utility module as taxpayer's direct interface on 26<sup>th</sup> April 2017. On May 17 GSTN closes application of batch 2 of GSPs and received 160 applications. On June 18, 2017 GST council pushes return filing to sept.5 for IT systems to get ready. On 25 th June 2017 GSTN reopens registration module for business.

## **2) GST Rates and commodities covered**

The classification of goods vs. GST rates in India.

Table 1:- Rate classification for goods

Rate	% of Goods
Exempted	7
5%	14
12%	17
18%	19
28%	43

Source :- Dalal street investment journal July 19,2017 PP 47.

It is revealed from Table 1 that 43 % commodities are charged with 28% GST followed by 19% with 18.% GST only 7% essential goods are with Zero GST.

In the long run it is expected that organised sectors like logistics, retail, consumer electrical stand to gain on account of narrowing of tax advantage enjoyed by unorganised players over the organised ones.

The information about the items of common use in which tax incidence under GST is lower than the pre GST incidence of Indirect taxes is given in Table 2.

**Table 2:- GST Rates Vs. Earlier Indirect Taxes**

Sr. No.	Goods	Pre GST	GST
1	Wheat, Rice, unbranded flour,curd,lassi,Buttermilk, Natural Honey	2.5 to 4	0
2	Milk, Tea, Milk powder, Sugar, Vegetable, Edible oil, spices	6	5

3	Ketchup & spices, Mustered sauce, spreads&sauces	12	12
4	Mineral wtaer	27	18
5	Sugar confectionary	21	18
6	Tooth powder	17	12
7	L E D	15	12
8	Diagnostic kits reagents, Diesel Engines, Fly ash bricks& blocks, Sewing Machine	16	12
9	Hair oil, Tooth paste, Soap, Staplers, Baby carriages	27	18
10	Foot wear upto Rs.500 MRP	10	5
11	Other footwear, LPG stove	21	18
12	School Bags	22	18
13	Head Gears & parts	27	18
14	Cement	29	28

It is revealed from the table that in almost all above items the GST rates are less than pre GST. Auto firms continue price cuts post GST. Honda cars India cuts price upto 1.31 lacs with immediate effect to pass on the benefit to the consumers.

### 3. GST Model in the Globe:

**Canada** introduced GST in 1991. Canada has implemented dual model like India ( State and Central ) But Canada gives options to provinces to go for State or Central GST. Three provinces sued the Govt. Over GST. GST created price distortions.

Canadian province British Columbia implemented GST and two years later reverted to older system. Provincial Sales Tax or PST due to implementation challenges.

**China** compared value added tax ( VAT) reforms in 2016. To replace its conflicting business tax system. The new tax system in place of business tax system. and other taxes has contributed to bursting the real estate sector in China. VAT system was doing well however China also has partial Goods and service tax (GST) on the goods.

**The United States ( U.S.)** is the only major economy in the globe that does not have GST. All the United States enjoy high autonomy in taxation.

**Brazil** :- VAT is substitute for GST , though levies vary from 17% Sao Paulo to 18% in Rio de janerio and rate of inter state supplies within the Brazil vary between 4% to 25%.

**France** was the first country in the Globe to implement GST in 1954. Today 160 countries have GST / VAT. In Europe most of the countries introduced GST long back in 1970 and 80's

**Singapore** introduced GST in 1994. Inflation spiked and Non Govt. Organisations ( NGO's) social activist groups opposed GST in the country. Now a days inflation eased and GST is second largest source of Govt. Revenue after corporate IT in Singapore.

**Japan** has introduced the tax in the name of Consumption Tax @ 3% in 1988. Now later on it was increased to 5%. However Japan went into recession soon. But in 2012 diet doubled the tax rate to 10% and later Shinzo Abe Govt. Delayed revision of tax structure till April 2017.

In 2016 second postpone was declared which pushed the increase in the Tax structure until 2019.

**Malaysia** implemented GST in 2015 after a long debate for 26 years. However inflation went up and anti GST protest increased in kuvalumpur a capital place of the country. After initial hiccups the things have settled down with 70% respondents reporting business grew in last few 18 months.

**Australia** also introduced and implemented GST wef. 2000. The highest GST rate was 10%. Now they are planning to increase GST rate to 15%

**Newzealand :-** GST in Newzealand was introduced in 1986 at the rate of 10% The GST rates were revised to 12.5% in 1989 and again changed to 15% in 2010 to mobilize higher revenue and removed distortion in the tax structure in the country.

Among the most recent countries Congo, Gambia, Malasiya and Seychelles introduced and implemented GST in last 5 -6 years.

Implementing tax reforms is not without hiccups in any country of the Globe.

Some of the countries in the Globe are classified according to GST rate and compared with existing GST rates in INDIA.

**Table 3. Countries and GST rates**

Name of the Country	GST / VAT Rate
Bahrin, Kuwet, Manmar, UAE	Upto 5%
Australia, Japan, Korea, USA, Malasiya, Singapore, Thialand	5 % to 10%
Canada, Zimbabe, Morisis,Newzealand, Philipines, South Africa	10% to 15%
Rasia, Mexico, China	15% to 18%
India	5% to 28%

It is revealed from Table 3 that Indian GST rates ranges from minimum Zero to highest 28% in comparison with 5% to 18% in most of the countries in the Globe.

**GST Rate Changes**

28% slab pruning cost to government= 20,000 crore

1 % composition rate for manufacturers & traders

Reduced from 28% to 18% W.e.f. 15th Nov 2017 – Shampoo, Perfume, tiles, watches

Reduced from 28% to 12% – Wet grinders, tanks

Reduced from 18% to 12% – Condensed milk, refined sugar, diabetic food

Reduced from 12% to 5% – Desiccated coconut, idli dosa batter, coir products

Reduced from 5% to Nil – Duar meal, khandsari sugar, dried vegetables

Restaurants within hotels (room tariff <7,500- 5% without ITC

Restaurants within hotels (room tariff >7,500 ) still 18% with ITC

Outdoor catering 18% with ITC

**No GST on advance receipts for businesses with turnover under Rs 1.5cr**

Taxpayers having annual turnover upto 1.5 Crore shall not be required to pay GST at the time of receipt of advances on account of supply of goods.

**Significant rate changes**

- GST on unbranded Ayurvedic medicines has been reduced from 12% to 5%.
- Tax rate for man-made yarn has been reduced to 12% from 18%. The decision will have an effect on textiles.
- GST rate on many job work items reduced from 12% to 5%. GST rate on some stationery items, diesel engine parts also reduced to 18% from the earlier 28%.
- GST on khakra and unbranded namkeen has been reduced from 12% to 5%. Tax on zari work has been reduced from 12% to 5%.
- 35% abatement on old leasing contract of vehicle
- Printing Job work rate revised from 12% to 5%

**Summary and Conclusions**

In the present study attempt is made to study how the GST Pendulum has oscillated from 28/03/2013 to its final implementation w.e.f. 1<sup>st</sup> July 2017 in India. The paper also includes the GST rates and commodities and services covered under 0 %, 5%, 12%, 18% and 28% in almost all the states of India except few.

The study covered the Comparative models of GST in Canada, U.S., Brazil, France, China, Japan, Malaysia, Australia, New Zealand, Singapore around the Globe. Implementation of Goods and Service Tax (GST) in other countries has been by protest, inflation spike, compliance burdens on small businesses and more during short term. India tried to built up infrastructure to enable a one tax regime from July 1, 2017 is a bridge that will be walked as its construction gets completed. The paper also covered what this has meant for GST networks.

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## A STUDY OF GLOBAL FINANCIAL CRISIS AND INDIAN ECONOMY

**Dr R K Arya, Professor,**

+918447048201,

rakesh.fcbs@mriu.edu.in

**Ms Swati Watts,**

+919999966906

swatiwatts@gmail.com

Manav Rachna International University, Faridabad,

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### **Abstract:**

*Indian economy was liberalized in 1991 but it has risen on the wave of globalization. It appeared that nuances of liberalization were not understood in right perspective and hence economic growth which was achieved is mesmerizing but lacked substance. Even banking sector was not tuned to steady growth. MSME was neglected completely. Therefore, the benefit was available to services and it was hollow from the core. Since trade wave was high for long time, India could take the benefit of growth for some time but as the trade was imbalanced across the globe the problem was fast approaching and it proved accidental in 1997 but the collapse was total in 2008. It was the wrong doing of IMF which gave dollar a free hand and second it was the fast economies which had focused on export. The surplus of one country was deficit of the other thus defying the rules of IMF that trade is expected to remain balanced to avoid the devaluation of currency. Since economies were devastated in 2008, the competitive devaluation began to cause disruption in the trade and hence posed serious risk to economic growth of small economies. Since fiscal space was too limited because of the debt overhang, the monetary policies were tightened to maintain exchange control, the economies were fixed to a hook where the movement was stopped altogether. As a solution to recover the economies from deep pit, advanced economies had to infuse liquidity into the system, but its impact was too narrow and not broad based. No doubt the benefit of liquidity was available to Indian economy also but except to keep check on current account deficit there is no additional benefit because investment had fallen below 30%. To pick up the growth it is important that Investment in the industrial sector has to move up. There are numerous hiccups in the way and economy cannot be stretched beyond means. The recapitalization of banks is not very easy. Selectively if some sectors are given some tip off the results can be confusing at the most. Therefore hands are tied and the passage is not available. The picture would be clear once the*

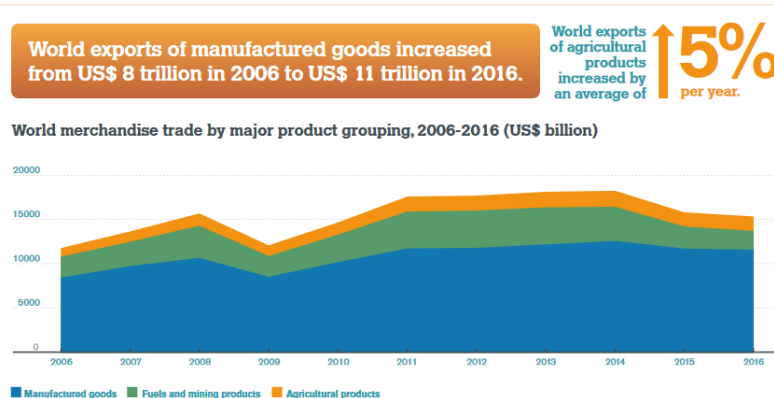


dust of GST is settled down. Since the present regime is against the corruption informal economy may face initial shocks from the rules but later in years to come, there can be some widening. But how it would happen the things are not clear.

**Key words:** Devaluation, GST, Globalization, IMF, Informal economy.

Since the Indian economy began to integrate with the global economy practically in 1991, no doubt it has overcome lot of drags in the economy. The drags were felt in the form of low employment, high poverty ratio, and low saving rate and poor private investment. But reforms undertaken in 1991 aimed to unleash private investment and hence to give push to trade had taken the economy to new growth path which was expected to provide growth rate increasing till it is saturated according to absorbing capacity and also the prevailing environment. Indian economy continued to move on picking up higher growth rates every time when it was stimulated with investment. The sector-al composition began to change after liberalization and agriculture share was reduced as it was no more lucrative. Instead, service sector got the maximum weight because it required least investment. However, there was an expansion of industries at unprecedented scale but since the services were growing at much faster rate their share in overall composition was much higher.

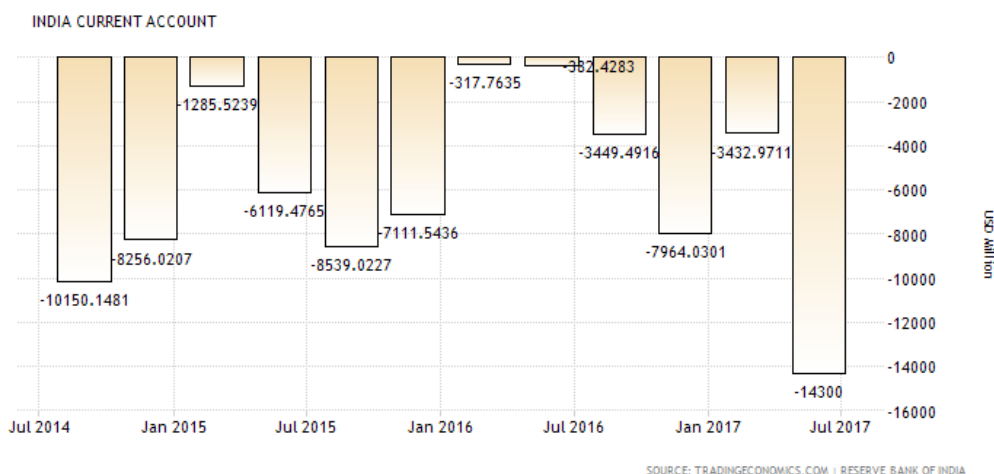
Till 2008, the economy was growing steadily and there were no issues on employment generation rather there was speedy reduction in poverty which was borne out from agriculture. The economy was expected to gather momentum in construction and hence there appeared to be some movement of labor force in the sector. There is a significant fall in the labor force engaged in agriculture which now stands at 55% falling from high of 65%. But its share in the sector-al composition has fallen to 16% which earlier was 50%.



As the economy was directed to achieve higher growth rate, private investment in the agriculture began to increase because of the commercialization of all crops. The movement from agriculture to services was easy as the middle sector i.e. industries demanded different sets of efforts explained in terms of factor allocation, skill development and determined trade.

The private sector in India was recognized for deriving economic growth with the purpose of neutralizing the fiscal deficit and therefore, support to social sector somewhat easy. The revenue expenditure because of the subsidies and freebies was uncontrolled and hence stretching the fiscal deficit beyond means was self-explanatory. The employment generation was left aside and it was the natural employment as a result of the outcome of the investment which continued to increase. The economy could not prove its potential to cut down the current account deficit in this entire period. CAD was entirely due to deficit in trade and somewhere it proves that there was laxity to push up the meaningful export knowing well the limitations of import of essential commodities. There was a slow accretion of foreign exchange reserve and the rise in foreign exchange reserve indicates the increase in GDP but not foreign exchange earnings.

While productivity level remaining low evident from high fiscal deficit and inflation being controlled with high revenue expenditure, the macro-economic conditions were given lip services to attract the investment. The foreign investment direct as well as portfolio continued to rise over the period of time and it was possible by maintaining good macro-economic conditions. The industrial financing was on the back of banking sector because of inconsistencies in the bond market. The industries were hardly unviable at real rate of interest unlike in China which managed to keep interest rate low as much as possible. The depositors could be assured to get better interest rates from multiple channels of deposits. Secondly it is very late that inflation measure was changed from WPI to CPI which was not a good anchor for interest rates. Since CPI has been given recognition, real interest rates are also cared. But when these were not cared, non-financial savings were also increased. The situation began to change in 2008 when financial crisis became certain. Like other markets, Indian stock market shed considerable weight, because of the capital withdrawal in panic. As the capital bust was clearly visible the economy was given artificial breathing using fiscal stimulus but raising the interest rates to exercise capital control.



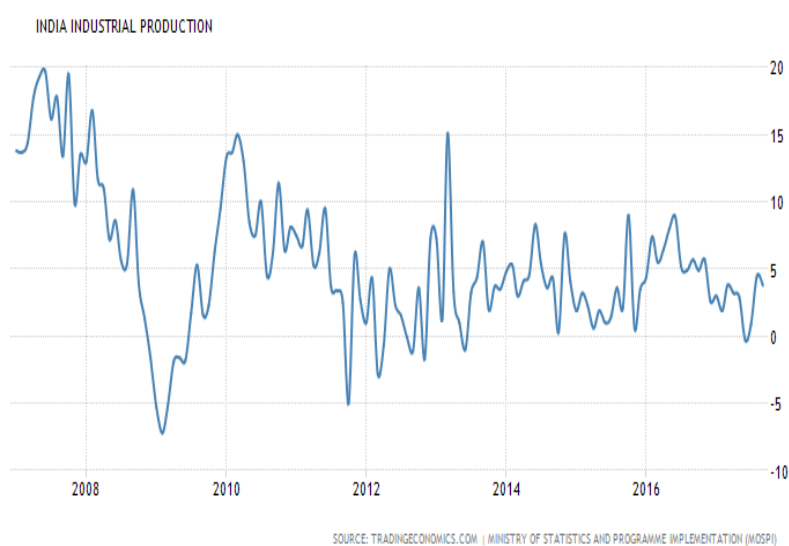
India recorded a current account deficit of USD 14.3 billion, or 2.4% of GDP, in the three months to June of 2017, higher than a USD 0.4 billion gap a year earlier. It was the largest current account gap in four years, as the trade deficit widened to USD 41.2 billion from USD 23.8 billion with imports rising more than exports. Meanwhile, the services income surplus rose to USD 18.2 billion from USD 15.7 billion in Q2 2016 and secondary income surplus increased to USD 14.5 billion from 14 billion. In addition, the primary income gap narrowed to USD 5.8 billion from USD 6.3 billion a year ago. Current account in India averaged -1838.48 USD million from 1949 until 2017, reaching an all-time high of 7360 USD million in the first quarter of 2004 and a record low of -31857.18 USD million in the fourth quarter of 2012.

No doubt fiscal stimulus worked to raise the domestic demand due to which growth rate remained elevated for one year. The fiscal deficit jumped but growth rate could not be sustained and hence to improve the revenue position back, roll back of fiscal stimulus followed. But interest rates continued to remain elevated subsequently. For few years after financial crisis, the oil prices were also heightened. The inflation remained soaring higher. The spike in the inflation for 4 years after the financial crisis was so high that financial savings were drastically hit because the real interest rate was too negative and gold purchase was very high. The investment across the board had fallen and further boosting became difficult. As many significant economies were struggling with the issue of high interest rates as well devaluation in the currency, it was also difficult for every economy to maintain the pre-crisis growth rates. There was steep fall in the consumption of commodities and hence the prices of commodities could not be withstood for longer time. Because of the high revenue expenditure, apart

from the inflation remaining elevated, growth rate could not be made steady and it fell to the level below 6% which once has gone up to the level of 9.5%.

There were domestic reasons for explaining the fall in the growth. Import and export both had fallen in value terms which provided the benefits on two counts. The current account deficit remained under control for four years and the fiscal deficit was reined and subsidy on oil was completely withdrawn. Fresh FDI was limited but the plough back was significant. As the QE started at full scale in US, the markets in India began to respond to stimulus and since last 5 years markets have achieved appreciable gains. Once when there was indication that balance of payment situation is becoming precarious but the liquidity flow from developed countries has rather taken the foreign exchange reserve to cross 400 billion dollars mark. With balance of payment situation quite healthy which does not matter in the slow moving global economy, the domestic issues have completely put a pause to economic growth. The chances that economy would grow faster than 7% are extremely bad for another 2-3 years.

Looking to the leverage which was done with a liberal mood since the growth projections were up, proved harmful as the sectors which were growth drivers began to slide down as the demand had fallen considerably. The NPAs due to non-repayment of dues of the companies has choked further credit and credit ratio was abysmally low in the previous years. While center was maintaining discipline in maintaining fiscal deficit to prudent level the States had been going above board as the fiscal deficit combined is above 7%.



India's industrial production increased by 3.8 percent year-on-year in September 2017, following an upwardly revised 4.5 percent gain in the previous month and missing

market expectations of 4.2 percent. Output rose at a softer pace for both mining (7.9 percent from 9.2 percent in August) and electricity (3.4 percent from 8.3 percent), while manufacturing production growth was unchanged at 3.4 percent. Considering April to September, industrial production increased by 2.5 percent, compared with a 5.8 percent expansion in the same period of the previous fiscal year. Industrial Production in India averaged 6.56 percent from 1994 until 2017, reaching an all time high of 20 percent in November of 2006 and a record low of -7.20 percent in February of 2009.

The public sector there has been defaulting very severely. The center once waived loans in 2008 has once again espoused the hopes of farmers and defaulter of the payment of utility and thus putting pressure on the fiscal deficit. Since NPAs were noticed by the present regime, and to comply with Basel III norms to be implemented from 2019, the insolvency rules have been legislated. Though the new rules are not working up to a satisfaction, future remedy is being put in place. In order to curb corruption, strict measures like digital transactions are being made somewhat mandatory. To dig out the black money, the demonetization was also resorted to. But their immediate impact is negative. The implementation of GST is also seen as a game changer and it has caught the attention of World Bank which has raised the index of ease of doing business with big jump of 30 notches.

The economic growth rate has staggered with demonetization and implementation of GST but growth is expected to catch up when the teething trouble are over. The economic growth in advanced countries is limping back but fast recovery does not appear to be in sight. No doubt as the limit of debt by FII was raised the financial sector has shown the change in financing style. The bonds were becoming popular in the last 3-4 years. Similarly as the gold is becoming less important, financial investment by the household is seen to be rising. The economy is coming to the terms in gradual manner. As there is some pick up in the advanced countries, the commodities prices after remaining low for many years are moving upward and this point can once again has some ramification for Indian economy. There is no firm strategy to control the inflation basically as it comes from three sources. One the core inflation where the low productivity is responsible for raising the cost of products and second there is miss-directional change in the exchange rate which has profound impact on the cost of import and hence it is a source of inflation.

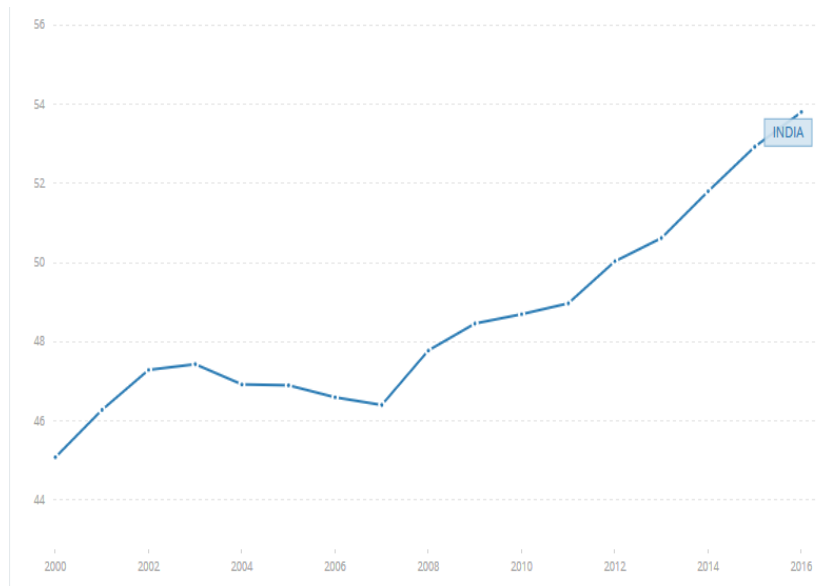
Food production is another worrisome source of inflation. The spike in wages and loan waiver in between is another cause of worry. Now as GST is bound to have

coerciveness in the manufacturing sector in one way or the other the core inflation is likely to remain elevated. Besides, employment is not expected to remain satisfactory. With the implementation of GST some changes in the supply chain are expected to be there but how micro and small manufacturers would be adjusted is a point needed to be watched. The pick-up in the growth rate is dependent upon the comforts of household investment which is possible with their self-arranged sources.

The corporate growth has not been affected significantly as their sources are impeccable. Finally bonds are also becoming popular. As the companies who had lost their charm before the financial crisis, these are being ignored and their NPAs are to be sooner or later to be written off or forgotten. During the last two years fiscal deficit by the center was given some weight and it is coming down, but the tax buoyancy could be higher as GST is implemented and hence investment issue is tackled straightaway. Along with GST, income tax is also going to be managed efficiently and hence the confidence on the revenue mobilization would keep increasing as the new budget comes in. As the oil prices are climbing and some relaxation in excise duty has been given whether it would be possible to give subsidy as the international prices are going up. Since worker class may take some time to adjust in the income mainstreaming, some relief is expected to be given to them by way of freebies.

As the digital transaction and Aadhar is made mandatory for direct benefit transfer it is possible to target the genuine beneficiaries but initially some problems are visible. People might not be getting their due ration because of the discrepancy in the digital processing. While social sector is being taken through anti-corruption measures, and ease of doing business is also getting alright, there are chances that once FDI starts coming in the economy would go at high speed. But till there is full recovery in EU and US, Indian economy is expected to draw its worth from inside. Since most of the structural reforms are already taken, the consolidated economic development is going to be strong. After earning of the companies not showing up well, this year some positive outcome is visible and perhaps it can be corroborated with the markets sentiments looking up well. The disruption in the economies is caused by the excess leverage of all the economic functionaries and hence fiscal space across the globe is completely eaten up. The monetary policy all over the globe has been tightened to allow debt diminution. Therefore, the passage has been given to stock market to go up to catch up with the needs of the capital. Since without good debt which otherwise trade on equities the earning can't be satisfactory. In nutshell companies are not in good

financial health and the manufacturing sector is in sink because of the structural reforms.



Some of the economies have the advantage of free growth path due to exaltation in consumption in advanced countries and the hype in growth was good for developing countries who kept enjoying the investment with FDI and FII, which gave way to easy economic growth. It is true that these economies have overcome their constraints, which was impeding their development for long time.

If we are going to talk about the economy and growth of India, the chart given below gives us an idea of the growing Indian economy. It saw a fall in GDP just before 2008 but one thing to note is when the whole world was fighting with recession, India's economy recovered and started making its route upwards.

At one stage there was a feeling that India will have double digit growth for long time. But during last 25 years, it could not have inclusive growth which made fiscal discipline bit more difficult. The fiscal deficit could have acted as deterrents to growth had there been no benefit of price benefit which have crashed, during the recessionary phase. The inflation in India has come down from high of 12%-13% to less than 3% but by chance, it acted as a drag to Indian economy. Inflation unless the supply is tight remains cool because it is the shut supply which forces the inflation to spike. Why this reverse situation has come to prevail? Partially it was due to the impact which has created artificial supply and the remaining market is flooded with foreign currencies. The loss in exports is the other factors affected the demand. The demand supply equilibrium maintains steady price structure and hence economic growth is also

steady. The jump in growth was due to broader fashion for growth, which could not be sustained evident from spared capacity from many top industries.

The normalization of demand and supply is dependent on credit-off take and revival in exports. But the disruptor in the economy due to demonization and GST where flip flop is still going on can dwindle the revenue and hence the fiscal deficit where crude oil is also moving up can dampen the growth. The private sector investment may not revive soon till over capacity hang and credit delivery is slow, it appears the interest rates instead of gaining down should go up and hence growth rate will have to be around at 7.5% for another two years. Even global recovery is slow evident from this weak confidence of stability in all advanced countries.

### **Conclusion:**

Although the global economic crises have hit the various sectors of the economy, posing serious threats to the economic growth. These crises are testing our limits of our monetary and fiscal policies. A number of measures are taken to control the external factors which were affecting the economic growth of the country.

Besides that, there are internal factors which contributed in the slowdown of the economy. We can take the example of Demonetization and then the application of GST which has completely slowed the economy. The banking structure has totally changed. New experiments are being conducted which can the help in boosting of economy. By this paper we conclude, the recent slowdown of economy is not alarming, India is still one of the fastest growing economies of the world with perfect mixture of monetary and fiscal policies and also domestic reforms are helping in making strong base for the coming years.

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## THE IMPACT OF GST (GOODS AND SERVICES TAX) IN INDIA

**Prof. Sanjeevani V. Gaikwad**

ASM, CSIT Collage, Pimpri, Pune-17

Email.ID:sanjeevanig1234@gmail.com

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### **Introduction:**

The Goods and Services Tax (GST), India's biggest tax reform since Independence, was rolled out past midnight on Friday at a gala event organised in the Parliament's Central Hall. A minute after the stroke of midnight, President Pranab Mukherjee and Prime Minister Narendra Modi pressed the button to launch the new indirect tax regime on a digital screen with 'GST' emblazoned on it in a golden hue.

Conceived on the principle of 'one nation, one tax, one market', the tax that subsumes 17 central and state levies was launched in the presence of Vice President Hamid Ansari, former Prime Minister HD Deve Gowda, Lok Sabha Speaker Sumitra Mahajan, Finance Minister Arun Jaitley, MPs, chief ministers, state finance ministers, officials of the Centre and states.

The movement of goods will now become much simpler across the country and cheaper as the new regime replaces the old system, where a product was taxed multiple times and at different rates.

Here India TV brings to you the answers of some natural queries that will help you better understand what GST is, GST rates, what the new tax means for individuals, businesses as well as the economy.

### ***Historical background of GST:***

***GST was first recommended by Kelkar Task Force on implementation of Fiscal Reforms and Budget Management Act 2004 but the First Discussion Paper on Goods and Services Tax in India was presented by the Empowered Committee of State Finance Ministers dtd.10th Nov.10th, 2009.***

In 2011, the Constitution (115th Amendment) Bill, 2011 was introduced in Parliament to enable the levy of GST. However, the Bill lapsed with the dissolution of the 15th Lok Sabha.

Subsequently, in December 2014, the Constitution (122nd Amendment) Bill, 2014 was introduced in Lok Sabha. The Bill was passed by Lok Sabha in May 2015 and referred to a Select Committee of Rajya Sabha for examination.

**Government is endeavoring to roll out GST by 1st July, 2017, by achieving consensus on all the issues relating thereto. It is geared to attain July 1 deadline for implementation of GST across India.**

GST is a path breaking indirect tax reform which will create a common national market by dismantling inter-State trade barriers. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax, etc.

France was the first country to implement GST in the year 1954. Within 62 years of its advent, about 160 countries across the world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner.

### **GST Bill Passed in Rajya Sabha & Lok Sabha**

**When GST is Applicable – Modi Government Want to applicable GST Bill From 1st July 2017.**

#### **Definition of GST**

“GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer’s / service provider’s point up to the retailers level where only the final consumer should bear the tax.”

#### **Objectives of GST**

- One Country – One Tax
- Consumption based tax instead of Manufacturing
- Uniform GST Registration, payment and Input tax Credit
- To eliminate the cascading effect of Indirect taxes on single transaction
- Subsume all indirect taxes at Centre and State Level under
- Reduce tax evasion and corruption
- Increase productivity
- Increase Tax to GDP Ratio and revenue surplus
- Increase Compliance
- Reducing economic distortions

#### **Features of GST Constitution Amendment Act**

- Concurrent jurisdiction for levy & collection of GST by the Centre (CGST) and the States (SGST)
- Centre to levy and collect IGST on supplies in the course of inter-State trade or commerce including imports

- Compensation for loss of revenue to States for five years
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of Council

### ***Legislative Framework***

There is single legislation – CGST Act, 2017 – for levying CGST. Similarly, Union Territories without State legislatures [Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh] will be governed by UTGST Act, 2017 for levying UTGST. States and Union territories with their own legislatures [Delhi and Puducherry] have to enact their own GST legislation for levying SGST. Though there would be multiple SGST legislations, the basic features of law, such as chargeability, definition of taxable event and taxable person, classification and valuation of goods and services, procedure for collection and levy of tax and the like would be uniform in all the SGST legislations, as far as feasible. This would be necessary to preserve the essence of dual GST.

### ***Regulatory Framework of GST***

A new set up by Government of India named as ‘GST Council’. GST Council constituted w.e.f. 12.09.2016

The GST Council consists of

- (a) The Union Finance Minister (as Chairman),
- (b) The Union Minister of State in charge of Revenue or Finance, and
- (c) The Minister in charge of Finance or Taxation or any other Minister, nominated by each state government.

All decisions of the GST Council will be made by three fourth majority of the votes cast; the centre shall have one-third of the votes cast, and the states together shall have two-third of the votes cast.

- Threshold limit for exemption to be Rs. 20 lakh (Rs. 10 lakh for special category States)
- Compounding threshold limit to be Rs. 50 lakh – not available to inter-State suppliers, service providers (except restaurant service) & specified category of manufacturers

- Government may convert existing area based exemption schemes into reimbursement based scheme.

***Action Plan of GST Council***

- List number of Taxes, cesses, and surcharges to be subsumed under GST
- Preparation of list of goods and services subject to, or exempt from GST
- Determination of threshold limit of turnover for application of GST
- Fixation of rates
- Preparation of model GST Laws, principles of levy, apportionment of tax benefits
- Firming up Place of supply Rules
- Recommend on Compensation to states losing on revenue post implementation of GST, subject to maximum time limit of 5 years.
- Passage of SGST laws by all State legislatures
- Recommendation of Model GST Rules by GST Council
- Notification of GST Rules
- Recommendation of GST Tax rates by GST Council
- Establishment and upgradation of IT framework
- Meeting implementation challenges
- Effective coordination between Centre & State tax administrations
- Reorganization of field formations
- Training of Officials
- Outreach programs for all stakeholders including Trade & Industry

***Scope of GST***

GST shall cover all goods and services, except alcoholic liquor for human consumption, for the levy of goods and services tax. In case of petroleum and petroleum products, it has been provided that these goods shall not be subject to the levy of Goods and Services Tax till a date notified on the recommendation of the Goods and Services Tax Council.

**Promulgation of GST Council:** Proposed Article 279A of the Bill provides for constitution of Goods and Services Tax Council to examine issues relating to goods and services tax and make recommendations to the Union and the States on parameters like rates, exemption list and threshold limits. The Council shall function under the

Chairmanship of the Union Finance Minister and will have the State Union Minister as its members.

- All goods and services are covered under GST Regime except Alcoholic liquor for Human Consumption,
- Tobacco Products subject to **levy of GST** and Centre may also levy excise duty
- GST Council yet to decide the incidence and levy of GST on following;
  - a) Crude Petroleum
  - b) High Speed Diesel (HSD)
  - c) Motor Spirit (Petrol)
  - d) Natural Gas
  - e) Aviation Turbine Fuel

### ***Advantages of GST***

CBEC has released few advantages which would accrue to Citizens, Trade/Industry and the Central/State Government with the introduction of GST. The advantages to the Citizens are listed as:

- 1) Simpler tax system.
- 2) Reduction in prices of goods and services due to elimination of cascading.
- 3) Uniform prices throughout the country.
- 4) Transparency in taxation system.
- 5) Increase in employment opportunities.

### **The advantages accruing to the Trade/ industry are listed as:**

- 1) Reduction in multiplicity of taxes.
- 2) Mitigation of cascading/double taxation.
- 3) More efficient neutralization of taxes especially for exports.
- 4) Development of common national market.
- 5) Simpler tax regime-fewer rates and exemptions.

### **The advantages accruing to the Central/State Government are listed as:**

- 1) A unified common national market to boost Foreign Investment and “Make inIndia” campaign.
- 2) Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.

- 3) Improving the overall investment climate in the country which will benefit the development of states.
- 4) Uniform SGST and IGST rates to reduce the incentive for tax evasion.
- 5) Reduction in compliance costs as no requirement of multiple record keeping.

### **The Impact of GST (Goods And Services Tax) in India**

After a lot of deliberation, our GST council has finalised the rates for all the goods and major service categories under various tax slabs, and the GST is expected to fill the loopholes in the current system and boost the Indian economy. This is being done by unifying the indirect taxes for all states throughout India.

The tax rate under GST are set at 0%, 5%, 12%, 18% and 28% for various goods and services, and almost 50% of goods & services comes under 18% tax rate. But how is our life going to change post GST? Let's see how GST on some day-to-day good and services will have an impact on an end user's pocket.

#### **1) Footwear & Apparels/Garments:**

Footwear costing more than INR 500 will have a GST rate of 18% from an earlier rate of 14.41% but rates for the footwear below INR 500 has been reduced to 5%. So, you need to shell out more for buying a footwear above INR 500/-. And with respect to the ready-made garments, the rates have been reduced to 12% from an existing 18.16% which will make them cheaper.

#### **2) Cab and Taxi rides:**

Now, taking an Ola or an Uber will be cheaper because the tax rate has come down to 5% from an earlier 6% for a cab booking made online.

#### **3) Airline tickets:**

Under the GST, tax rate for economy class for flight tickets is set at 5% but the tax for business class tickets will have a higher tax rate of 12%.

#### **4) Train Fare:**

There will not be much of an impact. The effective tax rate has increased from 4.5% to 5% in GST. But, passengers who travel for business trips can claim Input Tax Credit on their rail ticket which can help them to reduce expenses. People travelling by local trains or in the sleeper class will not be affected, but first-class & AC travellers will have to pay more.

#### **5) Movie Tickets:**

Movies tickets costing below INR 100 will be charged a GST rate of 18% but prices above INR 100 will have a higher tax rate of 28%.

**6) Life Insurance Premium:**

The Premium Amounts on policies will rise, with an immediate impact can be seen on your term and endowment policy premiums as the rates have been increased under GST across life, health and general insurance.

**7) Mutual funds Returns:**

GST impact on your returns from mutual funds investments will largely be marginal as the GST will be charged on the TER i.e. Total Expense Ratio of a mutual fund. The TER is commonly called as expense ratio of a mutual fund company, and the same is set to go up by 3%. The return what you get as an investor will be reduced to that extent unless the respective mutual fund company i.e. AMC absorbs it but that anyhow will be a marginal difference.

**8) Jewellery:**

The gold investment will become slightly expensive because there will be 3% GST on gold & 5% on the making charges. The earlier tax rate on gold was around 2% in most of the states and the GST is increased from the existing rate to around 2% to 3%.

**9) Buying a Property:**

Under construction properties will be cheaper than read-to-move-in properties. The GST rate for an under-construction property is 18% but the effective rate on this kind of property will be around 12% due to input tax credits the builder will avail of.

**10) Education & Medical Facilities:**

Education and Medical sectors have been kept outside the GST ambit and both the primary education & healthcare is exempt from GST. It means a consumer will not pay any tax for the money you spent on these services. But due to increase in the rate of taxes for certain goods & services as procured by these organisations, they may pass on the additional tax burden to the consumers.

**11) Hotel Stay:**

For your hotel stay, If your room tariff is less than Rs 1,000, then there will be no GST, but anything above Rs 5,000 will attract 28% tax.

**12) Buying a Car:**

Most of the cars in the Indian market will become slightly cheaper, except for the hybrid cars because the GST rate will be 28% tax on all the vehicles irrespective of their make, engine capacity or model. However, over and above this 28%, an



additional cess will be levied which can be either 1%, 3% or 15 %, depending on the particular car segment.

**13) Mobile Bills:**

People will have to pay more on mobile phone bills as GST on telecom services is now 18%, as opposed to the earlier tax rate of 15%. However, telecom companies may absorb this 3% rise due to fierce competition.

**14) Restaurant Bills/EATING OUT:**

Your restaurant bill would depend on whether you dined at an AC or Non-AC establishments which do not serve alcohol. Now dining at five-star hotels will be charged at 18% GST rate and the Non-AC restaurants will be charged 12% and a 5% GST will be charged from small hotels, dhabas and restaurants who do not cross an annual turnover of INR 50 Lakh.

**15) IPL & other related events:**

Events like IPL i.e. sporting events will have a 28% GST rate which is higher than the earlier 20% rates. This will increase the price of your tickets. And the GST rate for other events like theatre, circus or Indian classical music shows or a folk dance performance or a drama show will be at 18% GST rate, this is lesser than the earlier tax rate.

**16) DTH and cable services:**

The money you pay towards your DTH (Direct-To-Home) connections or to your cable operator will reduce a bit as the rate is fixed at 18%, which is lower than the earlier taxes which were comprising of entertainment tax in the range of 10% to 30%, apart from the service tax of 15%.

**17) Amusements Parks:**

The ticket price for amusement parks and theme parks will increase as the earlier service tax of 15% will become 28% under the GST.

## THE CONCEPTUAL STUDY OF ENTREPRENEURS , ENTREPRENEUR TYPOLOGIES AND ROLE OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT

**Ruchita Ramani**

**Vishal Patil**

**Priya Tiwari**

Assistant Professor, ASM IPS Assistant Professor ,ASM IPS Assistant Professor ,ASM IIBR.

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### **Abstract :**

*This paper will throw light on Entrepreneurship as a new and upcoming career and its role in the economic development of the country .In this paper we will understand, Who are Entrepreneurs, their characteristics and their scope and significance in economic development of the country.*

*We will also study role of entrepreneurs in the economic activities in Industry development through its effective decision making. Entrepreneurship and economic development are interrelated and interlinked. Entrepreneurship is an upcoming career and has a huge potential in the development of the nation. Entrepreneurship can be applied in start-up new venture management and in established businesses.*

*The contribution of entrepreneurs especially in growth and development of SME is playing great role in economic development of the country.*

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### **Introduction:**

**Entrepreneurs** meaning as per dictionary is one who reorganizes and manages only enterprise involving high risk .The word entrepreneur has been derived from the **French** word “**Entreprendre**” meaning “**undertakers** –those who undertake risk of new enterprise” .

**Management experts** defines An Entrepreneur as a person who has a vision and generates an action plan to achieve it .

**Psychologist** defines Entrepreneur as a person who is typically driven by some forces which create a desire to obtain or attain something .

An entrepreneur has numerous opportunities for self expression and realization of one’s passion for doing innovation or doing something creative or launching a new concept which is unique ,

Entrepreneur enjoys the power of decision making and working for one’s own enterprise leads to immense satisfaction.

**Characteristics of a Entrepreneur**

**Vision:** An entrepreneur has a dream and he visualises about all the possible ways and means to achieve that dream .An Entrepreneur has a clear understanding of the concept and of what they are trying to do

**Knowledge:** An Entrepreneur has sound conceptual knowledge about technicalities of his business .

**Desire to succeed :** An Entrepreneur has a strong desire to succeed in life .Their dreams are not restricted to achieve one goal but they constantly work to achieve higher goals .

**Optimism:** Entrepreneurs should have a very positive approach about achieving their vision.

**Independence:** An Entrepreneur is independent decision maker who don't follow thumb rule but make their own rules and destiny .

**Value addition:** To be different from the crowd ,an Entrepreneur always keep on adding value to the existing product .

**Learning and growing:** An Entrepreneur is very curious in learning new things and applying to his business

**Leadership:** An Entrepreneur reflects the qualities of leader .They possess following qualities :

- 1) Excellent communication skills
- 2) Empathetic towards their employees
- 3) Good Decision makers
- 4) Takes initiatives to put their plans into actions
- 5) Result oriented

**Hard working & smart working:** An Entrepreneur are self motivated people to work for their enterprise .They are workaholic as for them” Work is Worship.”They put continuous efforts to achieve their goals.

**Desire to control their fate :** Entrepreneurs are path makers , they don't want to move in herds like sheep but believe in creating their own paths and destinies ,they have the potential to create a mountain from a hill.

**Risk taking abilities:** Entrepreneurs are capable to handle risk in a very balanced way and able to handle stress associated with it

**Innovative & creative :** Entrepreneurs are creator of new ideas and concept and are very innovative .

**Typologies of Entrepreneurs:**

**Pure Entrepreneurs :** Those individuals who are the founders of business .They put their plan into action .Example Dhirubhai Ambani .

**Family owned entrepreneurs:** Individuals who inherit business from their Fathers and Forefathers .Also called as second generation operators.

**Owner Managers:** When a person buys a business from the founder and then invests his time and resources in it .

**Induced Entrepreneurs:** The individuals who are compelled by the external factors to start a business .External factors could be like govt policies, unemployment, family support.

**Idea Generators:** These types of Entrepreneurs are highly creative people who are always in search of innovative ideas for setting up new business .They get First mover advantage.

**Industrial Entrepreneurs:** Those individuals who are into manufacturing of a product.

**Trading Entrepreneur :** Those individuals who undertakes buying and selling of goods and services.

**Corporate Entrepreneur:** The individual who demonstrates his innovative skills in organizing and managing a corporate undertaking which is registered.

**Agricultural Entrepreneurs:** Those individuals who are skilled to manage all activities related to agriculture

**Service Entrepreneurs:** Entrepreneurs belonging to service sector and engaged in delivering all types of services .

**Technical Entrepreneur:** These entrepreneurs possess the abilities to create new improved products in all technical aspects .

**Non Technical Entrepreneurs:** These entrepreneurs are not related to technical activities of production but concentrate on designing ,promotion marketing strategies of the product .

**Growth Entrepreneurs:** Entrepreneurs who choose business with high growth prospects .Those entrepreneurs who have experienced extensive growth in business.

**Urban Entrepreneur:** These entrepreneurs belong to urban areas and are mostly corporate entrepreneurs.

**Rural Entrepreneurs:** These entrepreneurs are involved in agriculture and trading activities.

**Innovative Entrepreneur:** Entrepreneur with a desire to create something new .

**Imitative Entrepreneur:** The entrepreneurs are not directly involved in innovation but imitate successful entrepreneurs.

**Fabian Entrepreneur:** These Entrepreneurs have no desire for innovation .they do changes only if needed for their survival and existence.

**Drone Entrepreneur:** These Entrepreneur do not believe in making changes in their production .They agree to undergo losses but refuse to changes.

**Novice Entrepreneur:** The Entrepreneur who starts his enterprise for the first time without any experience.

**Serial Entrepreneur:** The Entrepreneur who starts with one enterprise but in course of time heads many enterprises.

#### **Need of Entrepreneurs :**

- **Idea Generation :**

Idea generation is the process of building new , creative ideas and bringing out an idea into an innovative way , developing the process and converting the idea into reality .

- **Determination of objectives :**

- The entrepreneur should clearly define the objectives of the business.
- To focus on business more effectively ,an entrepreneur should specify the business nature and business type while defining the objectives as it helps in identifying the industry it belongs to that is manufacturing , trading or service .

- **Fund Raising**

Finance is the life blood of any business .It is the function of the entrepreneur to arrange for sources of funds .Entrepreneur must be aware of formalities and guidelines to be followed for raising funds .There are various financial assistances provided by the government scheme , banks and financial institutions.

- **Procurement of Raw materials**

The acquisition of raw material is a vital function of the entrepreneur .An entrepreneur must recognise and allocate constant supply of raw material .It helps to reduce their production cost and increase their profit margins.

- **Procurement of machinery :**

An entrepreneur should obtain machinery and equipments required for production of goods and services .

- **Market Research**

If an Entrepreneur has to manufacture a product he will have to do a detailed market analysis of the product .

- **Determination of ownership :**

There are mainly four forms of ownership name sole proprietorship , partnership ,joint stock company ,cooperative society .it is the role of an entrepreneur to find out the most suitable form of business depending upon the product , size of capital , types of operations , hr ,quality etc .

- **Recruitment of hr**

An Entrepreneur is responsible for the manpower planning of the business .During recruitment procedure an entrepreneur has to do manpower forecasting , outlining of selection process ,Formulating scheme of compensation ,Defining the rules of training and development.

- **Project Implementation :**

Entrepreneur has to prepare a detailed plan for execution of the project .It is time bound process .An Entrepreneur has to execute the process from conception to commissioning stage based on prepared agenda so as to evade extra cost , time and competition .

### **Role of Entrepreneurs in economic Development of the country**

**Entrepreneurs contribute to a great extent towards the economic development of the country .**

**The role of entrepreneurs are discussed below :**

- 1. Employment opportunities**

Entrepreneurs employ people for managing their business activities of their and give employment opportunities to a large number of people. They remove unemployment problem from the country .

- 2. Balanced Regional Development**

Government promotes development of industries through various schemes for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas .They remove regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing

employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

### **3. Mobilization Of Local Resources**

Entrepreneurs help to mobilize and utilize local resources like small savings and skills of acquaintances, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.

### **4. Optimization Of Capital**

Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.

### **5. Promotion of Exports**

Entrepreneurs reduce the pressure on the country's balance of payments, exporting their goods they earn valuable foreign exchange through exports.

### **6. Consumer Demands**

Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.

### **7. Social Advantage**

Entrepreneurs help in the development of the society by providing employment to people and paves for independent living. They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

### **8. Increase per capita income**

Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society.

### **9. Capital formation**

- 1) A country can attain economic development only when there is more amount of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.

### **10. Growth of capital market**

Entrepreneurs raise money for running their business through shares. Trading of shares and debentures by the public with the help of financial services sector leads to capital market growth,

**11. Growth of infrastructure**

The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.

**12. Development of Trader**

Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans lead to the development of the trade in the country.

**13. Economic Integration**

Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs adopt economic policies and laws framed by the government. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

**14. Inflow of Foreign Capital**

Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for making investment in their enterprise .

**Conclusion:**

Entrepreneurs are playing a vital role in economic development of the country as they are the future of India creating new innovative products and starting up new ventures of business thereby generating employment opportunities to people leading to remove unemployment problem .They are able to optimally utilize all the resources and contribute to inflow of foreign capital by promotion of exports .Entrepreneurs study the market and the consumer demand and make customized and tailor made product leading to satisfaction of customers and increasing the sales and maximizing the profits and thereby leading to increase in per capita income and improving the standard of living of the people and leading to the economic development of the country .



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## FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

Dr. P.S.Vairale

Assistant Professor

Department of Commerce

RMG Arts & Commerce College, Saoli

Dist. Chandrapur , Maharashtra, India

prafulvairale19@gmail.com

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### **Abstract:**

*The purpose of this paper is to develop an analytical framework for discussing the link between financial systems and economic growth. Financial systems help overcome an information asymmetry between borrowers and lenders. If they do not function well, economic growth will be negatively affected. Economists have long recognized the importance of the financial system. In the year since the onset of the East Asian crisis we have increasingly heard that the financial system was one of the main causes of the crisis, that the financial system needs to be reformed in order to resolve the crisis, and that we need to pay attention to the effects of other reforms on the financial system. While there is a firm consensus that a well-functioning financial sector is a precondition for the efficient allocation of resources and the exploitation of an economy's growth potential, the economic literature is less consensual on how and to what extent finance affects economic growth. Economic theory suggests that sound and efficient financial systems—banks, equity markets, and bond markets—which channel capital to its most productive uses are beneficial for economic growth. Sound and efficient financial systems are especially important for sustaining growth in developing Asia because efficiency of investment will overshadow quantity of investment as the driver of growth in the region. Overall, our evidence supports the notion that further development of the financial sector matters for sustaining developing Asia's growth in the post crisis period. However, the primary role of financial sector development in growth is likely to shift away from mobilizing savings, thus augmenting the quantity of investment toward improving the efficiency of investment, and thereby contributing to higher economy wide productivity.*

**Keyword:** *Economic growth, financial development, financial systems, financial regulation.*

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**Introduction**

What is the relationship between a country's financial development and its economic growth? And how do a country's financial development and economic growth relate to the extent of its participation in the global economy? In particular, is there a relationship between domestic financial development and participation in global capital markets? Few would doubt that countries with highly developed financial systems might well export capital to other countries. But are there conditions under which having such a system might also promote imports of capital?

Economists have long recognized the importance of the financial system. In the year since the onset of the East Asian crisis we have increasingly heard that the financial system was one of the main causes of the crisis, that the financial system needs to be reformed in order to resolve the crisis, and that we need to pay attention to the effects of other reforms on the financial system. Many of these discussions treat the financial system in isolation or link it superficially to the macro economy.

The controversy between apologists of the neo-classical approach and endogenous growth models has certainly contributed to the revitalisation of economic growth theory. From the neo-classical point of view, economic growth is entirely driven by the accumulation of input factors and technical progress, with the potential role of finance restricted to assistance in the accumulation of capital. Endogenous growth approaches stress the role of entrepreneurship and innovation, which allows some leeway for finance to direct incentives to research and innovation or rent-seeking. While no economist affiliated to one or other camp would doubt that a developed financial system is beneficial for growth, the importance attached to finance differs with respect to two key questions. Firstly, is financial development a pre-condition for economic development or does the financial sector develop in parallel with overall economic development? Secondly, do differences in financial development only account for differences in early stages of economic development or do they also matter for mature industrial economies.

**Financial systems in the Economy**

This section discusses the main functions of financial intermediaries and financial markets, and their comparative roles. Financial systems, i.e. financial intermediaries and financial markets, channel funds from those who have savings to those who have more productive uses for them. They perform two main types of financial service that reduce the costs of moving funds between borrowers and lenders, leading to a more efficient allocation of resources and faster economic growth.

**Provision of liquidity:**

The link between liquidity and economic performance arises because many high return Investment projects require long-term commitments of capital, but risk adverse lenders (savers) are generally unwilling to delegate control over their savings to borrowers (investors) for long periods. Financial systems mobilise savings by agglomerating and pooling funds from disparate sources and creating small denomination instruments. These instruments provide opportunities for individuals to hold diversified portfolios. Without pooling individuals and households would have to buy and sell entire firms. Financial markets can also transform illiquid assets (long-term capital investments in illiquid production processes) into liquid liabilities (financial instrument). With liquid financial markets savers/lenders can hold assets like equity or bonds, which can be quickly and easily converted into purchasing power, if they need to access their savings. For lenders, the services performed by financial markets and intermediaries are substitutable around the desired risk, return and liquidity provided by particular investments. Financial intermediaries and markets make longer-term investments more attractive and facilitate investment in higher return, longer gestation investment and technologies. They provide different forms of finance to borrowers. Financial markets provide arms length debt or equity finance (to those firms able to access markets), often at a lower cost than finance from financial intermediaries.

**Transformation of the risk characteristics of assets:**

Financial systems facilitate risk-sharing by reducing information and transactions costs. If there are costs associated with the channelling of funds between borrowers and lenders, financial systems can reduce the costs of holding a diversified portfolio of assets. Intermediaries perform this role by taking advantage of economies of scale, markets do so by facilitating the broad offer and trade of assets comprising investors' portfolios. Financial systems can reduce information and transaction costs that arise from an information asymmetry between borrowers and lenders.<sup>3</sup> in credit markets an information asymmetry arises because borrowers generally know more about their investment projects than lenders. A borrower may have an entrepreneurial —gut feeling that cannot be communicated to lenders, or more simply, may have information about a looming financial risk to their firm that they may not wish to share with past or potential lenders. An information asymmetry can occur ex ante or ex post. An ex ante information asymmetry arises when lenders can not differentiate between borrowers with different credit risks before providing a loan and leads to an adverse

selection problem. Adverse selection problems arise when lenders are more likely to make a loan to high-risk borrowers, because those who are willing to pay high interest rates will, on average, be worse risks. The information asymmetry problem occurs ex post when only borrowers, but not lenders, can observe actual returns after project completion. This leads to a moral hazard problem. Moral hazard problems arise when borrowers engage in activities that reduce the likelihood of their loan being repaid. They also arise when borrowers take excessive risk because the costs may fall more on lenders compared to the benefits, which can be captured by borrowers.

Financial intermediaries and financial markets resolve ex post information asymmetries and the resulting moral hazard problem by improving the ability of investors to directly evaluate the returns to projects by monitoring, by increasing the ability of investors to influence management decisions and by facilitating the takeover of poorly managed firms. When these issues are not well managed, investors will not be willing to delegate control of their savings to borrowers. Diamond (1984), for example, develops a model in which the returns from firms' investment projects are not known ex post to external investors, unless information is gathered to assess the outcome, i.e. there is —costly state verification|| (Townsend 1979). This leads to a moral hazard problem. Moral hazard arises when a borrower engages in activities that reduce the likelihood of a loan being repaid. For example, when firms' owners —siphon off funds (legally or illegally) to themselves or their associates through loss-making contracts signed with associated firms.

### **Financial Systems and Economic Growth**

Financial systems affect capital accumulation in three ways. First, financial systems lower the cost of channelling funds between borrowers and lenders, by reducing information and transaction costs. A decline in the cost of accessing finance frees up resources for other uses, including consumption, investment and capital accumulation.

Second, they can alter individuals' and households' saving decisions by making longerterm investments more attractive. If financial intermediaries and markets are unable to convince savers of the soundness of the investment projects that they are planning on funding, savers may choose to consume rather than save or place their savings in other less productive forms.

Third, financial intermediation affects capital accumulation by reallocating funds to their most productive uses, which raises the rate of return to saving. However, the

effects of a change in the rate of return on saving are ambiguous. This is because higher rates of return increase the cost of consumption today or the cost of not saving, leading to more saving. But an increase in the rate of return to saving also means that individuals/households don't need to save as much to achieve desired future levels of income. Empirically, the elasticity of saving with respect to rates of return is found to be small, suggesting that both effects are of approximately equal importance.

Financial systems may affect technological innovation. By allowing diversification, financial systems allow savers to obtain their desired level of exposure to high risk/reward firms, potentially increasing the level of finance directed at such activities. Financial intermediaries are well suited to provide external finance to new firms that require staged finance because they can credibly commit to additional funding based on key benchmarks. Specialised intermediaries can improve the willingness of savers to provide finance to firms with innovative or novel business plans through monitoring and oversight activities. Financial markets are effective at financing industries where relatively little information or few data are available or where a diversity of opinion is persistent. This is because markets allow investors with similar views to form coalitions to finance a particular investment project. New investment financed by financial intermediaries or markets is a channel for the diffusion of new technologies and productivity gains.

### **Financial regulation and supervision**

Financial instability is caused by asymmetric information and disrupts the efficient functioning of the financial system during periods of distress. Minimising information asymmetry and hence lowering the risk of financial instability is important and requires the production of information through screening and monitoring. Governments can encourage information production by imposing regulations on the financial system. For example governments typically require financial institutions or firms issuing securities to adhere to standard accounting principles and disclose a wide range of information about their balance sheets. Moreover, governments impose strict penalties for fraud such as hiding information or stealing profits.

Disclosure requirements increase the amount of information available. However, they do not overcome the public good problem of information, leading to socially sub-optimal monitoring and screening of financial intermediaries by the individuals, who provide them with funds. As a result, governments impose further restrictions on the asset holdings of financial intermediaries or capital requirements, for example, to

prevent them from taking too much risk.

However, bank regulation must be seen as part of the overall institutional framework, as its effects become insignificant when broader institutional factors such as property rights protection and economic freedom are taken into account. A second role generally of governments is to provide a safety net. Providing a safety net is important for the banking sector for three main reasons. First, banks are important because they hold and issue a large amount of demand deposits and private loans. Second, banks often provide credit to borrowers who would not otherwise be able to obtain external funding. Third, banks may be subject to contagion, or the risk of spill-over of the effects of shocks from one or more banks to other financial intermediaries or markets, due to interbank exposure.

### **Conclusions:**

Financial Development and Economic Growth, in the form of skilled and competent professional bankers contributes to the stability of banks. Unfortunately, developing countries, both pre- and post-liberalization, often suffer from an inadequate supply of capable professionals. This situation threatens the potentially positive relationship between financial liberalization and economic growth. It is therefore urgent that developing states develop policies aimed at addressing the supply and demand side requirements of the sector. Such policies must target the development of professionals with both the appropriate academic background in business and the requisite on-the-job skills. Public-private solutions are advocated as the most efficient and effective approach to the development of comprehensive policies in this regard.

Numerous evidence suggests that finance is important for growth at early stages of economic developments. As regards industrial economies, the evidence is less conclusive at the aggregate level. Tentatively, the evidence for stock markets is stronger than for variables on banking activity. Studies at the firm level yield relatively strong support for the growth-enhancing effect of finance.

Evidence that market-based systems are constantly superior to bank-based financial systems does not exist. Empirically, the financial sector's degree of development and structure strongly depend on legal issues ruling investor protection and transparency.

Young and innovative enterprises demand a flexible financial structure that allows them to rapidly change their financing in accordance with their life cycle. For them, market-based elements and equity play a larger role than for traditional

industries.

Questions raised by our work here remain to be explored. Are there cases in history, or in the world today, where ostensibly good financial systems did not lead to economic growth and globalization? Or are there cases in which one or both of these occurred in the absence of good financial systems? We tend to doubt it, but we recognize that more investigation is needed before we can be highly confident that good financial systems are a key ingredient of both sustained economic growth and effective participation in the global economy.

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# STUDY OF GROWTH OF TEXTILE INDUSTRY IN NAGPUR DISTRICT IN TERMS OF MANUFACTURING AND TRADING AND ITS IMPACT ON ECONOMY OF REGION BEFORE AND AFTER GST

**Nikhil Chaple**

Nagpur University

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## **Abstract :**

*Textile industry plays major role in Indian economy. India is one of the major producer of textile garments. Availability of raw material and workforce made the country a nurturing house for this industry. In this year Total budget allocation to the Textile Ministry is at Rs. 62.26 billion for the year 2017-18 against last year's revised allocation of 62.86 billion. Budgetary allocation for Powerloom, Silk and Wool textile sectors increased while handloom and handicraft sector were allocated sizable amount of the fund.*

*In last few years the growth in garment trading is affected by government policies and some other factors in Nagpur district. The study will be based on the growth in manufacturing and trading of garments in the region. The growth in Manufacturing of Wearing Apparel, Dressing & Dyeing Fur and the textile manufacturing.*

*Cotton being a major crop in this district. Textile mills, ginning and pressing mills, spinning mills and power looms have been good potential. As per the "DISTRICT INDUSTRIAL POTENTIAL SURVEY REPORT OF NAGPUR DISTRICT" Nagpur district has good potential in this sector. Based on the requirement of Large and medium scale industries few more small scale industries can also come up and become ancillary units to these large and medium scale industries.*

*Challenges, future prospects, employment generation and direct and indirect impact of sector in economy of region will be considered as part of study.*

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## **Introduction:**

Cotton being major crop of region, Nagpur is a lucrative market for textile industry. The fast growing infrastructure projects and better connectivity with all parts of India help textile industry in Nagpur district. High availability of raw material, power supply, centralized market and good amount of labor provides better opportunities to grow

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faster for textile and readymade garment sector in this region. Highly competitive market of the region is challenge for new entry in market but most of the participant thinks it is the good competition to grow. As large number of Wearing Apparel, Dressing & Dyeing Fur and the textile manufacture and traders are doing business in Nagpur district.

The business in region are facing problems with new government policies and competition with other emerging market like Amravati of same region as well as from other state like Chattisgarh. The study is about how lucrative textile and readymade garment market in Nagpur district and the effect of GST on the businesses.

The study is done in different textile and garment markets of Nagpur with the small sample size of 30. It is also found that response from each market is totally different from other market and it also differs with the segments.

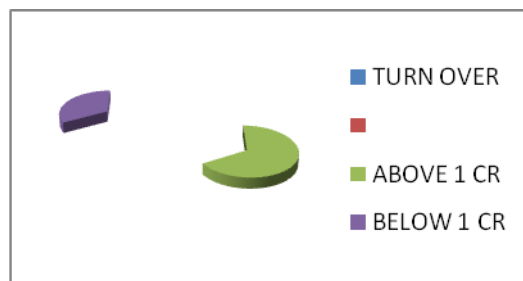
**Method :-**The systematic sampling method will be use for primary data collection for more accurate result. Sample size of 30 will be taken from domestic market with annual turnover more than 10 million for traders in different markets of Nagpur. For systematic sampling Questionnaires were used. In questionnaires descriptive question were asked to the participants for the detail study of the topic

For secondary data MSME repot, industrial report and government report will be referred

### Topic cover under the study

#### General information about the textile market

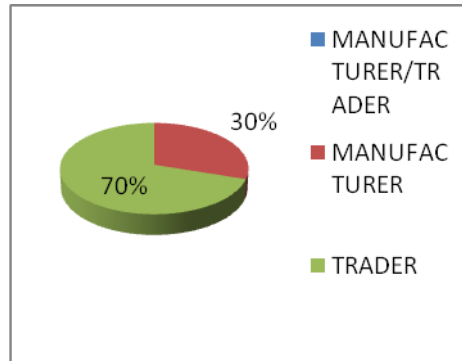
1. It is found in study that 2 out of 3 businesses related to textile have turnover above 10 million and 1 out of 3 is between 5 to 10 million. It shows that the money circulation in this industry is very high and profit margin in trading is also very high.



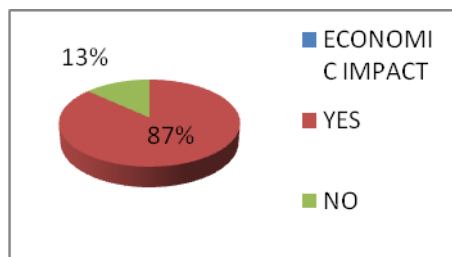
2. As the profit margin is high in trading segment and easy to purchase and sell more number of people diverted toward trading segment. About 70 % chose to be trader

rather than manufacturer. It also found that most of trader segment do not have sufficient knowledge of textile product manufacture in Nagpur region.

So they purchase all textile product from other city or other state. And sell in Nagpur market from where it get distributed to other markets of central india

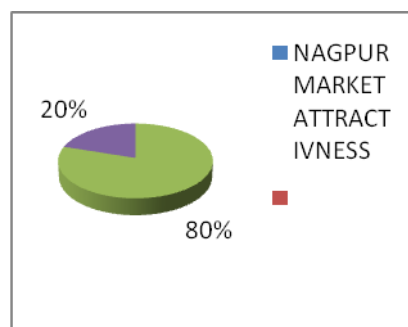


3. About 87 % of businesses sell there products outside Nagpur market directly or indirectly and as per data gathered from them shows that most of their customers are from other region. So, it shows that its economic importance to the economy of Nagpur district.



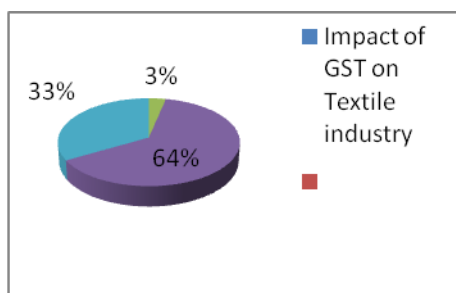
Impact on this sector will impact whole economy of the region.

4. The most important factor of growth of textile industry in Nagpur region is market attractiveness in Nagpur market, as Nagpur is business hub for central India and it is also central market. Nagpur has good infrastructure facility and good connectivity facility by road, train and air. It facilitate easy transaction to all direction. 80% of businesses believe that Nagpur is an very attractive market and with better connectivity of metro and MIHAN it will grow faster than before.

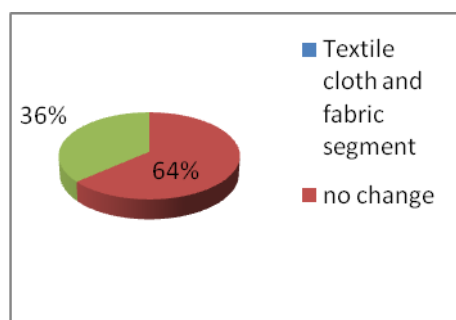


### Impact of GST on textile industry

Study clearly shows that most of the businesses are not happy with The GST. It slow down most of the businesses. As per the data collected from the questionnaire and through interaction with the concern persons on books become strong but in reality the sale come down to half. The main region in drop of sale is that customers and the small vender from small places don't want to pay GST. The buyer are not so interested in buying more and small vender stop purchasing as they do not have Either GST license or they do not want to pay taxes. The raw material for manufacturing getting costly with 5 % more taxes of GST on Raw Material (GST Rate & HSN Code for Cotton materials, Synthetics & Woven fabrics - Chapter 52).



The Impact of GST on Readymade market is more as compared to the textile cloth and fabric market. DATA shows that 64% of Textile cloth and fabric businesses are not affected by GST. There is no change in sale of these businesses and everything is going smooth. Implementation of GST enforce digitalization and it bring down many taxes to one tax and the end product will be same, in few cases it the raw material prices come down. These businesses are happy with GST.



Most of the textile businesses are agree on the point that GST will do good in future and the bad impact of GST is for small time span and market will correct itself in near future .

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- 1) District Industrial Potential Survey Report of Nagpur District - Msme
- 2) [Http://indiabudget.Nic.In/Budget.Asp](http://indiabudget.nic.in/Budget.Asp).

## EMPOWERMENT OF WOMEN THROUGH MICRO FINANCE

**Dr. Mahima Singh**

Faculty, Pratibha Institute of Business Management, Pune

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### **Abstract:**

*Microfinance plays very important role in improving women decision making by contributing in economic activities. The empowerment of women through microfinance with Self Help Groups would give benefits not only to the individual women but also for the family and community as a whole through collective action for development. Government and Non-Government organizations are making various efforts to promote women empowerment through micro finance. Microfinance institution plays an important role by providing credit to the poor who have no access to commercial Banks. In general, this institution receives financial support from western donors, NGO's or commercial Bank, who lend to microfinance institutions often against below market interest rates. It has become a ladder for the poor, particularly the women to bring them up not only economically but also socially, mentally, politically, educationally and attitudinally. Even the unorganized sector has been heading into microfinance movement.*

**Keywords:** *Microfinance, empowerment, women empowerment, micro credit.*

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### **Introduction:**

Microfinance services are availed in a big way by women across the country. Microfinance is considered as a powerful instrument for the women empowerment. The role of microfinance in India is increasing mainly because India is a country which lives in villages. According to our latest census about 70 per cent of the total population used to live in villages and do their agricultural activities. Several years of relentless industrialization almost concentrated around the bigger cities, have not naturally changed the overall picture. The rural India is still a reality. Micro finance has a big role to play because of the two factors. The first is that microfinance meets the financial requirements of low income group of population. The second is that microfinance is considered by policy makers in India as an important tool for the financial inclusion. The microfinance sector was considered as a commercially viable solution to overcome various issues in attaining financial inclusion. Reducing poverty level and

empowerment of women has become the primary obstacle in achieving these goals. Sarkar and Baishya (2012) found that women's access to credit has a role in improving their decision making capacity, work force participation rate and even political and legal awareness, thereby opening opportunity for greater empowerment of women of Assam. Prabhakara (2012) found that there is a remarkable improvement in the status and recognition of women in the society after joining Self-Help Groups. Gowda and Manjula (2012) found that women were able to increase their income and provide financial help to their families. They also found that microfinance has brought a positive impact in their economic and social situation, which helped women to take an important role in the decision making process in their family and also in society. Arora and Meenu (2011) found that microfinance has been successfully contributing to women empowerment at a great extent. It has also benefitted their families by giving access to credit for housing repair, education and marriage of their children, and for the consumption purposes, and it has improved the 21 saving habits of women. Sarumathi and Mohan (2011) found that microfinance has built confidence, courage, skill development and empowerment among women who are participating in Self-Help Groups, involving them in various social welfare activities implying good cooperation. They found that there is a positive improvement in psychological and social empowerment among rural women due to their participation in microfinance programs. India's overall development is not possible without the rural areas. Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities, throughout the world. As they face many socio- cultural attitude, legal barriers, lack of education and personal difficulties. Traditionally, women have been marginalized. They are rarely financially independent and often they are more vulnerable members of society. About 70% of world's poor are women. Yet they have no access to credit and other financial services. Therefore, microfinance often target women. Microfinance is a critical tool to empower women from poor household. So, particularly women can get benefit from microfinance institutions as many microfinance institutions target only women, to empower them.

**Microfinance:** The term "Micro" means "small". The Micro Credit Special Cell of the Reserve Bank Of India , the borrowed amounts up to the limit of Rs.25000/- could be considered as micro credit and this amount could be gradually increased up to Rs.40000/- over a period of time.

The mantra “Microfinance” is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are: -

- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery

Basically groups can be of two types:

- i. Self Help Groups (SHGs): The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.
- ii. Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group’s assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country.

### **Women Empowerment:**

The World Bank defines empowerment as “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome. Kabeer (1999) stresses that women’s empowerment is the process to acquire the ability from which those who have been denied the ability to make the strategic life choices. Her emphasis that ability to exercise choice incorporates three interrelated dimensions: Resources, Agency and Achievements.

Since women’s empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government. Following sixty eight years of independence, women’s empowerment has still remained as one of the serious concerns for the society. The Constitution of India guarantees equal rights to both sexes and entitles women to enjoy economic, social, cultural and political rights on an equal footing with men (Article

325). The goals of the National Policy is to bring about development and empowerment of women through creating an positive economic and social environment and to enable them to realize their full potential by having access to health care, quality education, employment, equal remuneration and social security, so that all sorts of discriminations and violence against women can be eliminated.

### **Role of Microfinance in Women Empowerment :**

Microfinance is a powerful tool to self-empower the poor people especially women at world level and especially in developing countries. Microfinance activities can give them a means to climb out of poverty. The problem of women's access to credit was given utmost priority at the first International Women's Conference in Mexico in 1975 as a part of the emerging awareness of the importance of women's productive role both for national economies as well as for women's rights. This led to the setting up of the Women's World Banking network and production of manuals for women's credit provision .By the end of 2000, microfinance services had reached over 79 million of the poorest of the world. As such microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihood and better working condition for women. (ILO,Geneva).

Prabhakara (2012) found that there is a remarkable improvement in the status and recognition of women in the society after joining Self-Help Groups. Gowda and Manjula (2012) found that women were able to increase their income and provide financial help to their families. They also found that microfinance has brought a positive impact in their economic and social situation, which helped women to take an important role in the decision making process in their family and also in society. Bhardwaj and Gebrehiwot (2012) found that there was an improvement in socioeconomic condition of women who participated in microfinance programs. It has improved the role of women in family and also their ability to take decisions regarding various matters without depending on others. Das (2012) found that Self-Help Group-bank linkage of microfinance programs had a positive influence on the economic status, knowledge, decision-making power and self-worthiness of women participants, with a significant improvement in income, assets/wealth, and standard of living. He also found that the SHG's have brought social and psychological empowerment. Arora and Meenu (2011) found that microfinance has been successfully contributing to women empowerment ata great extent. It has also benefitted their families by giving access to



credit for housing repair, education and marriage of their children, and for the consumption purposes, and it has improved the 21 saving habits of women.

Presently, in most of the developing countries like India higher emphasis is being laid upon the development of women as an entrepreneurs and their active participation in the development process of their country. Women can be successful and better entrepreneurs if given the much needed conducive environment and provided with enough resources most importantly the required amount of capital. The studies of rural women have proved their business excellence. They have been found to be better in credit utilisation than men but because of lack of access to assets they are often more vulnerable to poverty than males.

Various helping hands are available for women to provide finance as classified below:

- Formal Sector- It covers the entire banking industry including all public, private, regional rural banks, NABARD and RBI.
- Semi-formal sector- It covers all exclusive Micro financing institutions (MFIs), NGOs and various Self Help Groups (SHG).
- Informal sector- It covers family, friends, relatives, moneylenders, pawnbrokers, traders and landlords etc.

Generally, the micro finance products are classified into three categories –

- Micro Credit
- Micro Savings
- Micro Insurance
- Various credit products are available ranging from consumption to production besides savings products. However, micro insurance is still in experimental stage.

### **Problems and Challenges in Micro Finance**

Perpetual poverty and underdevelopment among the women prevailed across India since independence. Despite, a number of steps taken by the Government, the situation is not very satisfactory due to existing problems in the financial sector and society. Although microfinance has the ability to empower women, the connection is not straightforward or easy to make due to following reasons:-

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate book-keeping.

- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business.
- Time consuming income generating activities without reduction of traditional responsibilities increase women's work and time burden.
- By using social capital, group collateral programmes, additional stresses and pressures are introduced, which might increase vulnerability and reflect disempowerment.

The Indian culture is dynamic and thus exercises constraints in different contexts, in varied forms and at various stages in the empowerment process. These include: bargaining power and the ability to make decisions on economic issues within the household, ability to make decisions outside the household, control over loans, building of social networks, responsibility for household chores, and power over one's time and physical and emotional health and energy.

It is clear that women's choices about activity and their ability to increase incomes are seriously constrained by gender inequalities in access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, constraints on sexuality and sexual violence which limit access to markets. These gender constraints are in addition to market constraints on expansion of the informal sector and resource and skill constraints on the ability of poor men as well as women to move up from survival activities to expanding businesses.

It has been found that for the majority of borrower's income increases are small, and in some cases negative. Most women invest in existing activities which are low profit and insecure and/or in their husband's activities. In many programmes and contexts it is only in a minority of cases that women can develop lucrative activities of their own through credit and savings alone.

**Suggestions:**

Among the policies related to poverty reduction, microfinance and micro credit programmes occupy a central position. The core function of a microfinance programme is to provide financial services, to reach poor women and men and give them access to savings and credit. However, the potential of microcredit goes beyond the provision of financial services to poor and vulnerable people as it is dependent on the health of social and socio-economic institutions such as social norms, patriarchy and education.

The empowerment potential and significance of the larger social matrix requires that microfinance needs to be designed not as an economic model, but as a holistic approach to development, in which the role of culture becomes especially important.

It is also important to acknowledge that micro finance influence on women's empowerment is exclusive to women and cannot be applied in a similar way to men who borrow. Specifically, while men and women may experience a similar positive impact of micro finance, the negative effects of it on women's empowerment are exclusive to women. This is because, culturally, women's position makes them more vulnerable to social conditions such as patriarchal culture, resulting in a negative influence exclusively on their empowerment.

The organizations involved in micro credit initiatives should take account of the fact that

Credit is important for development but cannot by itself enable very poor women to overcome their poverty. Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises. A useful indicator of the tangible impact of micro credit schemes is the number of additional proposals and demand presented by local villagers to public authorities.

#### *Conclusions:*

Numerous traditional and informal system of credit that were already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too. A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate finance and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in

the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders.

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## BULLET TRAIN PROJECT IN INDIA WILL BE BOON OR BAN TO INDIA ECONOMY

Pooja Patil

India

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### **Abstract:**

*Moving towards modernization another step taken by NDA government, under the leadership of Prime Minister Narendra Modi, is bullet train project and finishing it by 2022. The study concentrates upon what are the challenges before the government, what will be the benefit from the project, whether the project will make India a move ahead of other country. What will be the pro's and con's to Indian Economy.*

**Key Words:** - Station Location, Land acquisition, Profitability, Employment, urban expansion.

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### **Introduction:**

“India is in the pace of rapidly developing economy where numerous developments are required and one of the major India's developmental plans is to up gradating its railway system”, Indian railway is very old railway network in India. Bharatiya Rail is the native name of Indian railways and was established in April 16, 1853. Indian railway is been operating in the local lands and also having limited services to Bangladesh, Myanmar, Nepal and Pakistan. Piyush Goyal is the present railway minister since 3 September 2017.

The project is estimated to cost INR 1.1 lakh crore and will cover a distance of over 500km from Mumbai to Ahmadabad in about two hour. The train is expected to be completed in 2022 to celebrate the 75<sup>th</sup> year of our independence. It's a visionary project by the NDA govt. which will herald a new area of safety, speed and service for the people and help Indian railway become an international leader in scale, speed and skill. But there is a debate going on whether that project is really required at the cost of INR 1.1 lakh crore, as the same money can be used for improving living standard of individual by providing more subsidized schools, hospitals, child nutrition and so on. However history is testimony that new technology and advancement is being always beneficial for any country.

**Literature Review:**

Indian Railway is a state owned national railway system of India, Which is operated by Ministry of Railways. Indian Railway is the fourth largest railway network in the world by size comprising 1,19,630 kilometers, 45 percent of its route were electrified using 25 kV AC electric traction. Indian Railway carries 22 million passengers per day and has 7.216 stations.

The first proposal for railways in India was made in Madras in 1832. The first train ran from Red Hills to Chintadripet Bridge in Madras in 1837. It was called Red Hill Railway. It was hauled by a rotary steam engine locomotive manufactured by *William Avery*. It was built by *Sir Arthur Cotton*. It was mainly used for transporting granite stones for road building work in Madras. The passenger train was ran between Bombay (Bori Bunder) and Thane on 16 April 1853, this 14 carriage train was dragged by three steam locomotives: *Sahib*, *Sindh* and *Sultan*.

It ran for about 34 kilometers between these two cities carrying 400 people. On 3 February 1925, first electric passenger train in India ran between Victoria terminus and Kurla. It ran on 1500 V DC overhead traction. The re-organization of India railways began in 1951. On 14 April 1951, Southern railway was created. On 5<sup>th</sup> November Central and western Railways were created.

In 1986, computerized ticketing and reservation was introduced in India, for the first time at New Delhi in 1988. Trains are classified by their average speed. A fast train has few stations than the slower one and usually caters to long distance travel. Indian Railway is divided into 17 zones, which are further sub divided into divisions. Presently there are sixty- eight divisions.

The Indian railway most use color signal lights. Earlier the older semaphores and disc based signaling were used, but these were replaced by color signals.

It was evident from the Railway Budget of 2009, 2010 and 2012 which was presented by former Railway Budget Mamata Banerjee in the Parliament in her speech of ‘Vision 2020’ she spoke about High Speed Rail. In May 2013 former Prime Minister Manmohan Singh’s visited to Japan and both the country decided that both countries will co-finance a joint feasibility study for the Mumbai- Ahmadabad high speed corridor.

It was unfortunate that being the third largest railway network in the world, India does not have a single high speed corridor. When our honorable Prime Minister Narendra Modi’s met his Japanese counterpart Shinzo Abe they laid foundation stone

for India's first ever bullet train project, it was like distance dream becoming true.

A feasibility study was done by RITES (**Rail India Technical and Economic Service**), Systra of France and others in FY 2009 and a report was submitted by the expert committee on modernization of India's national railways that was established by Ministry of Railways which is been designated the line between Mumbai and Ahmadabad as the first high speed railway to be planned and constructed. This High Speed Railway Line (HSRL) will connect Mumbai the city of the state of Maharashtra with Ahmadabad the metropolis city of Gujarat. The approximate distance is 500 km which will run along the Arabian Sea coast side and connecting with Surat and Vadodara en-route which are the second and third largest city in the state of Gujarat.

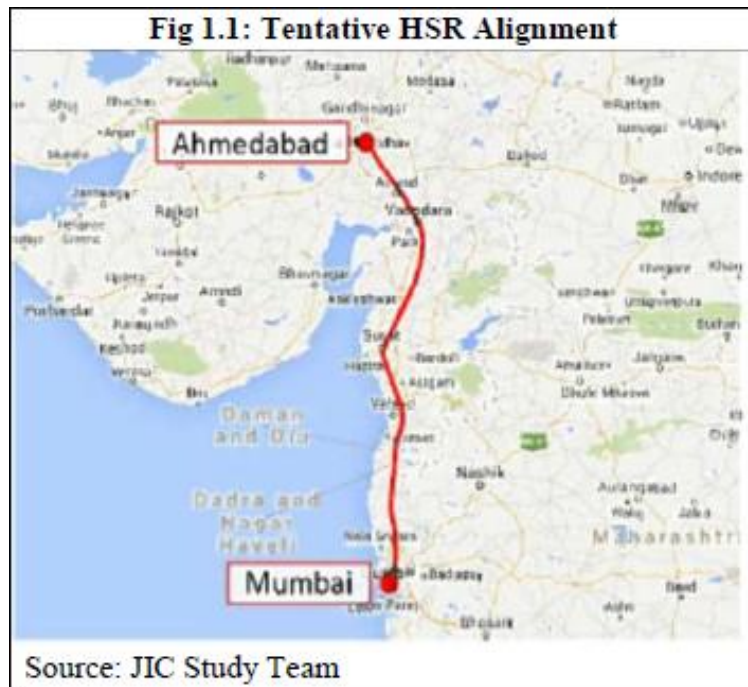
The implementation of HSPR entails a number of activities that will certainly impact on the existing socio- economic sector of the rail corridor and its inhabitants. Among these activities are structure acquisition and rail construction related activities. In the Resettlement Action Plan (RAP) context implementation of HSPR will have positive and negative impacts. The positive impact includes:-

- Employment opportunities for the local population and substantial increase in the income- generation activity.
- The addition work force on the construction activities will boost even though in the short-term local community economy within the corridor.

The project also anticipated to have some negative impact also:

- Loss of property with negative impacts on the livelihoods of the people.
- Vulnerable groups will be affected more.
- Inability to find equally productive land.
- Inability to find equally prime business area.

The alignment of the HSRL will pass through 3 districts i.e. Mumbai, Thane and Palghar in Maharashtra and 8 districts i.e. Valsad, Navsai, Surat, Bharuch, Vadodra, Anand, Kheda and Ahmadabad in Gujarat. The proposed alignment also passes through a small area section falling in the Union Territory of Dadra. Schematic map of alignment along with details have been provided below.



#### **Objective of study:**

- To describe an appropriate project, the legal and institutional plan applicable to Indigenous Peoples.
- To study the different challenges in front of UPA govt. to implement this project.
- To understand the impact of High Speed Rail on Indian economy.
- To study whether India will be able to payback loan amount to Japan.

#### **Scope of study:**

The scope of the study is to know how bullet train will make India an advanced country and how it will impact the growth of Indian economy, with so many challenges like to relocate people, creating new stations etc. and how this project will build a strong relation between India and Japan.

#### **Research Methodology:**

Research is based on conceptual and exploratory. Secondary data is collected for the purpose of research from journals, articles, newspapers and magazines. Considering the research objectives of study descriptive type research design is adopted to have more accuracy of research study. The accessible secondary data is used for this research study.

#### **Data Analysis:**

It is based on the challenges which are there

#### **Evacuation facilitation:**

While constructing station for bullet train it would be important to have fast and



multiple means of evacuation to increase the catchment and tendency to travel. To do so, efficient bus service as well as accessible parking lots for private vehicles should be provided. In Mumbai and Ahmadabad, where metros are under construction, it would be important to provide seamless connectivity.

**Land acquisition:-**

It is an important issue, regarding where the arrangement would turn off from existing railway lands. The challenges would be best addressed by the line going over ground, where the actual acquisition would be limited to the footprint of the pillars. Designs would have to develop in such a way that the footprint is minimized. Experience from land acquisition for transmission lines and metro corridors would come in handy.

**Human Resource Development:-**

It would be a big challenge to train large number of Indian engineers and managers for design, construction and operations at standards that would be essential for high speed rail, including for stringent safety standards. It would also be important to train Japanese Senior Manager who need to spend considerable time in India to train and oversee the required activity. IIM Bangalore is setting up India- Japan study center with the mission of improving India- Japan mutual understanding and complementary skill building.

**Future Expansion:-**

It would be useful to have a perspective on how the expansion of this line would happen. Once the proof of concept of High Speed Rail is established, there would be demands for expansion. In an earlier proposal, the line was actually to go beyond Mumbai to Pune, but was not found to be viable initially. Such visioning would be useful in bringing greater support from the government of Maharashtra.

**Loan Payback to Japan:-**

Prime Minister Narendra Modi highlighted the fact that Japan had offered India a 50 year loan of Rs 88,000 crore at 0.1% interest to fund High Speed Rail which is been described as free of cost, but as its said free, it is not. And it is likely that value of rupees will get depreciate against the Japanese yen over a period of time. As the currencies of countries is determined by their inflation differential. If India's inflation rate is average 3% over the next two decades and Japan's inflation rate is zero then rupee is bound to weaken by over 60% in two decades. Which means that loan which is

amounting Rs 88,000 crore will go up by approximately 1,50,000 crore at the end of 20 years. But present value of money is always greater than future value of money.

**Finding:-**

- Bullet train project is full filling the vision of Make in India where, most of the amount invested will be spent and utilized within India.
- The project will provide reliable and comfortable service with high standard of safety.
- The project will also boost India's Economic growth as manufacture in India will create job and export to the world.
- It is reduce travel time between Mumbai – Ahmadabad by 6 hours, i.e. initially it use to take 8 hours and if High speed rail will come it will take only 2 hours.
- Long run costs will also expected to fall through the advantages gained by economics of scales by further developing the networks.
- It will also create a highly skilled and capable workforce in long run.
- The development of the New Shinkansen Technology by Japan will ensure more growth opportunity.
- Carbon dioxide per km emitted by train is less compare to airplane and cars hence will protect environment.

**Conclusion:**

When India was introducing Rajdhani Express some 5 decade ago people were facing the same dilemma. But today everyone wants to travel in Rajdhani because it is relatively fast. It is the responsibility of government to introduce things that pace India's growth. Bullet train will not only increase the average travelling speed but will also create 20000 direct employments and thousands of indirect employment as 70 % of material would be purchased from India.

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- 2) <https://www.ndtv.com/india>

## ROLE OF BRICS IN ECONOMIC DEVELOPMENT OF NATIONS OF BRICS

**Dr.Asha S Yadwadkar**

Pradnya College of Commerce & management India

Mb No.-9096994401

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### ***Abstract:***

*After the World War, we are shifting from Unipolar to Multipolar countries as far as marketing and trade is concerned. The countries coming together under the title of BRICS have some similarities and the dissimilarities also. The countries coming together are sometimes trying to dominate economically other countries. Globalization has made the doors of the market wide open to all the countries in the World. When we form the groups like 'SAARC' or 'BRICS' many a times the process of the globalization is being restricted. The countries coming together such as Brazil, Russia, India, China and South Africa have various issues before them. Indian and China have edge over the others in respect of human resources while the rest of the countries have edge over technology and scientific advancement. BRICS has ample opportunities for mutual benefits in their respective areas of specialization.*

**Key words:** *Regional cooperation, areas of specialization, mutual interest, human resources, technology and scientific advancement.*

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### **Introduction:**

After the World War, we are shifting from Unipolar to Multipolar countries as far as marketing and trade is concerned. The countries coming together under the title of BRICS have some similarities and the dissimilarities also. The countries coming together are sometimes trying to dominate economically other countries. Globalization has made the doors of the market wide open to all the countries in the World. However at the same time each country is fighting the globalization and trying to sustain in the world market. When we form the groups like 'SAARC' or 'BRICS' many a times the process of the globalization is being restricted. These trade blocks are helping to form the hindrances. Regional trade blocks are helping to promote development of economy of the participating nations. The countries coming together such as Brazil, Russia, India, China and South Africa have various issues before them. The two countries such

as China and Russia are politically having similar thinking and policies. However, China is a member of the W.T.O. and Russia is not the member of the W.T.O. The two countries china & Russia are coming together to restrict the domination of the U.S.A. in World economy. This is especially to bridge the gap between developed and underdeveloped economy. India and China are the two countries with high population. Russia has the highest geographical area. In spite of such a varied nature there is thinking that this group can form a better association for the development of economy of every participating nation. People are in favour of this type of association of the nations. In short, we can say, that the countries participating under the title of ‘BRICS’ the developing nations are in real term thinking to develop their economy. The development especially in the area of education, social and financial sector of the country.

#### **Origin and Evolution of BRICS:**

1. The informal group of Brazil, China, India and Russia was originally named as BRIC informally by economist Jim O’Neill in the year 2001. In spite the recession faced by the major economy in the world like U.S.A. there was a steady smooth in India and China which increased the confidence in BRIC nations.
2. BRIC Finance Ministers met in November 2008 in Sao Paulo, Brazil and decided to work together to overcome the financial crisis. Russian President Medvedev and Brazil President Luiz Inacio da Silva agreed to enter the summit.
3. In the year 2010, when China held the presidency, BRIC became BRICS as Chinese president Hu Jintao wrote a formal invitation to South Africa to join the group of BRIC Nations.
4. The first summit took place in 2009 in Russia; Medvedev described the summit as a necessary step to overcome the world financial crisis. Especially this was to create more diverse International Monetary System to reduce the reliance on dollar as the Global Reserve Currency.
5. In the year 2010, the second summit was held in Brazil, South Africa president Jacob Zuma was present for this summit. The emphasis on food and security was given. In this summit, BRIC formally became BRICS in the year 2011. In the 3<sup>rd</sup> summit in 2011 which was held in China (Hainan).
6. India organized summit in the year 2012 in New Delhi. The idea of the incorporation of BRICS – Development Bank proposal was submitted in this summit. The proposal was agreed in the fifth summit South Africa in the year 2014.

7. The BRICS Nations expressed their role in the regional development of the participating nations. This is to reduce the dominance of the developed economy and to create New World Power.

### Demography of BRICS Nations

The nations participating in the BRICS organization can be well compared by means of their demographic pattern. This will help comparison of the nations under BRICS.

Sr. No.	Country	Population in lakhs	Population growth rate %	Birth rate per 1000	Death rate per 1000	Urban Population %	Rural Population %	Literacy %
1	Brazil	202.65	0.8	14.72	6.54	84.6	15.4	90
2	Russia	142.47	-0.03	11.87	13.83	73.8	26.2	99
3	India	1236.34	1.25	19.89	7.35	31.3	68.7	63
4	China	1335.69	0.44	12.17	7.44	50.6	49.4	95
5	South Africa	48.37	-0.48	18.94	17.49	62	38	93
	Total	2837.52	0.39	15.51	9.13	60.46	39.54	88.02
			Average	Average	Average	Average	Average	Average

Of the total population of 5 nations, India and China contribute 2572.03 lakhs which is 90.64% of the population of BRICS nations. So these two nations can be the better market for BRICS nations and also for the rest of the countries. The population of India can be converted into strength of the country than the weakness. Urban population of the rest of the countries other than India is more than 50%. However, the rate of urbanization of India is 2.47% which is very near to the rate of urbanization of China which is 2.87%. Since urbanization is one of the indicators of the development of economy the Indian economy is attaining the better space since 1991. However another indicator i.e. rate of literacy is the lowest of India as compared to the other four nations. Even China has better literacy rate. Accordingly, it is very important for the economic development to concentrate more on the improvement of literacy rate. Other three nations other than Indian and China are having more than 90% literacy rate.

**Why BRICS?**

1. The BRICS mode is formed to enact institutional reforms for shifting the global power.
2. The further step in order to enact institutional reforms especially in the light of working of IMF and the UN Security Council, the BRICS leaders formalized creation of “New Development Bank” in July 2014. This is for sectoral development.
3. International economic policies are decided by U.S.A. accordingly BRICS will work for the defeat of ill purposes of the developed countries.
4. BRICS will try to shift the economic World order.
5. It was very important to create more diverse international monetary system to reduce the dominance of the dollar as a global reserve currency.
6. BRICS will work for food and security. This is to help the countries for upliftment of poor and needy people of the participating nations.
7. During the South Africa summit countries also agreed to establish BRICS Business Council made up of five entrepreneurs from each country to discuss the ways to expand the cooperation.
8. BRICS organization will try to expand the employment opportunities in the participating nations, especially in the area of the infrastructure development, industrial and service sector.
9. The increase in the rate of urbanization in almost all nations participating in BRICS has increased the demand for the infrastructure development. BRICS organization shall help to increase the Foreign Direct Investment in the area of infrastructure development.
10. In order to accommodate the increasing youth population of India by means of employment BRICS will help generate the employment opportunities especially in the area of the service sector.

**Perspective Ahead**

BRICS is the organization which will help in the sectoral development of the participating nations. In the area of Industrial and service sector by means of exchange in technology, skill and exploring the market on large scale. BRICS has to do lot of things in the area of economic development. In the light of this discussion, it is thus important to explore the newer areas of cooperation and rural development.

1. **Education & Technology:** The rate of literacy in the country like India is low as compared to rest of the four countries, hence the BRICS should arrange for education exchange programme. The exchange of technical know-how and skill development in youth can be brought in through the sectoral cooperation.
2. **Development of Service Sector:** Various opportunities exists in the sector of Information Technology, Banking, Insurance, Transportation, marketing, BRICS countries can make more efforts to develop the service sector which will help to generate employment in the participating nations, especially in India.
3. **Development of Industrial Sector:** Industrial sector requires various factors of production. The participating nations in the BRICS are having varied nature of characteristics. The countries can exchange various industrial corridors. In the participating nations. Presently India under the programme of Make in India can utilize the help of other nations for the development of Indian economy.
4. **Development of formal organizations and national security:** BRICS is organized for the purpose of reducing the dominance of the IMF in the World Economy. Accordingly BRICS has decided to constitute the BRICS Bank having H. in China. Similarly the reform in the UN Security Council is also need of the day. So BRICS can work better in this area.
5. **Role of BRICS in Marketing:** China and India constitute major market in the world. BRICS can capitalize this market to increase the market share of the participating nations. The BRICS can play better role in the area of expansion of the market of the consumer & durable products.

As per the survey conducted on 16<sup>th</sup> July 2014, it is stated that the five countries in the world i.e. Brazil, Russia, India, China and South Africa are influencing economies. They constitute 40% of the world's population and combined output of these nations is more than 20% of Global GDP. It is predicted that Brazil, China, India, & Russia will join the USA as the five largest economies in the World by 2050.

### **Conclusion:**

1. The sectoral development will be useful only when the cooperation takes place in the area of education.
2. India needs F.D.I. for the infrastructure development BRICS shall be the organization which can provide such investment.

3. The role of BRICS should be to strengthen the economy of the participating nations. It will be useful if the five nations can form a group and unitedly think for sectoral development.
4. Difference in the political ideology will sometime be the barrier in common achievements
5. Regular summit of these nations will help better progress and development.
6. The India and China must utilize their manpower for the development of economy and rest three nations their technology & science.

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## CRITICAL APPRAISAL OF ROLE OF PRIVATE SECTOR BANKS IN INDIAN ECONOMY

**Dr. Sagar S. Pole**

Waleed Pharmacy Ltd Muscat (Oman)

Mb No. – 9730018601

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**Abstract:**

*In 1969, the Banks were nationalized by the then Govt. of India. This step has changed the paradigm shift of priority sector of banks from Class banking to Mass Banking. The Banking should reach to poor sector of the society. The 14 Indian commercial banks in private sector were nationalized in July 1969 and some others thereafter were not sufficient for Inclusive Financial Growth and to extend credit to the rural and urban poor. Micro financing is one of the important tools for inclusive growth. The Banks like ICICI bank are trying to collaborate their services with Self Help Group in order to extend credit to these groups. Along with private banks the leading foreign commercial banks like Citibank, HSBC and the Standard Chartered Bank are also looking for the business in rural India. The Banks presently are moving on the line of Agent base model than branch base model. This helps banks to operate with economy. The banks are now introducing mobile based services concept for the rural sector also to reach to the rural customers directly. The economic reforms implemented from 1990 must be linked with the structural financial institution where private sector banks will play very important role. Capital adequacy norms, product innovation, use of modern technology, risk management, skill and efficiency of Human resources, application of corporate governance, CRM, customer orientation, asset management are some of the challenges emerged which are to be focused by the private sector banks. Thus in the developing economy like ours the private sector banks will help country grow and prosper. The cost reduction techniques and application of modern technology will help the growth of private banking sector.*

**Key words:**

*Class banking, Mass Banking, Structured financial institutions, stiff competition, Product innovation, Customer Relations Management, Economic Reforms,*

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**Introduction:**

“In 1969, the Banks were nationalized by the then Govt. of India. This step has changed the paradigm shift of priority sector of banks from Class banking to Mass Banking. The Banking should reach to poor sector of the society. The 14 Indian commercial banks in private sector were nationalized in July 1969 and some others thereafter were not sufficient for Inclusive Financial Growth and to extend credit to the rural and urban poor. Accordingly private banking sector entered into banking scenario for further financial growth. The inclusion of weaker section of the society in financial aspects shall be the top priority of Indian economy. Merely nationalized or cooperative sector banking cannot help to serve this purpose. Accordingly private sector banks have to play vital in the development of Indian economy like ours. Presently the private sector Banks are working only in Urban or Semi urban areas but if they need to hold and sustain the business it is important for them to go to the rural Indian sector. The large number of excluded group from structural financial institutions such as poor and unprivileged sectors an opportunity for banking business. The Banks must draft their strategies and policies suited to reach to the excluded customers from banking arena. The need base banking produces will help to increase contribution of private sector banks in the Indian banking scenario. Technology and expertise is not the problem for Indian banking sector and especially for the private banking sector. it must be properly con.

The private sector banks are subject to the provisions of the banking Regulation Act, 1949. The public sector banks are governed by their respective funding status and by those provisions of Banking Regulation Act, which is specifically applicable for them only. The Urban Cooperative Banks on the other hand are governed by the provisions of cooperative societies Act of the respective states and certain provisions of Banking Regulation Act are also applicable to them. The Banking sector policies introduced by the Govt. of India help to promote Pvt. Banking in India.

**Rural Banking and Private Sector Banks:**

Commercial bank like ICICI Bank Ltd. is now expanding its business to rural Banking sector. The Bank is operating the small office in village to interact between villager and Banking business. The crop loans, housing loans, automobile loans, farm equipment loans, seed financing and insurance products are some of the private banking business priorities in rural sector. The Borrowers from private banks like ICICI

Bank has increased to 97000 today from 45000 of the year ended 31.3.2012 and the rural loan amount has increased to Rs.32000 crores today from 17000 crores as on 31.3.2012. The rate of NPA is also as per the norms laid down by RBI. Thus the private banking business in India is helping to grow rural Indian economy.

Micro financing is one of the important tools for inclusive growth. The Banks like ICICI bank are trying to collaborate their services with Self Help Group in order to extend credit to these groups. Along with private banks the leading foreign commercial banks like Citibank, HSBC and the Standard Chartered Bank are also looking for the business in rural India. The Banks presently are moving on the line of Agent base model than branch base model. This helps banks to operate with economy. The banks are now introducing mobile based services concept for the rural sector also to reach to the rural customers directly.

Accordingly the private Banks and finance companies are becoming specialized to offer their financial services to the rural people and farmers. This is resulting in economic growth of the rural sector in India. The financial assistance to the farmers is the path of progress of the country like ours. The private Banks are hence to play important role in economic development of the country.

#### **Bank Group wise Deposits and Advances:**

There has been noticeable variation in credit expansion across bank groups. The credit extended by public sector banks was much higher during 2013 as compared to 2012. As compared to public sector banks the credit extended by foreign and private sector banks were very lower. This does not mean private sector banks have not contributed to the economic development but it should be considered in terms of number of branches of public sector banks and the private sector banks. The relatively slower pace of credit expansion by foreign and private sector banks has also added the perception of inadequate credit flow in the system. The deposits of foreign and private sector banks however has been increasing and showing consistent growth.

#### **Bank Group wise Deposits & Advances**

Bank Group	Annual growth (Y-o-Y% wise)	
	Jan. 2012	Jan. 2013
<b>A) Deposits</b>		
Public Sector Banks	24.2	24.2
Foreign Banks	34.1	12.1
Pvt. Sector Banks	26.9	13.4
Scheduled Commercial Banks*	25.1	21.2

<b>B) Advances</b>		
Public Sector Banks	19.8	28.6
Foreign Banks	30.7	16.9
Pvt. Sector Banks	24.2	11.8
Scheduled Commercial Banks*	21.4	24.0

\* Including Regional Rural Banks

Source: R.B.I. Third Quarter Review of Monetary Policy 20.12.2013

The above table explains that the year to year wise growth in percentages related to Deposits and advances shows significant growth. The credit expansion by Private Sector banks and foreign banks is considerably increasing and also contributing for economic growth of the country.

#### **Technology adopted by Private Sector Banks:**

The New Generation Private Sector Banks are experiencing the positive change in their work and performance. This change is welcome by the customers of the banks. Quick decisions, paperless transactions, Electronic media for transactions, core banking system are some of the areas which make private sector banking more relevant to the changing era of globalization.

#### **Customer Relationship and Private Banks:**

The new generation private sector banks have with a view to increasing their profitability resorted to outsourcing of number of routine banking operations. The customers have no personal touch with the private banks. The staff cannot have direct relationship with the customers. The customers should get extra personalized services. This is now missing in the new generation banks. So even then there is competition the new generation private sector banks are showing good growth of the business.

#### **Competition Among Private & Public sector Banks:**

The banks are presently having the stiff competition as private, public and foreign banks. The banks are now reaching to the door steps of the customers and yet there is a very stiff competition and every organization has to be competitive in nature and well equipped with efficient staff members.

Apart from various modern technologies used, the private sector banks are approaching for debit and credit cards, wide product range, suitable for customers (need base products), and infrastructure and other facilities are thus available. The E-Banking facilities are provided by the banks.

Although there is phenomenal improvement in the services offered by these banks there is abnormal growth in transaction cost.

**Problems of Growth (Spread up) of private sector banking:**

1. These private banks are asking for abnormal minimum balance in the savings and current accounts, which an ordinary customer finds it difficult to maintain. The ordinary customers are in impression that these are for rich class and he shifts himself to cooperative banks working in urban areas.
2. To some extent public sector banks and old generation banks offer personalized services to its customers. So in spite of competition new generation private sector banks the public sector banks are showing better growth in their business.
3. The Banking sector policies pursued by the Finance Ministry and the Reserve Bank of India are as per the overall framework of the economic policies of privatization and liberalization as well as globalization. The policy framework does not take into consideration the special type of task performed by private banks.
4. All the financial factors are mounting pressure on performance of banks and in their quest to remain competitive, Indian banks are now more concerned for enhanced profitability and they have become even more accountable to their stakeholders.
5. As a result of globalization there is emergence of new banks, new financial institutions, new instruments and new opportunities in the environment. The mergers of banks have also resulted in the various problems to be faced by the existing private banks. Even the Indian Banking industry is one of the best in Asia in terms of efficiency the industry has to go long way to compete with other New Asian Banks.

**Product Innovations (suited to satisfy local needs):**

Because of the great competition in the market the banking sector, it has become the need of bankers for innovative new financial products. Banks are facing competition from many and varied financial institutions. Accordingly the financial products suited to the local needs are to be innovated. New products and services include opportunities in credit cards, consumer finance and wealth management as a retail business and fee based revenue and investment banking as a wholesale banking business. The products must suit individual requirement, banks hence must opt for the product innovations. Thus banks especially private banks are to get engaged in product

innovation concept to become customer friendly working in the changing banking scenario.

**Utilization of Skillful and Technically Qualified:**

As compared to public sector banks where \_\_\_\_ recruitment process is rigid and the structured framework is complex, private sector banks have an advantage to recruit skill & technically sound personnel. So the private sector banks can get efficient and good quality human resources for them. However, they are to face the problem of sustaining the quality human resources in their banks for longer time.

**Retaining the Customers:**

Customer Relationship Management is the tool to acquire new customers to retain old customers and to provide the quality service to new as well as existing customers. Banks are to gain customer's loyalty as it becomes a positive strength of the bank. Consistent study of market by market survey and study of customer behavior will help the banks to assess the needs of customers. This will further help in retaining the customers. It will further grow the banking business.

**Conclusion:**

1. In the competitive age of globalization, banking will be a challenging business. The customers are having very high expectations from the banks.
2. The private sector banks will have to use modern technology and ensure that the top most customer service is rendered at a reasonable cost. This will increase their sustainability in the market.
3. In the light of the fact that the considerable population of India being still illiterate the personal relation and better service is still important factor for private banking sector.
4. The Private sector banks have an opportunity to prove themselves in globally challenged financial sector. The banks should go for earning moderate and reasonable profits by providing better financial services.
5. Indian banking sector has witnessed the working of new generation private sector banks. The private sectors banks are viewed as brand new approach. In Indian economy in the context of increased population this change is necessary.
6. Indian economy will be 4<sup>th</sup> largest economy in the world by 2025 with a GDP growth rate of 7 to 8 percent per year. This economic growth can only be possible if

the private banking sector along with other players in financial market work together and efficiently.

7. The economic reforms implemented from 1990 must be linked with the structural financial institution where private sector banks will play very important role.
8. Capital adequacy norms, product innovation, use of modern technology, risk management, skill and efficiency of Human resources, application of corporate governance, CRM, customer orientation, asset management are some of the challenges emerged which are to be focused by the private sector banks. Thus in the developing economy like ours the private sector banks will help country grow and prosper. The cost reduction techniques and application of modern technology will help the growth of private banking sector.

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There needs to be clarification of new generation of private sector banks.

There is no reference to third generation banks which are now coming up in private sector.

There should have been reference to Local Area Banks, Mudra Bank, Women's bank, and PTM banks,

Growth of Deposits & Advances of Private Sector Banks (Rs. In crores)

DEPOSITS	2013	2014	2015
TOTAL OF 13 PVT BANKS [I]	10,560,161.05	12,193,298.41	14,073,204.56
TOTAL OF 7 NEW PVT BANKS [II]	10,562,174.05	12,195,312.41	14,075,219.56
TOTAL OF 20 PVT BANKS [I+II]	<b>14,762,849.46</b>	<b>17,048,598.87</b>	<b>19,690,669.40</b>
ADVANCES			
TOTAL OF 13 PVT BANKS [I]	269,937.30	299,262.32	288,853.29

TOTAL OF 7 NEW PVT BANKS [II]	873,311.28	1,043,672.29	1,255,063.92
<b>TOTAL OF 20 PVT BANKS [I+II]</b>	<b>1,143,248.58</b>	<b>1,342,934.62</b>	<b>1,543,917.21</b>

**Old Private Sector Banks:** The old private sector banks were those banks which were working in the private sector before the great depression. The old private sector banks have been operating since a long time and may be referred to those banks, which are in operation from before 1991. These banks are more than 50 years old. The banks, which were not nationalized at the time of bank nationalization that took place during 1969 and 1980, are known to be the old private sector banks.

**New Private Sector Banks:** The new private sector banks are those that have come into operation very recently. The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called as new private sector banks. Banking regulation act was then amended in 1993, which permitted the entry of new private sector banks in the Indian banking sector. However there were certain criteria set for the establishment of the new private sector banks.

- The bank should have a minimum net worth of 100 crores.
- The promoters holding should be a minimum of 25% of the paid up capital.
- Within 3 years of the starting of the operations, the bank should offer shares to public.

The new private sector banks that were established in the private sector after the Second World War actually escaped from the conditions of nationalization. There are seven new generation private sector banks in India. They are Axis Bank, Development Credit Bank, HDFC Bank, ICICI Bank, Indusind Bank, Kotak Mahindra Bank and Yes Bank.

Since April 2014, the Reserve Bank of India (RBI) has granted 23 banking licenses' to new players - two were given universal banking licenses' (April 2, 2014), 11 were issued payments banks licenses' (August 19, 2015) and 10 were given licenses' for small finance banks (September 16, 2015). The niche banks - small finance and payments banks - have been set up to further the regulator's objective of deepening financial inclusion. Going ahead, RBI is planning to come up with "on tap" licenses' which means there will not be any cut-off date for applying for the licenses'



## **HEADQUARTERS OF THE NEW BANKS**

### **UNIVERSAL BANKS**

- Mumbai - IDFC
- Kolkata - Bandhan

### **PAYMENTS BANKS**

#### **Mumbai**

- Aditya Birla Nuvo
- Fino PayTech
- National Securities Depository
- Reliance Industries
- Dilip Shantilal Shanghvi
- Tech Mahindra
- Vodafone M-pesa

#### **New Delhi**

- Airtel M Commerce

## A STUDY ON GROWTH OF UPI (UNIFIED PAYMENT INTERFACE) IN DIGITAL EMPOWERMENT

**Mr. P. SATISH KUMAR**

Assistant Professor: Department of Management

CMR College of Engineering and Technology

Hyderabad, Telangana, India

Siraj0629@rediffmail.com

**Mr. CH. B. V. L. SUDHEER**

Assistant Professor: Department of Management

CMR College of Engineering and Technology

Hyderabad, Telangana, India

Satishkumar.jkc1@gmail.com

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### **Abstract:**

*Payment and settlement systems in India have undergone rapid changes during the past few years. The Vision Document on Payment Systems released by the Reserve Bank of India states several measures for building a 'less cash' society. The adoptions of mobile and card payment systems are two key components of this initiative. This paper studies Unified Payment Interface (UPI), a new age payment system introduced in India by National Payment Corporation of India. Unified Payment Interface is a mobile centric, real time interbank payment system which has the potential to transform and universalize digital payments in India. This study focuses to analyze the growth and trend of UPI transactions, to forecast the future volume of UPI transactions trend line projection method and to compare other payment systems for last one year. For this, the secondary data of all payment systems was collected from the National Payments Corporation of India (NPCI). For analysis descriptive statistics, moving average and simple regression analysis is used. By this study it is identified that even UPI was very slow and had limited response from the public, for the last six months it has drastic growth in terms volume and value due its unique futures from other payment systems.*

**Keywords**— National Payments Corporation of India (NPCI); Unified Payment Interface (UPI); Digital Empowerment.

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### **Introduction:**

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features,

seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.

With the above context in mind, NPCI conducted a pilot launch with 21 member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards.

**Significant features of UPI:**

- Immediate money transfer through mobile device round the clock 24\*7 and 365 days.
- Single mobile application for accessing different bank accounts.
- Single Click 2 Factor Authentication – Aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment.
- Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.
- Bill Sharing with friends.
- Best answer to Cash on Delivery hassle, running to an ATM or rendering exact amount.
- Merchant Payment with Single Application or In-App Payments.
- Utility Bill Payments, Over the Counter Payments, Barcode (Scan and Pay) based payments.
- Donations, Collections, Disbursements Scalable.
- Raising Complaint from Mobile App directly.

**Benefits to the Ecosystem participants:**

For banks UPI provides Single click Two Factor authentication, means compare to other payment systems it takes less time for authentication, and it is Universal Application for transaction among all the banks which takes less time for settlement between banks .It Leveraging existing infrastructure, no need to invest further implementation of UPI in infrastructure. And it is also secure, safer and innovative so no threats from hackers.

For end customers also its so benefit as it is round the clock availability. And with single application customer can access different bank accounts, as it is working on

Virtual ID is more secure, no credential sharing and its having single click authentication. Customer can raise complaint from mobile app directly.

For merchants and individuals also it's useful as Seamless fund collection from customers-single identifiers. There is no risk of storing customer's virtual address like in Cards. Even it resolves the COD collection problem.

**Objectives of the study:**

The basic objectives of the study are as follows;

- To analyze the growth and trend of UPI transactions
- To forecast the future value of UPI transaction.
- To compare the UPI system with other payment systems

**Need of the study:**

Earlier studies focused on architecture of UPI procedure and working procedure as UPI system just launched one year before. And my study focus on what is the growth rate and what is the present status of UPI system in terms of no of transactions .This study will lead to make the decision regarding how it can be developed further and how it fulfills the goal of digital empowerment as UPI simple and secure even people with low financial literacy can easily use this UPI system

**Research methodology:**

To achieve foresaid objectives the following methodology has been adopted. The information for this report has been collected through the secondary source.

**Secondary Source**

Present study purely based on secondary data which is collected from NPCI (National Payment Corporation of India) and RBI (Reserve Bank of India) and From various books and articles published in various journals and magazines.

**Sample Design:**

The sample consists of 40 UPI system related apps which are offered by different banks and some other giant organization like Google.

**Statistical tools for data analyse:**

For analysis tend line by moving average method, regression analysis, descriptive statistics and line graphs, Bar graphs are used.

**Review of Literature:**

In review of literature enough care has been taken to cover the reviews of data related to UPI.

India has over a billion connections with around 240 million smartphone users and is expected to grow to 520 billion by 2020 (BCG estimates, 2016). The National Optical Fibre Network initiative will connect 2500000 Gram Panchayats across rural India and increase adoption of data services. The Pradhan Mantri Jan Dhan Yojana through 226 million accounts and 183 million cards (as on 27th July 2016) has provided the infrastructure for universal access to banking. The issuing infrastructure is largely in place and the launch of UPI will provide a significant fillip in the proliferation of lowcost acquisition infrastructure by allowing smart phones to substitute costlier point of sale (PoS) devices.(Rajiv Anand, 2016).

Excitement over the growth of mobile payments perpetuated the phenomenon of disconnected Islands and disjoint experiences. With UPI there is no need of any other payment app at all. On the other hand if one wants to keep a particular mobile wallet UPI could enable the interoperability of wallets allowing users to transfer funds from one wallet to another. Since RBI has allowed banks to become PSPs (Payment Service Providers) mobile wallets are cut of the picture at the moment. So if mobile wallets represent any threat to proprietary solutions (banks), UPI comes as a boon for them.(Kate, 2016).

Another landmark achieved through UPI is the usage of open source technology to build enterprise class architecture of high throughput and high volume. UPI is expected to Page 194 [www.ijiras.com](http://www.ijiras.com) | Email: [contact@ijiras.com](mailto:contact@ijiras.com) International Journal of Innovative Research and Advanced Studies (IJIRAS) Volume 4 Issue 2, February 2017 ISSN: 2394-4404 handle 10-15 thousand transactions per second [TPS] at its peak with daily volume of at least 10 million transactions. So, the backend architecture needs to be really robust, scalable and fast. The key point is that it did not use the expensive, commercially available app servers, message queues etc. The architecture is primarily build on open source software which is rarely used in a system of this scale. (Chakraborti, P, 2016).

Using UPI, merchants can now remind customers to pay. Merchants can also create part payments asking the customer to pay a minimum say 10 percent up front and remaining on delivery of product or service. They can even set up specific dates for the customer to pay by, simplifying the collection process that takes multiple

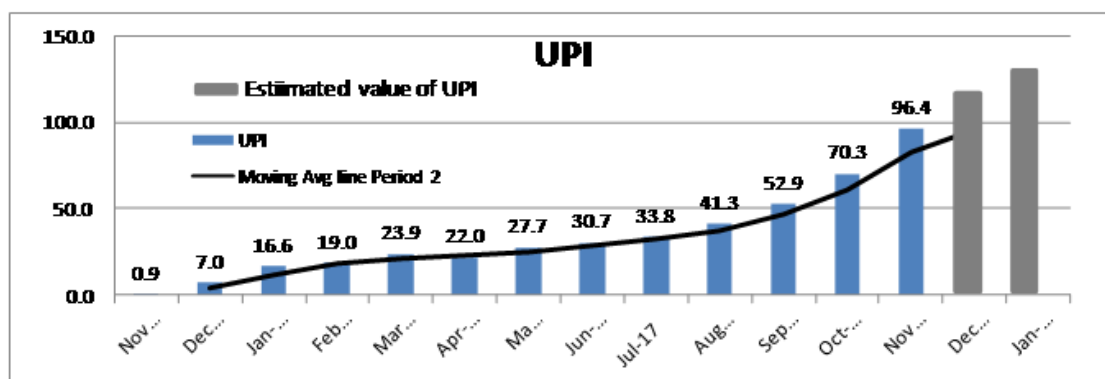
phone calls and reminders today. Customers need not worry about their payment information being stored at the merchants' side. This would definitely help the small businesses for whom customer's trust level is low and the existing payment gateway costs are too expensive. Another point to ponder is why India has such less tax payer base in a population of over 1.2 billion people. Is 98% of our population earning below 2.5 lakh per year? This is one of the issues that needs to be addressed and hopefully with many more transactions moving electronic and records of the same being available many more people should fall under the tax net be it small merchants, professionals etc. Will this segment of society adapt to electronic modes of payment so that the nation can benefit from higher tax is a question. (Navroze Dastur, 2016).

### Data Interpretation:

TABLE1. VALUE OF DIFFERENT ELECTRONIC PAYMENT SYSTEM (UPDATED AS ON DECEMBER 5, 2017)

SOURCE: RBI (RESERVE BANK OF INDIA)

Fig.I Moving Average trend line of UPI for last one year .



ANALYSIS AND RESULT: Table 1 represents the data of monthly UPI transactions (Value in Billions) as a whole from last one year and it is analyzed from the above table that even UPI transactions are less in value compared to the other payment systems it has incremental growth rate of change month by month. From last four months it has changed drastically with the value from 41.3 to 96.4 (in Billions). Fig.No1 is the bar chart of UPI transactions month wise which shows incremental pattern. Trend line is drawn by moving average method taken period as 2 to observe trend and to forecast future trend of UPI transactions. From the moving average method it is forecasted that Value of UPI transaction is 83.35 (in Billions) in Dec-17 which is below the previous month but it seems to be more than previous months in Dec-17 as there is drastic

incremental growth rate from last four months. So forecasted values of UPI transactions in values of Dec-17 and Jan-18 are shown more than previous months in Fig.No 1.

TABLE2. DESCRIPTIVE STATISTICS OF DATA RELATED TO UPI

Descriptive Statistics of UPI	
Mean	34.03444244
Standard Deviation	26.25371314
Range	95.50065534
Sum	442.4477517
Count	13

ANALYSIS AND RESULT: Table 2 represents the descriptive statistics of data related to UPI from

Past one year starting from Nov-16 to Nov-17. Mean is 34.0344 billion which indicates there is more rapid growth as its initial value only 0.9 billion this is because of people have done more UPI transactions last six months. Standard deviation is also 26.25 from its mean as there is lot of incremental effect in UPI transaction and total UPI transactional value last one year is 442.44 billion which shows equal value with other payment mediums Viz., PPI (Payment Protection Insurance). Range is 95.5 Billion indicates more incremental change from last lone year.

Table3. SIMPLE LINEAR REGRESSION ANALYSIS

Regression Statistics	
Multiple R	0.921005665
R Square	0.848251436
Adjusted R Square	0.834456112
Standard Error	10.68187057
Observations	13

	df	SS	MS	F	Significance F
Regression	1	7015.963	7015.963	61.48833	7.89765E-06
Residual	11	1255.126	114.1024		
Total	12	8271.089			

	Coefficients	Standard Error	t Stat	P-value
Intercept	-9.427187186	6.284661516	-1.50003	0.16175
X Variable	6.208804232	0.791792926	7.841449	7.9E-06

ANALYSIS AND RESULTS: Table3 represents the regression analysis between UPI which is considered as dependant variable and No of Month (Time) as independent variable and it is observed that from the results Multiple R is 0.921 which means strong positive correlation as it is closed to +1. Standard Error is very low means more values of UPI are lied on regression line. Significance F value is very low means results are accurate enough. And from the table we can form the regression line caluclated as  $Y (\text{UPI}) = 9.42 + 6.2X$  (No of Month) from this equation we can estimate future UPI values as 96.22, 102.42 for the months Dec-17, Jan-18 respectively.

Table4. VOLUME OF DIFFERENT ELECTRONIC PAYMENT SYSTEMS (UPDATED AS ON DECEMBER 5, 2017)

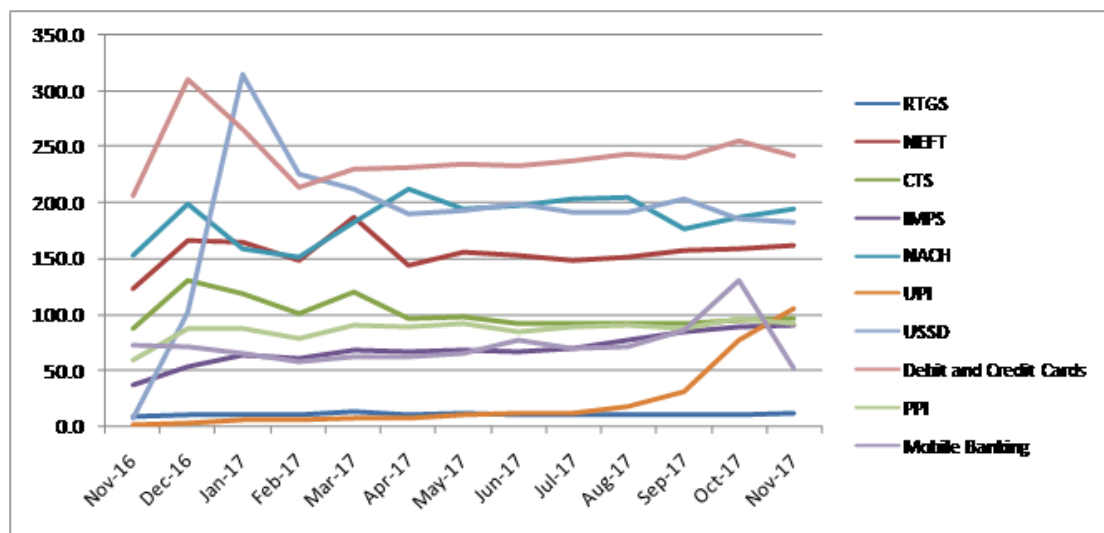
Electronic Payment Systems - Representative Data (Updated as on December 5, 2017)											
Volume in million											
Data for the period	RTGS	NEFT	CTS	IMPS	NACH	UPI	USSD	Debit and Credit Cards	PP I	Mobil e Banki ng	Total
Nov-16	7.9	123.0	87.1	36.2	152.5	0.3	7.0	205.5	59.0	72.3	750.9
Dec-16	8.8	166.3	130.0	52.8	198.7	2.0	102.2	311.0	87.8	70.2	1129.8
Jan-17	9.3	164.2	118.5	62.4	158.7	4.2	314.3	265.5	87.3	64.9	1249.2
Feb-17	9.1	148.2	100.4	59.7	150.5	4.2	224.8	212.3	78.4	56.2	1043.7
Mar-17	12.5	186.7	119.2	67.4	182.1	6.2	211.2	229.7	90.0	60.8	1165.8
Apr-17	9.5	143.2	95.3	65.1	212.6	6.9	188.9	231.1	89.2	61.0	1102.8
May-17	10.4	155.8	97.1	66.7	194.4	9.2	192.6	233.4	91.3	64.9	1115.8



Jun-17	9.8	152.3	91.9	65.8	197.3	10.2	198.9	232.4	84.7	77.1	1120.4
Jul-17	9.4	148.1	92.2	69.1	204.3	11.4	190.7	237.6	88.7	69.5	1121.1
Aug-17	9.5	151.6	92.1	75.7	205.2	16.6	191.8	243.0	89.7	70.8	1145.8
Sep-17	9.6	157.7	92.2	82.9	176.0	30.8	202.7	240.3	87.5	86.3	1165.8
Oct-17	10.0	158.8	94.4	88.1	187.0	76.8	184.6	255.7	96.2	130.9	1282.6
Nov-17	10.8	162.0	96.3	89.5	194.6	104.8	182.4	241.8	91.2	50.9	1224.4

Source: RBI (Reserve Bank of India)

Fig.2 Line charts of all payment systems for last one year



ANALYSIS AND RESULTS: Table4 represents no of transactions have been made for payment systems Viz., RTGS, NEFT, CTS, IMPS, NACH, and UPI et.al., and Fig No-2 represents line charts of these payment systems. From this chart it can be observed that UPI system has drastic incremental change from last four months even it is very down in that graph compares to other payment systems, and for last four months this incremental change in UPI affected other payment systems Viz., mobile banking and Debit cards and credit cards, USSD et.al.,

### Conclusions:

A financial system in any country can be in prosperous conditions when it goes with certain aspects Viz., Financial Inclusion, Financial Literacy and Digital Empowerment. For this there should be taken different kind of initiatives by the government to achieve

above said goals. UPI is one of the best initiatives by the RBI which leads to digital empowerment as it is very easy so people are more likely to use UPI to do money transactions and even people with low financial literacy people are most interest to use UPI related apps as it is simple to use unlike the other payment systems. And it is forecasted that UPI system will have high growth due to its unique characteristics from other payment systems, even it is more incremental growth in future it can't replace all the payment systems like Credit card as it has credit facility for the customers.

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## STATUS OF FOREIGN DIRECT INVESTMENT IN INDIA

**Prof. Dr. D.D. Pawar**

Dept. of Commerce, S.M.B.S.T. College,

Sangamner. Mo – 9922190284

E-mail – pawardd26@gmail.com

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**Abstract:**

*Foreign direct investment (FDI) plays a very important role in the growth of any economy. The developing countries as like India suffer from low level of income and capital accumulation. However, despite this shortage of capital for industrialization and economic development. The country depends of foreign capital to achieve the objective of expected economic growth rate economy. Due to these FDI, flow needed such massive. FDI an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor. Today retailing has emerged as one of the most profitable sectors worldwide and it is dominating the economies of many countries. Indian retail sector contributes 14% to 15% its GDP and absorbs about 8% our labour force. The great Indian retail sector is changing day by day. The various global players are trying to enter into the highly opportunistic Indian retail sector.*

**Keywords:**

*FDI (Foreign Direct Investment), DIPP (Department of Industrial Policy & Promotion) RBI (Reserve Bank Of India.)*

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**Introduction:**

The foreign direct investment means cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the invest economy. FDI is also described as "investment into the business of a country by a company in another country".

FDI refers to capital inflows from abroad that is invested in or enhance the production capacity of the economy. FDI is one example of international factor movement. An investment abroad, usually where the company being invested in is controlled by the foreign corporation.

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Foreign investment in India is governed by the FDI policy announced by the government of India and the provision of the foreign exchange management act (fema) 1999.

#### **Objectives:**

1. The main purpose of the study is to investigate the impact of FDI on economic growth in India.
2. To analyze the trend of FDI equity inflows in different sectors.
3. To find out how FDI seen as an important economic mechanism of Indian economic growth.

#### **Foreign direct investment in India:**

The fast and steadily growing economy of India in majority of its sectors, has made India one of the most famous and popular destinations in the whole world, for foreign direct investment. India's ever-expanding markets, liberalization of trade policies, development in technology and telecommunication, and loosening of diverse foreign investment restrictions, have further collectively made India, the apple of investors eye, for most productive, profitable, and secure foreign investment. According to a recent survey by the United Nations conference on trade and development (unctad), India has conspicuously emerged out as the second most popular destination in the entire world, after china, for highly profitable foreign direct investment.

**Table No. 1 - Year-Wise FDI Inflows since F.Y. 2005-2006 To Oct 2013**

Sr. No.	Financial Year (April March)	Amount Of Foreign Direct Investment Inflows		% Growth Over Previous Year In Terms Of US \$
		(In Rs Crore)	(In US \$ Million)	
1	2005-2006	24584	5540	(+)72%
2	2006-2007	56390	22492	(+)125%
3	2007-2008	98642	24575	(+)97%
4	2008-2009	142829	31396	(+)28%
5	2009-2010	123210	25834	(-)18%
6	2010-2011	97320	21383	(-)17%

7	2011-2012	165146	35121	(+)64%
8	2012-2013	121907	22423	(-)36%
9	2013-2014 (oct.13)	74972	12603	(-)15%
	<b>Total</b>	<b>905000</b>	<b>201367</b>	

Source – www.dipp.nic.in

**Table No. 2 - Sector-Wise FDI Equity Inflows from April, 2000 to October, 2013**

Sr. No	Sector	Amount Of FDI Inflows		Percent With Total FDI Inflows
		(In Rs Crore)	(In US\$ Million)	
1	Services sector	180194.83	38594.96	18.75
2	Construction development: townships, housing, built-up infrastructure and construction-development Project	105292.85	22779.24	11.06
3	Telecommunications	58929.38	12888.58	6.26
4	Computer software & hardware	55708.58	12178.83	5.92
5	Drugs & pharmaceuticals	54835.77	11399.98	5.54
6	Chemicals (other than fertilizers)	43055.84	9314.11	4.52
7	Automobile industry	43664.98	9079.19	4.41
8	Power	38026.65	8154.59	3.96
9	Metallurgical industries	36251.87	7752.10	3.77
10	Hotel & tourism	34242.73	6800.15	3.30
	<b>Total</b>	<b>971350.23</b>	<b>205884.45</b>	<b>100</b>

**Source: Department Of Industrial Policy and Promotion, Ministry Of Commerce and Industry, India**

### **Merits & Demerits of FDI**

#### **Merits :**

Merits-attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI ensures a huge amount of domestic

capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. Effects of FDI are by and large transformative. The incorporation of a range of well-composed and relevant policies boost up the profit ratio from foreign direct investment higher. Some of the biggest advantages of FDI enjoyed by India have been listed as under: economic growth- this is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country. Trade- foreign direct investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. The products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.

### **Demerits**

Demerits of FDI in India: FDI has been a booming factor that has bolstered the economic life of India, but on the other hand it is also being blamed for ousting domestic inflows. FDI is also claimed to have lowered few regulatory standards in terms of investment patterns: the disadvantages of foreign direct investment occur mostly in case of matters related to operation, distribution of the profits made on the investment and the personnel. One of the most indirect disadvantages of foreign direct investment is that the economically backward section of the host country is always inconvenienced when the stream of foreign direct investment is negatively affected.

The various disadvantages of foreign direct investment are understood where the host country has some sort of national secret - something that is not meant to be disclosed to the rest of the world. It has been observed that the defense of a country has faced risks as a result of the foreign direct investment in the country. At times it has been observed that certain foreign policies are adopted that are not appreciated by the workers of the recipient country. Foreign direct investment, at times, is also disadvantageous for the ones who are making the investment themselves. Foreign direct investment may entail high travel and communications expenses. The differences of language and culture that exist between the country of the investor and the host country could also pose problems in case of foreign direct investment.

### **Conclusion :**

An analysis of the recent trends in FDI flows at the global level as well as across regions/countries suggest that India has generally attracted higher FDI flows in

line with its robust domestic economic performance and gradual liberalization of the FDI policy as part of the cautious capital account liberalization process.

Inward FDI has boomed in post-reform India. At the same time, the composition and type of FDI has changed considerably. The services sector accounted for a steeply rising share of FDI stocks in India Since the 1990s. The Indian economy as a whole, we find that FDI stocks and output are co-integrated in the long run. FDI is unlikely to work wonders if only remaining regulations were relaxed and still more industries opened up to FDI.

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## FINANCIAL RESOLUTION AND DEPOSIT INSURANCE– BOON OR BANE

**Prof. T.Srinivas**

Mail id- [srinivas@asmedu.org](mailto:srinivas@asmedu.org) Mobile-9527333074

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### **Abstract:**

*Banking & insurance sectors are important life lines in financial business. The Indian banking industry has got highest NPA there by putting tremendous pressure on the economy. Growth rate is falling down and Bad debts are increasing. As RBI the regulatory in banking sector intervenes every time to bail out the bank the entire financial system is under pressure. In order to ease pressure in the financial system and make banks more responsible while doing business FRDA bill has been introduced. But the depositors are also under pressure due to bail out clause in the bill. Thus the question arises whether the bill is Boon or Bane. The paper discusses the same.*

**Key Words:** Banking, NPA and FRDA

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### **Introduction:**

Indian Banking system is going through turbulent times with capital adequacy ratio not as per BASEL norms, lending rates falling down but no takers and many assets only on paper. This has drawn attention of all as to what is wrong with the financial systems in the country. November 2016 brought in Demonetization, and then came in long pending GST and now FRDI Bill. The bill was introduced in August and it was likely to be passed as normal bill. But a clause in the bill started creating storm and had to be referred to Joint Parliamentary Committee. Then started discussions and political storm brewed, unions protested and finally it is likely to meet the same fate as GST bill get delayed.

### **Bill & Bail Clause:**

Until November 2017 the Indian Banking system was as treated as safest bet where Deposits are safe in spite of NPA's going up and it is responsibility of RBI & Central Government to take care of the same.

Reserve Bank of India (RBI), being the prudent institution that it is, would in any case intervene especially in case of public sector banks) if the capital goes dramatically low to bail it out. Deposits which were of substantial nature were mandatorily "protected"

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through “Deposit Insurance”, even if rests of the deposits are otherwise hit. This system was in practice for past number of years. Then what was problem with FRDI Bill? Not much. All the Bill does is to formalize the process which existed previously. Insured deposits will still be mandatorily protected. The cap of INR1L has been suggested to be replaced by a flexible mechanism where the insured sum is decided on a case-by-case manner. This process now has a name i.e. “bail-in”, in line with International precedents. This is all what the bill has got and if carefully seen the previously unprotected accounts shall be now protected. Deposit holders have been and will always be under a certain level of risk, but that is how the banking system works. It is a positive move to at least specify in writing the mechanism for resolution whenever that contingency arises.

The move has raised fears as powers are both vast and wide and characters unknown. Finance Minister aware of the concerns of depositors over provisions of FRDI Bill addressed a presser on Monday, December 10, 2017, saying the government will fully protect public deposits in financial institutions. He even hinted at openness to make changes in the proposed FRDI Bill. The government has drawn up a massive Rs 2.11 trillion bank recapitalization plan to strengthen public sector banks, many of them reeling under stress of non-performing assets (NPA). “But that cash will not come from the people, the government will fully protect the deposits made by customers.”

Trade unions of all PSU banks, worried about the Bill bringing potential harm to deposits in the form of savings accounts, have decided to strike if the Bill is pushed through by the joint committee of Parliament. Worse, the unions argued that the government did not seek any reactions from stakeholders before introducing the Bill in Lok Sabha this August, 2017. Stakeholders are now meeting up with representatives from the ministry of finance to offer their arguments on the Bill, which proposes to create a framework for overseeing financial institutions such as banks, insurance companies, NBFCs and stock exchanges in case of insolvency.

The word “resolution corporation (RC)”, proposed in the draft FRDI Bill which would look after the process and prevent banks from going bankrupt is raising doubts in minds of people. It would do this by “writing down of the liabilities”, a phrase some have interpreted as a “bail in”. The draft Bill empowers RC to cancel the liability of a failing bank or convert the nature of the liability. It does not specify the deposit insurance amount. At present, all deposits up to Rs 1 lakh are protected under the Deposit

Insurance and Credit Guarantee Corporation Act (DICGC) that is sought to be repealed by this bill.

However it is important to note why this FRDI is coming. Gross NPA of all Commercial Banks stood at around 10%. It means 1 out of every 10 loans as disbursed by Banks is NPA

So if the Bank is in Financial Trouble, a corporation will be set up with representative from Bank, SEBI, RBI and other regulatory authority and based on Financial condition of Banks and can use in Deposits as done by Account Holders to bail out Bank.

### **Steps for Bailing out**

- Not allowing the fixed deposits to get matured as per Regulatory discretion so as not to let Bank be in Cash Crunch
- Lock Deposits and convert them at Bank Discretion for Higher Tenure Deposits at Bank Discretion
- Convert even Saving Account, Current Account Balance to Fixed Deposit as per sole discretion of Bank at prevailing Interest Rate.
- Suppose you sell Property and Buyer issues you a Demand Draft. The Payment is realized and amount Credited in your account. But you may end up with Shock if you find next day morning that the Bank has Bail in by locking your amount and converting it into Fixed Deposit at its will
- If Corporation decide that Capital Infusion can work then Bank can even convert your Deposits to Bonds or Shares
- In Worst Case Scenario, Bank can use your Deposits to remain bank in Functioning and if unable to still bail in the Bank from Financial Trouble - the Corporation as set up can have authority to declare that they can't pay back in complete or partial payment. Even Credit Guarantee Insurance will not work of Rs 1 Lakh

Thus the Bank instead of using in Government Funds will rather use Depositor sum to remain in Business and in event of Failure may owe you nothing.

Means all your Fixed Deposits will be wiped off in case of Financial Trouble. Thus – the Government do not need to use its Corpus to allow bailing out Bank. Rather the depositor sum will be use to Bail out Bank in event of Financial Trouble.

### **Importantly:**

FRDI Bill does not distinguish in between PSU or Private Banks

Gone will be days when Keeping Balance in Banks will be Trust worthy. If FRDI Bill is passed, then it actually will make a Fixed Deposit Account Holder rather worse than a Share Holder.

So in event of Bank going in Financial Trouble -Fixed deposit money can be locked by Bank on its Discretion and one cannot withdraw in, whatever the need be. The same Incident happened in Cyprus in 2012 – 2013, where its estimated that depositors were wiped off with 50% of deposits during financial crisis there.

The million dollar question is Indians ready for this behavioral change that nudges investors to be mindful of risks and to accept both risks and rewards. It is also said that online petition against the Bill—“Do not use innocent depositors’ money to bail in mismanaged banks #No Bail In”—has attracted almost 390,000 signatures.

The country’s financial sector is bank-dominated, and bank deposits make up the dominant share of financial savings. Public sector banks comprise 63 per cent of the Indian banking system. “The government want to push people on the same path as in many other parts of the world — to ultimately lower risks and the potential burden on taxpayers, although there is no explicit mention of this in the proposed law. There are concerns that the Bill may not clearly lay down the quantum of protection for deposits, or classify deposits separately.

In short, the government must re-ensure its implicit sovereign guarantee that protects deposits no matter how badly government-owned banks perform. So that people can keep their savings in term deposits with a United Bank of India (UBI) and United Commercial Bank when their net worth was badly eroded, without worrying about the bank going bust or the fact that only Rs1 lakh per depositor was guaranteed by deposit insurance.

#### **Government View on FRDI Bill:**

As per Government View the FRDI Bill is rather done to provide additional Protection to Depositors. The Finance Ministry says that in event of financial issue with Bank. Rather the depositor money claim will be of highest priority (as against present scenario where FD Claim is insured for just 1 Lakh as per DICGC Guarantee)

Even a corporation will be set up with Experts so as to let Bank sail in trouble times and also be competent enough to pay back Depositor money back (Fixed Deposit or Saving Account). Also - the Resolution Corporation has to report to Central Government with a proper report before going for Bail in Clause.

**Conclusion:**

FRDI bill boon or bane depends upon the clauses provided in bill in regard to bank failure. Only time will reveal as to what is going to happen to bank deposits and specifically fixed deposits.

## A CHALLENGING YEAR FOR THE INDIAN ECONOMY

**Prof. T.Srinivas**

Mail id- srinivas@asmedu.org Mobile-9527333074

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***Abstract:***

*The past few years have seen INDIA as a favored destination for FII's. Low Oil prices have helped the country to keep inflation under control. Demonetization in late part of 2016 has helped Banks to pile up reserves. The push by Banks & Government towards Financial Inclusion has improved financial literacy in the country. GDP growth though remains Low expectations are it would pick up in 2 nd & 3 rd quarters. Credit rating agencies though have not changed the rankings have not lowered them in spite of low growth figures.*

*The bloated balance sheets of corporations and banks remain the biggest hurdles to a broad-based recovery. This is a legacy issue, and one that has been allowed to fester by successive governments and by the central bank. It is only in recent months that the skeletons in the closet have tumbled out leading to a sharp rise in non-performing assets. But despite the increased recognition of bad assets, and record asset sales by stressed corporate groups, the worst may not be over yet. The debt hangover will weigh on credit off-take and delay the revival of the capital expenditure cycle unless the government decides to surprise us by resolving the bad debt issue quickly, and unclogging the pipeline of stalled projects.*

***Key Words:*** FII's, Inflation, Demonetization & Financial Inclusion.

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**Introduction:**

India's economic success in recent years has helped to ensure that South Asia is the fastest-growing region in the world – but it faces significant challenges alongside its opportunities for further growth.

Last year, Prime Minister unexpectedly declared that India's highest-denomination banknotes – accounting for 86% of cash – would no longer be legal tender. Instead they had to be deposited in banks. This single step taken has changed the face of the economy for ever. Thus situation arose for the challenges before the economy in 2017.

**Areas of challenges:**

**Growth-** India had been growing at steady pace in the past few years and reached peak of 8 %. In 2016 the rate came down to 7.1%. But after November 8th there was speculation that growth prospects would be hindered. This was the biggest challenge of 2017. The year saw a sea change in growth figures which dipped to 6.1% in the first quarter, 5.7% in 2<sup>nd</sup> quarter and fortunately recovered to 6.3% in quarter 3. This challenge had arose because money circulation almost crippled in last 2 months of 2016 and recovered to a certain extent by March 2017 but the pre demonetization has not been reached as yet.

Disruption caused by the policy may have dampened GDP growth in the short-term, but it could also prove to have long-term benefits. It increased the number of digital transactions being conducted within India's economy.

This challenge has created new opportunities for industry to look for new avenues to get raw materials, revise terms & mode of payments.

**Crude Oil prices:**

2016 had given a cushion to the Indian economy in regard to oil prices but it was expected the bubble would burst at any time and it happened. From 54 \$ per barrel in 2016 December prices have gone up to 64.06 \$ in 2017 December. In Mid year there a fall in the prices but it was not significant. Indian economy is dependent on imports to about 80 % of crude oil consumption. Due to this increase there was significant increase in import bill and economy suffered.

**Deficits- Fiscal & Monetary:**

The Centre's fiscal deficit rose to Rs. 3, 73,361 crore or 68.3 per cent of the full year target till May 2017. However, the revenue deficit rose to Rs. 3, 23,478 crore, surpassing the full year target by 0.5 per cent during May 2017 itself.

This was driven by higher expenditure that rose to Rs. 4, 59,026 crore or 21.4 per cent of the total budgeted expenditure for the full financial year 2017-2018. The front loading of expenditure and spending from April 1, 2017 seems to have swelled up the revenue deficit.

Revenue receipts for May 2017 stood at Rs. 83,012 crore, covering 5.5 per cent of the total budgeted estimate for the fiscal. Capital expenditure stood at Rs. 52,536 crore or 17 per cent of total budgeted amount. Revenue expenditure stood at Rs. 4, 06,490 crore or 22.1 per cent of the budgeted amount for the fiscal.

The fiscal deficit was 42.9 per cent in the corresponding period last year. Meanwhile revenue deficit stood at 56.2 per cent and expenditure was lower too at 15.1 per cent of the full year budgeted target till May 2016.

Controlling these deficits played a very important role in economy performance.

#### **Stalling of projects:**

With demonetization and fiscal deficit almost all major projects taken up were stalled adding up immense pressure on the economy. This not only lead to less GDP growth it also increased the unemployment rates in the economy.

#### **Credit off take reduction:**

Banks are ready to give loans and rate of interest has also been reduced. But the situation is investors are not ready to pick up loans and invest in business. This can be either due to fall in purchasing capacity across the globe or speculating less MPC. In the same area FDI, Make in INDIA projects have not made significant progress as expected.

#### **NPA:**

RBI has been pulling up banks for the past few years to clean up the balance sheets and in this process NPA is a big hurdle. The increase in this regard is tremendous and speculation is rife that the worst is yet to come.

Month	Rs ( in Crs)	Ratio
March 16	571841	7.69
June 16	618109	8.42
Sept 16	651792	8.81
Dec 16	677443	9.18
Mar 17	711312	9.06
June 17	829338	10.21

Source: Ace Equity

It can be seen that the problem is on the rise and it curtails the lending capacity of the banks. With this scenario the economy is in pretty bad shape.

#### **Economic and population growth:**

India is the world's seventh-largest economy, sitting between France and Italy. Its GDP growth has dipped in the recent past but still, India is growing faster than any other

large economy except for China. By 2050, India's economy is projected to be second largest economy in the world behind only China.

India is home to 1.34 billion people – 18% of the world's population. It is said that it will overtake China as the world's most populous country by 2024. It has the world's largest youth population but isn't yet fully capturing this potential demographic dividend – over 30% of India's youth are NEETs (not in employment, education or training), according to **Organization for Economic Cooperation and Development** (OECD).

**India's 29 states are now a common market:**

Opportunities for corruption have long been created by the confusing patchwork of taxes across India's 29 states, which also cause delays as goods cross state borders. In July, the system changed: a new goods and services tax means the 29 states are now a common market.

The new system is expected to boost efficiency, growth, and India's tax take. The implementation process after some technical glitches is showing signs of promise.

**Conclusion:**

Indian economy with sailed through the most difficult period successfully without significant difficulty. Now it is expected that the fruits of economic decisions would come up and growth rate would pick up. The economy also is providing opportunity for new entrepreneurs to start up ventures. So 2017 can be said as a challenging year for Indian Economy.



## UKRAINE-INDIA COOPERATION. WHY UKRAINE IS CONSIDERED TO BE AN ATTRACTIVE EDUCATIONAL PLATFORM FOR INDIAN STUDENTS?

**Iryna Kramar, PhD (in Economics)**, Associate Professor

Ternopil Ivan Puluj National Technical University, Ternopil, Ukraine

(Contacts: ira\_kramar@yahoo.com, +38 093 7797978)

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### **Abstract:**

*Ukraine and India are so different countries which at the same time have many things in common. Some of these similarities are determined in the paper. Moreover cooperation between Ukraine and India has become a relevant topic for discussion lately. In this contribution an attempt is made to clarify our understanding of the motives that lead these countries to cooperate in different sectors such as: economic, cultural, scientific, educational, technological. The goal of the paper is to determine the potential benefits achievable through cooperation between Ukraine and India, especially in educational sector. A significant attention is paid to the cooperation in educational area. Major advantages for Indian students of getting higher education in Ukraine are described.*

**Keywords:** *Ukraine-India relations, bilateral agreements, education.*

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Ukraine and India are freedom-loving countries that fought for independence for a very long time. In 2017 Ukraine and India celebrate 25 years of their diplomatic relations. Nowadays these countries work together in the fields of economy, politics, education, science, culture. At present, cooperation between two countries for Indian specialists studying at Ukrainian universities is one of the key directions for bilateral relations. But at first it is appropriate to analyze cooperation in other areas to be able to understand prospects in educational field for both countries.

Relations between Ukraine and India date back to December 26, 1991, when Ukraine was recognized by the Republic of India as a sovereign independent state. On January 17, 1992 the Protocol on the Establishment of the Diplomatic Relations between Ukraine and the Republic of India was signed. On May 7, 1992, Embassy of the Republic of India in Kyiv was established. In February, 1993 Embassy of Ukraine in New Delhi was established. These were the first steps of mutual cooperation.

Despite the fact that India is often seen as the world's largest democracy with a federalized government system while Ukraine is a former Soviet Union state with a historically centralized power system, both countries have similar open data initiatives.

In February 2015, the Ukrainian government launched a public-private partnership called ProZorro to increase transparency by publishing contracting information. It was inspired by the Ukrainian Revolution in 2013-14 and aims to promote maximum participation of all stakeholders, transparency in all decisions; focus on crowdsourcing and crowdfunding, using accessible software code and standard protocols for data exchange. The initiative makes any document or information related to public procurement available online (i.e. tender documentation and the decisions of evaluation committees). The slogan for the new Ukrainian procurement system is Everyone Eyes Everything [1].

In India, the platform mygov.in was launched in 2014 to increase citizen engagement and encourage exchange of ideas between people and the government on policy issues. Those who interested in putting their ideas forward, can register on the platform and proceed their ideas.

Both initiatives were established to bring citizens closer to the governments. Meanwhile during the official launch of mygov.in, Prime Minister Modi spoke of the need to “bridge the gulf between people and government”, emphasizing that democracy is not just limited to voting in elections, but an ongoing relationship between the state and citizen [1].

Mygov.in and ProZorro have begun to impact on the cooperation between citizens and governments, building trust through transparency.

Cooperation between Ukraine and the Republic of India in the economic sphere is based on the following main documents: Agreement on Trade and Economic Cooperation (27.03.1992); Convention for Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital (04.07.1999) etc.

Table 1

***Dynamic of the Development of Trade between Ukraine and India (million USD) [2]***

Indicators	2013	2014	2015	2016	2017 (as for January-July)
Trade Turnover	2813,2	2472,6	1887,0	2389,3	1 599,3

Export	1974,7	1815,8	1444,1	1903,2	1 298,2
Import	838,5	656,7	442,9	486,1	301,08
Balance	+ 1136,3	+1159,0	+1001,2	+1417,1	997,2

The major import commodity items of India to Ukraine are: pharmaceutical products; organic chemicals; plastics and polymers; ferrous metals and articles thereof; tobacco and manufactured tobacco substitutes. The major export commodity items of Ukraine to India: fats and oils of vegetable origin; ferrous metallurgy; nuclear reactors, boilers and machinery; fertilizers; inorganic chemistry.

Prospective directions of bilateral cooperation in the economic sphere are considered in the framework of the Ukraine-India Intergovernmental Commission on Trade, Economic, Scientific, Technical, Industrial and Cultural Cooperation, that was established under the intergovernmental agreement dated of 19.04.1994.

A detailed observation of Ukraine-India relations and future perspectives were given by the Ambassador of India to Ukraine Mr. Manoj Kumar Bharti in the interview to Interfax-Ukraine News Agency where he said that “speaking globally, Ukraine is a strategic partner of India. These are not lofty words. It is the truth. Our relations have a rich history, and at present, we have a fruitful development in economic and defense sectors” [3].

He also pointed out one of the problems to be solved - Ukrainians perceive India as located faraway and are more oriented to the West.

Mr. Manoj Kumar Bharti described Ukrainians as “very honest, logical, and consistent. We have to remind Ukraine that India is a huge market which may interest any Ukrainian company. And Ukrainians sometimes even don't fully realize that just 0.1% of Indian population equals to 125,000 people. In this way, one may already target a huge number of people. I think that it is quite easy to develop business in India. Ukrainian businessmen just need to think a little bit and concentrate” [3].

Moreover one of the areas which should be more developed in cooperation of both countries is tourism. The Ambassador of India to Ukraine is sure that Indians'd love to come to Ukraine. And one of the reasons for that is a very comfortable in summer, while Indians suffer from heat in this period. Another reason for developing tourism relations between countries is that there are many wealthy people in India who are willing to come to Ukraine and spend money. As Mr. Manoj Kumar Bharti mentioned “30% of India's population has the same balance of purchasing power as

U.S. residents, that is, they spend approximately the same amount of money. Some 30% of India's population equals 360 million people, almost the entire population of Europe. Ukraine should understand that India presents them with a huge tourism market” [3].

Ukraine and India also work in cultural and humanitarian area. Bilateral cultural and humanitarian cooperation is based on the Treaty on Friendship and Cooperation between Ukraine and the Republic of India (signed on March 27, 1992); Agreement between the Government of Ukraine and the Government of the Republic of India on Cooperation in Tourism Sphere (signed on August 12, 2003) and others [2].

Among the positive examples of cooperation is participation of Ukrainian delegations in the World Culture Festival, held annually in India. One of the latest events held in cultural field for both countries was Ukraine participation in the international film festivals in India. In 2016 Ukrainian films were widely presented at the 14<sup>th</sup> International Film Festival in Pune (Maharashtra, January, 2016), 8<sup>th</sup> International Children's Film Festival in Lucknow (Uttar Pradesh, April 7-15, 2016) and 5<sup>th</sup> Delhi international Film festival (December, 2016, New Delhi).

In scientific and technical cooperation of Ukraine and India more than 12 bilateral agreements have been signed by Ukrainian and Indian universities, in particular between the Institute of International Relations, Taras Shevchenko National University, and Jawaharlal Nehru University, New Delhi; the National Technical University of Zaporizhzhya and the Hyderabad Technical University; between the Diplomatic Academy of Ukraine and the Foreign Service Institute of India; others.

The current bilateral interaction between two countries was based mainly on the Program for the period 2015-2017, which includes projects in the spheres of biotechnologies & biomedicine, information & telecommunication technologies, nanotechnologies & new materials, energy & power resources, high energy physics & astrophysics.

In 2006 Ukrainian and Indian specialists jointly established in Hyderabad the International Laboratory for Electron Beam Technologies. That year the Glushkov Institute of Cybernetics of National Academy of Sciences of Ukraine set up cooperation with the National Information Centre of the Ministry of Communications and Information Technologies of India as well as the Academy of Medical Sciences of Ukraine signed a cooperation program in the field biotechnology with the Department of Biotechnology, Ministry of Science and Technology of India [2].

A significant attention should be paid to cooperation with India in educational sector. Indian market is huge to work at as we could already understand that from the data mentioned above, talking about cooperation in economic area. Since 40 percent of the Indian population is below 35 and another million people turn 18 every month, India could open up a huge market for Ukrainian universities.

To better understand the motives of the necessity of such cooperation especially for Ukrainian side here are some numbers. In the 2015-2016 academic year 6147 citizens of India got higher education in Ukraine, mostly in the sphere of medicine. Currently in Ukraine are studying 64066 international students from 147 countries. Top-10 countries of origin of international students in Ukraine are: Azerbaijan – 9316 students (14,5%), India – 7746 students (12,1%), Turkmenistan – 6545 students (10,2%), Morocco – 4602 students (7,2%), Georgia – 3596 students (5,6%), Nigeria – 3429 students (5,4%), Jordan – 2461 students (3,8%), Usbekistan – 2202 students (3,4%), China – 2082 students (3,2%), Egypt – 1985 students (3,1%) [4].

*As it was mentioned above, 12,1% of all international students studying in Ukraine are from India, so we see how important it is Ukrainian higher educational establishments to work in the direction for marketing at Indian market. So what are the main advantages for Indian students of getting higher education in Ukraine today? Some of them are as following [adapted from the source 5]:*

- Quality Education
- Globally Recognized Courses (Europe, UK, USA, Asia, Africa)
- Medical degree recognized by WHO, UNESCO, PLAB(UK), USMLE(USA), throughout EU and Various International Organization
- No Entry Test
- No IELTS or TOEFL required
- Cheap tuition fees compared to other European countries
- Cost effective
- European Life Standard
- Worldwide Acceptance of Ukrainian Method of Teaching
- English Medium of Instruction
- Moderate Climate around the year
- One of the Best Transportation systems in Europe
- Participation of Students in Seminars/Symposia/Project Work, etc. in other European cities

- Bilateral Student Exchange Program with Universities in Germany, Sweden, Finland, Czech Republic, etc.

As we can see there are a number of reasons for Indian students to come and get higher education specifically in Ukraine. And Ukrainian government is interested in development of such cooperation with India. One of the latest steps in this direction was made on November, 8-10, 2017 when the delegation of the Ministry of Education and Science of Ukraine headed by Mr. Roman Greba, Deputy Minister, held meetings with Mr. K.K.Sharma, Secretary of the Ministry of Human Resources Development of India, Dr. Jayshree Mehta, President of the Medical Council of India, and Mr. S.K.Varshney, Head, International Bilateral Division of the Ministry of Science and Technology of India [6].

During the mentioned negotiations, both sides discussed the prospects of developing cooperation in the traditional and new directions, taking into account the educational potential of the educational and scientific components of the Ukrainian-Indian relations. Considerable attention was paid to the improvement of the bilateral legal framework and the necessity to complete the preparation of relevant documents. Mutual interest in activating ties at the interdepartmental level and between educational institutions of two countries has been confirmed.

During the meetings, the Indian side was also informed about the reform of the higher education sector in Ukraine and its benefits to foreign students, taking into account the increasing interest of Indian youth in obtaining higher education in higher education institutions abroad.

Although there are many advantages, there are also problems which understimulate cooperation in educational sector for both countries. Understanding the importance of this cooperation between Ukraine and India, mutual benefits for both of them, countries should work on solving those problems. These issues are of our attention in future research.

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## IMPACT OF DEMONETIZATION ON SMALL SCALE INDUSTRIES (POLICY REVIEW ANALYSIS)

**Dr Archana Salve**

MBA.NET, PhD, Associate Professor

HOD MBA Indira College of Engineering & Management

archanasalve13@gmail.com , 9960444331

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***Abstract:***

*With the introduction of startup India and make in India, lots of expectations were raised. Industrial sector was getting new boost to get flourished, when there was a sudden blast in form of demonetization on 8<sup>th</sup> November 2017. Now after completing one year of demonetization our small scale industry and informal sector of Indian economy are still struggling for survival.*

*Demonetization and hasty implementation of GST have adversely impacted India's economic growth. Both have affected informal sector and small scale sector which are responsible for 40% of GDP.*

*The country has recorded slowest growth in last three years (5.7 % GDP growth during April to June 2017). Withdrawal of 86% of currency plus GST badly affected small scale sectors.*

*Private sector investment has collapsed and economy is running on just one engine of Public spending.*

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Demonetization of currency notes was supposed to be an attack on black money, on counter feit notes and projected as a part of broader push to promote digitalization and non cash payments. A year later, progress on all these counts appears to be very modest and should make us question whether this exercise was needed at all to fulfill its stated aims.

A 2016 RBI report on branch authorization policy classified 93% of rural centers in the country unbanked with the population dependent on roving banking correspondents and distant urban and semi-urban branches. Access to internet is equally patchy, with only 3% of households in underdeveloped rural areas reporting access to internet in 2016 consumer economy survey.



The rural and informal economy suffered disproportionately because most transactions are cash based.

The liquidity squeeze led to pileup at wholesale markets leading to a sharp decline in Wholesale Price Index (WPI) of perishables such as fruits and vegetables in the immediate aftermath of demonetization.

New project announcements declined sharply in the wake of demonetization, a center for monitoring Indian economy (CMIE) analysis showed, hurting the apex cycle.

Contrary to what some economists predicted, the dividend from RBI to the government was lower because of demonetization. RBI's domestic earnings declined as it had to pay interest of Rs. 17,426 crore after it mapped up excess liquidity in the banking system following demonetization. The previous year central bank had earned interest of Rs. 506 crore in its liquidity- management operations. RBI's printing cost also went up because of the move.

The one big promise of demonetization was rapid expansion of tax base but the actual results have been quite modest.

Another aim was to detect and eliminate counter fiat currency but that also does not seem to be successful.

### **1.5 million Jobs lost, GDP at a low after demonetization:**

Indian economy is cash driven economy. With cash intensive industries like manufacturing and construction. It has also adversely impacted primary function of banks to issue loans and has put pressure on them as current account holders demanded large sum of cash.

Daily wageworkers -> A major portion of India workforce is a part of informal economy. They use cash to meet all their expenses and demonetization has resulted in lot of them losing their jobs due to unavailability of cash.

According to CMIE's Consumer Pyramids Household Surveys (CPHS), approximately 1.5 million jobs were lost during final quarter of financial year 2016-2017. The estimated employment during this period was 405 million as compared to 406.5 million during previous four months.

### **Effect on small scale industries:**

Business like textile industry, salons, restaurants and seasonal businesses are low capital businesses and work on the basis of liquidity preference.

Demonetization gravely impacted their revenue collection and threatened their revenue to an extent.

**Effect on Black Money:**

Though only a small portion of Black money is stored in form of cash and majority is in form of physical assets like gold, land and building, demonetization of rupee 500 and 1000 notes might take out a lot of black money from the economy.

Towards digital economy – Absence of liquid cash has led to people making transactions using cheques, or account transfers. They have also shifted to virtual wallets like Paytm which allows electronic transfer of money. All these might result in a digital economy where transactions are being recorded and the economy has more white money. This might increase government's tax revenue.

**Demonetization and MSMEs:**

Demonetization had a lasting effect on Indian MSMEs (medium, small and micro enterprises). Various medium and small enterprises turned towards digitalization, however, micro industries were affected by the worst of its wrath. The micro industry owners were not a part of black economy and they were clearly unprepared for the effects of demonetization. Many micro industry workers returned back to villages and the growth rate of companies went as low as 1%. The MSME sector has been recovering from drastic changes and its impact on the revenue but demonetization forced the MSME sector to be friendlier and more accommodating towards digital arenas and made them more accommodating towards change.

While these are some of the effects of demonetization on national and economic front, demonetization gave individuals several lessons that have changed the way we look at managing finances.

Demonetization made sure that we monetize our earning to get the best returns possible whether it is by turning to monthly investment schemes to save better or by turning our safe cash pile into an easy withdrawal FD (fixed deposit). The government revenue will see an increase because of demonetization and its initial effects are already prevalent in the income tax filing post note ban.

Demonetization has played crucial role in bringing digitalization and financial planning into the forefront for many.

India has withstood the immediate chaotic impacts of demonetization and it is evident that the return of hardships will begin to show in the coming months.

**Conclusion:**

Due to hasty decision of demonetization almost 1.5 million people lost their jobs, farmers in rural areas and laborers lost their sources of livelihood, many small scale industries were shut down. In short Indian economy, especially informal sector suffered huge losses. Few benefits of demonetization that it has played crucial role in bringing digitalization and financial planning in forefront and increased number of electronic transactions which helped to raise collection of revenue by government.

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## TO UNDERSTAND AWARENESS OF CHEMISTS ON DRUG PRICING INITIATIVES OF NPPA AND ITS IMPACT ON DRUG CONSUMPTION.

**Dr Arvind Biradar\***

**Dr. Sachin Tendulkar\*\***

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### **Abstract:**

*Government initiated drug pricing regulation through Drug pricing control ordeal (DPCO). National Pharmaceutical Pricing Authority (NPPA) was institutionalized in 29 Aug 1997 to overlook the activity; major being making drugs affordable to a common man. Present study was aimed at understanding awareness about National Pharmaceutical Pricing Authority (NPPA) and their activities in the chemists and the impact of NPPA activities on drug consumption. Chemists are poised appropriately to pass on the benefits of the drug pricing regulation to the patients. The research identified that chemists are aware of the price regulation of essential medicine by Government. However, significant population is unaware of NPPA, which is a government body involved in controlling the drug pricing. Though the activities resulted in shortage of the medicine in the market, it was observed to be temporary. Role of substitute medicine or medicines in addressing the temporary shortage is not clear. The patients did not change the preference of brands even if it was affordable due to price regulations. Though Price regulation did not help chemists in their business as the sales have not risen, they feel that Price control of medicine is good for the patients and their relatives. This clearly indicates that the Government policies are well appreciated by the chemists. Based on outcome of the study it can be proposed that through awareness campaign on NPPA and its activities, it will help address Government's larger objective of making healthcare affordable and within reach of a common man.*

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### **INTRODUCTION**

For sustainable growth of any country, Economic development needs to be accompanied with development in social and healthcare sector. As a part of this, a strong regulatory mechanism needs to be in place not only to monitor availability of essential medicines but also to check that the pricing of the medicine is regulated. Additionally, quality service in the healthcare sector needs to be of best quality. These

points are of utmost importance with respect to countries such as India (which is one of the fastest growing economy in today's world); especially when 40% of its population are illiterate and 30% living below the poverty line. Currently, in India the health care deliveries are not only inadequate but also antagonistic to patient. However, Government of India is working in right direction to make sure that every citizen of India receives medical attention.

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is booming mainly due to its wide coverage across the country (promoted mainly due to Government activities), services and increasing expenditure by public as well private players. Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, Tier I and Tier II cities.

### **1 Healthcare Market of India**

Deloitte Touche Tohmatsu, India has predicted that with increased digital adoption, the Indian healthcare market, which is worth around US\$ 100 billion, is expected to grow at a CAGR of 23 percent to US\$ 280 billion by 2020.

Following are the salient features of the report

- 1.** The revenue of India's corporate healthcare sector is estimated to grow at 15 per cent in FY 2017-18.
- 2.** India is experiencing 22-25 per cent growth in medical tourism and the industry is expected to double its size from present (April 2017) US\$ 3 billion to US\$ 6 billion by 2018.
- 3.** Medical tourist arrivals in India increased more than 50 per cent to 200,000 in 2016 from 130,000 in 2015.
- 4.** The Healthcare Information Technology (IT) market is valued at US\$ 1 billion currently (April 2016) and is expected to grow 1.5 times by 2020. #

5. Over 80 percent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead. Presently over 80 per cent of the antiretroviral drugs used globally to combat Acquired Immuno Deficiency Syndrome (AIDS) are supplied by Indian pharmaceutical firms. The UN-backed Medicines Patent Pool has signed six sub-licences with Aurobindo, Cipla, Desano, Emcure, Hetero Labs and Laurus Labs, allowing them to make generic anti-AIDS medicine Tenofovir Alafenamide (TAF) for 112 developing countries.

There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source. A total of 3,598 hospitals and 25,723 dispensaries across the country offer AYUSH (Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy) treatment, thus ensuring availability of alternative medicine and treatment to the people.

### **Pharmaceutical Market of India**

India enjoys an important position in the global pharmaceuticals sector. The Indian pharmaceuticals market is the third largest in terms of volume and thirteenth largest in terms of value, as per a report by Equity Master.

Indian pharmaceutical industry is one of the largest and most advanced industries among the developing countries. As on date, there are more than 250 large manufacturing units and about 8000 small-scale units in operation, which form the core of the industry. These units produce more than 5000 bulk drugs and complete range of formulations. These facilities produce drugs belonging to several major therapeutic groups, involving complex manufacturing processes. The industry has developed excellent facilities for production of all dosage forms like tablets, capsules, liquids, orals and injectable. The quality of the product is lauded by external agencies such as United States Food and Drug Authority (US FDA), European Medical Agency (EMA) etc. India is the largest provider of generic drugs globally with the Indian generics

accounting for 20 per cent of global exports in terms of volume. In the recent past, consolidation has been noticed in this highly fragmented industry is highly fragmented.

The Indian pharma industry is expected to grow over 15 per cent per annum between 2015 and 2020. It will outperform the global pharma industry, which is expected to grow at an annual rate of 5 per cent between the same period. The market is expected to grow to US\$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size, as stated by Mr Arun Singh, Indian Ambassador to the US. Branded generics dominate the pharmaceuticals market, constituting nearly 80 per cent of the market share (in terms of revenues). The sector is expected to generate 58,000 additional job opportunities

Indian Drug Policy

Due to lack of knowledge and medical care resources, non-availability of medicines and high amount of money required for treatment, patients in semi-urban and rural areas face many problems. Although there is more awareness about health consciousness, this has been restricted to Urban areas. As a strategy to tackle the problems of poor Indian patients who are unable to access quality medicines at affordable price and easy and assured availability, government agencies have developed strategies such as Indian Drug Policy.

Historically, the drug policy which was largely based on report of the Hathi Committee (1975) emphasized the need for achieving self-sufficiency in medicines and ensuring abundant availability of essential medicines at reasonable prices. Drug prices have been controlled by government through the Drug (Prices Control) Order 1970. Successive orders have been issued in 1979, 1987 and 1995 with more liberalized and industry oriented view. While issuing these orders, it was also kept in mind that the Indian pharmaceutical industry undergoes transformation from process to patent era.

### **Essential Medicines**

Essential medicines are those that satisfy the priority health care needs of the country's population. They are listed as per the levels of healthcare namely primary, secondary and tertiary. They are generally based on the country's disease burden, priority health concerns, affordability concerns etc. In India, National List of Essential Medicines (NLEM) was formed in 2011 to decide essential medicines. The list is prepared by the Union Ministry of Health and Family Welfare. The NLEM is a dynamic list and is reviewed every 3 years to include or exclude drugs as relevant to the newest medical innovations and aligned to the current market competition.

**Drug Price Control order (DPCO)**

In the 1980s, the policy was substantially diluted due to the pressure from drug industry. Hence, Government formulated the Drug Policy in 1986. The main objectives of the Drug Policy 1986 were as follows

1. Ensuring abundant availability at reasonable prices of essential and lifesaving and prophylactic medicines of good quality.
  2. Strengthening the system of quality control over drug production and promoting the rational use of drugs in the country.
  3. Creating an environment conducive to channelizing new investment in pharmaceutical industry to encouraging cost effective production with economic sizes and to introducing new technologies and new drugs.
  4. Strengthening the indigenous capability for production of drugs.
- by the year 2025.

**National Pharmaceutical Pricing Authority (NPPA)**

National Pharmaceutical Pricing Authority (NPPA) was established on 29th August 1997 as an independent body of experts as per the decision taken by the Cabinet Committee in September 1994 while reviewing Drug Policy. The Authority has been entrusted with the task of fixation/revision of prices of pharmaceutical products (bulk drugs and formulations), enforcement of provisions of the Drugs (Prices Control) Order and monitoring of the prices of controlled and decontrolled drugs in the country. The organization is also entrusted with the

task of recovering the amounts overcharged by the manufacturers for the controlled drugs. The main functions of NPPA are to:

1. Implement and enforce the provisions of the Drugs (Prices Control) Order in accordance with the powers delegated to it;
2. Deal with all legal matters arising out of the decisions of the Authority;
3. Monitor the availability of drugs, identify shortages, if any, and to take remedial steps;
4. Collect/maintain data on production, exports and imports, market share of individual companies, profitability of companies etc., for bulk drugs and formulations;
5. Undertake and/or sponsor relevant studies in respect of pricing of drugs/pharmaceuticals;



6. Recruit/ appoint the officers and other staff members of the Authority, as per rules and procedures laid down by the Government;

### **NPPA and Pharmaceutical Industry**

NPPA is planning to coordinate with state governments across the country to combat overcharging by drug makers and also recently revised rates of several medications. NPPA carries out market survey and surprised audits to understand if the Pharmaceutical companies are over charging the patients. Recently, NPPA fined nine drug firms with \$372 million for overcharging customers and imposed a penalty after the drug makers, which included Ranbaxy, Dr. Reddy's, Glenmark, Cipla, and Cadila, were reportedly overcharging patients for doxofylline. NPPA exempted drug maker Wockhardt's three insulin products from price controls for 5 years from January 8, 2015, and Lockhart had applied to the NPPA for non-application of the price control provisions. Indians could realize the reduction in their medical expenses due revised price of the drugs, and pharmaceutical companies are struggling to follow the new **rule**.

### **Impact of Price control:**

There are more than 800 formulations have been brought under price control till date covering 27 therapeutic groups including medicines used in the treatment of Cancer, Tuberculosis, Diabetes, Cardiac disease, vaccines etc.

Significant reduction in prices have been effected on the medicines notified under DPCO, 2013 as compared to DPCO, 1995. This price reduction has compromised profits of retailers and whole seller.

#### **Awareness campaigns by NPPA:**

The price revision is a part of the Drug Price Control Order (DPCO) of 2013, which expanded India's National List of Essential Medicines (NLEM) from 74 to 799 formulations. Despite facing pressure from domestic generic drug manufacturers, NPPA has been working on revising and lowering prices of NLEM in a phased manner. However, complete implementation of NPPA policies would require awareness amongst the masses. Hence several activities are carried out by NPPA for the purpose. NPPA implemented consumer awareness scheme in collaboration with Consumer Affairs Ministry on 50:50 cost sharing basis. The scheme aims at promoting consumer awareness of generic medicine (Jan Aushadhi scheme), precautions to be taken in the purchase and consumption of medicines, dissemination of information regarding ceiling price of scheduled drugs under DPCO 2013 and the Essential Commodities Act 1955 for protecting consumer's interest. The "Jan Aushadhi" initiative make available

quality drugs at affordable prices through dedicated stores selling generic medicines which are available at lesser prices but are equivalent in quality and efficacy as expensive branded drugs.

Doctors have an important role to play in making drugs affordable to the patients. But the real challenge is in getting everyone to prescribe generic drugs. NPPA requested health ministry central government hospitals to prescribe only generic drugs.

The National Anti-Doping Agency (NADA) signed a Memorandum of Understanding (MoU) with the National Pharmaceutical Pricing Authority (NPPA) to increase athletes' awareness about drugs. NADA found that the Indian athletes always faced difficulty in understanding which drugs are

Prohibited for them

### **Current Status.**

More than 95% of chemists, doctors and patients said that the prescribed medicines are available in the market and there is no problem in the supply of medicine from the manufacturers. They also said that in case the prescribed medicines are not available chemists give them substitute medicine only after informing them.

There is no frequent change in the price by the manufacturer; neither there is any incidence of printing different price of same medicine at different locations. There are very few cases of price difference of same medicine at different locations. They are those medicines that are in high demand and costly. Sometime, it also happens due to shortage of fund with the chemists and is purely temporary in nature. Majority of the respondents agreed that medicines are sold at MRP plus Sales tax only. In this survey hardly any patient complained of high priced medicine, as they all found medicine prices both reasonable and affordable.

### **Objective:**

1. To understand awareness of chemists on drug pricing initiatives of National Pharmaceutical Pricing Authority.
2. To study the effect of pricing policies on availability of drugs.
3. To study the effect of pricing policies on affordability of drugs.

### **Data Collection Methods.**

Primary Data : Through questionnaire

Secondary Data: Since the study is about NPPA and its activity, data published by NPPA and other sites would be used for background research.

**Sampling:**

The sampling was based on the convenience of availability and accessibility of the responders. Thus “Convenience Sampling” was considered for the study.

**Data Analysis And Interpretation:****1 Age group of Chemist population of Thane district who participated in the survey.**

The chemists from Thane city, Kalwa, Digha Gaon, Airoli, Ghansoli, Kopar Khairane, Vashi and Nerul participated in the survey. Following table shows the summary of collected data related to the age groups of Chemists who participated in the survey.

**Table 1 Age group of respondents**

No	Age group (Yrs.)	Numbers of respondents	Distribution (%)
1	<30	13	13
2	30-45	34	33
3	45-60	43	42
4	>60	13	13
5	Total	103	100

The data showed the respondents are in the range of thirties to sixties. The population is dominated by chemists of age group 45-60 years (42%) followed by the ones with 30-45 years (33%). There was equal distribution of chemists which were less than 30 years or more than 60 years (13% each).

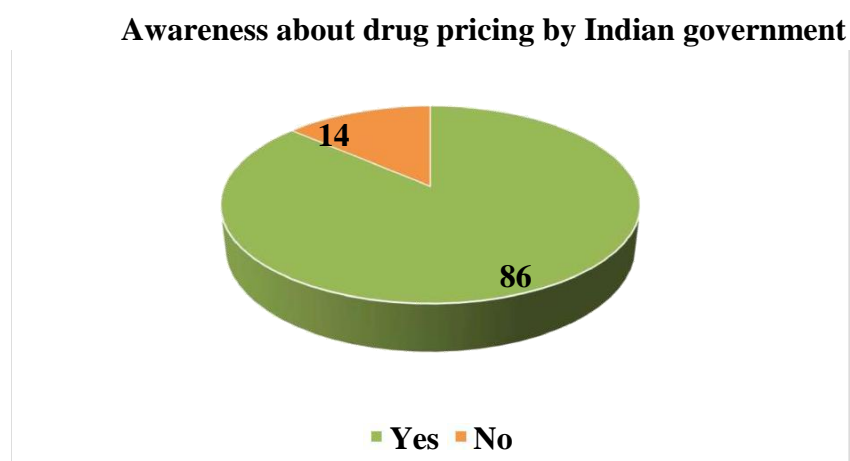
## 2. Awareness amongst the chemists about Drug pricing regulation by Indian government:

Chemists, the respondents, are the ones who interact with drug companies (and their distributors) and patients or their relatives. Respondents were contacted to understand about their awareness of Drug pricing regulation by Indian Government. Table and figure below represents the awareness of chemists about drug pricing regulation of Indian government

**Table 2 Drug Pricing awareness amongst the respondents.**

No	Response	Number of respondents	Distribution (%)
1	Yes	89	86
2	No	14	14
3	Total	103	100

**Figure 1 Drug Pricing awareness amongst the respondents.**



The data clearly indicates good awareness amongst the respondents that the pricing of essential drug is regulated by the Government. Most of the respondents (86%) were aware of drug price regulation by Indian Government.

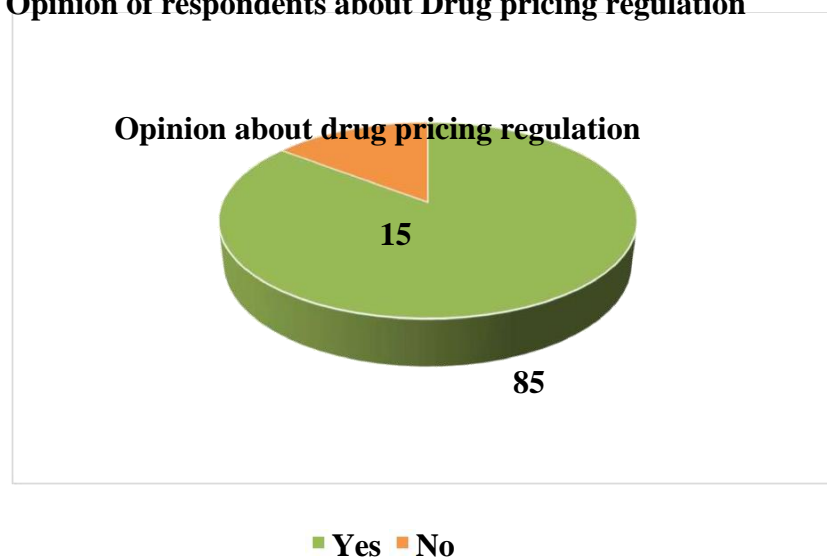
### 3. Regulation of pricing of drugs is essential

Rising prices of drug have resulted in non-accessibility to general masses. Respondents were contacted to understand their opinion whether regulation of pricing of drug is essential..

**Table 3.3 Opinion of respondents about Drug pricing regulation**

No	Response	Number of respondents	Distribution (%)
1	Yes	88	85
2	No	15	15
3	Total	103	100

**Figure 2 Opinion of respondents about Drug pricing regulation**



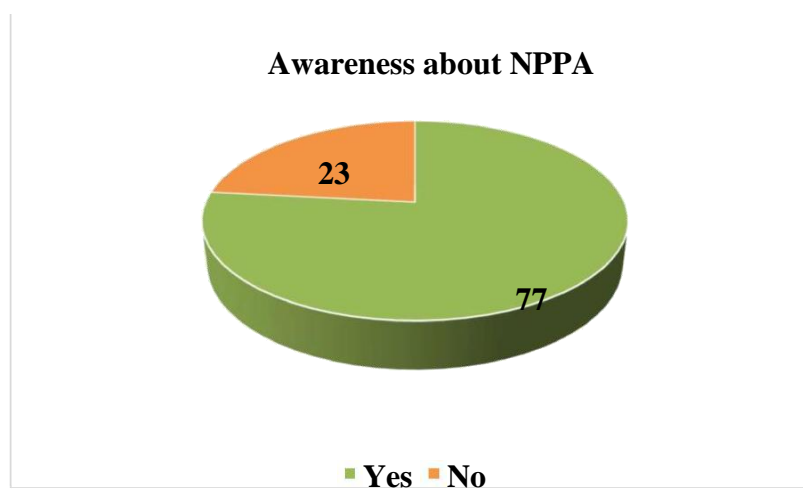
Majority of chemists voted for “Yes” suggesting that drug price regulation is essential. Out of 103 respondents, 88 (85%) suggested that the pricing of drugs should be regulated. This indicates that majority of chemists are aligning with the government’s policies to regulate the drug pricing.

**4. Awareness about National Pharmaceutical Pricing Authority (NPPA)**  
**NPPA** was institutionalized in 1997 and to date it has imposed price regulation on more than 875 drugs. Respondents were checked on their awareness about NPPA and its activities.

**Table 3.4 Awareness about National Pharmaceutical Pricing Authority**

No	Response	Number of respondents	Distribution (%)
1	Yes	79	77
2	No	24	23
3	Total	103	100

**Figure 3 Awareness about National Pharmaceutical Pricing Authority**



Majority of the chemists were aware about NPPA (79 out of 103, 77%). It is important to note that the awareness of NPPA activities is lesser than the overall awareness about price regulation of drugs initiatives of Government (77% vs 89%). This indicates that some chemists may not be aware of NPPA body which is involved in these activities.

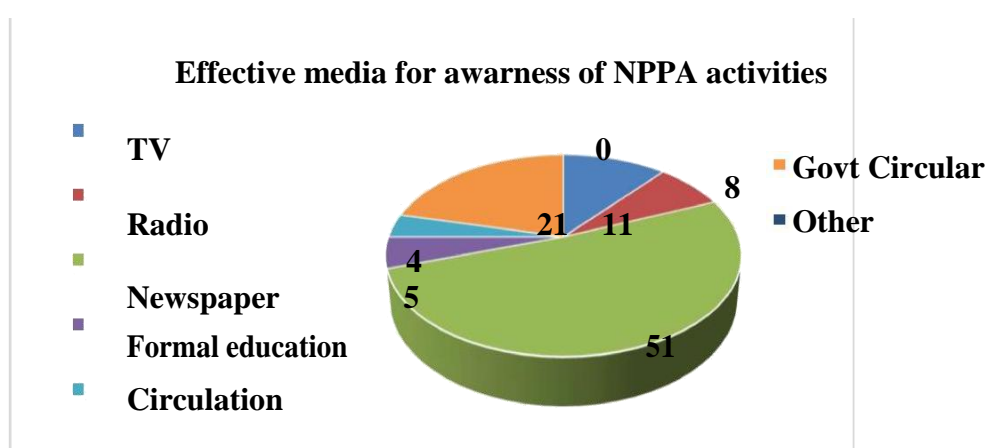
### 5. Media through which Chemists were aware of NPPA activities.

Since the inception of NPPA, the government used various media such as print, electronic, government circular to introduce NPPA to masses. It was decided to check the type of communication channel through which the respondents were first introduced to NPPA.

**Table 3.5 Media through which NPPA activities were introduced to respondents.**

No	Media	Number of respondents	Distribution (%)
1	Television	9	11
2	Radio	6	8
3	Newspaper	41	51
4	Formal Education	4	5
5	Circulation	3	4
6	Government circular	17	21
7	Others	0	0
7	Total	80	100

**Figure 4 Media through which NPPA activities were introduced to Chemists.**



The results indicated that in 51% of respondent's awareness was through Newspaper followed by Government circular (21%), Television (11%), Radio (8%), formal education (5%) and through various other circulations (4%). This indicated that the print media was most effective in spreading awareness about the NPPA and its activities.

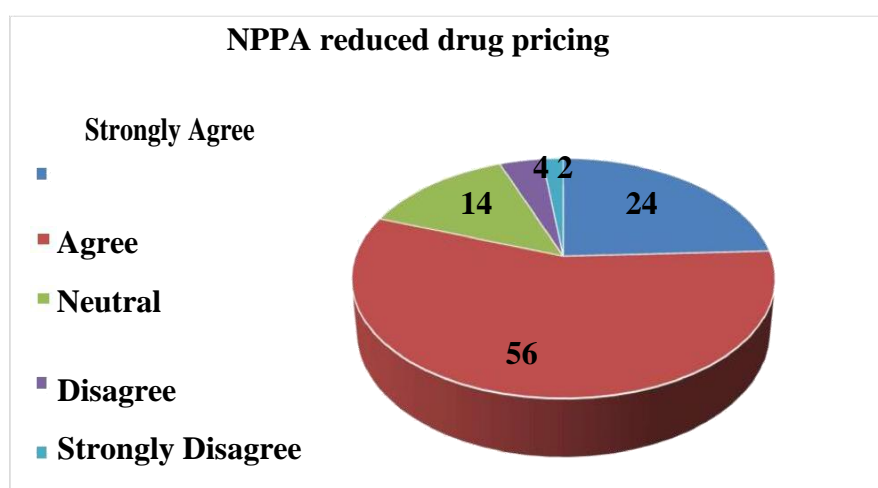
## 6. Reduction of (emergency) drug pricing is due to NPPA.

Government introduced control of drug pricing of the ones which have been considered under emergency medicines. Opinion of respondents on drug pricing control by NPPA was sought.

**Table 6 Regulation of prices of (emergency) medicines by NPPA.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	25	24
2	Agree	58	56
3	Neutral	14	14
4	Disagree	4	4
5	Strongly Disagree	2	2
6	Total	103	100

**Figure 5 Regulation of prices of (emergency) medicines by NPPA**



Around 56% of chemists “agree” and 25% of chemists “strongly agree” that the prices of (emergency) medicines have reduced due to NPPA and its activities. Only about 6% of the chemists think otherwise. This clearly indicates that the NPPA activities have been successful in reducing the prices.



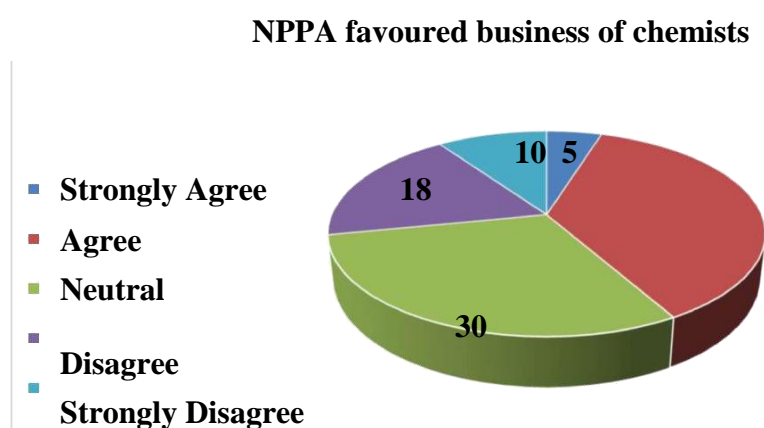
### 7. Effect of NPPA policies on Business of Chemists.

The focus of NPPA activities is to reduce the pricing of medicines. Respondents were asked to provide opinion on whether the activities of NPPA has any a favourable implications on their business.

**Table 7 Effect of NPPA policies on chemist Business.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	5	5
2	Agree	38	37
3	Neutral	31	30
4	Disagree	19	18
5	Strongly Disagree	10	10
6	Total	103	100

**Figure 7 Effect of NPPA policies on chemist Business.**



Around 37% of chemists “Agree” and 5% chemists “Strongly agree” that NPPA policies favour chemists and their business. Around 18% “Disagree” and 10% “Strongly disagree” A significant population (30%) preferred to be neutral.

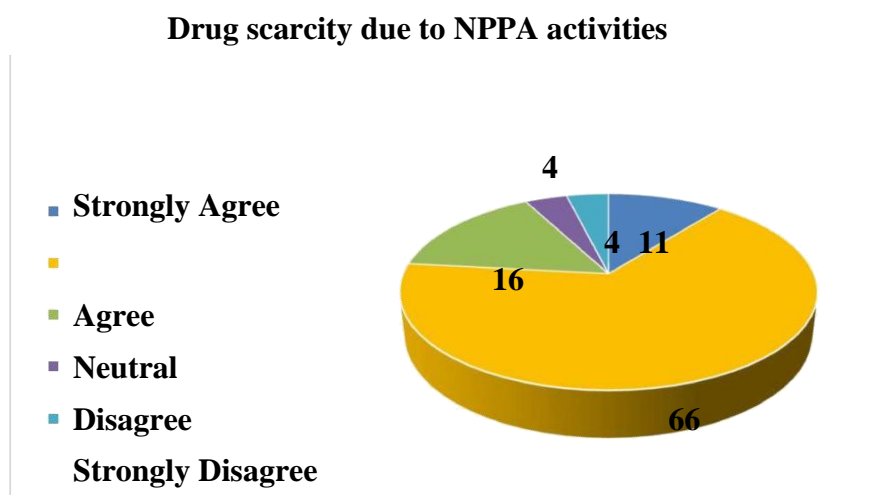
### 8. Effect of NPPA policies on drug availability

Respondents were asked to provide opinion on effect of NPPA policies on drug availability.

**Table 8 NPPA policies resulted in drug scarcity**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	11	11
2	Agree	68	66
3	Neutral	16	16
4	Disagree	4	4
5	Strongly Disagree	4	4
6	Total	103	100

**Figure 7 NPPA policies resulted in drug scarcity**



Majority of the chemists agreed (66%) and strongly agreed (11%) that there was scarcity of medicine in the market due to NPPA and its activities. Though 16% of the chemists were neutral, 4% of chemists disagreed and 4% chemists strongly disagreed on the same.

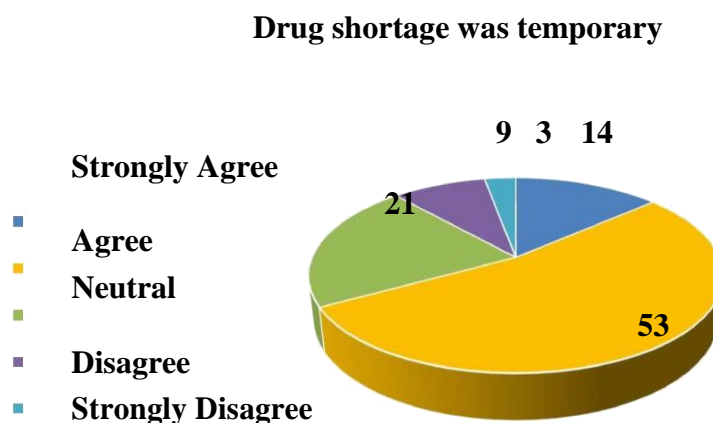
### 9. Duration of shortage of medicine post price control by NPPA

Opinion of respondents was sought on duration of shortage of medicine post price control by NPPA. Table 3.9 and figure 3.9 summarize the results obtained.

**Table 9 Shortage of medicine due to NPPA activities was temporary.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	14	14
2	Agree	55	53
3	Neutral	22	21
4	Disagree	9	9
5	Strongly Disagree	3	3
6	Total	103	100

**Figure 8 Shortage of medicine due to NPPA activities was temporary**



Around 53% of chemists Agreed and around 14% strongly agreed that the shortage was temporary. In the present scenario, temporary was not defined. It was loosely defined as a couple of weeks. Around 21% of the chemists were neutral. Very few chemists disagreed (9%) or strongly disagreed (3%).

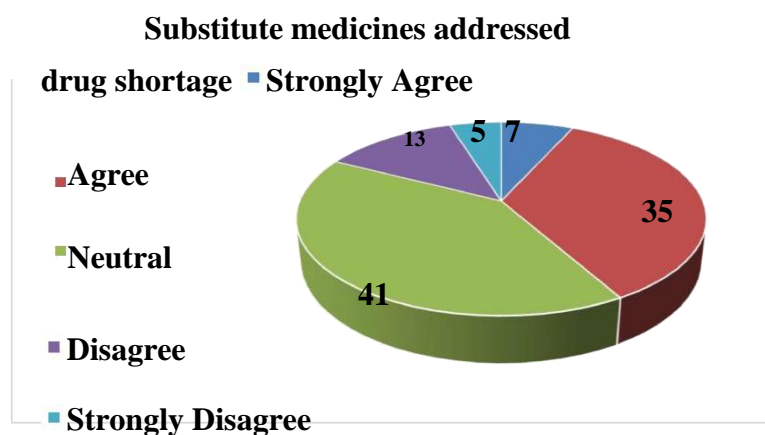
### 10. Role of Substitute Medicines during the medicine scarcity

The respondents were asked to register their opinions on role of substitute medicine during shortage of medicine due to price regulation by NPPA.

**Table 10 Shortage of medicines was addressed by Substitute medicines.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	7	7
2	Agree	36	35
3	Neutral	42	41
4	Disagree	13	13
5	Strongly Disagree	5	5
6	Total	103	100

**Figure 9 Shortage of medicines was addressed by Substitute medicines.**



Majority of the chemists preferred to be neutral on (41%) availability of substitute medicines for the ones whose price has been controlled by NPPA. However around 35% of chemists agreed and 7% strongly agreed that the substitute medicines were introduced in the market.

### 11. Discontinuation of brands due to price regulation by NPPA

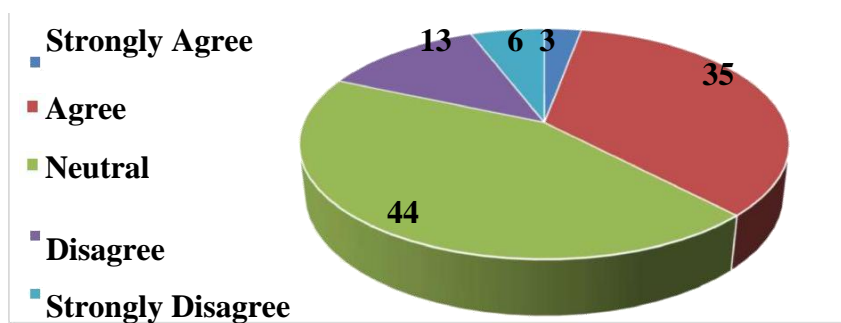
Respondents were asked to provide opinion whether due to price regulation by NPPA, there was discontinuation of brands.

**Table 11 Brands were discontinued due to NPPA and its activities.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	3	3
2	Agree	36	35
3	Neutral	45	44
4	Disagree	13	13
5	Strongly Disagree	6	6
6	Total	103	100

**Figure 10 Brands were discontinued due to NPPA and its activities.**

**Brands discontinuation due to NPPA activities**



**Around 35% of respondents agreed and 3% strongly agreed that the brands were discontinued.**

However, 44% of respondents remained neutral.

## 12. Effect of NPPA price regulation on sales of Medicines

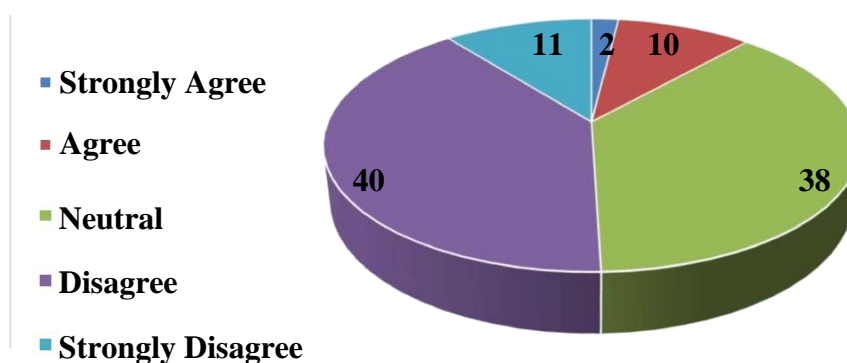
To understand effect of NPPA price regulation on sales of medicines, opinion of responders was sought.

**Table 3.12 Reduced pricing led to increase in sales of medicines**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	2	2
2	Agree	10	10
3	Neutral	39	38
4	Disagree	41	40
5	Strongly Disagree	11	11
6	Total	103	100

**Figure 11 Reduced pricing led to increase in sales of medicines**

**Reduced pricing increased sales of medicines**



It was interesting to notice that around 40% disagreed and 11% strongly disagreed that price regulation resulted in increase in sales. 38% of chemists decided to be Neutral and 10 % agreed and 2% strongly agreed.

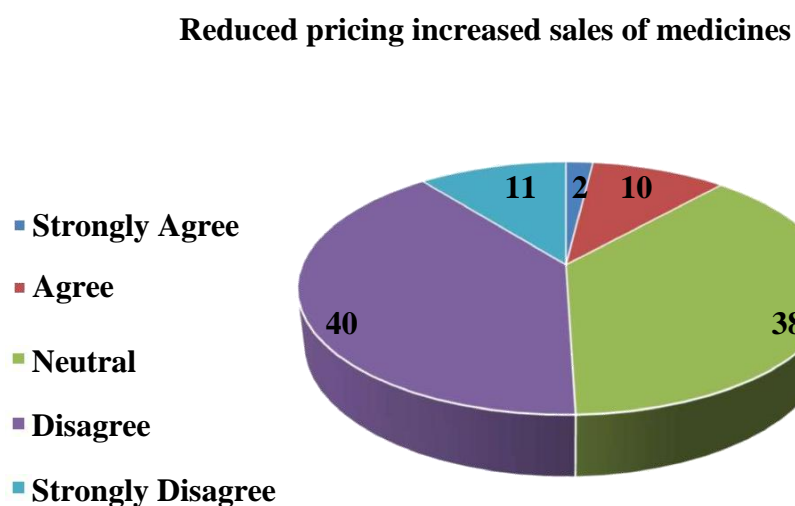
## 12. Effect of NPPA price regulation on sales of Medicines

To understand effect of NPPA price regulation on sales of medicines, opinion of responders was sought.

**Table 3.12 Reduced pricing led to increase in sales of medicines**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	2	2
2	Agree	10	10
3	Neutral	39	38
4	Disagree	41	40
5	Strongly Disagree	11	11
6	Total	103	100

**Figure 11 Reduced pricing led to increase in sales of medicines**



It was interesting to notice that around 40% disagreed and 11% strongly disagreed that price regulation resulted in increase in sales. 38% of chemists decided to be Neutral and 10 % agreed and 2% strongly agreed.

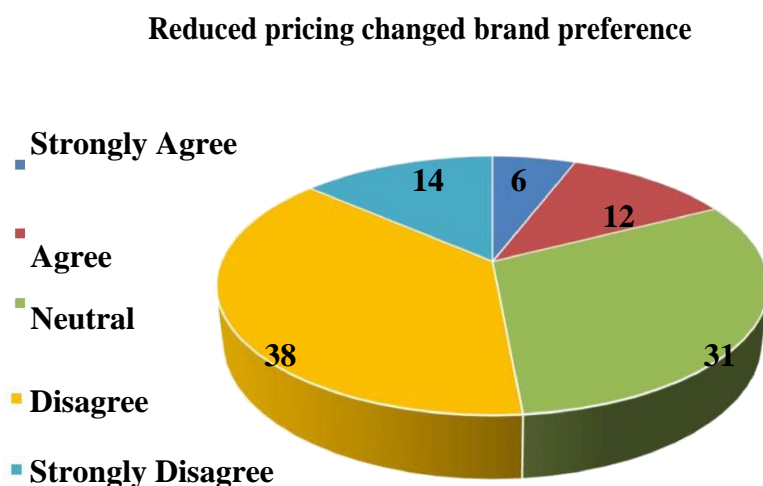
### 13. Preference of patients for brands due to price regulation by NPPA

Respondents were asked to provide opinion on effect of drug price regulation by NPPA on preference of any brands by patients and their relatives. Table 3.13 and figure 3.13 summarize the results.

**Table 13 Patients showed brand preference due to price drop**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	6	6
2	Agree	12	12
3	Neutral	32	31
4	Disagree	39	38
5	Strongly Disagree	14	14
6	Total	103	100

**Figure 12 Patients showed brand preference due to price drop**



Around 38% chemists disagreed and 14% strongly disagreed that the patients preferred different brands since they were available for cheaper price. Around 31% of chemists remained neutral. Around 12% agreed and 6% strongly agreed that the patients prefer a particular brand due to its availability for cheaper price.



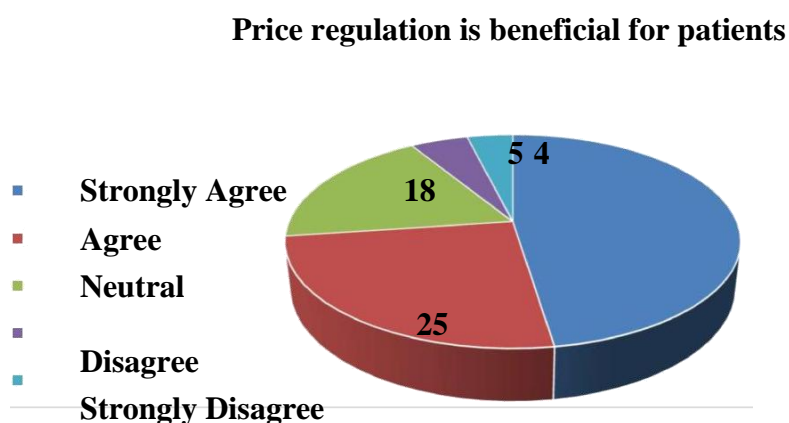
#### 14. Price regulation of NPPA is beneficial for patients and relatives

Chemists interact directly with patients and their relatives. They register the feelings of patients and their relatives in response to medicines price fluctuations. In order to understand whether the price regulation of NPPA is beneficial for patients and their relatives a question was posed to the chemists, the respondents.

**Table 14 Price regulation is beneficial for patients.**

No	Media	Number of respondents	Distribution (%)
1	Strongly Agree	49	48
2	Agree	26	25
3	Neutral	19	18
4	Disagree	5	5
5	Strongly Disagree	4	4
6	Total	103	100

**Figure 13 Price regulation is beneficial for patients and their relatives.**



It was interesting to notice that 25% agree and 48% strongly agree that the price regulation by NPPA is good for the patients and their relatives. Around 18% of the chemists remained neutral and 5% disagree and 4% strongly disagree with the same. This outcome aligns with the objectives of NPPA to make the medicines affordable to patients and all the patients should have access to good healthcare.

**Suggestions / comments from Chemists (Responders)**

- NPPA should consider more commission for pharmacist.
- Beneficial for patients not for chemists.
- NPPA should not control pricing.
- Business suffered.
- Even though prices are regulated certain brands should continue due to customer trust.
- Irrespective of regulation certain brands should not be discontinued as users prefer to buy regular brands.
- Supply should improve. Awareness
- OTC should not be controlled by NPPA.
- APP is good. Everyone should use.
- A consumer is getting aware of Government's policies.

**Conclusion:**

Drug price control is a measure introduced by the Government for making healthcare affordable for a common man through a Government Body, National Pharmaceutical Pricing Authority (NPPA). Chemists were chosen as the respondents in this study as they are poised appropriately between the medicine companies (or their distributor) and patients and their relatives. It was observed that the respondents are aware of drug pricing regulation by Indian Government. However, significant population of chemists is not aware that the regulation is done through NPPA.

Print media especially Newspaper has been noticed to be the most effective medium for spreading awareness in the chemist community followed by Government circulars. Chemists feel that NPPA has been successful in controlling the pricing of the medicine. However, it resulted in temporary non-availability (scarcity) of the medicines. NPPA and its activities had no effect on overall sales

indicating no effect on consumption of medicine. There was no effect of preference on any brand of medicines even when it was available for a lower price. This could be because prescriptions are written by the doctors and doctors prescribe a brand of a drug rather than drug's generic name.

Overall, the respondents felt that the drug price regulation is essential. It not only has positive effect on their business but also is beneficial to patients and its relatives.

### **Recommendations:**

The studies indicated that chemists (respondents) are aware of the price regulation of Pharmaceutical drugs by Indian Government. However, significant number of chemists are not aware that Government has enforced the price regulation through National Pharma Pricing Authority (NPPA). Hence, one of the recommendation is to increase the awareness in chemist about NPPA. This can be done through different promotional mix. Newspaper or print media was most effective in making chemists aware of NPPA. Government can make use of the same or can emphasise more on Government circular. Social media can be used as well for the purpose.

NPPA has been successful in terms of controlling price of essential medicine. However, the hind side of the benefit is discontinuation of brands which may create scarcity of essential medicine. Hence, another recommendation is that NPPA should ensure that Pharmaceutical companies should not discontinue the brands due to reduced pricing. While confirming availability of drug for affordable price, the Pharmaceutical companies should not compromise on the quality of medicines. The onus of confirming best quality and non-discontinuation of the brands lies with NPPA.

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- 6) <http://www.nppaindia.nic.in>

## INVESTOR PERCEPTION TOWARDS FINANCIAL DERIVATIVES MARKETS IN INDIA

**Ms.Priya Tiwari**

Asst.Professor

ASM's IBMR

**Mr.Harshad Sambhus**

Asst.Professor,

PRO-Learn India Management Institute

**Ms.Rajani Ravi Devadkar**

Asst. Professor

Indrayani Mahavidyala

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### **Abstract:**

*The behavior of retail investor's is changing towards derivative market in India for the last few years and with the introduction of behavioral finance the researcher would like to capture that. The concept of behavioral finance is booming in the capital market, there is hardly any place where its concepts aren't being applied. There is a need to grab more attention of the investor's towards derivative market and draw inferences from investor's behavior so that the derivative market can benefit and understand investor's preference better and unravel the factors that influence the risk tolerance level of the investors. So the crux of the study will give the researcher a quantitative model reflecting the factors affecting the investor behavior in derivative market with load factors. Through this study the researchers would like to study the various factors responsible for the investment behavior in derivative market. This will not only help the asset management companies to frame there investment policy but also help the macro policy makers to frame certain policy which will encourage investors to invest in derivative market.*

**Key words:** *Investor behavior, Derivative market, Investment.*

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### **Introduction:**

One of the most significant events in the securities markets has been the development and expansion of financial derivatives. The term "derivatives" is used to refer to financial instruments which derive their value from some underlying assets.. The development of derivatives has occurred in response to a search for higher yields and lowers funding costs and demand for tools to manage risk. The underlying assets could be equities (shares), debt (bonds, T-bills, and notes), currencies, and even indices of these various assets, such as the Nifty 50 Index.Derivatives derive their names from their respective underlying asset. Thus if a derivative's underlying asset is equity, it is called equity derivative and so on. Derivatives can be traded either on a regulated

exchange, such as the NSE or off the exchanges, i.e., directly between the different parties, which is called “over-the-counter” (OTC) trading. (In India only exchange traded equity derivatives are permitted under the law.) The basic purpose of derivatives is to transfer the price risk (inherent in fluctuations of the asset prices) from one party to another; they facilitate the allocation of risk to those who are willing to take it. In so doing, derivatives help mitigate the risk arising from the future uncertainty of prices. Derivatives are risk management tools that help an organization to effectively transfer risk. The Behavioral finance experts have proved it quite well that investment decision making is not a completely rational process. Individuals’ investment decisions are guided by not only their intellectual aspects but also the emotions, desires, prejudices. Derivatives are new class of investment invention which offers sophisticated management of risk. Financial markets are characterized by a high degree of volatility. Derivative product are used to contain the risk arising out of the fluctuations in asset price, which partially or fully transfer price.

**Review of Literature:**

Various researchers in the past have tried to study the investor behaviors and their preference towards derivative markets in India. Bose and Suchismita, in their study examined derivative as a risk management tool. The researchers found that Derivatives products provide certain important economic benefits such as risk management or redistribution of risk away from risk-averse investors towards those more willing and able to bear risk. Derivatives also help price discovery, i.e. the process of determining the price level for any asset based on supply and demand. These functions of derivatives help in efficient capital allocation in the economy; at the same time their misuse also poses a threat to the stability of the financial sector and the overall economy Kumar R. & Chandra A., critically examined arbitrage opportunities in derivative market. They concluded that individuals often invest in securities based on approximate rule of thumb, not strictly in tune with market conditions. Their emotions drive their trading behavior, which in turn drives asset (stock) prices. Investors fall prey to their own mistakes and sometimes other’s mistakes, referred to as herd behavior. Markets are efficient, increasingly proving a theoretical concept as in practice they hardly move efficiently. The purely rational approach is being subsumed by a broader approach based upon the trading sentiments of investors. Mark fenton, Emma Soane, Nigel Nicolson and Paul Williame(2011) document a quantitative investigation to find

difference between high and low performing traders and studied the role of intuition in the decision making process. The emotional regulation strategies adopted by experts reveals that high performing traders are qualitatively different from low performing traders as former are inclined to cope up with negative feelings and formulate effective strategies to regulate their emotions. Natividad Blasco, Pilar Corredor, Sandra Ferreruela (2012) conducted a study to explore herding behavior to identify relationship between rational and emotional components and test whether past return indirectly drive herding behavior. Bikhchandani model was used to measure herding intensity in both buyer initiated and seller initiated market and the resulted that the herding intensity depends upon past returns and sentiments and confirm the presence of both rational and emotional factors. William T.Lin, Shin chuan Tsai, Pei Yau Long(2013)examined the relationship between the hoarding of four investor groups namely individuals, foreign institutions, proprietary dealers , investment trust and the subsequent trading noise in the Taiwan Stock Exchange and suggested that institutional herding is rational and information based but individual herding is not. Trading noise is highest at the market opening and increasingly lowers in the middle of the day and increases at market closing and becomes reverse J shaped during crises period. Herding of foreign institutions reduces trading noise during both crises and non crises period while individual herding results in high trading noise and domestic institution trading noise increases during non crisis period.

### **Objectives of the Study**

- To know the investors perception towards investment in Derivative Market
- To know different types of Derivatives instruments

The study has been done to know the different types of derivatives and also to know the derivative market in India. This study also covers the recent developments in the derivative market taking into account the trading in past years. Through this study I came to know the trading done in derivatives and their use in the stock markets.

H0: There is no significant relation between Income and investment in different type of derivative instrument.

H0: There is no significant relation between Age and purpose of Investing in Derivative market.

H0: There is a significant relation between Income per annum and monthly income available for investment.

H0: There is no significant relation between maturity period of investment and results of investment.

### Research Methodology

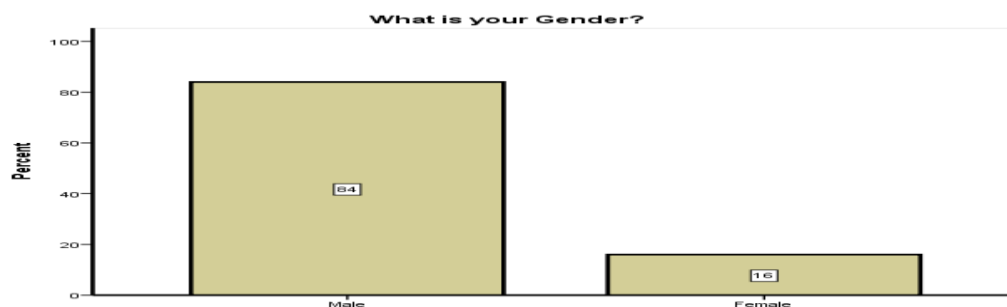
Primary data was collected through a structured questionnaire. The Questionnaire was distributed through online platform by E-mail. Sample Unit: Pune, Sample Size: 100, 92 respondent, Sampling Method: Convenience Sampling. Under Secondary sources, information was collected from internal & external sources. I made use of Internet and miscellaneous sources (such as brochures, pamphlets) under external sources

TOOLS AND TECHNIQUES: Bar Graph, CHI SQUARE test was used for testing the Hypothesis.

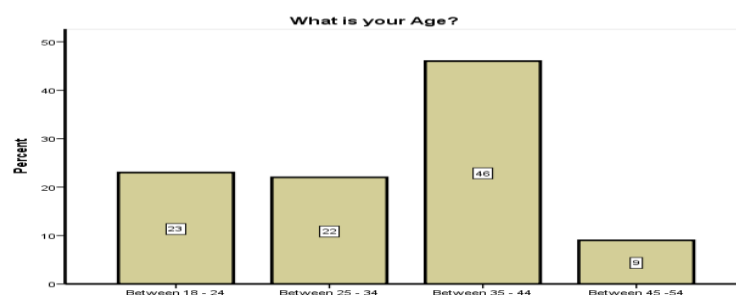
More specifically the process was organized. The research questionnaire was pre-tested through pilot survey. In its draft form it went under a pre test with Channel Partner of two different companies. The second pre-test was conducted after discussion with the experts in the field.

### Data Analysis and Interpretation

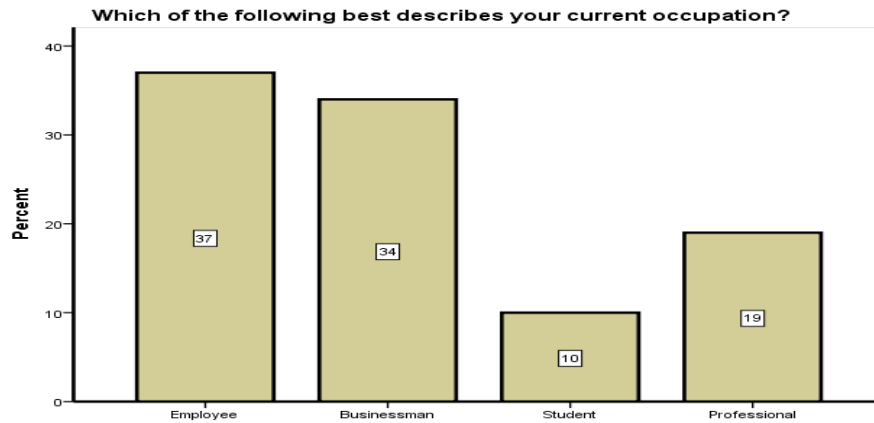
#### 1. Gender of the respondents



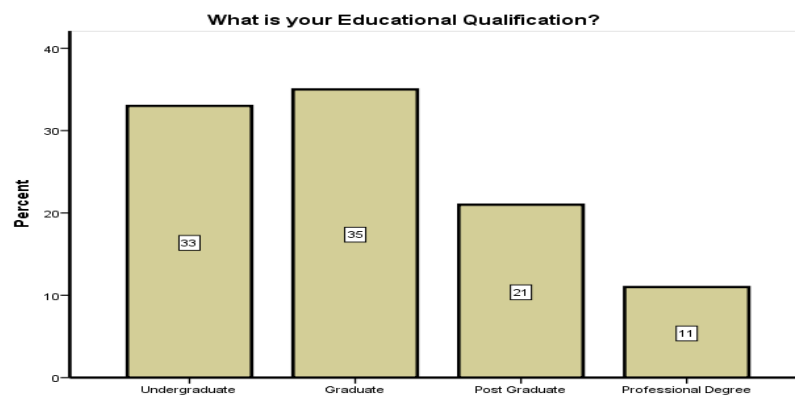
#### 2. Age of the respondents



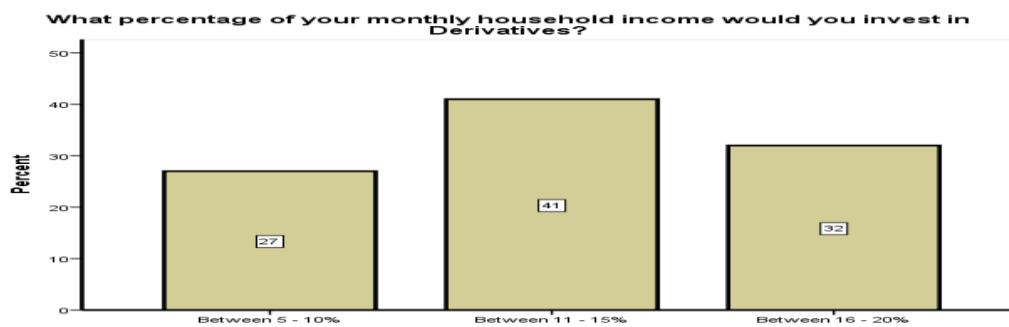
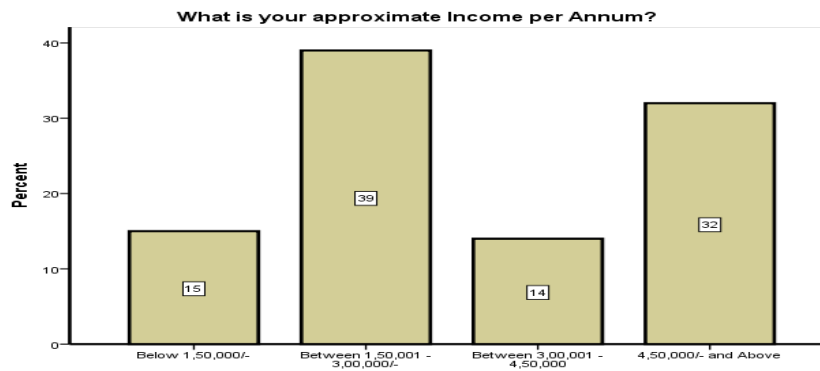
#### 3. Occupation of the respondents



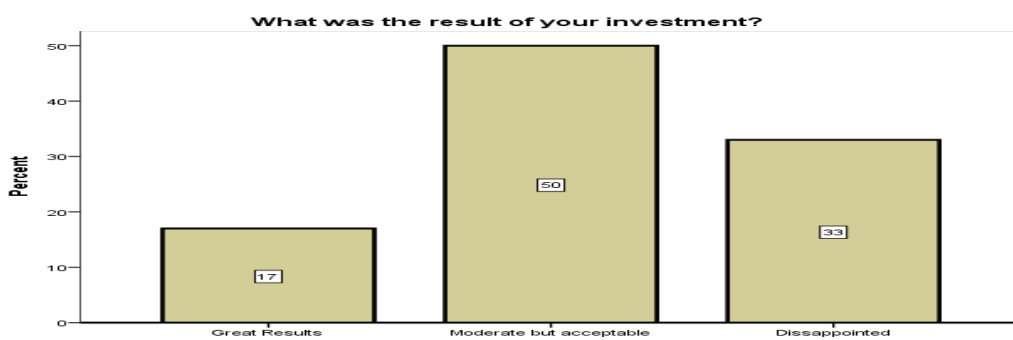
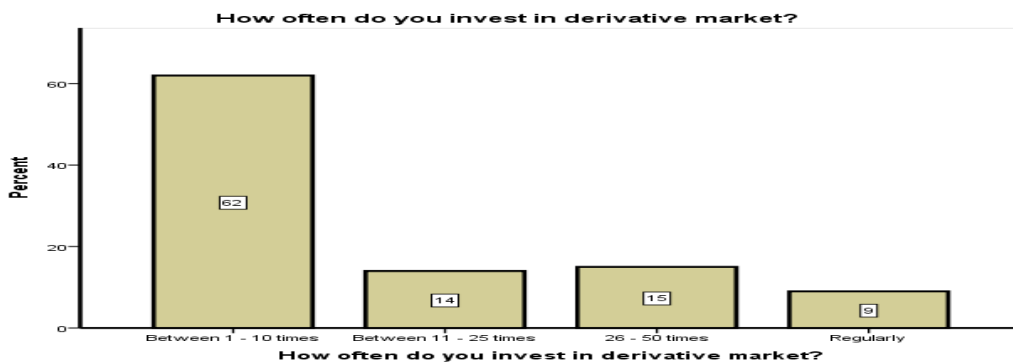
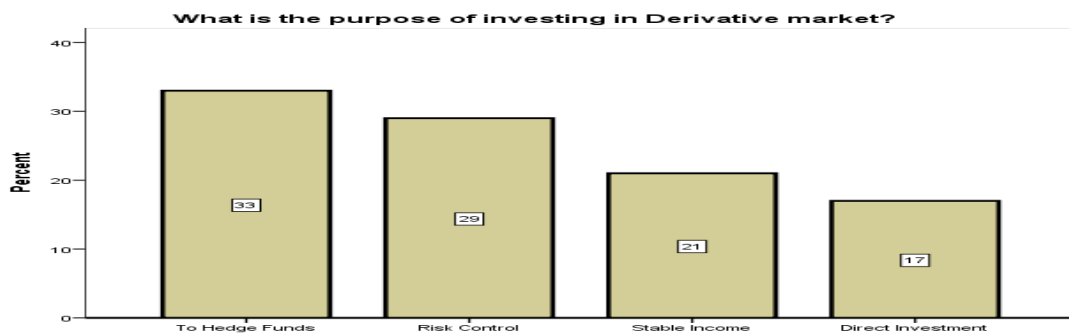
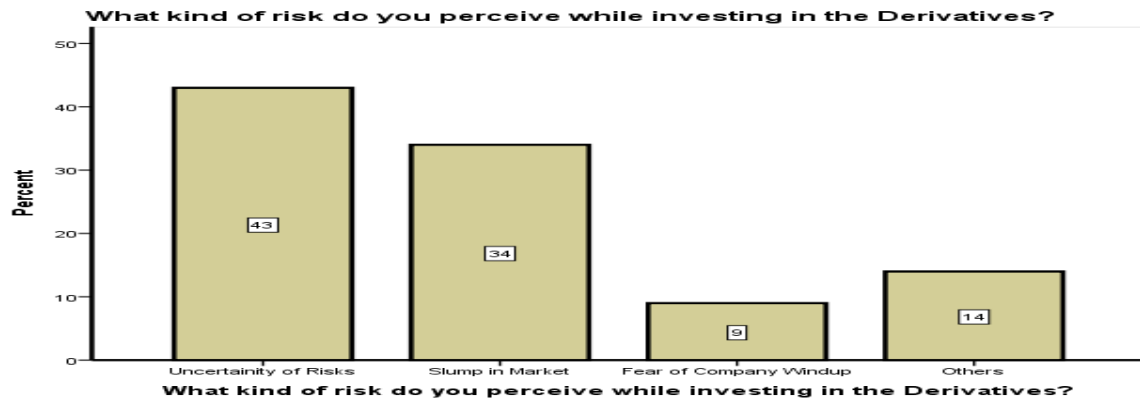
#### 4. Educational Qualification of the respondents



#### 5. Income per Annum of the respondents







**H0:** There is no relation between income and investment in different type of derivative instruments.

**H1:** There is relation between income and investment in different type of derivative instruments.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.958 <sup>a</sup>	12	.004
Likelihood Ratio	35.930	12	.000
Linear-by-Linear Association	.315	1	.575
N of Valid Cases	100		

12 cells (60.0%) have expected count less than 5. The minimum expected count is 1.68.

**H0: There is no significant relation between Age and purpose of Investing in Derivative market.**

**H1: There is a significant relation between Age and purpose of Investing in Derivative market.**

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.109 <sup>a</sup>	9	.002
Likelihood Ratio	32.568	9	.000
Linear-by-Linear Association	.616	1	.432
N of Valid Cases	100		

a. 8 cells (50.0%) have expected count less than 5. The minimum expected count is 1.53.

**H0: There is a significant relation between Income per annum and monthly income available for investment.**

**H1: There is a significant relation between Income per annum and monthly income available for investment.**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	30.130 <sup>a</sup>	<b>6</b>	.000
<b>Likelihood Ratio</b>	38.871	<b>6</b>	.000
<b>Linear-by-Linear Association</b>	22.017	<b>1</b>	.000
<b>N of Valid Cases</b>	100		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is 3.78.

**H0: There is no significant relation between maturity period of investment and results of investment.**

**H1: There is a significant relation between maturity period of investment and results of investment**

**Chi-Square Tests**

84% of the respondents are Male and 16% of them are Female. Most of the investors who invest in derivatives market are graduates. Majority of the investors who invest in derivative market have a income of above 1,50,001 – 3,00,00/-. 46% of the respondents fall under the age category of 35 – 44 years Investors generally perceive uncertainty of returns type of risk while investing in derivative market. Most of investor's purpose of investing in derivative market is to hedge their funds. Most of investors participate in Index Options. From this survey we come to know that most of investors make a contract of 1 month maturity period. Investors invest 1 -10 times a year in Derivatives Market. The result of investment in derivative market is generally moderate but acceptable. Hypothesis test shown that there is relationship between Income and investment in different type of derivative instruments, Age and purpose of Investing in Derivative market , Income per annum and monthly income available for investment Derivatives turnover compared to Equity turnover is superior on NSE. The value of chi-squared statistic is 28.958. The chi-squared statistic has 12 degree of freedom. The p value (.004) is less than 0.05. Hence there is significant relationship between income and investment in different type of

derivative instruments.

The value of chi-squared statistic is 26.109. The chi-squared statistic has 9 degree of freedom. The p value (.002) is less than 0.05. Hence there is significant relationship between age and purpose of Investing in Derivative market.

The value of chi-squared statistic is 30.130. The chi-squared statistic has 6 degree of freedom. The p value (.000) is less than 0.05. Hence there is significant relationship between income per annum and monthly income available for investment.

The value of chi-squared statistic is 17.583. The chi-squared statistic has 8 degree of freedom. The p value (.025) is more than 0.05. Hence there is no significant relationship between maturity period of investment and results of investment.

### **Conclusion**

Derivatives are crucial part of India's stock market with highest turnover. At first, it was used as hedging tool but now with financial instruments such as Future commodity contracts, Interest rate derivatives, it has become one of the important type of financial instrument in Indian trade market. Commodity Derivatives are the oldest type of derivatives that are being traded in India since 1850s. On 26 January 1949, the Central Government passed the Forward Contracts (Regulation) Act, 1952 (FCRA) and established the Forward Market Commission (FMC) in 1953. Under the FCRA, futures trading were allowed in select agricultural commodities and their products under the auspices of Associations recognized by GOI. Commodity Derivatives trading is managed by the National Commodity Derivatives Exchange of India (NCDEX). Derivatives' trading was introduced in India during 2001, and the trade value of derivatives is almost three times that of cash market trade values. Derivatives market broadly can be classified into two categories one that is traded on exchange and other one traded over the counter. At present, the market share of derivatives is increasing continuously, with more than 91 per cent of total turnover in the stock exchange. This has huge impact on the cash trading market of the country since it was able to grow 9 percent. Despite of continuous increase in turnover from derivative market there are certain issues posed by the derivatives. The problems being posed by derivatives viz. lack of homogeneous rules and accounting standards; the excessive freedom allowed to market players to innovate and the lack of complete statistics for

exchange-traded and OTC transactions

### Recommendations

Knowledge needs to be spread concerning the risk and return of derivative market. Investors should have knowledge of technical analysis, especially 5 Day moving averages as derivatives trading is for a short period of time. Investors should analyse their script with the help of 5 Day moving average before making their trades. Investors' portfolio should only consist of 15 – 20% Derivatives contracts or scripts. As derivatives trading is very risky, investors should have only a small portion of their portfolio consisting of derivatives. SEBI should conduct seminars regarding the use of derivatives to educate individual investors. As FII play a prominent role in Derivatives trading, an individual investor should keep himself updated with various economic trends, government policies, company and industry announcements.

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	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	17.583 <sup>a</sup>	8	.025
<b>Likelihood Ratio</b>	22.085	8	.005
<b>Linear-by-Linear Association</b>	.010	1	.921
<b>N of Valid Cases</b>	100		

a. 8 cells (53.3%) have expected count less than 5.

The minimum expected count is 1.36.

The value of chi-squared statistic is 28.958. The chi-squared statistic has 12 degree of freedom. The p value (.004) is less than 0.05. Hence there is significant relationship between income and investment in different type of derivative instruments.

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**IMPACT OF GOOD AND SERVICE TAX(GST) ON REAL ESTATE****Dr. Sanjay Aswale****Asha Shinde (Karbhar)**Head and Research Guide, Department of **Research Scholar, Pune.**

Commerce,

e-mail: aasha.karbhar@gmail.com

SCS College, Omerga (Maharashtra)

e-mail: nsaswale@rocketmail.com

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***Abstract :***

*GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country. Though the goods and services tax (GST) tax structure has been announced, there is still a lot of conjecture about which tax rate will be applicable to the real estate and construction industry.*

**KEYWORDS:** *Goods and Services Tax, Real Estate sector and Indian Economy.*

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**INTRODUCTION:**

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economy growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level . The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. Though the goods and services tax (GST) tax structure has been announced, there is still a lot of conjecture about which tax rate will be applicable to the real estate and construction industry.

**REVIEW OF LITERATURE:**

The various authors have studied on the topic of GST and Real Estate. The review has taken the research work done by various reporter and author in this study.



**Strong case for bringing real estate under GST: Finance minister Arun Jaitley**

Finance minister Arun Jaitley, while delivering a lecture at Harvard University on October 12, 2017, has said that the real estate sector should, ideally, be brought under the ambit of the Goods and Services Tax (GST). “The one sector in India, where maximum amount of tax evasion and cash generation takes place and which is still outside the GST, is real estate. Some of the states have been pressing for it. I personally believe that there is a strong case to bring real estate into the GST,” Jaitley said. The finance minister said the move would benefit consumers, as they will only have to pay one final tax on the whole product. “As a result, the final tax paid on the whole product under the GST, would almost be negligible,” he said.

**Will GST on real estate benefit home buyers and the sector?**

There are many issues and grey zones that need to be ironed out, before GST becomes a reality in real estate. Niranjan Hiranandani, president of NAREDCO, maintains that bringing real estate under GST’s ambit, will benefit the consumers who will only have to pay one final tax on the whole product.

However, if the GST slab for real estate is finalised above 12 per cent, then, home buyers and developers may take a hit, at a time when property prices are already unaffordable in many places.

Moreover, the finance minister will also have to convince states to come on board, to create a consensus. This maybe particularly tough, in states where real estate transactions are major source of revenue for the state, through stamp duty and property registrations

With the Goods and Services Tax (GST) intended to replace multiple levels of taxation, we look at how it will affect the real estate sector – from home loans and housing purchase to rentals, across various segments and the grey areas that will impact the final price for a home seeker

**OBJECTIVES OF THE STUDY:**

The study has following objectives

1. To study the impact of GST affected Real Estate.
2. To understand the benefits of implementing GST.
3. To focus the problems and challenges of GST and Real Estate.

**RESEARCH METHODOLOGY:**

**The study is based on secondary data. The secondary data is collected through published sources like news, books, journals, and also accessing web sites/internet.**

**NEED OF GST IMPACT REAL ESTATE**

The long-awaited revolutionary tax has finally been introduced. GST seeks to transform India with its “One Nation, One Market, One Tax” principle, and all signs indicate that India’s real estate sector won’t be left out of the transformation.

The real estate sector is one of the most pivotal sectors of the Indian economy. It is the largest employer in the economy after agriculture, contributing an average of 5-6 percent to the GDP — a contribution that is set to grow at a compounded annual growth rate (CAGR) of 30 percent over the next 10 years. By one account, the sector will be worth a staggering \$180 billion in revenues by 2020.

In the past, the real estate industry was embroiled in disputes due to ambiguity in provisions as well as multiple taxation. GST is expected to simplify taxation compliance and have a positive impact on the industry as a whole.

**Impact on real estate buyers & investors**

Under the earlier law, buyers were liable to pay taxes depending on the construction status of the property, i.e., whether the property was under construction or complete. When purchasing a property under construction, a buyer was subjected to the payment of VAT, service tax, stamp duty, and registration charges. Properties purchased after completion were exempt from VAT and service tax, and only stamp duty and registration charges were payable. Moreover, the state where the property was located was also a relevant consideration because VAT, stamp duty, and registration charges — all being state levies — varied from state to state.

The biggest takeaway is that GST is a simple tax that applies to the overall purchase price. All properties under construction will be charged at 12 percent of the property value. This excludes stamp duty and registration charges. For completed properties, the earlier provisions will continue and buyers will pay no indirect tax on sale of ready-to-move-in properties.

**Impact on developers**

Previously, developers were liable to pay customs duty, central excise duty, VAT, entry taxes, etc. on construction material costs. They also had to pay a 15 percent tax on services like labor, architect fees, approval charges, legal charges, etc. Eventually, this tax burden was transferred to the buyer.

Under the new regime, however, the changes in construction costs are not as difficult. For instance, cement will now be taxed at the rate of 28 percent under GST. This is higher than the current average tax rate of approximately 23-24 percent, but a lot of additional taxes charged over the average rate will now be subsumed under GST. Iron rods and pillars used in the construction of buildings are now charged at the rate of 18 percent, which is less than the previous average rate of 19.5 percent.

Furthermore, the reduced cost of logistics will result in a reduction of expenses as well. The input tax credits will also help in increasing profit margins. A developer will be entitled to take input credits on the sale of property under construction against the taxes that are paid by the buyer. All this is expected to bring down the project cost to the developers, and the developers will have to pass on the benefit of the price reduction to the buyer.

Prior to GST, a huge percentage of each real estate project expenditure went unrecorded in the books. GST will cut down this percentage due to cloud storage of invoicing. The real estate sector will also benefit with the new tax law having a positive effect on all ancillary industries since this sector has a stimulating demand for more than 250 ancillary industries.

#### Input Service Distributor (ISD) concept

Under GST, an ISD concept has been proposed for transferring the tax credit of input services between two or more locations. Any supplier of goods or services can be considered an ISD. An ISD can transfer credit for all types of GST, including CSGT, SGST, or IGST. Further, an ISD can be any supplier of goods or services. Considering the possibility of multiple state registration, an ISD could be used as a tool to ensure optimal utilization of head office related credit, resulting in actual cost reduction. Furthermore, assessee of a reasonable size having ISD facility will have to file 61 returns in a year.

#### Compliance requirements

Compliance requirements are bound to increase in the GST era, however, so businesses will need to gear up. All assesses (including composite dealer) will now be required to file annual returns on or before 31<sup>st</sup> December following the relevant financial year. Moreover, assesses must file annual returns for each registered branch and warehouse. There is a mandatory audit requirement by Chartered Accountant or Cost Accountant where the registered entity's aggregate turnover during financial year crosses Rs 1 crore. In cases where an audit is mandatory, the annual returns need to be accompanied

by a copy of the audited annual account and reconciliation statement that reconciles annual returns audited accounts.

## **PROBLEMS /LIMITATIONS WITH GST EFFECT REAL ESTATE**

### **Intent of the GST**

The GST will subsume central excise, service tax, VAT and other local levies to create a uniform market. GST is expected to boost GDP growth by about 2 per cent and check tax evasion. States will have to pass their State GST or SGST law that will allow them to levy sales tax after levies like VAT are subsumed.

### **Tax structure under the GST**

The GST Council has recommended a four-tier tax structure – 5, 12, 18 and 28 per cent. On top of the highest slab, a cess will be imposed on luxury and demerit goods, to compensate the states for revenue loss in the first five years of GST implementation. However, the Central GST (CGST) law has pegged the peak rate at 20 per cent and a similar rate has been prescribed in the State GST (SGST) law, which takes the peak rate to 40 per cent which will come into force only in financial exigencies.

### **GST's impact on taxes**

In the present tax system, there are a lot of different taxes that one has to pay, like the VAT, octroi or the local body taxes. GST will subsume all these taxes into it. Diipesh Bhagtani, Chairman-Exhibition, CREDAI-MCHI, explains: “Instead of paying various taxes, at various states and cities, we would soon have just one tax that is going to benefit us. So, in this process, a lot of labour will be saved, along with large sums of money. Also, we look at taxes to be in line with the standard of the absorption of the industry. We as an industry, who have been suffering from excess of taxes, which in sum, amounts to 40%; if all that can be reduced then it's a big advantage to all of us.”

### **See also: GST impact on the realty sector: The short to long-term analysis**

	<b>Bengaluru</b>	<b>Mumbai</b>	<b>Pune</b>	<b>Chennai</b>	<b>Gurugram</b>
VAT	4.0%	1.0%	1.0%	2.0%	4.0%
Service Tax	4.5%	4.5%	4.5%	4.5%	4.5%
Stamp Duty	5.7%	5.0%	5.0%	7.0%	6.0%
Registration Charges	1.0%	1.0%	1.0%	1.0%	0.5%
Total Taxation	15.2%	11.5%	11.5%	14.5%	15.0%

**Current real estate transaction taxes**

Source: Industry, JM Financial

**Impact of GST on real estate**

The construction of a complex building, civil structure, or a part thereof, intended for sale to a buyer, wholly or partly, is subject to 12 per cent tax with full input tax credit (ITC), subject to no refund in case of overflow of ITC. In other words, residential construction services, will invite GST at the rate of 12 per cent, which will apply to developers selling residential units before completion of construction to the home buyers.

According to the JM Financial report on GST, for states with non-composite VAT (Karnataka, Tamil Nadu, Andhra Pradesh), the transaction value changes marginally from 10-11% to 12% under the new regime. With input cost credits available, developers in these regions may witness improvement in margins in case no price revision takes place (subject to the anti-profiteering clause).

Abhishek Anand, assistant vice-president (Equity Research), JM Financial Ltd, explains: “In the current regime, states with composite VAT require developers to pay lower VAT rates on the total property value without any input tax benefit (Maharashtra, Haryana) or partial benefit (intra state offset- Bangalore). Under this regime, developers pass on the transaction cost – VAT (1%) and service tax (4-5%) to buyers (total 5-6%). Developers get offset for only the input service tax component. In the GST regime, the transaction cost increases to 12%, with input credit available on both, services and material. Property transaction costs will increase by 6%, in case no input credit is passed on by developers. If developers pass on the input credit to buyers, the property price increase could be restricted to 1-2%.” If the developers pass on the credits completely and bring down the base prices, then, home buyers may marginally benefit under the GST regime.

Nevertheless, stamp duty will continue to be applicable, irrespective of whether the property is under-construction or constructed, in the pre-GST and post-GST regime.

**Will GST help home buyers?**

With the introduction of the Goods and Services Tax (GST), the total incidence of tax will increase from 5.5 per cent to 12 per cent. However, developers will be able to avail of input credit, on all the goods and services purchased and spent in the construction of the property.

Shrikant Paranjape, president of CREDAI Pune Metro, maintains that “The impact of the GST on property prices, will be difficult to gauge at this stage because of the lack of clarity on abatement for land value. In a product, where the major raw material is not covered by the GST and the completed unit is also not covered by the GST, the tax input benefit will be hard to calculate or justify. Only the market forces, the ready reckoner rates and time, will decide whether and how much benefit will be passed on by the developers to the purchasers.”

Moreover, the prices of input materials can also be volatile. Cement and steel prices can soar, without warning. Similarly, sand is always in short supply and not available in the monsoons. Hence, it is likely that these industries may not pass on the entire benefit of tax credit.

Another important factor that needs to be examined is the stage of construction. If the project is at an advanced stage, where substantial cost has already been incurred before the application of the GST, very little input credit will be available and very less benefit will be passed on. If the project is at an early stage, more benefits can be passed on.

#### **GST on under construction property – Affordable housing**

It is important to note that if GST exemption is extended to affordable housing projects (affordable housing is currently exempted from service tax and a clarification is expected from the government for exemption from GST), then, affordable homes may become cheaper under the GST regime.

#### **Impact of GST on property prices – Luxury segment**

In the case of premium properties, while the basic construction cost may come down a little, but as the input tax credit is limited to 12 per cent, it will not be sufficient to bring down the fresh tax liability to nil because of the taxes paid on other expenditures.

HSN	Description of goods	Rate
Chapter 72	Steel	18 per cent
2523	Cement	28 per cent
6802	Marble and granite	28 per cent
2515	Blocks of marble and granite	12 per cent
Chapter 68	Sand lime bricks and fly ash bricks	12 per cent
2505 & 2517	Natural sand, pebbles, gravel	5 per cent
8428	Lifts and elevators	28 per cent

**GST rates for real estate – Input materials**

Data provided by: BMR

Under the tax regime, many of the construction materials are under the 18 and 28 per cent slab. For example, steel and steel products, are mostly in the 18 per cent segment and cement and prefabricated structural components for building or civil engineering, are in the 28 per cent slab. However, as the input tax credit is available on products utilised for construction, the overall tax incidence should be neutralised.

**Reverse charge mechanism in GST and its impact on construction costs**

The mechanism, where the recipient of services pays the service tax, is called as 'reverse charge mechanism' (RCM). The same concept, with wider application, has been borrowed from the service tax laws in the Goods and Services Tax (GST) regime.

A developer has to pay GST on services availed, like those provided by a person who is located in a non-taxable area, services provided by goods transporters, legal services provided by an individual or firm, etc. The developer also has to pay GST under the reverse charge mechanism, on the services provided by government or local authorities, like municipalities, etc. Nevertheless, some of the services provided by the government, like renting of premises, specific services provided by the postal authorities, transport of goods by railways or by state transport undertakings, etc., are outside the scope of the GST, similar to the service tax regime.

A significant departure under the GST laws, compared to the erstwhile service tax provisions, is that under the reverse charge mechanism in GST, a person who is registered under the GST has to pay GST on all the services and goods that are procured from a person who is not registered under GST.

This has significantly expanded the scope of the reverse charge mechanism for all taxable persons and it will adversely affect the developers. Moreover, the tax payable under the reverse charge mechanism under the GST, cannot be adjusted by the developer against the input credit available from the GST paid on the inputs, but has to be paid by cash/bank payment.

So, under the GST, the builders are worse off, due to the dual effect of the levy of GST on the services availed from unregistered person, as well as the requirement to discharge the reverse tax on goods received from unregistered suppliers. This will certainly increase the costs for the developer, especially the small developers who were availing goods and services from unregistered suppliers earlier and were not bearing the cost of taxes to that extent.

*GST on ready properties*

If the OC for the project has been received, then, no GST will be applicable. A CRISIL report points out that at present, a developer pays excise tax and VAT, on inputs like cement and steel, at 27.7 per cent and 18.1 per cent, respectively, which vary from state to state. Now, under the GST regime, cement and steel will be taxed at 28 per cent and 18 per cent, respectively, while other inputs like paint and white goods, will be taxed at 28 per cent. The final product – the housing unit – will be taxed at 12 per cent, with credit for taxes paid on inputs. As the tax levied on the entire cost including the land will be 12 per cent, the amount would be sufficient to provide for the input credit for developers. Hence, a buyer opting for a ready-to-move-in apartment, is saved from the tax burden.

However, the tax calculations under the GST regime, for the real estate market, are not so simple. For example, the GST on under-construction projects will be charged to home buyers on the sale price but the credit can be availed by the developers, only on the cost of construction. As the builder will have to pay the GST on the full project and the input availed is only on the construction cost, there may be a gap that is no less than 30 per cent. Consequently, whether you opt for an under-construction property or ready-to-move-in unit, the developer will hike the prices in that proportion, to make sure this gap is bridged.

**GST on property rentals**

“Credit/set-off of input GST is available to a developer, if the sale is executed prior to obtaining the completion certificate or prior to first occupancy. However, this credit is not allowed if the developer chooses to rent out the property. Hence, we might see a spike in commercial rentals,” explains Amit Sarkar, partner and head – indirect taxes, BDO India.

GST has also been levied on the renting of residential property, for use as an accommodation. Consequently, tenants may witness a hike in rent payment under the GST system, as there is no service tax applicable on residential properties, in the existing system.

**Here’s how the GST will impact the tax computation on rental income:**

With the clubbing of taxes on goods and services, under the GST regime, the confusion about levy of separate tax on service and goods is done away with.



Unlike under the service tax regime, the threshold limit for applicability of GST has been increased from Rs 10 lakhs to Rs 20 lakhs. So, many of the landlords who were covered under the service tax regime, will go out of the indirect tax net, under the GST. It may be interesting to note that for the purpose of computing the aggregate limit of Rs 20 lakhs under the GST, all the taxable, as well as exempt goods and services supplied, shall be taken into account. So, unlike the service tax regime, where it is only the taxable services, which are taken into account for determining whether you have crossed the basic threshold, under the GST, the value of all the service and goods supplied in India, as well as exported, whether taxable or exempt, are taken into consideration for the Rs 20-lakh limit. The GST is proposed to be levied at 18 per cent, on the letting-out of commercial properties.

There is one more major tax implication under the GST, with respect to rent on commercial properties. The parliament has borrowed the concept of 'reverse charge mechanism' from the service tax regime, under the GST. However, unlike in the service tax regime, where the reverse charge mechanism is applicable in case of services and is not extended to the sale or manufacturing of goods, the same is made applicable for goods as well as services, under the GST regime. A person who is registered under GST, who gets supplies of goods or services from a person who is not registered under GST, will have to pay the GST under the reverse charge mechanism. Under the service tax regime, there is no provision of reverse mechanism, with respect to the rent paid by the lessee. The proposed GST provisions, due to the increased rate and the levy under the reverse mechanism, will eventually make it costlier to take any commercial premises on rent.

### **Will GST make home loans expensive?**

Before evaluating the likely impact of the GST on home loan costs, it is important to understand the components that will be impacted by the increased rates under the GST. The main cost of taking a home loan, is the interest payment on the money. This cost will not change, as there is no service tax or GST on it. Similarly, any stamp duty charged in connection with the documentation of the home loan, will not change with the GST, as stamp duty is not subsumed under the GST.

However, there are various charges that are levied by lenders on home loans. First and foremost is the processing fee that is paid at the time of taking the home loan. At present, it is 15 per cent but it will go up by 3 per cent under the GST, to 18 per cent. This is generally a one-time cost and its overall impact on your home loan tenure, will

be insignificant. The banks may also recover other charges like advocate fees, valuation charges, etc., in connection with the home loan, which will go up proportionately.

Like the processing fee paid at the time of application, you may have to pay prepayment charges, in case you decide to prepay the home loan before the completion of its tenure or shift the home loan to another lender. This is generally payable, in case the home loan is taken under a fixed rate of interest. For floating rate home loans, banks cannot levy any prepayment charges. Housing finance companies can, however, levy the prepayment charges, if you decide to shift the home loan to another lender. However, for payment of the home loan from your own resources, the housing finance companies cannot levy any prepayment charges.

The lenders can also charge you for any EMI default, either due to return of the cheque or ECS return, on which the GST rates will go up. So, it is practically on all the charges that are recovered by the lenders that the GST rates will go up by 3 per cent.

### **How are banks affected by the GST?**

The implementation of the GST, will bring some tax savings for the lenders, as the input credit with respect to the services availed, as well as goods purchased, will be available for set off, against the GST output taxes liability. However, the reverse charge mechanism, which is borrowed from the service tax regime and which is expanded under the GST, will adversely affect the profitability of banks. Moreover, lenders are now required to register in all the state under the GST, whereas, under the service tax regime, they could have obtained one centralised registration. This will significantly increase the compliance costs of the lenders and affect their profitability.

### **Grey areas in the GST that could determine the final price of properties**

It is still not clear what would be the abatement available for the land cost, for calculating service tax on under-construction projects. The abatement rules, as applicable under the service tax regime and the input tax credit facility for developers, will determine if the effective tax incidence on real estate, is lower or higher under GST.

Effectively, the composition scheme allowing for abatement against cost of land to the extent of 75 per cent of the house cost, for residential units priced under Rs 1 crore and less than 2,000 sq ft, makes the effective rate at 3.75 per cent. In other cases, the abatement goes down to 70 per cent, making the effective rate at 4 per cent. This will go a long way, in determining whether GST is tax neutral or tax adverse for real estate.

In addition, as states have different state-level taxes, the implication of GST may not be uniform, across all states.

## **FINDING AND CONCLUSION**

- While the government has attempted to keep the rates similar to the existing incidence of central excise duty plus VAT, we could see a marginal increase/decrease in tax rates. However, the availability of credits, surpass the marginal increase in tax rates.
- The GST is slated to be applicable on financial services, at the rate of 18 per cent. Hence, home loan processing charges are likely to increase under the GST regime.
- Property rents will increase, for developers engaged in the construction of properties on their own account and subsequent renting of the premises, as the GST credit shall not be available in the hands of such developers. Hence, with an increase in tax rates on the input side, property rentals may spike.
- As the relevant tax would have been incorporated by the developer, at the time of receipt of the payment or issue of the demand letter for payment.
- GST at the rate of 12 per cent shall be levied on properties that are under construction, where the completion or first occupancy certificate has not been received.
- A resale property is an immovable property. Thus, it is not covered under the definition of ‘goods’ under the GST regime and hence, there will be no impact.
- An office purchased by a businessman, will result into the purchase of an immovable property and this transaction is out of the purview of the GST and hence, GST shall not be levied. Therefore, the question of input credit doesn’t arise at all.
- As per Section 171 (anti-profiteering clause) of the CGST Act, 2017 and as per the recent press release specifically for real estate sector, a developer is mandatorily required to pass on the benefit accrued from the implementation of the GST. Hence, keeping the margin same, a developer has to evaluate the revised pricing. However, given the fact that after obtaining the completion certificate or its equivalent, credit shall be restricted to the developer, it shall be interesting to see how the anti-profiteering sections are administered by the government.
- Real estate builders will now receive the benefit of input credits, on materials such as steel, cement and sand, which will be deducted from their tax liabilities. It has

been anticipated by the government that builders will transfer these benefits to the end consumer, by way of price reduction, to boost consumer demand in a tepid sales environment.

- The numerous queries related to GST on the real estate sector, are likely to be answered gradually over time, as people get more acquainted with the new tax law. Although the GST may cause a marginal rise in prices in certain segments of the property market in the short term, but in the long run, this tax regime is expected to be a game changer that will boost the growth of the real estate industry.

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## A STUDY OF IMPACT ON CASHLESS TRANSACTION DUE TO DEMONETIZATION IN INDIA

**Asst.Prof. Srinivasulu Komarashetty**

International School of Business and Media-Nande, Pune.

Mobile No:- 9420425094

Mail Id:- komarashetty.srinivas@gmail.com

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### **Abstract:**

*Money emerged when the unlimited wants of humans were not met through the barter system. Money forestalls “the double coincidence of wants”. For every economy, money is considered as the life blood. On 8th November, 2016 around 8 p.m., the Prime Minister of India brought the demonetization with the statement that with effect from 9th November 2016 Rs.500 and Rs.1000 rupees’ currency notes are invalid except in some essential services for the time being. The paper focuses about the shift of demonetization taken by Central Government of India on 8th November, 2016 with regards to its reasons and impact on cashless transactions.*

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### **Introduction:**

The demonetization of Rs.500 and Rs.1000 currency notes by the Prime Minister of India, with effect from 9th November 2016 has primary aim of curbing black money. Antimoney Laundering, Eradicating Counterfeit Notes and so on. Demonetization process boosts up using E-Transactions among Indians. Facilitating faster payment services .The payments eco-system in the country provides multiple options to different segments of users for funds transfer as well as for making payments in exchange of value for goods and services. With increasing adoption of electronic payments, particularly those driving e-commerce there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions.

### **Literature Review:**

Ashish Das, and Rakhi Agarwal, (2010) in their article “Cashless Payment System in India- A Roadmap” Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track

transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

Jain, P.M (2006) studied about the e-payments and e-banking. With the help of technological advancement, rapid payment options and other features, there will be an optimal use of funds for banks, other financial institutions, and business houses and so on. He also elaborated the importance and need for e-payments and modes of e-payments and communication networks.

Annamalai, S. and Muthu R. Iiakkuvan (2008) in their article “Retail transaction: Future bright for plastic money” projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

#### **Objectives Of The Study:-**

- To study Role of Demonetization in India.
- To study the usage of various mode of electronic payment.
- To study the effect of demonetization on cashless transaction in India.

#### **Methodology:**

The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

#### **Demonetization In India:**

Demonetization is not happening first time in India. Earlier in 1946, the 1000 and 10,000 denominations notes were demonetised in order to eradicate unaccounted money. The notes with the denomination of 1000, 5000 and 10,000 were re-introduced in 1954 and once again they were demonetised on January 1978. After around 36 years the demonetization was done in 2016. There are several unorganised sectors in India which are completely based on cash economy. “In a historical move that will add record strength in the fight against corruption, black money, money laundering, terrorism and financing of terrorists as well as counterfeit notes, the Government of India has decided that the 500 and 1,000 rupee notes will no longer be legal tender from midnight, 8th November 2016. The Government has accepted the recommendations of the RBI to issue 2,000 rupee notes and new notes of 500 rupees will also be placed in

circulation.” – Prime Minister, Mr. Modi on implementing demonetization on 8th November 2016.

The value of currency withdrawn under demonetization accounts for almost 86 per cent. The coverage of this demonetization is much wider than the previous demonetization attempts. The trouble in the economy caused by this demonetization could both be temporary and permanent. Without the availability of liquid cash in hand, the households and retail sectors are widely affected to carry out their day to day transactions like buying commodities, eatables etc. The permanent impact will be on sectors such as real estate where the transactions are largely done through cash. But on the long run, there will be a useful change. Apart from the operational challenges, there is a behavioural change expected among people to use the e-transactions options in India for making and receiving payments. This kind of transition requires two changes in behaviour:

- 1) Agents must move from tangible means to forms which are less tangible or not tangible.
- 2) They must learn to believe on technologically advanced tools.
- 3) The latter requires agents to be educated to the extent of comprehending the content of transactions.

If this transition is managed properly at any cost, agents might be tempted to move to non-official cash substitutes. The demonetization hits the retailing sector of India, though there is increase in sales by cards it is lesser than the fall in cash sales. Post demonetization there is 20 per cent increase in prepaid orders whereas the cash on delivery sales dropped by 30 per cent which eventually brought the overall fall in retailing by eight per cent. Demonetization hit on e-commerce retailers in percentage of change in Cash on Delivery option, prepaid orders and overall change.

In India, currency to GDP ratio is very much higher. There will be a distinct gain if the demonetisation forces the society to move to digital transactions. Millions of bank accounts have been opened under Jan Dhan Yojana and remain dormant, this can be sorted out and made active. The Non-banking finance companies (NBFCs) whose main business is to lend loan to small traders and local communities face difficulties in collecting loan dues due to demonetization. Since a large part of the repayment of loans they get are in cash the demonetization hit them hard.

**Various Mode Of Electronic Payment:-**

The government of India wants its people to cashless but it has its own pros and cons. Earlier, the online transactions were done only through debit and credit cards or through net banking. These options always had the issues of security and were not user friendly. After the smart phone revolution, there is a explosion in digital payment options. Some cashless payment options in India are as follows:

- **Net Banking** – Almost all banks provide the Net Banking facility to its customers. All that the customers need to do is to enable the e-banking facility for their bank account to go cashless. By this most convenient way, the customers can do all their transactions without visiting the branch. We can make payment, transfer and receive amount by ourselves through this e-banking facility.
- **Plastic Money** – The Debit and Credit cards which are used for transactions in ATM and in Point of Sales are known as the Plastic money. This plastic money reduces the security issues of carrying the liquid cash.
- **E Wallets** – E-wallets became very much popular nowadays. These e wallets make use of phone number or the QR code and the transactions will be done in matter of minutes.
- **UPI** – Unified Payments Interface is another great way for cashless transactions... Through UPI we can transfer the amount very easily all that we need are two important things, Smartphone and Bank account. The recent app developed by National Payment Corporation of India, based on UPI, is BHIM.
- **Aadhaar Card** – By linking the Aadhaar card to our bank account we can make use of Aadhaar card enabled payment system. After linking our Aadhaar card to our bank account, we can do our transactions by means of our finger prints.

**Effect of Demonetization on Cashless Transaction in India:-**

- **Low Time Consumption:** - Cashless transactions reduce the time consumption for the customers and also it minimizes the count of customer complaints. The customers, with the help of various options for cashless transactions, transfer or receive the amount in matter of minutes and saves the time of visiting and carrying out the transactions in the bank branch.
- **Safe and Secure:** - Cashless transactions provide high end security by means of availing the facility of fingerprints and One Time Password (OTP) for every transaction.



- **Cost effective to Banks:** - If a transaction is done manually at the branch of the bank it costs Rs.40 to 45 but if the same transaction is done through online it costs roughly Rs.7 to 8. This reduces the cost of operation for the banks and also makes it convenient for both banker and the customer.
- **Control of Black Money and check for Anti money laundry:** - There is a traceability feature in e banking unlike the cash transaction so it is easy to check the anti-money laundry and black money circulation in the country. It reduces many financial scams in our country and enhances the proper economic growth.
- **Up-gradation of technology:** - The shift from the conventional banking to cashless transactions brings technological advancement. The banks increase their ATMs, PoS machines count and various other features in the e-banking domain periodically.

### **Conclusion:**

The cashless transaction system is reaching its growth day by day , as soon as the market become globalized and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system.

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## A STUDY ON GDP OFFICIAL EXCHANGE RATE 2017, GROWTH AND WORLD COUNTRY RANKS

**Ms. Pratiksha Govind Harpude**

Student (M.S.)

ASM's IBMR

**Dr Arun P Pardhi**

Professor

ASM's IBMR

**Dr. S.P.Kalyankar**

Professor

ASM's IBMR

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### **Abstract:**

*India's economic momentum has been affected by disruptions from the withdrawal of banknotes and uncertainties around GST. India's GDP may slow down from 8.6 in 2015 to 7.0 percent in 2017 because of disruption by demonetisation and the GST, the World Bank has forecast the private investment may reduce. The IMF also lowered India's growth projection to 6.7 percent in 2017 even slower than China's 6.8 percent.*

*According to the bank the GST will slow down economic activity in early 2018 but it may pick up and the growth activity may stabilise within a quarter.*

*The global growth in various sectors of economic activity is improving. It is projected to rise to 3.6 percent in 2017 and 3.7 percent in 2018. There are some economies with upswing while others have downward revisions. The broad based upward revisions in euro area, Japan, emerging Asia, Europe and Russia may help to strengthening the global growth while little less offset due to downward revisions for US and UK. The growth remains weak in many countries of the world and inflation is below target in most advanced economies. In commodity exports fuel are particularly hard hit as their adjustment to a sharp slowdown in foreign earnings continues.*

**Key Words:** Growth, India, Purchasing Power parity, world.

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### **Introduction:**

There is broad uncertainty in the global growth due to many challenges faced by different countries. The US economy heads into 2018 with strong growth momentum. The global growth may reach 4 percent as expected. The global economic environment headed into 2018 is about as good as it gets said by Goldman Sachs researchers chief Economist Jan Hatzius.

The Chinese economy is one posting huge growth rates. The list of few countries with the highest projected compound annual growth rates (CAGR) from 2014 through 2017 based on the forecasts from the World Bank Global Economic Prospects. These

forecasts growing economies are not among the largest, most developed ones. Most of these countries suffer from high income inequality, low per capita GDP, political instability and corruption. The CAGR of the thirteen fastest growing economies includes China (7.10%), Rwanda (7.1%), Tanzania (7.1%), Mozambique (7.30%), Bhutan (7.5%), India (7.57%), Papua New Guinea (7.6%), Cote dlvoire (7.8%), Uzbekistan (7.8%), Myanmar/Burma (8.3%), democratic Republic of the Congo (8.6%), Turkmenistan (8.0%) and Ethiopia (9.7%) as per source of World Bank CIA World fact Book. It is the compound annual growth rate average for 2014, 2015 and 2017 taken together. However, in the present study economies with their GDP contribution more than one trillion are only considered by considering GDP, PPP and growth rates to meet the objectives of study.

The specific objectives of the study are:

**Objectives:**

1. To identify the top countries by their GDP in the world by 2017
2. To work out the contribution of top countries in World GDP.
3. To rank the countries by nominal GDP contribution in the World.
4. To examine the rank variation by ration of PPP/GDP in 2017 or top 15 countries of the World.
5. To examine and compare the CAGR of top economies of the World.

**Research Methodology:**

GDP is the total market value of all the final goods and services produced in a country in a given year. In nominal method, market exchange rates are used for conversion. To make meaningful comparison. PPP is used to compare economies and incomes of people by adjusting for differences in prices in different countries.

The data is collected from secondary sources and internet. The collected data were analysed with simple tools like averages and percentages to meet the objectives of the study. The countries with their nominal GDP more than one trillion are considered in the study for analysis, however the study is based on data collected from 199 countries of the World. The compound growth rate are also considered for comparison to examine fastest growing economies with GDP greater than one trillion.

**Results:**

It is revealed from the analysis that gross World product in 2017 is projected at \$77.99 trillion. The GDP of these 191 countries (PPP) is forecasted at \$126.69 trillion. The global economy is 1.62 times greater in PPP terms compared to nominal terms. Out of

191 countries, 181 have higher value in PPP basic and 9 (nine) have higher in nominal while for US, both values are identical.

Both US and China economies have GDP above \$1 trillion, 62 have above \$100 billion and 177 have above \$1 billion. Top five economies account for more than 53.8 percent whereas top ten accounts for more than 67.1 percent. Top twenty economies add up to over 80 percent. It is also revealed that 92 smallest economies only contribute 1 percent in global wealth and 154 lowest ranked constitute only 10 percent of total world GDP.

In PPP data, 25 economies, 10 more than nominal would have GDP above 1 trillion. 84 economies have GDP greater than \$100 billion and 181 have greater than 1 billion. The top 5 economies adds up to 48 percent of the world's economy. Top 10 economies add up over 61 percent and the top 20 economies add up to over 75 percent. 81 smallest economies only share 1 percent in global wealth and 148 lowest ranked share only 10 percent of total.

The information about the annual compound growth rates, GDP nominal in USD. The contribution of GDP in the total world GDP by each of these economies Purchasing Power Parity to GDP ratio and change of country ranks is given in Table1.

**Table 1: Countries with GDP in Trillion (\$)**

Country	Growth Rate 2016	\$ Nominal 2017	% in World GDP 2017	PPP/GDP 2017	Ratio PPP/GDP Rank
United States	1.60	19.41	24.8	1.000	14
China	6.70	11.79	15.1	1.966	4
Japan	1.00	4.84	6.2	1.120	12
Germany	1.80	3.42	4.3	1.208	9
UK	1.80	2.49	3.2	1.164	10
France	1.20	2.46	3.1	1.170	11
India	6.90	2.45	3.1	3.866	1
Italy	0.90	1.80	2.3	1.274	8
Brazil	3.60	2.14	2.7	1.502	5
Canada	1.40	1.56	2.0	1.095	13
South Korea	2.80	1.49	1.9	1.355	7
Russia	0.20	1.56	2.0	2.523	3

Australia	2.50	1.35	1.7	0.920	15
Spain	3.20	1.23	1.5	1.435	6
Indonesia	5.00	1.02	1.3	3.192	2

Source: World Fact Book 2017(CIA) & IMF World Economic Out Look (2017)

### **Top 10 Countries in The World by GDP:**

It is revealed from the Table 1 that US (24.8%), China (15.1%), Japan (6.2%) , France (3.1%), Germany (4.3%), UK (3.2%), India (3.1%), Italy (2.3%), Brazil (2.7%) and Canada (2.0%) are the major countries identified with the greater contribution in the world GDP by 2017.

The contribution of these top 10 countries accounted for more than 66 percent in the world GDP by 2017.

### **Rank Order of Countries by Nominal GDP and Ratio of PPP to GDP:**

On the basis of nominal GDP United State rank first as the largest economy in the world with its GDP 19.41 trillion USD. The second largest economy is China with its nominal GDP 11.79 trillion USD. The other economies include Japan with GDP of 6.2 trillion USD followed by Germany, UK and France with their GDP of 4.3, 3.2 and 3.1 trillion USD in 2017. The next largest economy ranking 7<sup>th</sup> by its nominal GDP is India with 3.1 trillion USD in 2017.

It was interesting to note in the study that India ranked as Worlds first economy in terms of its ratio of Purchasing Power Parity (PPP) to GDP in the entire world even though it was 7<sup>th</sup> by nominal GDP.

The second rank in terms of ratio was for Indonesia even though its rank by nominal GDP was 15 among the large economies of the world with their GDP above 1 trillion.

Russia ranked third in terms of PPP though it was 12<sup>th</sup> by GDP in the world rank.

China ranked fourth by PPP even though it was second in rank for size of its GDP in 2017 in the world.

US was the 14<sup>th</sup> country in rank in terms of PPP though first with respect to GDP as the largest economy in the world.

Amongst the other largest economies under study the rank orders by their nominal GDP was Italy, Brazil, Canada, south Korea, Russia, Australia, Spain and Indonesia while this rank changed with respect to PPP of rest of the economies under study.

It was Brazil (5<sup>th</sup>) followed by, Spain, South Korea, Italy, Germany, UK, France, Japan, Canada, US and Australia (15<sup>th</sup>) with respect to PPP.

**Compound Annual Growth Rates of Largest Economies:**

Comparative CAGR for 15 largest economies are given in Table 1 for 2016.

It is revealed from the table that the highest CAGR was observed in India (6.90%) followed by China, Indonesia, Spain, South Korea and lowest (0.90%) in case of Italy. The negative CAGR were observed in Brazil and Russia.

**Conclusions:**

- 1) Top 10 economies by nominal GDP were US, China, Japan, Germany, UK, France and India.
- 2) In terms of PPP to GDP India ranked the first in the world.
- 3) The contribution of top 10 economies in world GDP was highest by US followed by China and Japan. India remained 7<sup>th</sup> in it.
- 4) Comparative CAGR was the highest in India for GDP followed by China.

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## STUDY OF IMPORTANCE OF MEDICAL AND WELLNESS TOURISM IN STRENGTHENING INDIAN ECONOMY

**Asst. Prof. Mugdha Bapat**

Mobile no.:9920306509

Email Id: mugdha.shri@gmail.com

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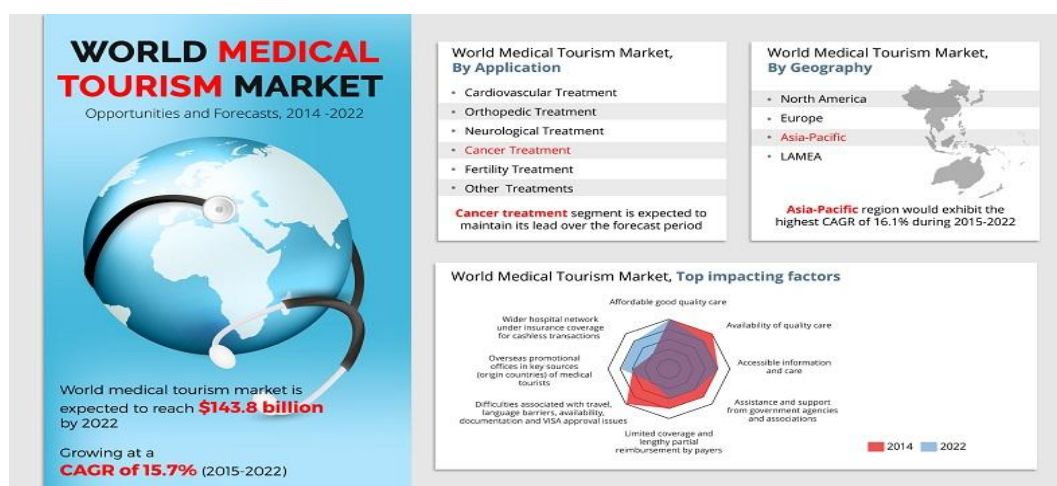
### **Abstract:**

***Medical tourism** is a growing sector in India. In October 2015, India's medical tourism sector was estimated to be worth US\$3 billion. It is projected to grow to \$7–8 billion by 2020. According to the Confederation of Indian Industries (CII), the primary reason that attracts medical value travel to India is cost-effectiveness, and treatment from accredited facilities at par with developed countries at much lower cost. **Wellness tourism** is on the rise in India with the Ministry of Tourism, India is promoting and tapping wellness tourism potentials and destinations within the country. The Ministry states that, it is being done by positioning India as a centre of Ayurveda, Yoga, Sidha and Naturopathy together with the spiritual philosophy that has been integral to the Indian way of life. With the easing of visa restrictions, India is likely to see an increased flow of visitors from the Gulf countries for medical tourism. With increasing numbers of patients, a number of hospitals have hired translators to make these patients feel more comfortable while at the same time helping in the facilitation of their treatment. Indian Healthcare Federation is an independent non-statutory body comprising of non-government hospitals, diagnostic centers, medical equipment manufacturers and pharmaceutical industries. The main objective of the Federation is to promote and encourage healthcare industry in the country; it seeks to function as a liaisoning medium between Government, health providers, medical equipment manufacturers and other medical institutions. The research has described the impact of growth in the Indian medical and wellness tourism market for strengthening Indian Economy.*

### **1.1 Introduction:**

**Medical tourism** also called medical travel, health tourism or global healthcare is a term used to describe the rapidly-growing practice of traveling across international borders to obtain health care services. These services typically sought by travelers

include elective procedures as well as complex specialized surgeries such as joint replacement (knee/hip), cardiac surgery, dental surgery, and cosmetic surgeries. Besides India, there are several Asian destinations like Singapore, Malaysia and Thailand which are offering medical care facilities and promoting medical tourism. India excels among them because of reputed health care professionals, quality nursing facilities, and no waiting time for availing the medical services. **Wellness Tourism** is about traveling for the primary purpose of achieving, promoting or maintaining maximum health and a sense of well-being. The Indian systems of medicine, that is Ayurveda, Yoga, *Panchakarma*, *Rejuvenation Therapy*, etc., are among the most ancient systems of medical treatment, in the world. India can provide medical and health care of international standards at comparatively low cost. Most of the hotels/resorts are coming up with Ayurveda Centres. The leading tour operators have included Ayurveda in their brochures.



## 1.2 Statement of Problem under study:-

**Medical tourism** is a growing sector in India. In October 2015, India's medical tourism sector was estimated to be worth US\$3 billion. It is projected to grow to \$7–8 billion by 2020. According to the Confederation of Indian Industries (CII), the primary reason that attracts medical value travel to India is cost-effectiveness, and treatment from accredited facilities at par with developed countries at much lower cost. The Medical Tourism Market Report: 2015 found that India was "one of the lowest cost and highest quality of all medical tourism destinations, it offers wide variety of procedures at about one-tenth the cost of similar procedures in the United States. **Wellness tourism** is on the rise in India with the Ministry of Tourism, India promoting and tapping wellness tourism potentials and destinations within the country. The Ministry maintains that it is being done by positioning India as a centre of Ayurveda, Yoga, Sidha and Naturopathy



together with the spiritual philosophy that has been integral to the Indian way of life. To develop good marketing strategy for medical and wellness tourism, it is very much essential for government of India and tour operators to know needs, demands and preferences of the domestic and international tourists across India as well as various factors influencing their preferences. The proposed topic “**Study of Importance of Medical and Wellness Tourism in strengthening Indian Economy**” focuses on identifying and analysing the impact of growth in the Indian medical and wellness tourism market for strengthening Indian Economy.

### **1.3 Review of Literature:**

Khan M.A. (2005) et.al, wrote a book on “Principles of Tourism Development” which deals with hotel industry and tourism, these are the two significant sectors of modern day economy, tourists are honored guests and the hotels offer them the demanded hospitality. He also focused on the role of information technology in tourism industry.

Cooper C. (1999) et.al, has rightly underlined concept and indicators of tourism demands. He also emphasized on economic, environmental and socio-cultural impact on tourism development. He highlights issues pertinent to the future of tourism development.

Onkar Sumant (2017) et.al, have correctly stated that, the global medical tourism market is driven by affordability and accessibility of good quality healthcare services along with assistance from tourism departments and local governments. Additionally they mentioned that the availability of latest medical technologies in medical tourism hubs, throughout the world, is expected to fuel the market growth.

### **1.4 Objectives of the Study:**

1. To study current status of medical and wellness tourism market in India.
2. To identify importance of medical and wellness tourism in strengthening Indian economy.
3. To understand role of government in the development of medical and wellness tourism in India.

### **1.5 Research Methodology:**

**Research Methodology** is the course of action that is to be taken to achieve the goal of completion of the research. Research design is the major component of research methodology. Primary data is originated by the researcher for the specific purpose of addressing the problem at hand. Since the study includes identifying and analysing the impact of growth in the Indian medical and wellness tourism market for strengthening

Indian Economy secondary data was collected from various books, magazines, journals and periodicals available which were relevant to the topic under study.

### **1.6 Advantages of Medical Treatment in India - facilitated by Government of India**

Advantages of medical treatment in India include reduced costs, the availability of latest medical technologies, and a growing compliance on international quality standards, as well as the fact that foreigners are less likely to face a language barrier in India. The Indian government is taking steps to address infrastructure issues that hinder the country's growth in medical tourism. The government has removed visa restrictions on tourist visas that required a two-month gap between consecutive visits for people from Gulf countries which is likely to boost medical tourism. A visa-on-arrival scheme for tourists from selected countries has been instituted which allows foreign nationals to stay in India for 30 days for medical reasons. In Noida, which is fast emerging as a hotspot for medical tourism, a number of hospitals have hired language translators to make patients from Balkan and African countries feel more comfortable while at the same time helping in the facilitation of their treatment. Most estimates claim that, treatment costs in India start at around a tenth of the price of comparable treatment in America or Britain. Lower treatment cost does not necessarily mean lower healthcare standards. There are 21 JCI accredited hospitals in India. However, for a patient traveling to India, it is important to find the optimal Doctor-Hospital combination. After the patient has been treated, the patient has the option of either recuperating in the hospital or at a paid accommodation nearby. Many hospitals also give the option of continuing the treatment through telemedicine.

The city of Chennai has been termed **India's health capital**. Multi- and super-specialty hospitals across the city bring in an estimated 150 international patients every day. Chennai attracts about 45 percent of health tourists from abroad arriving in the country and 30 to 40 percent of domestic health tourists. Factors behind the tourists' inflow in the city include low costs, little to no waiting period, and facilities offered at the specialty hospitals in the city. Chennai is also a Mecca for wellness tourism. TTDC has identified **Meditour India**, a voluntary non-profit medical organization, as the nodal agency to promote wellness tourism. The organization comprises medical practitioners, tourism department officials and representatives of the health department. TTDC also provides guides to accompany foreigners seeking medical care.

**a) Easing of visa norms to boost medical tourism**

With the easing of visa restrictions, India is likely to see an increased flow of visitors from the Gulf countries for medical tourism. Noted cardiologist Dr Ullas Pandurangi said, "The easing of visa norms is a welcome move as patients can meet the doctors, go back and discuss the details with their families, and return for the further procedures. Earlier, most of these discussions took place over email or through intermediaries. Tourists also feel happy to come in India, as the people are nice and the treatment that they receive is world class.

**b) Medical translators to aid foreign patients**

With increasing numbers of patients coming to Noida, which is fast emerging as a hotspot for medical tourism, a number of hospitals in the city have hired translators to make these patients feel more comfortable while at the same time helping in the facilitation of their treatment.

**c) Easy procedures in availing medical and wellness treatments for foreign patients**

Medical Tourism in India is being offered by Travel India Company, a reputed and trusted international tour operator based in Bangalore, India. Travel India company is not the medical provider and cannot accept payment for medical expenses. Tourists are required to make payment per hospital policy. Usually, this involves paying a deposit prior to undergoing any diagnostic tests and/or procedures. A final bill will be presented to the patient, prior to discharge from the hospital. The travel and accommodation charges will be collected as per Travel India Company rules and regulations. Reliability of this company has been recognized by various hospitals and health care providers across India.

Millions come every year to get treated and then enjoy their recuperative holidays across India. India has some of the most highly qualified and experienced physicians in the world. With a cultural emphasis on education, most of these physicians have gone on to super-specialize in their field, enabling them to become experts in their respective medical specialties. Further, most of the physicians that are in the Travel India Company network have had extensive hands on training. The hospitals that Travel India Company has tied up with are the leading hospitals in India with multi-specialty facilities. In addition to traditional medicine, India offers many more relaxing and rejuvenating treatment options from Yoga, Ayurveda, and Meditation to Allopathic and Naturopathic medicine. India also offers world-class travel destinations such as the Taj

Mahal, the beaches of Goa, the backwaters of Kerala and hiking in the Himalayas, heritage rich Rajasthan to name a few.

India has several private hospitals that are designed to provide world-class medical care in India. These hospitals utilize some of the best medical equipment that is available world-wide. This hospital focuses on patient safety and comfort and has been designed in such a way that will minimize the risk of infection. Travel India Company has carefully evaluated and selected only those hospitals that meet very high international standards to be a part of their network. Travel India Company arranges a phone consultation with the corresponding physician in India and ensures that all questions of desiring patients are answered. It is provided as a part of their total package, in addition to this even a patients doctor can also consult with Indian doctors. A Travel India Company provides Relationship Manager, who will be with patients every step of their way, from meeting at the airport while landing in India, to the moment patient leaves to fly back home. Their sole function is to provide with any assistance that patient may need. Relationship managers will also ensure that transportation is arranged to and from patient's accommodation to the hospital for their all appointments. In addition to this, even a pre-paid cellular phone is provided, so that patients can contact their Relationship Manager or anyone else as per requirement.

#### **d) Ayurvedic and Panchkarma Therapies offered in India**

Ayurveda, the ancient traditional method of treatment involving combinations of herbal medicines, physical massages and various other forms of therapy, offers excellent remedies for many illnesses. Ayurvedic Therapies can be used to treat ailments like Anxiety, Arthralgia, Asthma, Back pain, Diabetes, Disc Prolapse, Diseases of the eye, Dislocation, Dystonia, Hemiplegia, Hypertension, Impotence, Infertility, Miscarriage, Motor diseases, Multiple Sclerosis, Obesity, Peptic Ulcer, Peripheral Neuritis, Psoriasis and other skin diseases, Rheumatic Joint pains, Rheumatoid Arthritis etc. Apart from treatment for these diseases it also offers therapy that rejuvenates the body and mind from the ills arising out of the frictions of everyday life. Few Ayurveda and Panchakarma therapies are as mentioned below:

**a) Uzhichil** - This is a special Kerala type of massage done by two persons using medicated warm oils. Improves blood circulation, strengthens muscles and joints, provides good sleep, improves the skin texture and sheen and nourishes the nerves. This treatment is not only for people who are ailing, but for anyone who wants to rejuvenate the entire system.

**b) Elakizhi** - This is a process of massaging the body with heated cloth bag filled with fried medicinal leaves like ricinus, calatropis, tamarind and more. This massage is normally done by three people. It helps in stimulating the nerves and helps in reducing pain. This is done in cases of Rheumatism, arthritis, paralysis, sciatica, spondylosis and nervous disorders.

**c) Navarakizhi** - The body is massaged with linen bags filled with cooked Navara rice, frequently warming it in a mixture of decoction and milk. This massage is normally done by three people. It is a cardinal treatment for diseases affecting the nervous system. Pain, rheumatism, emaciation of limbs, stroke, hypertension, sciatica, spondylosis etc. are the indications.

**d) Podikizhi** - This is a special type of massage done with cloth bags filled with herbal powder, which will be warmed frequently. This massage is normally done by three people. This massage has been seen to be very effective for inflammatory joint problems and primary stages of hemiplegia.

**f) Sirodhara** - Sirodhara means pouring of a liquid on the forehead in a continuous stream. According to the type of liquid used, Sirodhara can be classified into three types:

Thailadhara - Sirodhara with medicated oil.

Thakradhara – Sirodhara with medicated buttermilk.

Ksheeradhara – Sirodhara with medicated milk.



According to the liquid used, the effect will be different. Thailadhara is good for various types of nervous disorders like hemiplegia, facial palsy etc. Thakaradhara is good for various skin diseases, sleeplessness, stress and insanity. And Ksheeradhara is good for cooling the head, which helps immensely for people suffering from insomnia.

**j) Panchakarma Treatments like:**

**i) Vamanam** - This is medically induced vomiting. This is the cleansing process for the upper respiratory tract and upper digestive tract. Effective in Kapha rogas and some skin diseases like leukoderma.

**ii) Virechanam** - This is a medically induced purgation which cleanses the lower digestive tract. Almost all types of skin diseases and chronic rheumatic problems will be relieved by this.

**iii) Nasyam** - It involves the administration of medicines through the nose in the form of drops or powders. It is one of the Panchakarmas. Highly effective for all kinds of

headaches, paralysis, depression, stress, pain around the neck and shoulders, eye diseases etc.

**iv) Sneha Vasthy** - Medicated oil mixed with some herbal paste and salt, is administered through the anus. The quantity of material will be decided according to the strength of the patient and disease. One with the lowest dose of oil is called Mathra Vasthy. This is beneficial in chronic nervous disorders, joint problems and skin diseases.

**v) Kashaya Vasthy** - This is enema done with a mixture of honey, salt, herbal paste, herbal decoction and medicated oils. This will be preceded by one or two rounds of Sneha Vasthy according to the condition of the patient. Combination of Sneha and Kashaya vasthys are helpful in some chronic rheumatic problems. This is very effective for Urinary stones, nervous disorders and in some gynecological problems.

**e) Government of India Initiatives to Boost Medical Tourism.**

"To boost medical tourism, the government today announced setting up of the National Medical and Wellness Tourism Board to provide help to those visiting the country for health care need. "The Board, besides Ministry officials, will include other stakeholders such as hospitals, hoteliers, medical experts and tour operators".

**Steps taken by Ministry of Tourism to promote Medical and Wellness Tourism:**

i) Indian Healthcare Federation, a Non-Governmental organization affiliated to the Confederation of Indian Industry, on advice by Government, has prepared a guide on select Indian hospitals of the country for health tourism 'purposes. It has been placed on the Website of the Ministry of Tourism i.e. [www.incredibleindia.org](http://www.incredibleindia.org) for wider publicity.

ii) Brochure, CDs and other publicity materials to promote Medical and Health tourism have been produced by the Ministry of Tourism and have been widely circulated for publicity in target markets.

iii) Medical and health tourism has been specifically promoted at various international platforms such as World Travel Mart, London, ITP Berlin.

iv) A new category of 'Medical Visa' has been introduced, which can be given for specific purpose to foreign tourist coming to India for medical treatment

v) Guidelines for accreditation of Ayurvedic and Panchkarma Centres have been circulated to all State Governments for implementation. These have been placed on the website of Ministry of Tourism i.e. [www.incredibleindia.org](http://www.incredibleindia.org) for wider publicity.

vi) Yoga/Ayurveda/Wellness has been promoted over the last two years in the print, electronic, internet and outdoor medium under the Ministry of Tourism's "Incredible India Campaign",

**Conclusion:**

Indian Healthcare Federation is an independent non-statutory body comprising of non-government hospitals, diagnostic centers, medical equipment manufacturers and pharmaceutical industries. The main objective of the Federation is to promote and encourage healthcare industry in the country; it seeks to function as a liaising medium between Government, health providers, medical equipment manufacturers and other medical institutions. It is affiliated to the Confederation of Indian Industry (CH) and works closely with the CH National Committee on Healthcare. Special provision made for the foreigners coming to India for their treatment. A new category of visa "Medical Visa" has been introduced by Ministry of Home Affairs, Government of India, which can be given for specific purpose to foreign tourists coming to India for medical treatment. The Ministry of Tourism has included the promotion of Medical Tourism as new initiatives. The Marketing Development Assistance Scheme (MDA), administered by the Ministry of Tourism, Government of India, provides financial support to approved tourism service providers. Because all these efforts of government, huge employment opportunities have been created not only in healthcare but also in other related fields like banking, communication, insurance, hospitality, transport etc. Above all, the biggest benefit to India is to earn huge foreign exchange from all the activities of tourists which directly creates a favourable impact on its Balance of Payment.

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## A COMPARATIVE STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN PUBLIC AND PRIVATE SECTOR BANK (WITH SPECIAL REFERENCE TO THANE DISTRICT)

Assistant Professor, Ms. Gayatri Narayan Nayak,

B.Com (Banking & Insurance),

M.Com (Advance Accountancy),

GDCA, MH-SET, PURSUING MPHIL

Visiting Faculty at SK Somaiya, Satish Pradhan Dnyansadhna, Anand Viswa Gurukul, KBP College

### **Abstract:**

*In the early 1990s, the Narashima Rao government embarked on a policy of Liberalization, licensing a small number of private banks. The committee has motto to give a satisfactory service to customers being placed. CRM is the establishing, developmental, maintenance and optimization of long term, mutually valuable relationship between consumer and the organization. The aim of this study (STATE BANK OF INDIA, VIJAYA BANK, PUNJAB NATIONAL BANK, BANK OF BARODA, UNION BANK OF INDIA, HOUSING DEVELOPMENT FINANCE CORPORATION BANK, AXIS BANK, INDUSTRIAL CREDIT INVESTMENT CORPORATIONAL OF INDIA LTD BANK, KOTAK MAHINDRA BANK, YES BANK) strategic implementation of CRM in Public and private sectors selected bank to detect and analyses the benefits, problems, successes and failures as well as identifying implementation on banking competition factors and develop a better understanding of the impact of CRM. Best practices as well as provides a greater understanding of the formation. The banking landscape has changed significantly. Indian banks have recorded a tremendous growth in the past decade with the initiation of economic reform. The bank, both public and private bank, transformed into profit oriented business organization decides playing a developmental role in the economy. A good experience may increase their loyalty and tendency to purchase again and poor experience may transfer their business to competitor. The ability to recognize this process forms the basis for studying customer loyalty which is the main objective of my work.*

**KEYWORDS:** Customer Satisfaction, service Quality, Bank's Performance.



**Introduction :**

Banking plays an immortal role for the development of our nation economy; there is a huge competition among various financial service sectors in recent year due to technologies advancement, deregulation of financial industry. Now a days customer perception attitude towards banking has completely changed, they prefer all the banking services needed to be provided at finger tips, they actually compares various services offered by different bank and then go ahead with the best bank ,which provide them best services among all other bank. customers becoming more diverse and complex in terms of the sorts of products they the channels through which they want to access them and associated range of advice .This is only possible because of CRM strategies & adoptability of new technology been used by every bank whether it is public, private, foreign or cooperative bank. Successful banks all over the world have invested considerably in customer relationship management technologies, which in turn would increase banks profits considerably on one hand and improve the level of their customers in doing business with them on the other hand.

CRM is a comprehensive approach for creating; maintaining and expanding customer relationship it provides seamless co-ordination between customer service, marketing, information technology and other customer related functions. It integrates people, process and technology to maximize relationships with all the customers. It does not aim to build closer relationship with all customers, but it recommends that organizations take initiative to identify the most valuable customers by looking for their life time value.

**Concept of CRM:**

The concept of CRM originated in developed economies, primarily in organizations whose priority is to retain existing customer base as an important business segment especially in competitive environment. CRM is a philosophy, process, concept of development and management of customer relationships. With implemented CRM concept banks are able to identify and anticipate customer`s needs and desires. Rapid changes in technology and changes in customer`s everyday life have enabled successful implementation of CRM concepts and new forms of communication. CRM concept is based on a marketing strategy which integrates internal processes, functions and external networks in order to create value to customers, in order to achieve profit (Buttle 2009, 15).

CRM concept helps banks to effectively coordinate efforts to present a unified message to individual customer. Therefore it is necessary to submit a unique proposal to customer by phone, mail, personal contact or by email; in accordance with method of communication that customer has chosen.

Customer Relationship Management is a complex process which is based on a good knowledge of habits and needs of customers. It assumes constant collection of information of customer's behavior, as bank's goal is to give offer to customers based on his needs. Establishing a CRM concept implies continuous changes on customers and bank side.

There are four primary reasons why banks adjust their business processes to customers' needs:

- Retention of existing customers,
- Attracting new customers,
- Encourage customers to deepen cooperation with bank,
- Informing customers about portfolio of products, services and communication channels, with aim of increasing profits or prevent losses.

➤ **CRM is All About**

- Finding your customers
- Collecting information about them along the way.
- Using that info to enhance their experience and foster long-term relationship.

**Objective of Study**

1. To understand how effectively CRM practice in banking sector.
2. To compare the structure, objectives and working styles between various Public Banks and Private Banks.
3. To evaluate the control criterion for reducing paper work, level of automation, level of computerization by banks to provide efficient services to customers  
Identification of barriers to successful implementation of CRM
4. To assess the customer satisfaction level.
5. To study the various barriers of effective CRM.

**Hypotheses of the Study**

1. Ho-there is no differences between structure, objectives and working style between public bank & private bank.
2. Ho-there is no difference in customer satisfaction level due to computerization by bank

**Scope of the Study:**

Principal aim is to gather and collate information from the literature and from leading researchers, consultants and practitioners with objective of identifying and delineating the major aspects of Customer Relationship Management in Banks. To fill in the evaluation of secondary data, primary data was collected from Public & Private Banks. Primary data is collected through questionnaire and personnel interview method. Scope of the study is limited to CRM practices of STATE BANK OF INDIA, VIJAYA BANK, PUNJAB NATIONAL BANK, BANK OF BARODA, UNION BANK OF INDIA, HOUSING DEVELOPMENT FINANCE CORPORATION BANK, AXIS BANK, INDUSTRIAL CREDIT INVESTMENT CORPORATION OF INDIA LTD BANK, KOTAK MAHINDRA BANK, YES BANK)

**Significance of the Study:**

Customer Relationships have developed into a major corporate strategy for many organizations. It is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life time value.

**Limitation of the Study:**

The proposed study has the following limitations:

1. The expectations of the customers in Thane District may vary from those of the rest of India.
2. The secondary data information collected carries all the limitations inherent in such data.
3. Only 10 (5 public and 5 private) banks will be selected for comparing the service quality

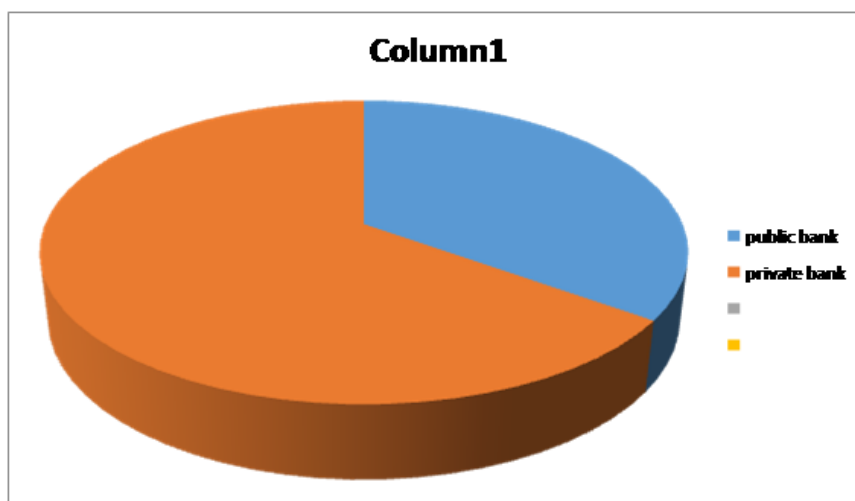
**Research Methodology:**

A study has been carried out in the Banking industry in the THANE DISTRICT using Questionnaire cum interview approach. Questionnaires have been designed based on the study of the literature and modified based on the discussions held and the testing done with the practitioners. Different respondents were taken from 10 Banks from different functions and managerial levels within and outside the organization. Simple random sampling technique is adopted and 250 respondents (customers of banks) constituted the sample for the survey. It included equal proportion from both private banks and nationalized banks. The questionnaire consisting of 10 statements in 5 key dimensions namely tangibles, reliability, responsiveness, assurance and empathy. The

list of service attributes based on different service dimensions are ranked and rated by the customer to identify the importance of each service attributes. All the data were collected from bank customers through Personal Interviews, Interactions with consumers of different banks and Interaction with customers at Malls and other market places.

### Data Analysis:

The first part of this questionnaire was designed to collect personal information of respondents such as their gender, Age, bank type, income and qualification and the investigation shows that 68% of the respondents are male and 32% are female of which, 45% of the respondents are having their account in public banks and 55% have their account in private banks. 74.7% respondents are from age group 18 – 25 years, 18% are from age group 26 – 33 years, and 7.3% are from age group 34 – 41 years. In terms of qualification only 0.8% are under metric, 2.6% have done metric, 8.4% respondents have done intermediate, 74% are graduated and 14.2% respondents are post graduated.



### Interpretation:

Out 250 responded 88 responded are satisfied with the services delivery by the public bank .rest 162 responded are highly satisfied with the services offered by the private bank hence the reason why private bank customer are satisfied because they find they bank staff are more cooperative as well as friendly. They do provide prompt services and attention towards customer needs; they do handle all sought of problem in an efficient way. Overall they provide us with the excellent kind of services. Private bank provides good credit facility even with excellent internet banking services. Apart from this private bank also posses Courtesy from sales staff, Representative's availability

,Representative's knowledge, Reliability of returning calls, Friendliness of the sales staff ,Complaint resolution, Responsiveness to enquiries, After sales service, Technical service. Therefore there is a rare chance customer can think of switching or changing bank.

Here I had considered top 10 parameter based on which inferences are drawn:

1. Modern equipment used: - If we look into the tangible factors like modern equipments used, it was founded that private sector score more in this area. 34 % of the people having a relationship with the private bank find that the modern equipments used by the private banks are excellent as compared to only 14 % of the people having a relationship with the nationalized bank.
2. Physical facilities: - As far as physical facilities are concerned customers of private banks are more satisfied than those of the nationalized banks. It is evident from the fact that 48% of the customers of private banks have given a rating of excellent and good. Whereas only 35% of the customers of nationalized banks have given a rating of excellent and good.
3. Employee's appearances: - Customers of the private banks feel that the employees are very presentable as it is evident from the fact that 47% of the customers of private banks feel so. In comparison to this only 27 % of the customers of nationalized banks feel so.
4. Material quality: - If we consider the quality of the materials used for pass book, Cheque book etc. we find here also the customers of private banks are satisfied with it. As 46% of the customers have given a grading of excellent and good as compared to 33% in the case of nationalized banks.
5. Time schedule for the operations: - Private Banks fair well as compared to nationalized banks in maintaining time schedule for operations. 45% of the private bank customers feel so as compared to 23% of the nationalized bank customers.
6. Employee's interest in solving customer's problems: - Customers of private banks feel that employees of these banks are interested in solving their problem. It is evident from the fact that 45% of the customers of private banks feel so. In comparison to this only 23 % of the customers of nationalized banks feel so.
7. Consistency of service provided by the employees: - If we look into the consistency of the services being rendered by the banks from both the sectors we find that 44% of the private bank customers feel so as compared to 25% of the nationalized bank customers.

8. Time taken for operation against standard time: - 44% of the customers of private banks have given a grading of excellent and good in regard to the time taken for operation as against the standard time. Whereas only 23% of the nationalized bank customers have given a grading of excellent and good in this area.
9. Quality of record maintained by the employees: - Customers of private banks feel that the banks maintain the records in a very proper manner. It is evident from the fact that 57% of the customers of private banks feel so. In comparison to this only 29 % of the customers of nationalized banks feel so.
10. Information and guidance to the employees: - 44% of the customers of private banks feel that the bank provides proper information and guidance to its employees but only 24% of the customers of nationalized banks feel so.

**Findings and Conclusion:**

When the private sector banks are compared with public sector banks, Private Banks score more in all the 10 parameters considered for this study. Private Banks seems to have satisfied its customers with good services and they have been successful in implementing tangible factors like modern equipment, infrastructural facilities, quality of materials used etc. Private sector Banks have been successful in achieving a satisfying relationship with customers however public sector banks have to improve a lot in this area. Most of the respondents felt that the employees of the private banks are very keen to satisfy their customers. On the other hand customers of nationalized banks felt that the employees were least bothered about their customers. Private Banks customers feel that their banks take due consideration about their convenience and are ready to cope up with their preferences of working hours. In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. For a bank to succeed in adopting a CRM philosophy of doing business, bank management must first understand CRM as a holistic concept that involves multiple, interlocking disciplines, including market knowledge, strategic planning, business process improvement, product design and pricing analysis, technology implementation, human resources management, customer retention, and sales management and training. The attempt here have been to describe the importance of following CRM practices for acquiring, retaining and growing customers for sustained success for companies and how it could be automated as an application practice with the help of organization's IT infrastructure. The whole infrastructure combined with the knowledge that it brings forth; guide the

destiny of companies in this extremely competitive world. CRM forms the biggest strategic asset that the companies can have for effectively implementing its marketing plans. The proposed study provides some guidelines for customer relationship management satisfied customers are loyal customer, their retention rate is much higher and so is their overall profitability for the bank. CRM offers the most holistic route for banks to enhance customer relationships

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## THE IMPACT OF ECONOMIC REFORMS ON INDIAN MANUFACTURERS

**Annupama Mukherjee**

annu.mukherjee22@gmail.com

9821167511

**Devyani Belel**

Assistant Professor

ASM's IMCOST

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### **Abstract:**

*Although there has been much theorizing on the impact of India's economic reforms of 1991 on Indian manufacturers, there is hardly any previous study that has taken up the task of actually asking the manufacturing firms as to what the true impact of economic reforms has been on them. In this paper, we report the findings of a small sample survey of manufacturing enterprises in the Delhi region regarding perceptions of the impact of economic reforms of 1990s. Most firms felt that the reforms were helpful by increasing access to foreign technology and making imports of capital and intermediate goods cheaper. They also felt that improvement in infrastructure and more flexible labour laws will facilitate further growth of India's manufacturing sector.*

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### **Introduction:**

The Indian economic reforms of the early 1990s have stimulated much research and a host of academic papers. It is common to attribute India's recently accelerated growth to the reforms. An aspect that has remained relatively unclear is which policy changes within the reforms have led to which consequences for employment, incomes and poverty. There is also debate about which further policy changes are required to sustain the increased growth and to strengthen the diffusion of progress to the lower-income segments of the population. Most studies have analysed the reform impact on macro aggregates, which leaves it unclear how different policies have worked. In order to examine this aspect it is useful to investigate at the firm level how different industries were affected by specific policy changes. The objective of the present paper is to examine how the reforms were perceived and coped with by manufacturing enterprises, especially smaller ones, and to compare their perceptions with what has been found on the basis of industry-level data. For that purpose a small-sample interview survey was conducted in the first three months of 2006. Fifty manufacturing firms were contacted and their managers were interviewed using a questionnaire, which was adjusted for



some specific aspects of the sub-sectors. The present paper reports the answers received and discusses them in the light of other findings, in particular our earlier findings from an analysis of industry competitiveness under the reforms (Siggel, 2007). The paper proceeds in the next section by highlighting first some perceptions of the reform impact expressed in earlier studies. Some of them were clearly pessimistic since their authors saw their expectations of rapid positive change unfulfilled. In contrast, our earlier study (Siggel, 2007) of industry competitiveness had found that the outcome of the reforms was more beneficial to the industries, their exports and employment. The third section reports the industry perceptions, first of the reform impact on the 3 enterprises' business performance and then on issues of taxation and the business environment. The fourth section reports some of the industry-specific issues and compares them with our earlier findings based on aggregate data. The fifth section summarizes the main conclusions of the paper.

#### **Impact of Economic Reforms of 1991: An Overview of Earlier Perspectives :**

Several earlier studies have attempted to analyze the impact of the economic reforms of 1991 on the economy and industrial sector of India. In one of the earlier studies Nambiar et al. (1999) started from the expectation that trade liberalization “encourages economic activity and hence raises production and employment”; he then asked whether this was also true in the Indian case. Although this expectation may be justified in the longer run, it seems somewhat unrealistic to expect immediate benefits since trade liberalization always implies increased foreign competition, which in turn may lead to the closure of less competitive firms and therefore job losses and income reduction in the initial phase following trade liberalization. One may argue, however, that by 1999 it was possible to expect the longer-run impact of increased productivity, competitiveness and accelerated growth. This raises questions about the timing of the reforms and about the time lags necessary to achieve the longer-run changes. In spite of the accelerated growth figures of the mid-1990s being already available, Nambiar et al. (1999) concluded that “trade has over the years shrunk India’s manufacturing base, both in terms of value addition and employment”. Although the authors admit that “this ‘high protection-high cost-poor quality’ syndrome needed to be corrected by import liberalisation”, their assessment of the reform impact is rather pessimistic. Chauduri (2002) also reported that the “expectations of rapid and sustained growth of output and employment ...have not materialized.” The author concluded that value added growth in the 1990s was inferior to that in the 1980s, that the industrial base had become

shallower, that employment growth in the 1990s was negative in five out of nine years and that the labour productivity stagnated after 1995/96, after having increased 4 in the early 1990s. Here again no attention is paid to the changes in protection, prices and costs that resulted from the reforms. A much more positive picture was drawn by Panagariya (2004), who argued that growth in the 1990s was more robust than that of the 1980s and that it was achieved through important policy changes. The main policy changes held responsible for accelerated growth are the liberalization of foreign trade, the reduction in industrial licensing and opening to foreign direct investment. Balasubramanyam and Mahambre (2001) attempted to relate different aspects of the reforms with changes in industry performance, in particular with productivity change. They first observed a decline in debt/equity ratios in the majority of industries, especially in new firms, which was seen as a consequence of financial reform. The observed changes in productivity (TFP decline) were mainly attributed to trade and licensing reforms. The authors concluded that in spite of declining productivity the industrial sector has benefited from the reforms by expanding its capacity. Ahluwalia (2002) characterized the Indian reforms as gradualist, but less so by design than as a consequence of political constraints. He concluded that their cumulative impact was substantial and created the basis for accelerated growth. Although trade and industrial reforms were the most visible, the author cautioned that tariffs in India are still much higher than in China and other countries in Southeast Asia. Similarly, he also found that foreign investment had a much more limited impact in India than in China and Southeast Asia. The one area in which the trade policy reforms were most successful in his view is the sector of information technology-related services. Areas, where the reforms were found to need further progress are the labour market, agriculture, infrastructure and the management of fiscal balance. Any assessment of the policy reform impact on industries has to start with a detailed evaluation and measurement of the incidence of specific policy changes. Das (2003) attempted such an assessment and computed effective rates of protection and import coverage as well as import penetration ratios for 72 three-digit industries for four sub-periods of the period 1980 to 2000. Although these ratios are useful they do not show the combined effect of tariffs and QRs on output prices. For that it would be necessary to estimate rates of protection based on price comparison, as had been done in the 1980s by Pursell (1988). The author concluded that the Indian level of protection remained high in comparison with several South-East Asian countries. Pandey (2004) focused on the measurement of

several trade reform variables, including the measurement of protection based on price comparisons. As to the impact of trade liberalisation on industry performance he concluded that this link appears to be weak, given the presence of other factors. Among these factors, government controls in form of industrial licensing and public sector investments are singled out, but the author also points to the well-known ambiguity between protection and growth: High protection tends to generate growth in the initial stages, but declining protection may also lead to growth through competition-induced gains in productivity and exports. Bajpai (2002) presented a detailed account of the reforms of the 1990s and focused on areas, in which further reforms are required, in particular fiscal consolidation, the labour market, but also trade and foreign investment. These conclusions are clearly based on a positive assessment of the reform impact on economic growth in India, although the author does not present an analysis of the impact. One of the expected effects of trade liberalisation is the reduction of profit margins following increased competition from imports. This hypothesis was examined by several authors with differing results. While Srivastava et al. (2001) and Kambhampati & Parikh (2003) did not find substantial evidence of this competitive effect on Indian industries, Krishna & Mitra (1998) and Goldar & Aggarwal (2004) concluded that the tariff reduction and removal of quantitative import restrictions had a significant and profit-reducing impact. However the latter authors also found that the reduction in cost-price margins was mitigated by a reduction of labour's share in value added, which they attributed to declining union power. Closely related to the competitive effect of profit decline is the reform impact on productivity. The longer-run expectation is of course increased productivity and competitiveness, but less dynamic enterprises may also disappear under increased import competition. While two recent studies (Unel, 2003; TSL, 2003) had found an acceleration of productivity growth in Indian industries, Goldar (Goldar & Kumari, 2003 and Goldar, 2004) re-examined the question by including further determinants, in particular capacity utilization. He concluded that trade liberalization had a positive influence on productivity, but this was counter-acted by a decline in capacity utilization and a declining growth in agricultural production. A somewhat different conclusion was reached by Das (2003a), who found that total factor productivity growth in manufacturing was close to zero over the 1980- 2000 period, that it was positive in capital goods, but mostly negative in consumer and intermediate goods, and that it slowed down from the 1980s to the 1990s. The recession of the mid-1990s as well as the continued labour market rigidity

are held responsible for this outcome. Topalova's study (2004), on the other hand, is more supportive of Goldar's findings and also adds a distinction between private and publicly owned enterprises, with the former showing clearly more productivity growth than the latter. Similar conclusions as for productivity were reached for real wages by Goldar (2003), who connected the adverse effect of trade liberalization on real wages with the reduction of rents and the weakening of trade union strength. Banga (2005) also examined the reform impact on wages, but focused on wage inequality. Analysing the impact of three reform targets, FDI, trade and technology, on labour productivity and wage inequality, the author concluded that all three reform components contributed to increased wage inequality. In a more recent paper Goldar (2005) examined to what extent India's commitments under the WTO have influenced the manufacturing sector and concluded that changes in production, imports and exports are largely not attributable to the commitments arising from WTO membership. He showed that for a number of consumer goods, especially in textiles and clothing, the increase in imports during the early years of 2000 were modest and largely matched by increases in exports. Athreye and Kapur (2006) examined the level and determinants of concentration in Indian manufacturing before and after the regulatory and trade reforms. They concluded that after liberalization the concentration declined in some industries and increased in others. The expected outcome of general decline was not observed, partially because the penetration of new competitors is a process that may be completed only over longer periods of time and the duration of this process is likely to vary among industries. Our own earlier study of industry competitiveness (Siggel, 2007), which uses ASI data at the two-digit level, revealed that large-scale manufacturing industries have largely benefited from the reforms. The potential effect of import competition leading to strong decline of formerly heavily protected industries thus inducing massive employment loss has simply not happened. Manufacturing employment has continued to grow at an average annual rate of 2.2% over the 1987/88 to 1997/98 study period and most industries have improved their international competitiveness, some of them very substantially. In section 4 (below), which reports the survey findings on an industry-by industry basis, we compare these findings with the prior findings from the competitiveness analysis. Thus the existing studies suggest that a variety of impacts are possible but do not come to any uniform conclusion regarding the impact of economic reforms of 1991 on the Indian industry. Given this situation, it should be of considerable interest to survey the manufacturers themselves

and find out what they felt was the impact of the economic reforms on their firms and what further changes in economic policies they feel are needed to maintain the high growth of the Indian economy and industry. This is the purpose of the rest of this paper.

### **3. General Perceptions of Industry Representatives Regarding the Impact of Reforms of 1990s :**

In analysing how the reforms of the 1990s have affected Indian manufacturers it is useful to start with the distinction of various policy changes rather than treating the reforms as a single act of reform. The sample enterprises were therefore asked which policy changes affected them most strongly. Also, the firms were asked to describe specific problems of their industry that were related to the reforms. Twenty out of 51 responding firms described the reform impact on their industry as positive, eighteen as mixed, eight as negative and five as absent. The policy changes most often cited as affecting their industry were trade liberalization (35/50), while domestic policy changes were named in 15 responses. The problems that had most affected the industries before the reforms were trade-related issues, in particular the 8 licensing of imports (21/33 responses), while the remaining 12 responses were split between domestic licensing (5), taxation (5) and other issues (2).

#### **3.1 Trade liberalization**

Trade liberalization has the immediate impact of increasing imports of products that compete with domestically produced products. These imports may be either cheaper at similar quality or similarly priced with superior quality attributes. In either case the domestic producers are likely to face increased competitive pressure, to which they can respond in various ways, mainly by reducing their own prices and profit margins. The firms were asked to remember what had happened to their output prices following trade liberalization. Only half of the responding firms (23/46) reported price reductions, while 15 representatives remembered their prices to have risen. This outcome is not totally surprising, although unexpected, because it is difficult to separate relative price movements from the general upward trend of prices. Respondents tend to remember more the upward trend in prices than the downward pressure of relative prices following increased competition from imports. Closely related to the question of price changes is that of the timing of the reform impact. When asked to remember the time in which competing imports started to penetrate the Indian market, the largest number of answering firms (13/28) claimed to encounter no competition from imports. This was particularly the case in metal industries (4/6) and pharmaceutical products (6/11). It may be explained either by the domestic firms thriving in niche markets implying greater competitiveness of the Indian

firms in these sectors, or by the continued existence of some barriers to imports. Only six firms reported increased import competition in the early 1990s, while nine firms observed increased competitive pressure only in the late 1990s and after 2000. These responses surely reflect the timing of the reforms, i.e. its gradual reduction of import restrictions, and indicate that the adjustment to trade liberalization by the firms seems to have occurred with a long time lag following the beginning of the reforms in the early 1990s. One of the less expected answers was obtained to the question of how the prices of competing imports compared with the producers' own prices. The majority (29/32) of the responses said that their prices were lower or equal to those of their foreign 9 competitors, and this applied to potential imports before import duty. Only three firms indicated that their prices were less competitive. In numerous interviews the impression was conveyed that the Indian producers were positively cost-competitive and, in some cases, ready to export. This opinion was most often heard in the Auto parts industry (6/7), but also in Metal products (5/6), Pharmaceuticals (8/11) and Wood products (5/7), whereas in Textiles and clothing it was heard in only three of 17 firms. The adjustment to the new market environment usually takes various forms, such as cost cutting, product quality improvement, product or design change, organizational change etc. In 15 of the firms visited the managers confirmed that they succeeded in cutting costs, and in 12 firms product changes were made, mainly by upgrading product quality and design. Among the remaining 17 answering firms, several mentioned that they had achieved cost savings through expansion of output, both domestically and by exporting. Cost reduction usually requires firing of redundant workers, but this is difficult in the Indian context due to the existing labour laws. Not surprisingly, only five of the responding firms admitted to having practiced retrenchment, while 35 respondents stated that they managed without retrenchment. Subcontracting, on the other hand, was more widely practiced, precisely in 24 of the 45 answering firms. Although subcontracting can take various forms, the most common form amounts to the replacement of regular workers by casuals, who are often hired by labour service providers. Such a change leads to cost savings as it reduces social overhead charges. A further way of cutting production costs is by changes in material inputs. One particular cost cutting method involves subcontracting whole stages of transformation to suppliers of intermediate inputs, which is often referred to as outsourcing. In 30 of 49 answering firms this kind of subcontracting was chosen and it implied generally a reduction in labour and capital costs, but an increase of intermediate input purchases. Since this type

of change involves changes in value added the specific tax regulations influence the choice of the input mix. We shall therefore briefly review the differences in tax regulation and their impact on the production technology adopted.

### 10 3.2 Taxation

The Indian taxation system is known to be complex and to differ regionally. While income and corporation taxes, as well as the value-added tax (replacing the excise tax), are administered by the Central Government, the states and municipalities levy their own taxes and provide discretionary exemptions to attract investment (KPMG, 2005). The answers obtained in our survey reflected not so much the regional differences, but the recent changes, as well as exemptions. The answers conveyed the impression that firms are not competing on a level playing field. The reported differences in tax rates seem to be as important within industries as they are between industries. The corporate income tax rate, for instance, was reported as 30% (for small firms) 33% for domestically incorporated firms (even if foreign owned) with profits exceeding Rs 1 million, and 42% for foreign firms (not incorporated in India). Although the tax rate on foreign firms has been lowered from 48% to 40%, new surcharges (corporate and education) have been introduced. The value-added tax (VAT) seems to vary between 4% and 12%, depending on the stage of transformation in manufacturing. Excise and sales taxes vary even more, especially according to enterprise location as they are determined by the states. Although the reforms have led to attempts of simplifying and reducing the tax burden, the survey conveyed the impression that more transparency and equity are desirable for international competitiveness.

### 3.3 Domestic reforms and the business environment

Three aspects of the business environment are considered here, first the bureaucratic side of doing business, then the supply of infrastructure and utilities, and finally policies furthering technological progress. One of the typical aspects of India's traditional business environment has been far-reaching regulation. Various authors have referred to it as the "licence raj" and identified it as an obstacle to faster growth and development. The reforms of the early 1990s gave rise to policy changes in this respect and led to an alleviation of the bureaucratic burdens imposed on the business community. In spite of these changes, the regulatory arm of the government is still strong and very present. The sample firms were asked whether they needed government clearance for their business and the majority of responding firms (20/36) reported positively. As 11 expected, the pharmaceutical industry is leading in this respect, with 9 out of 11 firms citing licensing requirements. For wood products (4/7), metal products (2/6) and auto parts (2/7) industries follow with minority views. In the area of

infrastructure and utilities manufacturing industries rely very strongly on the availability at low cost of energy (petroleum and electricity), transport and communication. It is one of the governments' important tasks to generate an enabling environment, in which these goods and services are available at competitive costs. The sample firms were therefore asked to state their satisfaction or dissatisfaction with regard to these policy concerns. While for communication the satisfaction level was relatively high, with 26 out of 29 responses being positive, energy cost and availability drew largely negative responses, 11/18 for petroleum and 16 out of 31 for electricity. These responses underline the need for further reform in the area of energy supply. For transport services, the responses were similarly negative, with 15 out of 30 responses advocating further improvements of roads and rail transport as well as ports. Finally, one of the instruments of industrial policy in liberal economies is technology policy. It can take the form of subsidies for research and development or of investment incentives. The latter are more questionable as they tend to distort the incentive structure across the different sectors of the economy. The majority of responding firms (24/37) reported that they did not receive any kind of particular benefits, whereas five firms reported investment-related support, four firms admitted to receiving technology-related support (in pharmaceutical and metal products) and four more firms claimed to receive other forms of support, such as cheaper credit from public sector banks, worker training and tax rebates.

#### **4. Viewpoints of Particular Industries Regarding the Impact of Reforms of 1990s :**

The selection of industries for the present survey was based on two considerations. First, our earlier study of industry competitiveness using ASI data had identified rising and declining industries. It was decided to further investigate the reasons for both, growth and decline. Second, some sectors are presently very much in the public eye, such as pharmaceuticals and automobiles and automotive parts. They attracted our interest in spite of possibly average industry performance in terms of growth and exports. Therefore, in this section we try to contrast the survey answers with our previous findings from the study of competitiveness (Siggel, 2007) and observations of a few other authors. This comparison, however, is necessarily somewhat impressionistic, because the subset of firms interviewed does not necessarily reflect the same structure as the corresponding industry at ASA 2-digit level.

#### **4.1 Textiles and clothing**

Although the textile and clothing industries are often treated as separate entities they are not easily separated, since many firms produce some kind of fabric



together with garments. In fact, the ASI distinguishes at the 2-digit level three kinds of textile products, cotton textiles, wool and silk-based textiles and jute & hemp textiles, but only one clothing industry. The present survey covers 17 enterprises, 9 of which produce predominantly textile products (yarns, fabrics and other non-garment products) and 8 of them produce mainly garments. The majority of them are small and medium-sized firms and only three employ more than thousand workers. All except one are privately owned and only two firms are partially foreign-owned. The competitiveness study revealed that the textile sector, especially cotton textiles, was one of the least profitable industries, in spite of being strongly tariff protected and in spite of its success in export markets. This apparent contradiction can be explained by two further observations: First, de-facto protection based on price comparison was significantly lower than the nominal tariff. Second, in spite of relatively low production cost, the industry has been submitted to intense competition with imports under the reforms, especially due to imports from China. Garments, on the other hand, are in the middle range of profitability. While cotton textiles have seen their share in GDP decline, the share of wool & silk products, as well as that of garments, has increased. While textile products occupy the second rank in Indian exports (following other products including jewellery), garment exports have held fourth rank (following food products) in the late 1990s. The ratio of exports to output has gone up in the 13 combined three textile branches, from 15% in 1987/88 to 25% in 1997/98, while it has gone down in clothing. Finally, employment in textiles has grown less rapidly than in other manufacturing (at about 1%), but in clothing it has grown at 10%, significantly above the manufacturing average of 2.2%. Labour productivity rose by 7.5% in textiles, but only 5.5% in clothing. The majority viewpoint expressed by the sample firms of the present survey is that the reforms had a positive impact, through reduced red tape and increased availability of new technology. The increase of exports was also related to the abolition of quotas of the Multi-fibre agreement (MFA). A smaller number of firms reported either no or a negative impact of the reforms, due to increased competition of imports. This was particularly emphasized by producers of silk products, who blamed cheap silk imports from China for the reduction in silk production. Subcontracting is particularly prevalent in the clothing industry, where many firms have much of their output produced by a large number of families in the villages. Among the complaints and recommendations for change most respondents mentioned the labour laws, infrastructures, the need for export incentives, tax and interest rate policies, as well as

bureaucracy and corruption. Although infrastructure improvements in recent years were recognized, more needs to be done in the view of most of the responding firms. In that context, unreliable electricity supply is often responsible for high cost. The call for export incentives, even when limited to duty drawback schemes, was heard from five out of 17 firms.

**4.2 Wood products** This industry was chosen for the survey as one of the declining ones. Wood products represented only 0.5% of manufacturing value added before the reforms and this share has gone down to 0.3% by the late 1990s. The analysis based on ASI data had shown that this industry has experienced declining profitability. Its export competitiveness has increased, however, which is in line with its growing export/output ratio (from 2.6% to 7.0%). Both its employment and labour productivity record have been below the manufacturing average. 14 The seven sample firms of our survey are all in the small to medium size range: only three of them employ more than 100 workers, the largest one no more than 300. Although five of the seven firms do export (two of them 100% of their output of handicraft and furniture), the majority expressed dissatisfaction with the reforms. Import penetration of cheaper products, mainly from China, seems to have been the main reason for declining profits. Another factor, however, which is specific to this industry, seems to have affected the industry's competitiveness. The 1997 ban of domestic logging forced the industry to use more expensive imported wood, which contributed to the profit squeeze. The firms' recommendations to government include, besides the frequently heard complaint against the labour laws, stronger incentives for exports through duty draw-back, but also further reduction of import duties on material inputs.

**4.3 Rubber and plastics products** This industry, which in its 2-digit ASI definition also includes petroleum and coal products, stands out by its high labour productivity, due to its capital intensity. Within the 1987 to 1998 period its share of total manufacturing GDP declined from 9.1 to 6.4%. Its profitability has been positive, although declining during this period, and its export competitiveness has risen to slightly below the sector average. Export performance and growth (tires and tubes) have been minimal, but employment has grown at an average annual rate of 5.2%, the third-fastest among manufacturing industries. Not surprisingly, labour productivity growth has been slow and below industry average. The present survey sample includes five manufacturers of plastics and rubber products. All of them are privately owned, without foreign participation, and all are medium-sized with between 25 and 150 employees. Four of them export, but only small proportions of their output (maximum of 15%). The general consensus on reform

impact is positive and includes the following benefits: easier procurement of raw materials, access to new technology, enhanced opportunities for trading, increase in production efficiency and improved quality of products. Two firms reported declining profits due to increased competition, especially from Chinese imports, and increasing costs of power, transportation and labour. The main areas in need of further reform were identified as labour laws, road and sea port infrastructure, power supply and the cost of credit. 15

#### 4.4 Chemicals including pharmaceutical products

The chemical industry was included in the present survey because of its increasing importance. Its share of value added increased from 16.3 to 18.5%, placing it at the first rank, although in terms of employment it ranks only fourth. Its profitability was found to be above the industry average and increasing, whereas its international competitiveness was found to be about average but rising. Its ratio of exports to output has doubled from about 5 to 10%. The main export products of the industry are pharmaceutical products, which prompted the present survey to focus on this sub-sector. The Indian pharmaceutical Industry derives its strength from the development, production and export of generic drugs, which was encouraged by India's Patent Act of 1970. The legislation removed medicines, food and agro-chemicals from product patent protection to process patents, which had a shorter life (7 years as opposed to 14 years of product patents). Since 1995, when trade-related intellectual property rights (TRIPS) legislation was adopted by the World Trade Organization (WTO), India had to amend its patent laws to make them compatible with TRIPS. Since 2005 the law is now fully TRIPS-compatible, with product and process patent protection of 20 years. This means that the Indian industry experiences a similar confrontation between the R&D-based formulation drugs dominated by multinational corporations and its low-cost bulk drug manufacturing arm, as in other WTO member countries. India has competitive advantage in the latter, due to the expansion of this industry since 1970, but it also searches niche markets in the formulation drug domain. All ten enterprises included in the present survey are in pharmaceuticals, so that, unfortunately, the apparent ambiguity about performance of the chemical industry could not be clarified further by the interviews. As Srinivasan (2006) reports, industrial chemicals (the other major sub-sector) also increased their share in global exports; therefore, the observed decline in value added and employment remains unexplained. The sample firms are mainly (7/10) of small-to-medium size, but three of them employ more than 100 workers. Only four of them sell in export markets. In addition to the ten pharmaceutical firms the survey also benefited from an interview

with a representative of the Indian Drug Manufacturers' Association (IDMA).<sup>16</sup> Although the sample firms are predominantly in the business of generic drugs, which suffers from the TRIPS-based constraints, the majority view of the respondents is positive about the reforms. The main advantages are seen in reduced trade restrictions, free flow of technology, increased foreign investment and fewer restrictions on collaboration with foreign firms. The industry-specific policies, such as pricing control policies, testing procedures and patent rights, seem to have a larger impact on the firms than the 1991 economic reforms. Despite of these constraints, which tend to lower profits, the Indian drug industry seems to be a strong international competitor. As to the complaints and recommendations for further reform, industry representatives added some industry-specific points to the often heard demand for labour law revision and improvements in electricity supply. In particular, the approval process of new drugs by the government should be shortened and price controls of drugs were criticised. Some concern was also expressed over the TRIPS-based constraints, which amounted to a call for government support in patent litigation against multinational corporations and in favour of laws that benefit the generic drug industry.

#### 4.5 Metal products

In this industry six enterprises were visited, all of which are privately owned. Only two of them employ more than 100 workers, but three of them have more than one plant. Three firms export, but no more than 15% of their total output. Based on our earlier study of this industry using ASI data, we expected to hear about declining profitability and loss of comparative advantage, in spite of some export success, as well as relative decline in terms of the industry's value added share. Four of the firms reported that the reforms had positively affected their industry, while two firms described the new business climate as more difficult and reported serious profit squeeze due to import penetration and relatively inflexible costs. On the positive side, the main benefits were seen in the increased availability and cost of manufacturing equipments and technologies. They helped the firms in competing with imports and in expanding exports. Only two of the six firms reported having benefited from export incentives, such as duty drawback and, in one case a subsidy for installing new machinery. Profit margins were reported to have declined in four firms, but increased in 17 two. This apparent contradiction is most likely due to differences in product mix and the nature of material inputs used. The main obstacles to future growth were described as infrastructure deficiencies, especially those of the transport network and harbours, but also electricity supply (power failures) and the rising cost of fuel. All respondents

emphasized the need for increased public expenditure for infrastructure development. Another argument frequently heard concerns the tax structure. All respondents argued in favour of more standardization of taxes across regions and states. The discussion of labour laws triggered the most unanimous recommendations for change. All respondents agreed that more flexibility in hiring and firing, as well as with regard to overtime regulation, is needed. It was also argued that, in spite of visible improvements, further reduction of bureaucracy, especially regarding small business, is required.

**4.6 Automobile and automotive parts** This industry is one of the most interesting ones because of its visibility and the attention it has recently received by the government. One of the striking features of domestic consumption is the appearance of new automobiles on Indian streets since the 1990s, which has accelerated in the new millennium. The industry has attracted significant amounts of foreign investment and has become an exporter of automotive parts and a limited number of cars. According to a recent statement of the Government, the industry is targeted as global manufacturing hub for small cars in the next 3 to 5 years (Srinivasan, 2006). Based on aggregate (ASI) data, which at the 2-digit level includes all transport equipment, the industry is still relatively protected. Its nominal rate (collection) declined only marginally from 48% to 47% from 1987/88 to 1997/98, but our price-based estimate is much lower at 15%, although higher than the industry average of 10%. The industry was shown to have improved its profitability and international competitiveness in the same time period (Siggel, 2007). Its growth of exports has been in the same order as that of metal products (13%), although its proportion of output exported was smaller than that of metal products. Finally, employment growth was only half the industry average, 18 suggesting that some retrenchment may have occurred. This is confirmed by larger than average gains in labour productivity. The present small-sample survey has covered only seven enterprises, which included two very small firms (five to ten employees) but also three large firms with over 1000 employees. Their output ranges from automotive parts and maintenance/repair to assembly of commercial vehicles, buses and trucks. Three of the firms do export, one at a rate of 30% of its output. Four firms have existed since the 1960s or 1970s, but three of them have started operations only in the 1990s. Four of the firms were either foreignowned or had joint ventures with foreign partners. The reform impact was viewed quite differently by the participating firms, depending on whether the respondents were connected with foreign firms or not. The foreign-linked firms described the impact as favourable due to their access to new technology. The firms

that are not connected to foreign firms saw the impact as unimportant or negative, due to diminished protection, increased competition and falling profits. The main obstacles to business were identified by the respondents as electricity supply failures, infrastructure deficiencies, rigid labour laws and access to and cost of credit.

### **5. Conclusions :**

Interview-based sample surveys often reveal a wide variety of views, depending on the size of the firm and the industry to which it belongs, and the present one is no exception. Nevertheless, there are a number of perceptions that dominated the responses in the present survey and they form our conclusions. First, the inquiry confirmed our former observation that the manufacturing sector as a whole did not decline as a result of the country opening its borders to freer trade and foreign investments. The main benefits occurred to industries through the access to new products, technologies and skills, as well as lower costs of intermediate inputs. In some industries the increased competitive pressure led to shrinking profit margins, but others managed to increase profits by adjusting to the new environment. Second, the relative success of the reforms can be attributed to its timing and sequencing, as well as to the fact that they also included internal reforms amounting to reduced regulation. The timing of the trade liberalization was gradual over the 1990s and it was preceded by macro stabilization including currency realignment. Third, although the majority of firms in the sample were small firms and not affected directly by the existing labour laws, the need for further reforms in this area was frequently stated. Finally, most firms said that the manufacturing sector faces serious constraints in the form of infrastructure deficiencies in electricity supply, domestic transportation, sea ports, etc. and the government needs to improve the infrastructure to ensure continued future growth of the manufacturing sector. Thus our study suggests that economic reforms of 1991 were helpful to most industries by increasing access to foreign technology and cheaper capital goods & raw materials. Most firms felt that improvement in infrastructure and more flexible labour laws will further aid the growth of India's manufacturing sector. The conclusions from our study tend to confirm the assessments of several earlier observers, especially Ahluwalia (2002), Goldar (2003, 2004 and 2005) and Panagarya (2004).

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## A STUDY OF FINANCIAL FORECASTING FOR SMALL BUSINESSES

**Prof. Vikas Vidhate**

Dr.D.Y.Patil Institute Management and Entrepreneur Development,Varale,Pune.

vikasvidhate@dypatilef.com

Mob: 9623732781

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**Abstract :**

*Financial forecasting for the future is not easy. In the post 9/11 world, it has become much more difficult because the economy is much more volatile. However, the basics of financial forecasting remain the same. Small business owners must develop the talent to plan ahead. It is one of their essential talents if they want their business to succeed. In order to do a good job of financial forecasting for the small business firm, the owner should develop a comprehensive set of projected financial statements. These projected financial statements, called pro forma financial statements, help forecast future levels of balance sheet accounts as well as profits and anticipated borrowing. These pro forma financial statements are the small business owner's financial plan.*

**Key Words:** - Pro forma Financial Statements, Small Business Firm, Financial Plan.

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**Introduction:**

As an important requirement for a variety of purposes, the financial forecasting is under new focus these days. Be it for the preparation of a project report or a business plan, a budgeting exercise, corporate valuation and sometimes just for planning for the future, the Financial Forecasting is a must. Business forecasting summarizes future expectations of the business strategy and the accounting and financial analysis. It projects future expected scenario, keeping the past in view. It is like driving a car we look at the road ahead, keeping the reflection of the road behind in our line of sight. While we do not drive keeping our eyes on the rear-view mirror alone, we do occasionally look at it while proceeding ahead. The very nature of forecasting, i.e. capturing our expectation of the uncertain future, makes the task difficult. The very process of forecasting for the firm makes one alert to the possible consequences of actions taken or not taken, decisions made or not made. We cannot afford to neglect planning for the future in a business environment.



It is the very uncertainty that exists that makes forecasting a challenging task. Forecasting is not just about putting some numbers in place. Rather it is about having a believable story about the company, translated into numbers. These numbers should reflect the strategy of the company and its position compared to its peers and competition.

In addition to the effective strategic planning, a company should be able to foresee the future business activities to gain competitive advantage. Thus, a long-term financial plan represents an outline of what a firm intends to do in the future. Financial forecasting is an indication of company's financial fitness. So, it is essential for the companies to pay attention towards spending sufficient time and adequate resources on financial forecasting. It is the process of analysing past events and estimating future business activities or projecting future business performance – sales, costs and earnings. Broadly, financial forecasting includes sales forecasting, preparation of pro forma statements and estimating external funds requirement.

Sales forecast is the starting point of forecasting and is a critical task for any company. It is a self-assessment tool as it conveys the financial performance of a company. As it forms the basis of estimating budget of a company, any inaccuracy in sales forecasting might influence the future direction of the company. Next comes the preparation of Proforma statements which constitutes preparation of Proforma income statement and Proforma balance sheet. organisation, a company may not be able to meet its financial requirement through internal sources alone. This requirement of funds, necessitate the companies to depend on external funds.

### **The Important role of a Financial Forecasting for a Small Business:**

Going through the process of constructing a financial forecasting is a valuable exercise for any business owner. The financial plan, or budget as it is also called, helps guide the day-to-day decision making of the business. Comparing forecast numbers to actual results yields important information about the overall financial health and efficiency of the business. Even a one-person company needs to have a financial plan in place.

### ***Cash Management***

Many businesses have monthly or seasonal variations in revenues, which translate into periods when cash is plentiful and times when cash shortages occur. In building the financial plan, the owner takes these cycles into account to keep a tight rein on expenditures during the forecast low revenue periods. Poor cash management can result

in negative consequences such as not being able to make payroll. Having a financial plan that is structured so there is always a cash cushion helps the business owner sleep better at night. The cash cushion allows the business to take advantage of opportunities that arise, such as the chance to purchase inventory from a supplier at temporarily reduced prices.

### ***Long-Range View***

In business it is easy to become focused on the crises or issues that must be dealt with on a daily basis. The price for being too short-term oriented is that the owner may not spend enough time planning what needs to be done to grow the business long-term. The financial plan, with its forward looking focus, allows the business owner to better see what expenditures need to be made to keep the company on a growth track and to stay ahead of competitors. The financial plan is a blueprint for continual improvement in the company's performance.

### ***Spotting Trends***

A business owner makes so many decisions over the course of a month that it can be difficult to tell which decisions resulted in success and which ideas or strategies did not work. Preparing the financial plan involves setting quantifiable targets that can be compared to actual results during the year. The owner can see, for example, whether an increase in advertising expenditures led to the hoped-for jump in sales. Trends in the sales of individual products help the owner make decisions about how to allocate marketing dollars.

### ***Prioritizing Expenditures***

Conserving financial resources in a small business is a critical element of success. The financial planning process helps a business owner identify the most important expenditures, those that bring about immediate improvements in productivity, efficiency, or market penetration, versus those that can be postponed until cash is more plentiful. Even the largest, most well-capitalized corporations go through this prioritization process, comparing the cost to the benefits of each proposed expenditure.

### ***Measuring Progress***

Especially in the early stages of their ventures, small business owners work long hours and deal with numerous challenges. It can be difficult to tell whether progress is being made or whether the business is mired in mediocrity. Seeing that actual results are better than forecast provides the small business owner needed encouragement. A chart showing steady growth in revenues month by month, or a rising cash balance is a great

motivating factor. The financial plan helps the owner see, with the clarity of hard data, that the business is on its way to being a success.

**Objective of the Study:**

1. There are several objectives for this study, first of which is to study the steps involved in research formulation and preparation of financial statements.
2. The second objective of study is to provide information about the financial position, performance and changes in financial position of an business that is useful to a wide range of promoter in making economic decisions. Financial Statements are prepared for this purpose to meet the common needs of most users.
3. To study all related aspects regarding the financing of the project through cash credit and term loan facility.
4. To know, how to manage the cash for day to day requirement with the study of working Capital Management and cash flow management.

**Cost of Research:**

Conceptually, the cost of research represents the total of all items of outlay associated with a project which are supported by long term funds. It is the sum of the outlays on the following:

- Land and site development
- Buildings and civil works
- Plant and machinery
- Technical know-how and engineering fees
- Expenses on foreign technicians and training of Indian technicians abroad
- Miscellaneous fixed assets
- Preliminary and capital issue expenses
- Pre-operative expenses
- Provision for contingencies
- Margin money for working capital
- Initial cash losses

Before we dwell on the above financial estimates and projections, it is helpful to know how they are inter-related. Following is the schematic diagram showing the inter-relationship

**Means of Finance**

To meet the cost of project the following means of finance are available:

1. Share capital
2. Term loans
3. Debenture capital
4. Deferred credit
5. Incentive sources
6. Miscellaneous sources

**Planning the means of finance:**

We described the various means of finance that can be tapped for the project. How should you go about determining the specific means of finance for a given project? The guidelines and considerations that should be borne in mind for this purpose are as follows:

1. Norms of regulatory bodies and financial institutions
  2. Key business considerations
- Norms of regulatory bodies and financial institutions: In many countries, including India, the proposed means of financing for a project must be either approved by a regulatory agency or conform to certain norms laid down by financial institutions in this regard. The primary purpose of such a regulation is to impart the prudence to the project financing decisions and provide a measure of protection to investors. In addition, the norms of financial institutions, which often provide substantial assistance to projects significantly shape and circumscribe project financing decisions.
  - Key business considerations: The key business considerations which are relevant for the project financing decision are – cost, risk, control, and flexibility.
    1. Cost: in general the cost of debt funds is lower than the cost of equity funds. Why? The primary reason is that the interest payable on debt capital is the tax deductible expense where as dividend payable on equity capital is not.
    2. Risk: the two main sources for a firm (project) are – business risk and financial risk. Business risk refers to variability of earnings defer interest and tax and arises mainly fluctuations from demand and variability of prices and cost. Financial risk represents risk arising from financial leverage. It must be emphasised that while debt capital is cheap it is also risky because of fixed financial burden associated with it.

Generally the affairs of firm are, or should be, managed in such a way that the total risk borne by equity share holders, which consist of business risk and financial risk, is not unduly high. This implies that if the firm is exposed to a high degree of business risk, its financial risk should be kept at low. On the other hand, if the firm has a low business risk profile, it can assume a high degree of financial risk.

3. **Control:** from the point of view of promoters of project, the issue of control is important. They would ordinarily prefer a scheme of financing which enables them to maximise their control, current as well as potential, over the affairs of firm, given their commitment of funds for the project.
4. **Flexibility:** this refers to the ability of the firm to raise further capital from any source it wishes to tap to meet the future finance needs. This provides manoeuvrability to the firm. In most practical situations flexibility means that firm does not exhaust fully its debt capacity. Put differently, it maintains reserve borrowing power to enable it to raise debt capital to meet largely unforeseen future needs.

### **Cost of Production**

Given the estimated production, the cost of sales may be worked out. The major components of cost are:

- 1) Material cost
- 2) Labour cost
- 3) Expense

#### **1. Material cost:**

This is the cost of commodities and material used by the firm. It can be direct or indirect.

Direct material indicates that material which can be identified with the individual cost centre and which becomes an integral part of finished goods. It basically consists of all raw materials, either purchased from outside or manufactured in house.

Indirect material indicates that material which cannot be identified with the individual cost centre. This material assists the manufacturing process and does not become integral part of finished goods. The examples of this material may be cotton wastes, oils and lubricants, inventory material etc.

**2. Labour:**

This is the part of remuneration paid to the employees of the firm. It can be direct or indirect.

Direct labour cost indicates that labour cost which can be identified with the individual cost centre and is incurred for those employees who are engaged in the manufacturing process.

Indirect labour cost indicates that labour cost which cannot be identified with the individual cost centre and is incurred for those employees who are not engaged in the manufacturing process. The examples of this cost are wages paid to the foreman/storekeeper salary of works manager accounts/personnel department salaries.

**3. Expenses:**

This is the cost of services provide to the firm and notional cost of assets only. It can be direct or indirect.

Direct expenses are those which can be identified with the individual cost centre. the examples of this expense are hire charges of machinery/equipments required for the particular job, cost of defective work for a particular job, etc.

Indirect expenses are those expenses which cannot be identified with individual cost centre. The examples of these expenses are rent, telephone expenses, insurance, lighting, etc.

**Working Capital Requirement & its Financing**

In estimating the working capital requirement and planning for its financing, the following points have to be borne in mind:

The working capital requirement consists of following:

- 1.Raw materials and components (indigenous as well as imported)
- 2.Stocks of goods-in-process (also referred to as work-in-process)
- 3.Stocks of finished goods
- 4.Debtors and Operating expenses

The principal sources of working capital finance are:

- 1.Working capital advances provided by commercial banks
- 2.Trade credit
- 3.Accruals and provisions
- 4.Long term sources of financing

There are limits to obtaining working capital advances from commercial banks. They are in two forms :

1.The aggregate permissible bank finance is specified as per the norms of lending, prescribed by the Tandon committee.

2.Against each current asset a certain amount of margin money has to be provided by the firm.

The Tandon committee has suggested three methods of determining the maximum permissible the amount of bank finance for working capital. The method that is generally employed now is the second method.

The margin requirement varies with the type of current assets. While there is no fixed formula for determining the margin amount.

### **Why Do Small Businesses Need Pro Forma Statements?**

Having this financial plan allows the owner to track actual events against the financial plan and make adjustments as the year passes. This is invaluable to the owner in order to keep the business out of financial trouble in a changing economic environment. If the business firm needs a bank loan or other financing, these pro forma financial statements are usually required.

Small businesses can develop their pro forma financial statements for varying time periods. The most common time periods are either six months or one year. Sets of pro forma financial statements for three or five year time periods are often developed for banks or equity investors when seeking financing.

Both venture capitalists and angel investors require pro forma financial statements. In order to prepare a comprehensive financial plan, the best method is to first prepare a pro forma financial statement. Then, you will need a cash budget and, finally, a pro forma budget sheet. Here is an overview of each of these statements.

### **Pro Forma Profitability Statement**

The Pro Forma Profitability Statement provides a projection of how much profit the firm anticipates earning over a given time period. Generally, the small business owner follows four steps to develop the Pro Forma Profitability Statement:

- Establish a sales projection
- Set up a production schedule
- Calculate your other expenses
- Determine your expected profit

After using your sales projection as a starting point, you use your production schedule to calculate the cost of goods sold if you are selling a physical product. If you are selling a service, then you need to place a value on your service and substitute that

value for cost of goods sold. Other expenses that you subtract from sales include general and administrative expenses, taxes, dividends, and interest expenses. At this point, you arrive at your gross profit estimate, which is your goal for the Pro Forma Profitability Statement.

### **Pro Forma cash flow statement**

Small business owners can't assume that just because they show an expected profit for their business that all is well. Profit is not the same as cash in the till. Cash up front is necessary to operate day to day operations. As a result, small business owners must also develop a Pro Forma cash flow statement in order to assure that they will have adequate cash in the future to operate their firm.

Pro Forma cash flow statement are done on a monthly basis. Cash receipts or inflows, which are usually sales revenue, are based on the sales projections from the expected income statement. Cash expenditures or outflows are calculated similarly. The difference between them is the net cash flow. The business owner has to take into consideration whether or not he allows customers to pay on credit and account for that when calculating cash inflows upon receipt.

Each month, the small business owner then calculates if there will be enough cash to meet the minimum cash balance and the firm's cash needs for the month. If not, the owner will have to borrow. If there is excess cash, the owner can repay past loans. In this way, the business owner can keep a good handle on the cash position of the firm.

### **Pro Forma Balance Sheet**

After developing the Pro Forma Profitability Statement and the Pro Forma cash flow statement, the small business owner now has all the information necessary to develop the pro forma balance sheet. The pro forma balance sheet shows the cumulative changes in the firm over time. The owner also needs information from the prior year's balance sheet. The amount of each line item on the balance sheet can be obtained from one of these three documents. Some of the accounts on the balance, possibly long-term debt and/or common stock, will remain unchanged.

If the firm's assets increase from the previous time period, then the firm's owner has to look at the liability side of the balance sheet and find where the increase is in liabilities to support the increase in assets. That is only one possible scenario for the business owner.

**Conclusion:** The financial forecasting is one of the useful tools which are used for any new start-up. It is utilised for the preparation of a research report or a business plan, a



budgeting exercise, corporate valuation and sometimes just for planning for the future; the Financial Forecasting is a must.

The financial forecasting portrays the realistic picture of business enabling the entrepreneur for future of business. Business forecasting summarizes future expectations of the business strategy and the accounting and financial analysis. It projects future expected scenario, keeping the past in view.

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## GOODS AND SERVICE TAX IS ESSENTIAL PATH FOR SUSTAINABLE DEVELOPMENT IN INDIAN ECONOMY

**Mrs. Radha S Mahatme**

Asst. Prof.

Dr.D.Y.Patil Institute of Management  
and Entrepreneur Development

radhasmahatme@gmail.com

Mob: 9822316485

**Mr. Ravi Kumar Singh**

Asst. Prof.

Dr.D.Y.Patil Institute of Management and  
Entrepreneur Development

ravikumarsingh@dypatilef.com

Mob: 8087428511

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### **Abstract :**

*GST also known as the Goods and Services Tax is defined as a uniform indirect tax levied on goods and services across a country to support and enhance the economic growth of a country. More than 160 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015. The GST rolled out from July 1, 2017. GST, as an umbrella tax has replaced central taxes such as Central Excise Duty, Service Tax, Additional Duties of Excise & Customs, Special Additional Duty of Customs, and cesses and surcharges on supply of goods and services and state VAT. There was a huge hue and cry against its implementation. In present paper it has been shown that which sectors are positively or negatively affected by GST. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.*

**Keywords:** *Goods and service tax; Indian economy*

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### **Introduction:**

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level [1]. GST is levied and collected at each stage of supply of goods and services. It allows purchaser to avail the Input Tax Credit which will allow sellers to claim the prepaid tax so that the final liability on the end consumer is reduced. The Rajyasabha unanimously passed the (One Hundred and Twenty-Second Amendment)

Bill, 2014 constitution, on 3rd August 2016. Initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there is an amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods .

The current taxes like excise duties, service tax, custom duty etc. have been merged under GST. The taxes like sales tax, entertainment tax, VAT, and other state taxes will be included in GST.

Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**.

The current system taxes production, whereas the GST aims to tax consumption.

**Objectives of the study:** The objective of the study is to understand the concept, benefits and features of GST

**Methodology:**

Various secondary data is collected from various articles, magazines, news papers.

**How GST is levied:**

GST is levied on the place of supply /consumption of goods and services. It can be levied on following states:

Intra-state supply and consumption of goods and services.

Inter-state movement of goods.

Import of goods and services.

Concurrent Dual GST model comprises three terms which are:

**CGST:** Central Goods and Services Tax

**SGST:** State Goods and Services Tax

**IGST:** Integrated Goods and Services Tax

UGST: Union Goods and Services Tax

CGST is going to be charged by Central Government for the transactions related to intra state which will be paid to the account of central government. SGST is proposed to be collected by state government, IGST is going to be collected by Central government on interstate and import/export transactions.

**GSTRates:**

GST Council has declared four tier tax structures: exempted ,0 rated ,5%, 12%, 18% and 28%. Lower rates are kept for essential items and higher ones for luxury goods. For controlling the inflation food items will be taxed at zero rates.

**Benefits of GST:**

GST will benefit to many parties including Government, Customers and manufacturers. The various benefits expected are as under:

**To the Consumers:**

The major benefit of GST is that it reduces the cost of product and services. So customers will be getting the products and services at lower cost compared to the price they need to pay in current tax structure under VAT. It increases purchasing power and saving capacity. Single and transparent tax proportionate to the value of goods and services, Reduction of prices

**To the Producers:**

Currently because of multiple taxes in Excise/Customs & VAT there are some complexities which increases the cost of product, GST, Overcoming all the shortcomings of present tax structure will reduce the cost of product. Producers will be able sale the products at lower cost which directly increases their amount of sales and profit. Easy compliance, Removal of cascading, improved competitiveness

**To the Government:**

GST is easy to understand and implement, Customers whose income will be increased because of lesser tax, will save more and by this government will be getting more amount of investment from customers. Simple and easy to administer, Better controls on leakage, Consolidation of tax base, higher revenue efficiency

**Problems against GST in India:**

The main problem against GST is about compensating State Governments. Presently with VAT indirect taxes are levied by central and state governments, contributing major portion of income to the state governments. But after the implementation of GST state governments will have to be depended on Central government and Financial Commission, State government are assumed to face financial losses .Another pre requisites for GST would be good IT infrastructure ,change in accounting practices and systematic registration process.

**The other Challenges before Goods and Service Tax in India**

-Legacy issues which will use resources. -Non harmonization of tax rates.

- Lack of automation.
- Lack of skilled officials.
- Poor quality of tax return.
- Lack of cross verification with other tax administration.
- Lack of mechanism to control evasion. -Impact on prices.
- Lack of procedural manuals.
- Double registration – handling old registration.
- No tax system for 100% scrutiny of tax returns and tax audit.

## 2 India's Tax System

### 2.1 Current Tax System

Presently, India's tax system comprises a multitude of indirect taxes, applied at the central (federal) and state levels. Table 1 shows the most notable ones, which the GST will subsume. It also summarizes the current central tax rates in the first panel and the current range of rates of state taxes in the second.

Table 1: Overview of India's Tax System

CENTRAL TAXES	Rate
1. Central Value Added Tax (CENVAT) or Central Excise duty (Tax levied on the production of manufacturing goods. )	12.50%
2. Service Tax (Tax levied on provided services)	15%
3. Central Sales Tax (CST) (Tax on cross-state trade )	2% C
4. Countervailing Duties (CVD) (Additional import duty on imported goods)	form 12.5%
5. Special Additional Duty of Customs (SAD)	4%

STATE TAXES	Range Rates
1. Sales Tax (VAT)	10%-20%
3. Entry Tax	0%-12.5%
4. Luxury Tax	3%-20%
5. Entertainment Tax	15%-50%

## 2.2 Tax System under the New GST

The new GST will merge the aforementioned indirect central and state taxes into a four-tier schedule of 5, 12, 18 and 28 percent, as seen in Table 2. While necessity goods will be taxed at 5 percent and luxury and consumer durable goods at 28 percent, most goods and all services will be taxed at the standard rates of either 12 or 18 percent, but the allocation to each tax rate is still uncertain.

Table 2: Proposed Tax Brackets

Goods			Services
Exempt	Low Rate	Standard Rate	Standard Rate
High Rate			
0%	5%	12% and 18%	12% and 18%
28%			
Agricultural	Necessity	Distribution is	Distribution is
Luxury goods and			undecided
Goods	goods	undecided	
consumer durables			

The main purpose of the GST is to eliminate the compounding effect of the current multilayered tax system as well as the cross-state tax heterogeneity by fixing the final tax rate.

To illustrate this, the top panel in Table 3 shows the final tax rate for a typical manufacturing good produced and sold in different Indian states or exported to the rest of the world (ROW) in columns (1) and (2). Column (3) presents the final tax rate for an internationally imported manufacturing good.

Table 3: Cross-state Taxes under Baseline GST

Current Tax System			
	(2)	Exporter (3)	
	Andhra Pradesh		Maharashtra
ROW	Andhra Pradesh	29%	28%
17%			
Importer	Maharashtra	48%	26%
17%			
	ROW	29%	26%
0%			

Tax System under the New GST			
(2)		Exporter (3)	
		Andhra Pradesh	Maharashtra
ROW	Andhra Pradesh	16%	16%
16%	Maharashtra	16%	16%
Importer	ROW	0%	0%
17%			
0%			

**Here is a list of some items which are completely exempt from the GST regime:**

The unprocessed cereals, rice & wheat etc., The unprocessed milk, vegetables (fresh), fish, meat, etc., Unbranded Atta, Besan or Maida., Kid's colouring book/drawing books, Sindoor/Bindis, bangles, etc

Below is a list of the sectors which are negatively or positively affected by GST.

**Sector wise positive impact of GST**

Sectors	Tax Implications under GST
Auto Commercial Vehicle (CV)/Two wheelers (2W)	To marginally reduce by 1% compared to the existing tax structure. <b>Positive</b>
Auto – Small cars	Small cars which less than 4 meter length and more than 1500 cc engine tax rates to reduce by 2-2.5% compared to the existing tax structure. <b>Positive</b>
Auto – Midsized cars and SUV	Midsized cars <1500 cc & <4 meters in length and SUV rates would come down by 8% and 12% respectively. <b>Positive</b>
Consumer goods – essential items	Effective tax rate in essential goods (soaps, toothpaste, edible oil and hair oils) under various tax slabs – <b>Positive</b>
Consumer goods – Footwear	Footwear tax rates (<Rs 500) to reduce to 5% from 9.5% and <Rs 500 to reduce to 18% from 24-30% – <b>Positive</b>
Consumer goods – Cigarettes	

Building Materials	Effective tax under GST would be 28% along with additional Cess and other taxes. GST rate in cigarettes according to the current rate will gradually increase over the next 5-6 years – <b>Positive</b>
Logistics	Organised players to benefit from higher tax rate in the long term, as they gain market share on reduced pricing spread between organised and unorganised players. However, higher tax rate may lead to tax evasion through loopholes, which is a concern from organised players. In Consolidation of warehouses across the country with free movement of goods will lead to higher volumes for logistic companies. Execution of the same, however, might take some time as unorganised players will have to adapt to new systems under GST.

#### Sectors negatively affected by GST

Sectors	Tax Implications under GST
Hotel more than Rs 5000 room rental	Tax rate on fine dining restaurants increased to 28% from 15%. This will result in room rentals hikes, with consequent impact on hotel occupancies.- <b>Negative</b>
Restaurants & fine dinning	Tax increased to 18% from 15%. This tax revision will affect the fine dining restaurant industry which has already seen significant pressure on its sales due to macro environment slowdown. – <b>Negative</b>
Branded Apparels	Garments >Rs 1000 will be taxed at 12% instead of 7%. This will adversely impact business as price hikes would lead to late recovery in sales.



**Above rates will be reduced on meeting of GST Council at different stages as representation are made from different manufacturing sectors and will be finalized by March 18**

### **How will GST Impact Your Personal Finances?**

Impact of GST on your personal finances will be mixed. For many items, there is a reduction in taxes. This is mainly because Government has put up strict anti-profiteering measures & warned businesses of tax raids to make sure the companies pass on the benefits to their consumers.

### **Food Items**

Most food items are exempted from GST. They were also not taxable under old regime so prices expect to be largely neutral.

-Cereals, Fresh fruits & vegetables (Other than frozen or processed), Meat (Other than in frozen state and put up in unit containers), Fish (not frozen or processed), Common salt  
There was confusion whether wheat, flour, rice sold in packets would be under high tax. Revenue Secretary has clarified that only those sold under a registered brand name will attract a higher tax of 5%. So, your normal unbranded packets from your local grocery will still be 0 rated.

Impact of processed food will be varied. Items like corn flakes will reduce under GST while pastries and cakes will rise.

### **Household Items**

Hair oil, soaps, shampoos are expected to get cheaper.

Cost of washing clothes will increase due to increase in rate of detergent and also due to increase in tax on services of laundry places.

Other basic items such as Kumkum, alta, puja samagri, bangles (except those made from precious metals) are exempted from GST which will lead to decrease in prices. However, makeup will be more expensive under GST falling under 28%.

### **Other Household Items & Appliances**

Kitchen utensils like stainless steel cooker, pan etc are a little cheaper as they are charged at the rate of 12% under GST compared to the old tax rate of 19.5%. Sanitary items like taps, faucets etc. are costlier under GST as they are also kept under the 28% tax bracket. Heavy home appliances such as air conditioners, washing machines are more expensive under GST. Their maintenance and service contracts will also be more expensive as services attract 18% GST.

So making small repairs to your home (replacing a tap) & home appliances will be costly under GST.

### **Medicines**

Human blood and its various components are exempted under GST as well as existing laws so prices will remain neutral. Only chemical contraceptives (hormones based) were earlier exempted. Now condoms and other contraceptives are also exempted under GST.

Impact on life saving drugs including medicines for diabetics are largely neutral which were taxed also around 5% under VAT/excise regime. Prices of ayurvedic and other alternative medicines will increase as they are taxed under 12% GST.

### **Mobile network, DTH and Other Services**

Service industries are now under 18% GST compared to the earlier 15%. So, mobile connections, DTH booking of tickets through agents, apps will increase. Computers are expected to become cheaper.

### **Restaurants**

Dining out will be cheaper in most cases because of decrease in taxes. Earlier tax on restaurants came to an effective rate of 20.5%. This has been reduced for all restaurants to 18% GST, including 5-star restaurants. Even better, non-ac restaurants without alcohol will be even cheaper under 12% tax. Many restaurants have already started giving discounts and happy hour low prices. So, eating out is definitely easy on your finances in GST.

### **Movie goers**

Movie tickets will attract GST at 28% and food, drinks at theatres will attract 18%. The effect of GST will be mixed depending on the states. States with high entertainment tax such as Maharashtra, UP, will be benefitted as it will reduce the prices for the end consumers. However, GST will have a negative effect on states which already have a low entertainment tax such as Punjab, Rajasthan.

### **Banking & Insurance**

Ironically, your actual financial transactions will reduce your finances due to the increase of tax on services to 18% (from earlier 15%) So, your life, health, car insurance premiums will increase. Cost of taking out a loan will also increase due to the service component in loan processing etc. Banking services charge 15% service tax

currently which will increase to 18% under GST. Most banks have applied transaction charges on cash withdrawals from different bank ATMs, cash withdrawals from branch (first 5 for both are free). All these attracted 15% service tax which has increased to 18% under GST regime.

### **Travelling**

Prices of mid-large cars will increase as they will attract 28% GST along with cess. However, prices of small cars will attract 1%-3% cess thus resulting in a decrease in prices. Mid-sized cars, SUVs and luxury cars will have a 15% cess. Motorcycles will attract 3% cess. Travelling by app based cabs like Ola, Uber has become cheaper as the tax has reduced to only 5%. Already, we pay a reduced amount on travelling. Also, all radio-taxi companies have started various discounts and offers keeping in line with the anti-profiteering measures.

### **Tourism**

Railways tickets will increase slightly due to rates. Economy air prices will fall. However, luxury and business class ticket prices will rise. Budget hotel rooms below Rs. 1000 per day are exempted from GST. Rooms between 1000- 2500 will attract 12% GST. Rooms between 2500-7500 will be taxed under 18%. Rooms above 7500 are taxed at the luxury rate of 28%. Hotel rent will decrease for all rooms except for the high-end luxury ones.

### **Gold**

Gold, Diamonds, Precious stones will attract 3% GST which will increase prices in most states where the earlier rate came to 2% (1% excise +1% VAT).

### **Housing**

Cement prices will increase due to the 28% GST rate. In turn, costs for infrastructure and housing which are highly dependent on cement, will also increase. Also rent of office buildings will be subject to GST of 18%. However, the rents of residential buildings are exempted from GST.

### **Smokers**

Impact on the tobacco industry is going to be largely neutral since the 5% cess was less than the expected rate by the tobacco industry. Exemption list is expected to have around 100 items only as exemptions break the tax chain and create scope for tax evasion. By keeping a small list, it will help to curb tax evasion. Most of the commonly used items (common man items) are under 12% and 18%. Online Shopping is expected

to be balanced by lower costs of logistics and smoother inter-state transport because of a uniform tax rate.

**GST Rate Changes Come into effect on 178 items:** On 178 items the GST rate has been brought down from 28% to 18%. With reduction of rate coming into effect, a consumer shall be charged the revised reduced rates of 18% on these items with effect from the 15th November, 2017. FM Arun Jaitley said the main principle behind the rate fixing has been that “tax rate under GST will not go up for any of the commodities. There is no increase. On many commodities, there is a reduction particularly because the cascading effect of tax is gone.”

There are still more clarifications required from the GST Council regarding the various tax benefits currently enjoyed by businesses in order to ensure a smooth transition to GST.

**Conclusion:**

Switchover to a ‘flawless’ GST would be a big leap in the indirect taxation system and also give a new impetus to India’s economic change. The Honorable Minister of Finance, Corporate Affairs & Information and Broadcasting, Government of India further mentioned that the implementation of the GST will be pegged as one of the biggest game changing reforms of the Indian government. It will help India become an economically integrated economy, will help reduce business costs and facilitate seamless movements of goods and services eliminating local charges. It would reduce tax cascading eliminating tax on tax and hence help reach a situation where revenue would be benefited and GDP would improve. In India, Implementation of GST would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market

**Suggestion:**

- 1) Governments have to organize a committee to evaluate the impact of implementation of GST.
- 2) Joint operation between consumer association and non-governmental organization to ensure worldwide pricing monitoring.
- 3) Enlist the cooperation of big retailer like hypermarket for benchmark the price of goods.
- 4) GST also apply in IT system like the Tax Information Network, where the TDS of the VAT credit is recorded in a central database.

- 5) GST will be charged more on luxurious product and apply tax credit system for life base product.

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## FINANCIAL INCLUSION : ROLE & GROWTH OF PRADHAN MANTRI JAN DHAN YOJNA AND ITS IMPACT IN INDIA

**Prof. Pranita Pardeshi**

(Assistant Prof.-MIT ADT University,Pune)

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### **Abstract :**

*Pradhan Mantri Jan-Dhan Yojana was announced by Honorable Prime Minister Mr. Narendra Modi on 15<sup>th</sup> Aug.2014. Inclusive Growth – “Sab Ka Sath Sab Ka Vikas” is central to our development philosophy. This Mission would enable all households, urban and rural to gain easy and universal access to financial services. Exclusion from the banking system excludes people from all benefits that come from a modern financial system. In this Mission, households will not only have bank accounts with indigenous RuPay Debit cards but will also gain access to credit for economic activity and to insurance and pension services for their financial security. Financial Inclusion to provide all households in the country with financial services, financial literacy with particular focus to empower the weaker sections of society, including women, small and marginal farmers and labour, both rural and urban.*

**Key Words:** *Financial Inclusion, PMJDY, financial products and services, Financial Literacy.*

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### **Introduction:**

**Pradhan Mantri Jan-Dhan Yojana**(P.M.J.D.Y), Prime Minister's People Money Scheme is India's National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister of India Narendra Modi on 28 August 2014<sup>[1]</sup> He had announced this scheme on his first Independence Day speech on 15 August 2014.

On the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme.<sup>[2][3]</sup> Guinness World Records Recognizes the Achievements made under PMJDY, Guinness World Records Certificate says "The most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by Banks in India from 23 to 29 August 2014". By 1 February 2017, over 27 crore (270 million) bank accounts were opened and almost ₹ 665 billion (US\$10 billion) were

deposited under the scheme.<sup>[4]</sup> **PMJDY** is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of ₹ 1 lakh. The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the beneficiaries accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government.

**Objectives :**

- 1) To study the present status of PMJDY a financial inclusion.
- 2) To study the challenges faced by customer of PMJDY.
- 3) To study the impact of PMJDY in India.

**Research Methodology:**

The study is based on secondary sources of data or information. Different books, newspapers and relevant websites, Govt. Publications and annual report of RBI, have been consulted in order to make the study effective one. The study attempts to examine the role of PMJDY in financial inclusion and inclusive growth.

**PMJDY :**

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.

Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. Accounts opened under PMJDY are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria.

Launched by Prime Minister Narendra Modi in August 2014, just months after assuming office, Jan Dhan Yojana is India's mission for financial inclusion and last mile connectivity, is finally showing small, but impactful results. According to the **website**, as on 18th October, 30.49 crore beneficiaries have banked so far with about Rs. 67,316.28 crore balance in their accounts.

In a 2017 working paper, Georgetown University professor Sumit Agarwal and his co-authors **studied** account activity in 1.5 million PMJDY (Pradhan Mantri Jan Dhan Yojana) accounts from August 2014 to May 2015. The study revealed that while the

usage started off slow, as about 81% of new consumers did not make any deposits in the first six months, once they got aware about financial services, they embraced the banking system. Within one year, the frequency of remittances and deposit and withdrawal transactions gradually reached the same level as a comparable set of accounts opened before the PMJDY. Along with demand, the supply of financial products rose as well.

**State wise Account opening Report as on 27/12/2017**

S.No	State Name	Total Beneficiaries	Balance in beneficiary accounts (in crore)	No. of RuPay cards issued to beneficiaries
1	Andaman & nicobar islands	51,452	19.53	39,587
2	Andhra pradesh	8,954,268	1,379.42	7,556,747
3	Arunachal pradesh	253,414	69.01	197,169
4	Assam	12,595,492	2,784.52	9,569,166
5	Bihar	32,584,738	6,539.39	22,588,136
6	Chandigarh	245,326	91.42	187,937
7	Chhattisgarh	12,866,551	1,934.25	8,722,068
8	Dadra & nagar haveli	88,467	32.26	53,807
9	Daman & diu	41,591	13.54	28,386
10	Delhi	3,941,557	1,484.94	3,206,722
11	Goa	150,512	76.61	122,702
12	Gujarat	11,624,165	2,933.53	9,312,018
13	Haryana	6,444,257	2,421.38	5,530,168
14	Himachal pradesh	975,862	420.23	798,022
15	Jammu & kashmir	1,941,882	719.13	1,477,193
16	Jharkhand	10,969,129	2,257.60	8,003,317
17	Karnataka	11,583,647	2,466.59	9,273,438
18	Kerala	3,485,543	916.89	2,421,435



<b>19</b>	Lakshadweep	5,195	6.29	4,120
<b>20</b>	Madhya pradesh	26,718,480	3,124.31	19,167,122
<b>21</b>	Maharashtra	21,769,324	4,032.99	15,153,063
<b>22</b>	Manipur	783,596	188.4	677,309
<b>23</b>	Meghalaya	413,327	190.87	241,740
<b>24</b>	Mizoram	264,937	44.4	90,433
<b>25</b>	Nagaland	216,881	35.81	174,685
<b>26</b>	Odisha	12,194,082	3,225.46	9,565,757
<b>27</b>	Puducherry	159,447	33.59	120,583
<b>28</b>	Punjab	6,010,549	2,188.19	4,975,701
<b>29</b>	Rajasthan	23,969,541	5,014.05	16,847,178
<b>30</b>	Sikkim	94,612	30.03	69,957
<b>31</b>	Tamil nadu	8,860,541	1,372.26	7,391,212
<b>32</b>	Telangana	8,941,360	1,220.35	7,462,240
<b>33</b>	Tripura	814,027	689.36	710,937
<b>34</b>	Uttar pradesh	46,334,127	11,803.62	36,348,537
<b>35</b>	Uttarakhand	2,149,203	839.54	1,762,476
<b>36</b>	West bengal	29,454,180	10,901.40	22,409,402
	<b>Total</b>	<b>307,951,262</b>	<b>71,501.17</b>	<b>232,260,470</b>

### PMJDY challenges :

At an operational level, Jan Dhan accounts are prone to problems of zero balance, duplication and dormancy. At a larger macroeconomic financial inclusion level, a closely-related problem is the question of whether Jan Dhan users eventually start conducting genuine financial transactions and slowly transition towards engaging with more complex financial products such as insurance or formal credit.

The decrease in zero balance accounts is particularly pronounced for public sector and 13 regional rural banks, whose zero balance account shares drop from 66.6% and 73.1% to 23.4% and 20%, respectively. While the zero balance accounts in private sector banks also decrease, the change from 57.2% to 34.7% is less pronounced,” lead author Yakshup Chopra writes.

### Impact of PMJDY :

The National Bank for Agriculture and Rural Development (NABARD) has initiated a survey of primarily 40,000 households to study the impact of financial inclusion. The survey will track savings patterns, card usage, mobile payments and changes in patterns of usage between the young and the old. These surveys should be used for designing modules for enhancing the financial literacy of people.

To use financial services to their full potential, to protect their families and improve their lives, low-income groups need products well suited to their needs as well as appropriate training and education. Bringing this about requires attention to human and institutional issues, such as quality of access, affordability of products, familiarity and comfort in use, sustainability for the provider of these services, and outreach to the most excluded populations.

The issue is a lot more nuanced than seen today. The consumer will enter the formal financial sector and embrace new opportunities believing that if he takes the effort to understand a more technologically dominated world, then certain specific pains will disappear. We have thus to address real pains, not just offer benefits.

***Common Man :***

- Anyone who does not have an account will get an account in bank.
- There will be a debit card associated with these account to assure no need of carrying cash all the times.
- Common man will get direct benefit of government subsidies.
- If these people get proper training for operating the account then there will be no requirement for going to perform various transactions like paying electricity bills, phone bills etc.
- Time saved is time earned that can be invested in other important activities.
- Every person associated under this scheme will get Rs 100,000 of insurance.
- Common man will also have a financial and credit history on government records.
- It will be easy to get loan directly from financial institutions instead of other modes that charge heavy interest rate.

***For Business***

- More and more people will be doing shopping via debit cards reducing time, manpower and risk involved in managing cash transactions.
- More people / debit cards will be available for online transactions.

- A More relevant data will be available to perform various analyses to create marketing plans.

*For Government*

- It will be a great milestone achieved after linking with Aadhaar card to make direct financial transactions, subsidies transfer and lot more.
- A It will be easy to monitor transactions and collect financial data as more people will be using recorded mode of payments.

- ***For Corrupt People***

- Life will be little tough for these people.
- Now there will be less income as there will not be many people to offer bribe.

- ***Banking Institutions***

- Banks will get new customers that directly means more money inflow.
- These customers may result in potential clients for other banking services like loans.

**Conclusion :**

The present study analysis examined the role and implications of PMJDY in Financial Inclusion and its Growth. Under this scheme, Services, number of bank accounts and financial literacy were categorized in phase one, whereas Insurance, Credit Guarantee Fund and Direct Benefit Transfer were categorized in second phase. The benefits of the scheme were highlighted in the study. By providing the present status of all states in India. And its universal banking facilities of insurance, credit guarantee fund and pension at affordable rate, this scheme has attracted mass of population of India as well as challenges faced by the customers

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as they do not have savings to deposit. Thus awareness camps are required to create interest in people to open bank accounts.

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**DEMONETIZATION IN INDIA: PROS AND CONS****Prof Amita Kaushal<sup>1</sup>**

Research Scholar

Assistant Professor

JSPM's Rajarshi Shahu College of Engineering,  
Pune**Dr. Meenakshi Duggal<sup>2</sup>**

Associate Professor

Patel Memorial National College,  
Rajpura, Punjab

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**Abstract**

*Demonetization is very audacious decision and is going to be one of the profitable events of our time. Its heat is felt by every Indian resident. Demonetization affects the economy during the liquidity side. Around 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the extraction of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination. In this paper, it is discussed about the various impact of demonetization on Indian economy and common man.*

**Keywords:** *Demonetization, Indian economy, Notes, Pros and Cons*

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**Introduction**

Demonetization is the act of dumping a currency unit of its status as legal tender. In an important move, the Government of India declared that the five hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th November 2016. The RBI will issue Two thousand rupee notes and new notes of Five hundred rupees which will be placed in circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to address the resolve against corruption, black money and counterfeit notes. This move is expected to cleanse the formal economic system and discard black money from the same.

With demonetization effort 86% of India's currency was nullified that aimed to wash the stock of black market's cash supply and bogus notes out of the economy and convert it into the legal, banked and taxable, part of the economy. To diminish the impact of sudden commercial collapse, a 50 day period ensued where the population could (ideally) exchange their canceled cash for newly designed 500 and 2,000 rupee

notes or deposit them into bank accounts. Irrespective of the widespread anguish and household disturbances, an optimistic sentiment shown in favor of the decision.

Absence of transitional denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination.

Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. In this context, the exercise may produce following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks.

With exchange of the old currency notes coming to an end, many people are forced to open accounts to save their money. It is estimated that banks have opened about 30 lakh (and still counting) new accounts since the demonetization drive began on November 8. India's largest bank, State Bank of India (SBI), with its 17,097 branches - half of which are in the rural and semi-urban areas – is opening 50,000 accounts a day. The leading consumer internet companies in India (Paytm, Flipkart, Snapdeal, Shopclues, Avenues, Ola and Oyo Rooms) have applauded the move, saying it will pave the way for digital payments, aid the process of financial inclusion and the overall transformation in the economy will translate into long-term benefits for the industry. Payments companies Paytm and Free charge saw a surge in adoption of their digital wallets. According to market experts, the growth of digital payments and wallets is the first phase of the impact and will give big boost to lending and credit as the digital records of merchants will expand and create more demand in the second phase.

### **Impact on the Indian Financial System:**

In this work, The Indian Economy which was termed as the “fastest growing major economy” in the world and the “only bright spot” among Emerging Markets seems to have slowed down even before the latest “shock therapy” of “demonetization”. Indeed, the recently released growth figures from the Central Statistical Office (CSO) considered to be the official department that releases projected, and actual growth figures (apart from the Reserve Bank of India and the Finance Ministry) hints at a slowdown in the Indian economy even during the quarter before demonetization happened.

While this is indeed cause for concern with projected growth figures revised downwards from 7.6 % to 7.1% for the financial year ending March 2017, what is cause for greater worry and even alarm is the view among some economists including the former Prime Minister Dr. Man Mohan Singh, that the current and ongoing attempt to flush out black money would shave a good 2% of the GDP or the Gross Domestic Product.

Indeed, some scholars and research institutes such as Ambit Research have given even more dire assessments with their projections of growth figures tending to be in the less than 3% range. Of course, the consensus view among many economists is that while there would be indeed a noticeable slowdown in the economy for a “quarter or two”, most of them seem to agree that growth would indeed bounce back and the Indian economy would regain its momentum as well as turnaround with a renewed sense of energy due to higher tax revenues.

Having said that, one must keep in mind the fact that as per the recent estimates by some economists, nearly 90% of the total cash in circulation has come back into the banking system and hence, the stated purpose of the Demonetization exercise which was to “extinguish” black money and enable the RBI to lower its liabilities thereby providing the government with a huge dividend seems to have been belied. Of course, there are some who now argue that the Indian Banking System is now “overflowing with cash” and this has enabled the government to “push” the RBI to cut rates as well as to allow banks to pass on the benefit of ample liquidity to consumers by lowering lending rates.

However, the affirmative side of this has been that banks have cut their deposit rates as well as cuts to deposit rates. This has resulted in a situation where banks with enough deposits seem to be encouraging spending more than saving and this can indeed create demand in the system since more money with consumers means more spending thereby leading to an uptick in sales of goods and services and which has the “multiplier effect” of resulting in more growth.

With more taxes being collected due to higher deposits in banks that can be taxable as well as increased compliance due to greater scrutiny and oversight by the Income Tax Department, the government too might be willing to announce lower rates for taxes. It is worth remembering that fiscal stimulus which is by lowering taxes and providing more incentives to consumers as well as producers by boosting supply can be complemented and supplemented by the monetary stimulus which is by boosting

demand for goods and services by lowering lending rates thereby putting more money in the hands of consumers.

We must remember that India is primarily a cash transaction based economy and hence, removing 86% of the money in circulation is indeed a “brave” move since there are reports that large sections of the informal economy have to the difficulties.

There are also reports of farming sector taking a hit due to lack of cash as well as sales of automobiles and other capital goods falling even though inventories are building up. Thus, it remains to be seen as to how the growth figures for the next quarter and the overall financial year turn out to be. Given that mainstream economists tend to debate and argue both sides with equal passion and energy

Of course, there are other indicators to keep track of as well in the form of various Indices such as the PMI or the Purchasing Managers Index which tracks industrial activity as well as the rates of investment and the credit pickup as well as the Inflation figures. Having said that, one must also note that given the lack of communication about some of the economic indicators from the government is indeed worrying given that Demonetization has been termed as the “Biggest Monetary Experiment” in recent times in the entire world.

#### **Pros/Advantages of Demonetization:**

1. The biggest advantage of demonetization is that it helps the government to track people who are having large sums of unaccounted cash or cash on which no income tax has been paid because many people who earn black money keep that money as cash in their houses or in some secret place which is very difficult to find and when demonetization happens all that cash is of no value and such people have two options one is to deposit the money in bank accounts and pay taxes on such amount and second option is to let the value of that cash reduced to zero.
2. Since black money is used for illegal activities like terrorism funding, gambling and also inflating the price of major assets classes like real estate and due to demonetization all such activities will get reduced for some time and also it will take years for people to generate that amount of black money again and hence in a way it helps in putting an end this circle of people doing illegal activities to earn black money and using that black money to do more illegal activities.
3. Another benefit is that due to people disclosing their income by depositing money in their bank accounts government gets a good amount of tax revenue which can be used by the government towards the betterment of society by providing good



infrastructure, hospitals, educational institutions, roads and many facilities for poor and needy sections of society.

4. Banks' Lending percentage will be enhanced with lower cost of capital and interest rates, key contributor of economy growth.

#### **Cons/Disadvantages of Demonetization**

1. The biggest disadvantage of demonetization is that once people in the country gets to know about it than initially for few days there is chaos and frenzy among public as everybody wants to get rid of demonetized notes which in turn sometimes can lead to law and order problem and chaotic situation especially in banks and ATMs which are the only medium to change the old currency units to new currency units.
2. Another disadvantage is that destruction of old currency units and printing of new currency new units involve costs which has to be borne by the government and if the costs are higher than benefits then there is no use of demonetization.
3. Another problem is that majority of times this move is targeted towards black money but if people have not kept cash as their black money and rotated or used that money in other asset classes like real estate, gold and so on then there is no guarantee that demonetization will help in catching corrupt people.
4. Although it benefits E- mode of payments but it largely for educated people, No specific provision for uneducated/ village people living in interior areas of cities / villages.
5. Provision required for common man having no bank a/c and exchange required.

#### **Impact on Common Man:**

The main motive behind the approach is to bring a huge amount of cash notes that are in unaccounted wealth into mainstream economy and reduce the usage of fake currency. However, we know that about 50% of India's economy mainly depends on cash transactions run by small & medium sized organizations. According to economists, the approach will have an impact on these enterprises and could lead to the knock-on effect on the growth of the economy. Let us see how the ban of these currency notes will affect the lives of common people:

#### **Pros:**

- Purchasing power will be improved which is directly correlated with inflation. The controlled prices will improve purchasing power.
- Banks Interest rates will be reduced making it easy for common man to avail fresh

loans in other words we can say lending would be easily approachable for commonman.

- Govt. had scope of introducing new schemes for welfare of commonman.
- Lesser tax liability , boost for savings and consumption
- New Employment opportunities in place

**Cons:**

- Currency crunch in market having its direct impact on demand and supply for common man.
- Current currency exchange restrictions making it life difficult for common man, Although Govt. is regularly changing rules for better adherence.
- Difficulty in cash deposits / exchange of Old currency notes esp. for ones with no bank a/c although same is their hard earned money.
- Frequent changing currency rules getting day to day activities affected both for common man and banking institutions.
- Promotion of illegal activities till old currency completely stopped in system.
- Higher cash deposits in Nov. & Dec-16 attracts income tax authorities for verification even it is earned through proper taxable income disclosures and same needs to be justified else additional tax will be levied.
- Dealings in cash adversely affected the small retailers / dealers etc.
- Fear of unemployment in MSME and other small manufacturing/unorganized sectors where majority is cash dealings as same is largely affected / Temporary closed due to liquidity crunch.

**Conclusion :**

Demonetization of Rs 500 and 1000 Rs notes will benefit the economy in long run but it is important to reduce its mentioned demerits in existing scenario otherwise it will have adverse impacts on economy and its merits will also be affected taking into account the current economic scenario, now it all depends on govt. policies and strategies how well they are planned and executed especially at ground level. This process would also forcibly bring in huge amount of money from the informal sector, which was unaccounted for. This will help in the growth and improvement of GDP.

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## FINANCIAL INCLUSION FUND AND ITS IMPACT

**Prof. Prachi Ahirrao**

MIT Art Design & Technology University (MITCOM), Pune.

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**Abstract:**

*RBI announced merger of two funds to create a new Financial Inclusion Fund to support 'developmental and promotional activities' for expanding reach of banking services. It will provide support for funding the setting up and operational cost for running financial inclusion .Availability of banking/ financial services to a low income groups and weaker sections at an affordable price is the main motive behind this initiative. The objective is to provide the service of basic banking products to unserved masses of the country, aiming towards inclusion of low income persons into a financial horizon. This helps us to find financial exclusion, which directly leads to the poverty, so it affects economic and financial growth of the country. It seeks to improve the standard of living of vast majority or poor persons. This is one of the major financial measures taken by RBI.*

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**Objectives:**

The objective of the Financial Inclusion Fund is to support “ Developmental and Promotional Activities” including creating of Financial Inclusion infrastructure across the Country, Capacity building of stakeholders, creation of awareness to address demand side issues, enhanced investment in Green Information and Communication Technology (ICT) solution, research & transfer of technology, increased technological absorption capacity of Financial Service providers / users with a view to securing greater financial inclusion. The business/banking activities.

**Methodology:**

Research paper is based on Secondary Data. All the information, facts and figures are taken from various secondary data.

**Introduction:**

India as a country presents great diversity in its geography, history, and culture and population demography. This diversity makes it extremely difficult to suitably

categorize the country on economic, political, religious or demographical grounds. As the majority of the rural population is still not included in the inclusion growth, the concept of Financial Inclusion becomes a challenge for the Indian Economy. Since 2005, many concerted measures are initiated by the Reserve Bank of India & Government of India in favor of Financial Inclusion and one of the major initiative is Financial Inclusion Fund. This aims to focus on utilizing the existing banking / financial services to a low income groups and weaker sections at an affordable price. The objective is to provide the services of basic banking products to unserved masses of the country. This helps us to find Financial Exclusion, which directly leads to the poverty, so it affects economic & financial growth of the country. It seeks to improve the Standard of living of vast majority or poor persons.

### **Financial Inclusion: Introduction**

The accessibility of financial services that meet the precise needs of users without percipience is a fundamental objective of financial inclusion. The term "financial inclusion" has enlarged importance since the early 2000s, a result of finding financial exclusion and its direct relationship to poverty.

The aims of financial inclusion as follows:

- access at a rational cost for all families to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- sound and safe institutions governed by clear regulation and trade performance values;
- financial and institutional feasibility, to ensure continuousness and certainty of investment; and
- Competition to ensure choice and affordability for clients.

In the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, the then Governor, Reserve Bank of India ,he had expressed deep concern on the objective of financial inclusion. The concept of financial Inclusion and its implementation has come a long way since last two decades and the results are also quite fair. There has been much technological advances that has transformed the banking industry from traditional brick and mortar infrastructure like staffed branches to a system supplemented by other

channels like automated teller machines, debit and credit cards, internet banking, online money transfer etc. The moot point, however, is that access to such technology and services are restricted to only certain segments of the society. There is a growing divide, with an increased range of personal finance options for a segment of high and upper middle income population and significantly large section of the population who lack access to even the most basic banking services. This is termed as “Financial exclusion”.

There are various socio-cultural, economic issues that hinder the process of financial inclusion. For instance on demand side, it includes lack of awareness and illiteracy. From supply side, lack of avenues for investment such as poor bank penetration, unwillingness of bank to do financial inclusion or high cost involved in financial inclusion seems to be some likely reasons for financial exclusion. However deputy governor of RBI has recently clarified that the latter two reasons are myths, i.e. the cost involved in financial inclusion is not unbearable by the bank and that it is not true that the banks are unwilling to do financial inclusion.

### **Financial Inclusion Fund:**

**History:** As we may be aware, the Financial Inclusion Fund (FIF) and Financial Inclusion Technology (FIT) was constituted in the year 2007-08 for a period of five years with the a corpus of Rs. 500 crore each to contributed by Government of India (GOI), RBI and NABARD in the ratio of 40:40:20. The guidelines for these two funds were framed by GOI. In April 2012, RBI decided to fund FIF by transferring the interest differential in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending.

Keeping in view the various developments over the years, GOI has merged the FIF and FITF to form a single Financial Inclusion Fund. The Reserve Bank of India has finalized the new scope of activities and guidelines for utilization of the new FIF in consultation with GOI. The new FIF will be administered by the reconstituted Advisory Board constituted by GOI and will be maintained by NABARD.

### **Constitution of the Fund:**

After the completion of the initial five years, it has now been decided to merge both the Financial Inclusion Fund & Financial Inclusion Technology Fund into a single Fund viz. Financial Inclusion Fund (FIF).

The overall corpus of the new FIF will be Rs. 2000 crore. Contribution to FIF would be from the “interest differential” in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending (as notified by RBI from time to time) kept with NABARD by banks.

All the assets and liabilities of the erstwhile FITF as well as prior commitments from FITF for projects already sanctioned, which falls within the scope of the erstwhile funds, will be transferred to/reimbursed from FIF.

The Fund shall be in operation for another three years or till such period as may be decided by RBI and Government of India in consultation with other stake holders.

### **Objective of FIF:**

The objectives of the FIF shall be to support “developmental and promotional activities” including creating of FI infrastructure across the country, capacity building of stakeholders, creation of awareness to address demand side issues, enhanced investment in Green Information and Communication Technology (ICT) solution, research and transfer of technology, increased technological absorption capacity of financial service providers/users with a view to securing greater financial inclusion. The fund shall not be utilized for normal business/banking activities.

RBI has always advocated the policy of considering financial inclusion as a business proposition. It has, therefore, encouraged banks to see cost involved in the FI effort as a long term investment which would help banks in broadening its base for future business expansion. At the same time RBI has also realized the need for intervention from the regulatory and government side which would help creating an eco-system that would support banks investment in this area. It is with this objective in mind that the creation and continuation of the Financial Inclusion Fund is justified.

Based on the policy announcements of RBI, banks have in a big way adopted the ICT-BC model as a mode for expanding banking operations in the unbanked areas. While the ICT-BC model is a low cost business model in comparison with the traditional model i.e. the brick & mortar model for providing banking services, there is still a significant investment required to be done for further facilitating investments from banks and other financial institutions.

During the past five years banks have invested heavily in creating an infrastructure, which has resulted in a large number of business correspondents being appointed for expanding banking in the unbanked areas and a large number of basic bank accounts

being opened for first time customers of banks. However, these accounts are yet to see any significant transactions happening and banks have also not started making any significant profits from the investments. This has led to many instances of attritions of BCs citing lack of business opportunities and sufficient income. Some of the issues that are hampering scaling up of the BC model include infrastructure issues like lack of proper connectivity, lack of training facilities for BCs, evolution of an appropriate business model, etc. The objective of the new FIF should be towards addressing these key concerns which would help scaling of our FI efforts. All these have led to the reasons for a fresh thinking on the nature of activities that needs to be funded out of the Financial Inclusion Fund.

**Eligible Activities/Purposes:**

Support for funding the setting up and operational cost for running Financial Inclusion & Literacy Centers. The setting up of such Centers are in sync with the objective of GOI for setting up Financial Literacy Centers up to the block level under the PMJDY. The cost of technical manpower employed by banks for running the Financial Inclusion & Literacy Centers (as banks have manpower shortages) will be funded from the fund. The scope of activities to be carried out by these centers would be as follows:-

- a. Providing financial literacy training to all individuals/households of the area.
- b. Providing counseling services for opening of bank accounts and for operating banking and other financial products and services.
- c. Providing training to BCs about various banking & other financial products and services and also for training those in use of technological devices so as to ensure smooth servicing of customers.
- d. Redressed of customer grievances by attending to customer complaints, if necessary, by taking up with banks and other institutions.

3.2 Setting up of Standard Interactive Financial Literacy Kiosks in Gram Panchayats and any other financial literacy efforts under taken by banks in excluded areas.

3.3 Support to NABARD & Banks for running of Business & Skill Development Centers including R-SETIs (to the extent not provided by State Governments) which will help in imparting skill sets necessary for undertaking income generating activities and for providing forward linkages for marketing activities. Grant will be in the form of one time capital cost and working capital for undertaking skill development activities

for a maximum period of 3 years. NABARD and Banks will have the discretion to enter into partnerships with other entities like Corporates, NGOs, etc. involved in the running of such Centers, however, proposal for seeking funding support from the FIF will be entertained only from Banks or NABARD.

3.4 Support to pilot projects for development of innovative products, processes and prototypes for financial inclusion. Proposals for such products and prototypes will have to be submitted through any of the implementing banks.

3.5 Financial assistance to authorized agencies for conduct of surveys for evaluating the progress under financial inclusion;

3.6 Sharing the cost of Government projects in connection with laying of last mile fibre optic network, funding of other technological or infrastructure related projects involved in improving or creating network connectivity, etc.; in excluded areas.

#### **Eligible Institutions:**

Financial Institutions, viz., Commercial Banks, Regional Rural Banks, Cooperative Banks and NABARD. Eligible institutions with whom banks can work for seeking support from the FIF:-

- NGOs
- SHGs
- Farmer's Clubs -
- Functional Cooperatives
- I.T. enabled rural outlets of corporate entities.
- Well-functioning Panchayats
- Rural Multipurpose kiosks / Village Knowledge Centers
- Common Services Centers (CSCs) established by Service Centre Agencies (SCAs) under the National e-Governance Plan (NeGP).
- Primary Agricultural Societies (PACs).

**Source : [rbi.org.in](http://rbi.org.in)**

#### **➤ October 16, 2015 news out from RBI that RBI is going to formed Financial Inclusion Fund with Rs.2000 crore corpus :**

Reserve Bank of India (RBI) has established Financial Inclusion Fund (FIF) with Rs.2000 crore corpus expanding reach of banking services.



This Fund will support the developmental and promotional activities covered under the financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF). It will provide support for funding the setting up and operational cost for running financial inclusion and literacy Centers. One of its major objective will be enhanced investment in Green Information and Communication Technology (ICT) solution. It will be administered by the reconstituted Advisory Board constituted by Union Government and will be maintained by NABARD.

Contribution to FIF would be from the interest differential in excess of 0.5 per cent on Rural Infrastructure Development Fund (RIDF) and short Term Cooperative Rural Credit (STCRC) deposits.

These deposits are held on account of shortfall in priority sector lending kept with NABARD by banks.

### **Impacts of Financial Inclusion Fund:**

Financial Inclusion Fund established in 2008, and its main focus is on financial inclusion investments in India including Microfinance, affordable housing and Financial Inclusion enablers and has made 12 investments in these sectors. As we know that Financial Inclusion Fund (FIF) and Financial Inclusion Technology (FIT) merged and new Financial Inclusion Fund formed , to make every household literate about Financial and Banking Services. After establishing this fund, at initial stage RBI has started with Rs.500 Crore and now again this Fund is formed for next 5 years with Rs.2000 crores. It seems to be very effective for Financial Inclusion and it leads to reduced poverty in India. Households, low income people started using banking / financial services.

Considering all the weaker sections, and giving them all the services at an affordable price. Financial inclusion leads growth in India. Technology driven challenges and its solutions given by this fund to low income people and availability of technology/digitalization. Make in India, Digital India some of the government schemes taken care by Government of India. Its effective impact on Economical growth. Large impact on savings, building up savings helps households manage cash flow spikes and smooth consumption, as well as build working capital. Vulnerability to risk and lack of instrument to cope with external shocks make it difficult for poor people to escape poverty.

**Conclusion:**

Financial Inclusion Fund highlight the issue of financial inclusion and its solutions. Great impact on Indian economy. Very vital initiative taken by RBI and its guidance. Its make poor household to use financial / banking services at an affordable price and create awareness in between them.

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# MARKETING MANAGEMENT



## A STUDY ON USE OF NUDGE MARKETING BY INDIAN CAR MARKETERS, MAKING NEURO MARKETING A PRACTICAL REALITY

**Dr. Manish Ishwardayal Gupta,**

ASM's Institute of Business Management and Research,  
Chinchward, Pune-411015.

Email id:mgupta71@yahoo.com

Mobile:07218292534

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### **Abstract:**

*Neuro marketing uses costly fMRI (functional magnetic resonance imaging) & SST (Short stage topography) machines, brain scan equipment's to record the movements in brain, they look into the sub conscious thoughts, feelings and desires that drive the purchasing decisions. Nudge marketing uses the concept of two system theory in the mind, System 1 which operates automatic and quickly with little or no effort and no sense of voluntary control, System 2 allocates attention to effortful mental activity that demand complex computations, how brain keeps memory records, how our left side of brain being more creative, articulate and right side being more in automatic thinking. The study was done to verify, whether in the features of cars and promotion offers feel of nudge is there, do the customer perceive benefit or do they feel that the nudge features resolve some of confusions they have. The study shows the how Nudge marketing is simplified version of Neuro marketing without its costly lab equipment's. The study is a descriptive research based on secondary data on car marketing and field survey of 490 new car owners in 5 cities in Maharashtra.*

### **Keywords:**

*Neuro marketing, Nudge marketing, Cars, automotive market in India, nudges framework.*

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### **Introduction:**

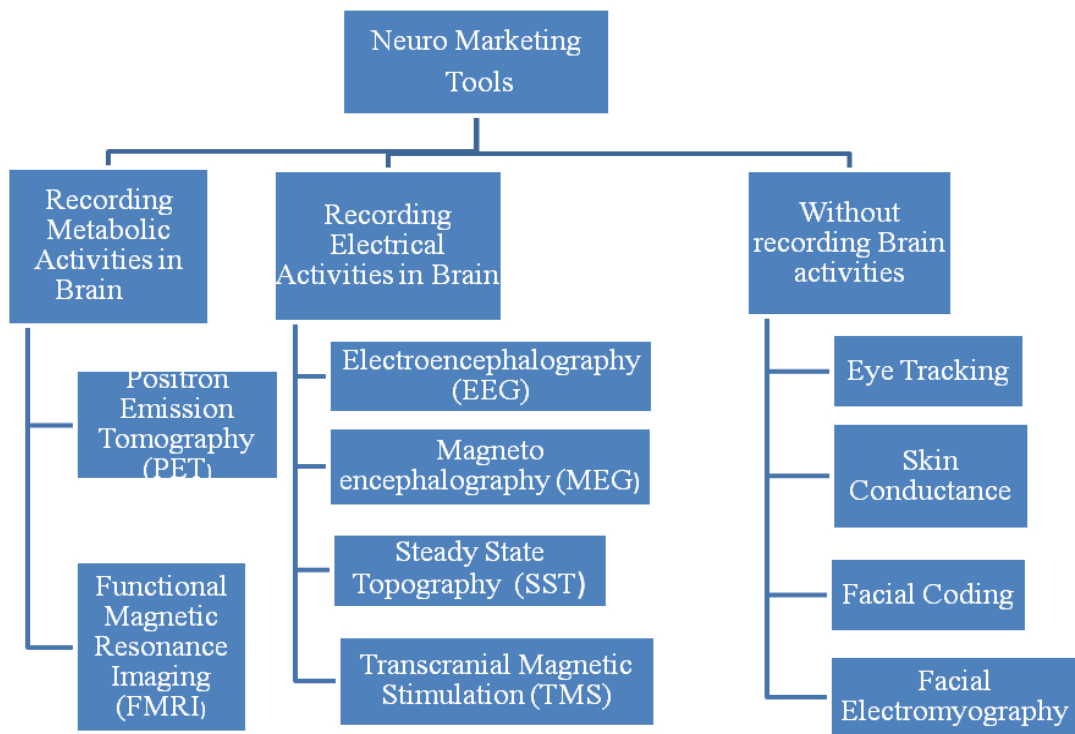
Nudge in simple terms means push via purposeful features to customers. Nudge are part of push strategy of consumer behaviour marketing, consumer behaviour models have studies covering presales, sales and post sales studies, study on nudge covers broader overall expect in sales covering presales, sales and post sales aspects. Nudges

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are strategies in subtle marketing, where positive reinforcement and indirect suggestions or cues are used to change consumer behaviour.

Nudge Theory is a concept in behavioural science, political science and economics which argues that positive reinforcement and indirect suggestions to try to achieve non forced compliance can influence the motives, incentives and decision making of groups and individuals alike at least as effective if not more effective than direct instruction, legislation or enforcement. (Richard Thaler and Cass Sunstein (2008))

Neuro marketing is the branch of neuroscience research that aims to better understand the consumer through his cognitive processes and has application in marketing, explaining consumer's preferences, motivations and expectations, predicting his behavior and explaining successes or failures of advertising messages. Consumer buying decisions are made in split seconds in the subconscious, emotional part of the brain, What we like, don't like, want, fear, are bored by, etc. is indicated by our brain's reactions to brand stimuli. Firstly introduced in June 2002 by an Atlanta advertising firm: Bright House, for the creation of a business division using fMRI for marketing research. Neuro marketing is used for, to better meet "unmet" market needs, connect and drive "the buy", to inform the development of products and communications - really to inform the brand's 7Ps and to guide marketers to just the right product designs, packaging and ad messages to boost sales. Neuro scientific tools take inputs from the processes happening in the brain, and skip all emotion, introspection and ego. It is difficult for a survey to capture the emotional reasons underlying consumer preferences or decisions. Our habits, egos, learnings, cues, priming's, writing, speaking skills are all recorded in are recorded in left part of brain which is creative, the right part of brain records the reflective thinking, memories and numerical skills. By looking deep neurologically in fMRI scan, we can come to know the areas of brain becoming active with different habits, egos, learnings, cues, priming's and try to keep those areas active by these activities, thus enhancing the experiences when using the product. Neuro marketers try to keep the customer excited about the product and experiences by keeping the portions of brain active.

**Table 1: Neuro marketing tools (Lindstorm, M. (2008))****Issues in Nudge:**

We humans are not perfect buyers as we have habits, ego, and temptations, get affected easily by cues or priming, follow herd mentality and we often blunder in decision making, nudges are features that assist us in decision making or make our life easier. The main issue resolved by Nudge is that it makes the users feel being important, remove confusions in decision making, makes features appear beneficial and useful in perception.

Our thinking works on two systems as per Nobel Laureate Kahneman (2011), one being automatic and the other reflective. The focus in using nudge is not to change habit but to go with the way we behave and learn of our needs and wants from our changing habits.

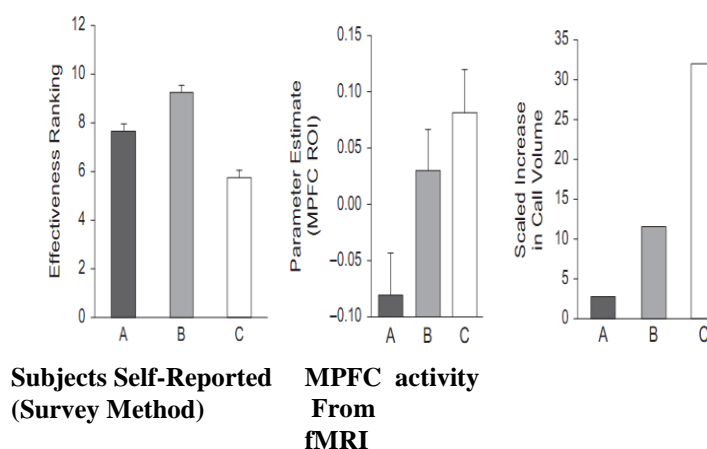
**Literature review:**

The author Lindstorm (2008) has tried to reason out why some brands are more successful than others by using neuro-marketing, which is a combination of marketing and science, by unlocking the buy ology i.e. the sub conscious thoughts, feelings and desires that drive the purchasing decisions we make. Neuro-marketing works in area of overlapping region of qualitative and quantitative marketing research to look into why

we buy anything. As per author in fMRI studies it was found that the stronger brands had more activity in areas of brain that are involved in memory, emotions, decision making and meaning than weaker brands, those seeing stronger brands show exactly same pattern as they did when they viewed religious images, i.e. brain reacts to powerful brands in same way as it reacts to religious icons and figures. We do instinct buying based on our past emotions, memories, facts etc. we feel when we see a product on retail shelf. When buying cars people buy Audi over other cars with similar feature as they interpret its slogan in German too to be masterpiece of German engineering of high precision, slogans work as somatic marker.

As per author the fMRI studies show that visual images of logos are more effective and more memorable when they work in tandem to fragrances to our nostrils and music to our ears, as per fMRI results 3 out of 4 brands did well when sound and vision looks were combined and consumers were emotionally engaged and had long term memory coding, there were negative fMRI results with Nokia ring tone that was causing its sales to decline in his studies.

**Fig.1 -Prediction of Ad Campaign through fMRI (Falk et al. (2012))**



**Fig. 2, Dooley.R.(2012)**



**Fig. 3, Thaler and Sunstien(2008)**



Thaler and Sunstein (2008) explain that humans have biases and we blunder often in making decisions, have temptations, follow sometimes herd mentality. They have given examples of nudges in automobile field mainly in safety area, vehicle features, and vehicle and insurance choices. The short form of NUDGE: iNcentives, Understanding mappings, Defaults Give feedback, Expect errors, structured complex choices.

Dooley.R. (2012) explains how Nudge and Neuro marketing are connected, Nudge starts the persuasion by giving attention via some feature, the customer's motivation comes from his hidden needs and the nudge feature which provides the solution, which meets the difficulty the customer feels using any product.

### **Importance and objective of proposed investigation:**

The intention of the study is to search for following:

- To confirm that nudges there in cars.
- Nudges in cars resolve what all issues to remove the confusions they have in deciding.
- To see how nudges use the concepts of neuro marketing making same practical.

### **Research Methodology:**

The research methodology adopted for the study comprised of following:

- Descriptive research is based on secondary data on Nudge, literature reviews on the topic and on observations in car market. Car is used in the study as a product as it has maximum features.
- Quantitative research based on field survey via structured questionnaire on nudges in cars in 5 districts of Maharashtra Mumbai, Pune, Nashik, Aurangabad and Nagpur. The sample was chosen based random sampling on new car consumers found in showrooms. The questionnaire was administered to 490 new car consumers in urban areas of these 5 districts.
- Parametric testing using SPSS 19 software used as sample used are some to some extent random.

### **Sample size**

National Education Association, (US) has prescribed a model to determine the size of sample when the population size is very large. (Krejcie & Morgan (Dec 1970)) Accordingly, the following model is used to determine the required sample size.

$$s = \chi^2 NP (1-P) \div d^2 (N-1) + \chi^2 P (1-P)$$

Where  $s$  = required sample size,  $\chi^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841),  $N$  = the population size,  $P$  = the population proportion (assumed to be 0.50 since this would provide maximum sample size)  $d$  = the degree of accuracy expressed as a proportion (0.05),  $N$  = 165531 sum of vehicle registration in (Aurangabad region-20826, Mumbai region-54192, Nagpur region-6803, Nashik region-12477, Pune region-71233) in 2013-14. (Motor transport statistics of Maharashtra 2013-14).

- $s$  = sample size comes out to be equal to 383 no. from above calculation.

Initially a pilot survey in Pune district, to identify the appropriate sample size we should base was done. Most previous studies seen in literature review on automotive consumer studies have taken sample size of 300-400, in the study a sample size of @490 respondents with random sampling was taken i.e. for more sales/ month places like Mumbai 150 samples and Pune districts 150 samples size is chosen, for smaller cities Aurangabad 70 samples, Nashik 72 samples size was taken and for lower sales area like Nagpur samples size 48 was taken.

#### Reliability Statistics:

**Table 2: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.833	0.785	63

As Cronbach's alpha value above 0.8 is considered to be reliable for basic research, hence data collected is demonstrating highly reliability.

**Table 3: One-Sample Test**

	Test Value = 3						Remark ( H0: $\mu=3$ ; H1: $\mu>3$ )
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
There are Nudges in cars	39.158	489	.000	1.19184	1.1320	1.2516	P value=0.00 is less than $\alpha=0.05$ , t value 39.15 very

							high than table value 1.96, Hence null Hypothesis H0 is rejected.
<b>Nudges features are Benifitcal</b>	37.048	489	.000	1.06939	1.0127	1.1261	P value=0.00 is less than $\alpha = 0.05$ , t value 37.04 very high than table value 1.96, Hence null Hypothesis H0 is rejected.
<b>Nudges Features removes bottleneck</b>	24.473	489	.000	.93673	.8615	1.0119	P value=0.00 is less than $\alpha = 0.05$ , t value 24.47 very high than table value 1.96, Hence null Hypothesis H0 is rejected.
<b>Nudges features makes life/work easier</b>	28.637	489	.000	.99796	.9295	1.0664	P value=0.00 is less than $\alpha = 0.05$ , t value 28.63 very high than table value 1.96, Hence null Hypothesis H0 is rejected.

t distribution approaches Z distribution with large sample size, compared value of t will be same as Z value, p value in all above is found to be 0.00 (two tailed) which is less than 0.05, t test values also be very high , we can conclude from above to reject null hypothesis,(Null hypothesis being  $H_0: \mu=3$ ; alternate hypothesis  $H_1: \mu>3$ ) , making alternate hypothesis to be true, hence we can say that nudges are there is cars, people find nudges to be benifitcal in cars , the nudges remove fears and confusions in cars, nudges makes life easier for car drivers.

**Table 3: Nudges in post liberalised car market in India and issues resolved by same:**

<b>P</b>	<b>Nudge feature</b>	<b>Issue resolved by Nudge</b>	<b>Cars in market with these Nudge</b>
Produ ct	1)Power steering, adjustable steering, AMT(Automatic manual transmission)	Feminine feature on car, ease to handle	AMT---MUL Celerio, Tata Zest, Hyundai i10,i20,Honda

		Amazer etc.
2)Key less entry in cars	Forgetting keys problem for some people	Tata ---Nano, Aria, Safari; Nissan--Datsun GO, Renault---Duster, Micra, Maruti--Calerio etc.
3)Remote starting of car	Starting and warming engines at cold places	Volvo, BMW, and Mercedes
4)Parking assist cameras on cars	Judging distances at rear end ,reversing the car	Optional feature in cars
5) Driving Modes like economic, city and sport modes	People like to drive cars as per their way of driving.	Tata --Zest, Bolt and Volvo cars
6) ABS(Anti-lock braking), ESP(Electronic stability program)	Avoiding accidents while braking.	All Suvs of Tata--Storme, Safari, Xenon; M&M--Scorpio, Rextroth; Renault --Duster etc.
7)Start Stop	Frequently stopping at signals - mileage drop	Renault--Micra, Ace Venture, M&M --Scorpio etc.
8)LED lights and Intelligent light system	Night driving on highways - judge way.	High end cars of Audi, Mercedes, BMW
9) Tubeless tyres as standard tyres	Usefulness of tubeless tyres	Most manufactures
10)Seat belt indicator via light or noise signal	Warning on not wearing seatbelt in car.	Tata--Safari, Storme, Aria, Toyota--Corola, Inova, Altis, etios etc.

	11)Multitasking like playing music, GPS navigation, attending tele call, sms etc.	Multitasking while driving car with ease.	VW pole blue motion, Nissan--Datsun GO --MDS mobile docking system, TATA--storme, safari, aria, manza, Ford, Hyundai.
	12) Safety seat for child	Small Childs and driving of cars by single moms with child.	Volvo cars are seen with such features.
	14)Eco-pedal	To get increased fuel efficiency	Nissan cars are with eco-pedals
	15)Follow me home feature of headlamp	To avoid battery drain post parking vehicle in night.	Nissan--Datsun GO
	16)Distance meter after vehicle touches reserve fuel	People forget to refuel	Nissan--Datsun GO
	17) Drivers biometrics : blood alcohol, BP, glucose level, fatigue	Passenger wants to know drivers biometric for his safety	Nissan Gismo watches.
	18)Near Field Communication(NFC) &Radio frequency identification( RFID)	For electric vehicles locate a charging point and parking slot, identify location of vehicle in parking if parking too big.	Renault
	19)Global navigational system assisted lo-jack security product	Protect vehicle from theft, locate car missing by police, assist drivers on traffic jams, routing options on traffic.	Renault, BMW
	20) Auto emergency braking, smart Cruise control	To road block stopping car well in advance of crash.	Hyundai Genesis
Price	1)Price difference between petrol and diesel fuel coupled with CRDI technology diesel	To buy diesel or a petrol car	All cars in India are now giving both diesel and petrol

	engines technology		options
	2) Resale value fixing at time of buying a car	Resale value buyers want to know of their cars of interest	Tml and Hyundai in their promotions are giving in same now.
	3) Car purchase scheme: lower EMI from market rate	Where to arrange for finance for buying a high end car.	Skoda, Mercedes, Audi, BMW, JLR
	4) Free insurance and lower EMI schemes	Better car finance option	December discounts on cars.
	5) Congestion tax	People reach & home office faster	Sweden
	6) Lottery	Stop over speeding at traffic signal	Sweden
Place	1) Pleasant ambience	Change the mood of customer	Car dealers
	2) Dashing display lights	Make vehicle look more attractive	Jazzy displays at show rooms.
Promotion	1) Advertisement highlighting features e.g. like drivability and better smarter controls than focusing on safety weak feature of car	Changing brand value perception	BMW.
	2) Personality endorsement	Perception to affiliation for product	Force 1 with Amitabh Bachchan, Santro with Shahrukh Khan.
Physical Sign	1) Signboards at Car showrooms	Make the car and car show room look attractive to eye	Car Dealers boards
	2) Green tag stickers on car sides	People want to use and move to greener products and technologies	M&M Reva, Toyota Prius and Lexus
	3) Mileage stickers on cars giving saving per year on fuel or miles per gallon as per US EPA stickers	People want to use more efficient cars.	EPA US mileage stickers Miles/gallon
Processes	1) Incentives benefits & usefulness of car	To buy a car or not than using taxi or	Car dealers

		two wheeler	
	2) Certified driving schools	Remove fear of driving and change perception on ease of driving the car	MUL driving schools
	3)Endorsement by family and close friends	Hearing all	Car dealers
	4) Comparative with other cars	All things of life and best value for money	Tml Indica Vs Zen & Santro
People	1)Training of car sales people ,	Personal selling by salesman	Car dealers

### Conclusions:

In respect to urban cities of Maharashtra following conclusions can be drawn:

- is used in nudge marketing Car sales can be improved by putting nudges in features and promotions of cars in the urban areas.
- The nudges in cars solve issues of habits, egos, learnings, cues & priming's in decision making of buyers.
- Nudge marketing in cars uses the concepts of neuro marketing without using the heavy costly equipment of neuro marketing, keeping the mind excited for the feature which solves the hidden need of the customers.
- Nudge marketing is accomplishing same effect Neuro marketing gets by attacking on the way our mind works. Human minds working understood by Neuro marketing making Neuro marketing practical.

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## THE CHALLENGES AND STRATEGIES OF MARKETING IN RURAL INDIA

Author.

**Vishal G.Patil**

Co-Author

**Prof.Ruchita Ramani**

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**Abstract:**

*The paper depicts the difficulties and systems of country promoting in India. The country showcase in Indian economy can be ordered under two general classifications. These are the market for consumer products that include both solid and non sturdy merchandise and the market for farming Inputs. Lately, provincial markets have gained significance, as the general development of the Economy has come about into extensive increment in the buying energy of the country individuals and Preferences of rustic individuals are additionally getting changed. In this way, every promoting player is quick to put resources into country markets. Despite the fact that there is colossal potential and generous development openings in the country Markets, yet there are a few difficulties as well, which caused jumps in tapping provincial markets. This investigation is a stage forward in investigating different procedures to be received in the rustic market alongside the present situation of provincial promoting, featuring key difficulties identified with country Marketing.*

**Keywords:**

*Provincial advertising, promoting, challenges in country showcasing, rustic promoting methodologies*

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**Introduction**

The Rural Marketing alludes to the exercises embraced by the advertisers to empower the general population, living in provincial ranges to change over their obtaining power into a successful interest for the products and enterprises and making these accessible in the rustic zones, with the aim to enhance their way of life and accomplishing the organization's target, in general.

The Rural Marketing is a two-way process, i.e.

- 1) Urban to Rural: FMCG Goods, Agricultural composts, cars, and so on are offered by the urban market to the provincial market.

- 2) Rural to Urban: The horticultural supplies viz. Natural products, vegetables, blossoms, drain, and so forth is offered from the provincial market to the urban market.

More country advancement activities by the legislature.

- Increasing farming efficiency prompting development of provincial discretionary cash flow.
- Lowering of contrast between taste of urban and rustic clients.
- Good Monsoons over the most recent few years.
- Growing provincial foundation on account of Government activities.
- Setting up of channels like e-choupals by organizations like ITC

### **Difficulties in Indian Rural Market.**

Twelve issues looked in provincial promoting are as per the following:

#### **1) Denied individuals and denied markets:**

The quantity of individuals underneath the neediness line has not diminished in any apparent way. In this manner, destitute individuals and subsequently underdeveloped markets describe country markets. A greater part of country individuals is convention bound, and they likewise confront issues, for example, conflicting electrical power, rare foundation and untrustworthy phone framework, and politico-business affiliations that prevent advancement endeavors.

#### **2) Absence of correspondence offices:**

Indeed, even today, most towns in the nation are out of reach during the storms. An extensive number of towns in the nation have no entrance to phones. Other correspondence framework is likewise profoundly immature.

#### **3) Transport:**

Numerous rustic regions are not associated by rail transport. Numerous streets have been ineffectively surfaced and got extremely harmed amid rainstorm. The utilization of bullock trucks is inescapable even today. Camel trucks are utilized as a part of Rajasthan and Gujarat in both provincial and urban divisions.

#### **4) Numerous dialects and lingos:**

The dialects and lingos change from state to state, area to locale and presumably from region to region. Since messages must be conveyed in the neighbourhood dialect, it is troublesome for the advertisers to outline limited time techniques for

each of these territories. Offices, for example, telephone, message and fax are less created in towns adding to the communication issues looked by the advertisers.

**5) Scattered markets:**

Rustic populace is scattered over a substantial land region. What's more, it is practically impossible to guarantee the accessibility of a brand everywhere throughout the nation. Locale fairs are intermittent and occasional in nature. Producers and retailers lean toward such events, as they permit more prominent perceivability and catch the consideration of the intended interest group for bigger ranges of time. Promoting in such an exceedingly heterogeneous market is likewise exceptionally costly.

**6) Low per capita Income:**

The per capita wage of rustic individuals is low when contrasted with the urban individuals. In addition, request in provincial markets relies upon the horticultural circumstance, which thusly relies upon the rainstorm. In this way, the request isn't steady or standard. Subsequently, the per-capita wage is low in towns contrasted and urban ranges.

**7) Low levels of proficiency:**

The level of proficiency is bring down contrasted and urban zones. This again prompts an issue of correspondence in these country ranges. Print medium winds up noticeably insufficient and to a degree unessential, since its compass is poor.

**8) Predominance of spurious brands and occasional request:**

For any marked item, there are a huge number of neighbourhood variations, which are less expensive and consequently more alluring. Likewise, because of ignorance, the shopper can barely make out a spurious brand from a unique one. Provincial shoppers are wary in purchasing and their choices are moderate, they by and large give an item a trial and simply after entire fulfilment they get it once more.

**9) Diverse state of mind:**

There is an immense distinction in the ways of life of the general population. The selection of brands that a urban client appreciates isn't accessible to the rustic client, who as a rule has a few options. Accordingly, the provincial client has a genuinely basic considering and their choices are still administered by traditions and conventions. It is hard to influence them to embrace new practices.

**10) Warehousing issue:**

Warehousing offices as godowns are not accessible in country India. The accessible godowns are not appropriately kept up to keep merchandise in legitimate conditions. This is a noteworthy issue due to which the warehousing cost increments in rustic India.

**11) Issues in deals drive administration:**

Deals constrain is for the most part hesitant to work in country regions. The dialects and lingos change from state to state, locale to area, and most likely from region to region. Since messages must be conveyed in the nearby dialect, it is troublesome for deals power to speak with the country buyers. Deals drive thinks that its hard to acclimate to the provincial environ-ment and deficient offices accessible in rustic territories.

**12) Appropriation issue:**

Viable appropriation requires town level businessperson, toluca-level distributor/merchant, locale level stockist/wholesaler, and friends possessed stop at state level. These numerous levels increment the cost of circulation.

**Strategies Followed Traditionally**

Conventional techniques for provincial promoting make an intriguing examination and they should be investigated painstakingly to make significant inferences.

Customarily, advertisers have utilized the accompanying apparatuses to make country advances:

- 1) Use of few select country wholesalers and retailers to stock their merchandise however no immediate communication with forthcoming shopper.
- 2) Use of print media or radio yet no substitute type of publicizing for advancing their brands.
- 3) More concentrate on cost of item however less consideration committed to quality or strength.
- 4) Same item includes for urban and rustic setting with no customization for provincial territories regardless of contrasts in the market condition.
- 5) Low recurrence of promoting efforts.
- 6) Little employments of town assemblies like haats and melas to offer the items. More concentrate on men as leaders and purchasers.

**Strategies for Rural Marketing****a) Marketing Strategy**

Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

**b) Distribution Strategy**

One of the ways could be using company delivery van which can serve two purposes it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion. Annual "melas" organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called "Haats" when exchange of goods and services are carried out. This is another Potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as "Mandis" where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

**c) Promotional Strategy**

Marketers must be very careful while choosing the mediums to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular source of information and Entertainment, Adds on radio can also be a helpful tool for Marketers Some other

Strategies to be followed in Indian Rural Market Decentralizing rural markets by detaching them from the urban bases. A give and take two way approach should replace the present one way exploitation. The salesman in rural markets should be selected from the educated unemployed villagers, trained well and appointed as salesmen. The town to villages shuttling salesmen are to be replaced by stationary salesman in villages.

Companies should also adequately concentrate on educating the villagers to save them from spurious goods and services. Rural markets are laggards in picking up new products. This will help the companies to phase their marketing efforts. This will also help to sell inventories of products out dated in urban markets.

In rural India, consumers are not brand loyal, but their purchase patterns can be termed as brand stickiness". So, more brand awareness and presence in the markets will influence the purchasers. It is important for any brand to test the campaign before as well as after it is executed to Understand and measure the audience consumption patterns

### **Conclusion**

Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers and the manufacturers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and make use of them to their best advantage. A radical change in attitudes of marketers towards the cheerful and budding rural markets is called for, so they can successfully impress on the 750 million rural consumers spread over approximately six hundred thousand villages in rural India.

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**A STUDY ON BRAND ACTIVATION PROGRAM FOR  
ELECTRICAL EQUIPMENTS IN BUILDING AND  
CONSTRUCTION SECTOR AT PRECISION PLASTIC  
INDUSTRIES PVT LTD. IN THANE & KALYAN-DOMBIVALI  
DIVISION**

**Er. Prashant Prakash Wedekar**

prashant2shrd@gmail.com

MMS Student, IMCOST, Thane

**Prof. Vrushali M. Ramdasi**

vrushali.ramdasi@asmimcostedu.org

Associate Professor, IMCOST, Thane

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**Abstract:**

*The Polyvinyl Chloride industry is experiencing a boom on account of overall growth of the Indian economy primarily because of increased industrial activity, flourishing real estate business, growing construction activity, and expanding investment in the infrastructure sector. Thus being an essential part of company's business, study of market position and preferences has a great deal of role to play. Marketing communications does not end with traditional advertising. At the most, traditional advertising will help induce brand awareness and trial purchase. To effectively realize repeat purchase and brand loyalty, the brand has to establish a strong emotional connection with its intended consumers. Consumer brand activations are a very crucial part of building a positive perception of a brand. The dealers and retailers interacting move was taken into consideration during this kind of survey so the preference and behavior is studied more and thus the changes can be done as per requirements in product and system for improvement purpose. A sample of 300 outlets has been collected from Electrical retailers and dealers of Thane and Kalyan-Dombivali Division in the state of Maharashtra.*

**Keywords:**

*Brand activation, Brand awareness, consumer behavior, Brand loyalty*

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**Objective:**

- 1) To study the Brand Activation program for electrical equipments in building and construction sector at Precision Plastic Industries Pvt Ltd. in Thane & Kalyan-Dombivali Division.



- 2) To design a method and identify the variables, to call upon marketers to develop their promotion budgets by defining their specific objectives, determining the task that must be performed to achieve these objectives and estimating the cost of performing these tasks.
- 3) To find out why there is a lack of sales in spite of good quality product of Precision Plastic Industries and what sales action could be taken under consideration to overcome.

**Introduction:**

Marketing communications does not end with traditional advertising. At the most, traditional advertising will help induce brand awareness and trial purchase. To with effectively realize repeat purchase and brand loyalty, the brand has to establish a strong emotional connection its intended consumers. This involves making maximum use of brand activation tools that will have strong impact on their emotions, touch them, and stir their buying decisions, at the right time, in the right place and in the way that best suits their lifestyle. The intended long-term result is to build meaningful relationships between the brand and the consumer.

Consumer brand activations are a very crucial part of building a positive perception of a brand. This can be done through product samplings, in-store retail marketing, sponsorships, and experiential events. This also encompasses the brand figuring out a few core features that will distinguish them amongst their competition in crowded marketplaces. They have to find brand positioning that will uncover assets that will highlight long term benefits to the company. Brands must find a way to reach potential customers that can shift perceptions and create a real emotional engagement. These marketing events must bring up positive feeling in the minds about them in order for them to become loyal customers and purchase their products.

**Key principles**

- To inspire demand for a particular brand, must tap into the consumers' passions using creative strategies and ideas.
- Timing plays an important role in connecting consumers at the right time, and the right place so that the consumer becomes a motivated user and fan of the brand.

- Using activation strategies, such as in person experience events, this can lead to the consumer starting to believe in the brand and what it stands for, which is a closer step in the path to purchase.

**Methodology:**

**Data Collection Method:** Two types of data were taken into consideration i.e. primary data and second data. The major emphasis was on gathering the primary data. The secondary data has been used to make understanding of the research work more clear.

**Primary data:** Primary data is collected through market survey with the help of questionnaires.

**Secondary data:** Secondary data is collected from company web site, company literature, competitors' web-site, etc.

**Method:**

The questionnaire is used to collect the primary data. Both personal and telephonic communications were used to take appointments of the retailers and dealers. They were also contacted again in case of doubt. The research was undertaken to gather information from the respondents, to know retailers requirement and buying behavior which may impact on sale of Precision Pipes. The questionnaire was specifically framed keeping in mind all the aspects and requirements that would fulfill the objective.

**Research Design:**

Descriptive research design has been considered as a suitable methodology for present study and for data analysis. The intention was to understand Retailers satisfaction, their preferences and the parameters related to buying behavior.

**Sampling Design:**

The respondents are chosen from Thane & Kalyan-Dombivali Division. The sampling method selected is Stratified Random Sampling. The number of retailers chosen is 300.

**Sampling Plan:**

- 1) Population: Retailers from Thane & Kalyan-Dombivali Division.
- 2) Sampling unit: Retailers. (Electrical Equipments)
- 3) Sample size: 300 Retailers outlet.
- 4) Sampling Method: Stratified Random sampling.

**Limitations:**

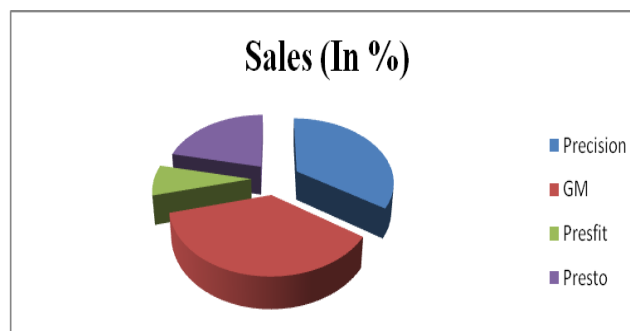
Busy schedule of the retailers extended the pre-planned schedule to some extent. It is possible that the information supplied by the informants may be incorrect. The extent of the survey was just limited for the retailers in Thane & Kalyan-Dombivali division. It is very difficult to measure perception by means of mathematical calculations. It was assumed that the respondents have the knowledge of the choice that was given in the questionnaire and they were compelled to choose only from given alternatives. The findings are totally based on the responses given by the retailers. The survey is confined to Thane & Kalyan-Dombivali region.

**Data Analysis & Interpretation:**

Data analysis the selected area is Thane & Kalyan-Dombivali and sample size is 100. The measurement and evaluation of the data is done using simple percentage method and graphical representations with help of data code sheet using MS Excel. Questions asked to the respondents are mentioned here. The breakup of responses is shown with the help of a tool; pie-charts. In this research, the tools are used for analysis is “Pie Charts and Tables”.

**1) Which Brands of the Pipe do you sell?**

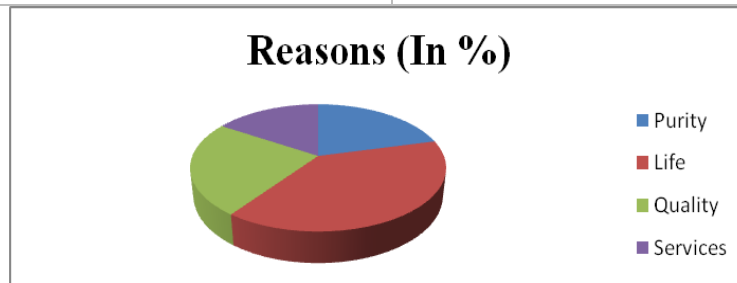
<b>Brand Name</b>	<b>In %</b>
Precision	34.4
GM	56
Presfit	7.53
Presto	21.5



The above pie chart shows that 44% of Retailers sells Precision as it defines the life and Quality of the product, followed by Polycab as it is cheaper than Precision Pipes.

**2) What is the reason you do choose Precision pipes?**

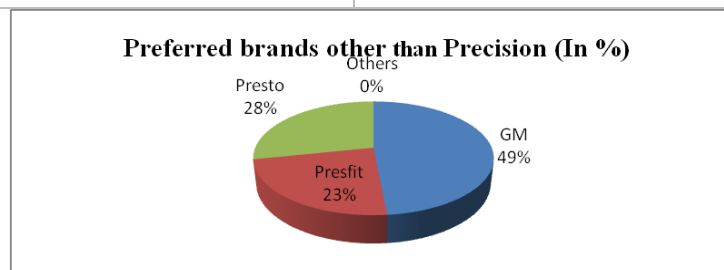
Reasons	Reasons (In %)
Purity	2
Life	3
Quality	2
Services	16



The chart shows that 39% of Retailers choose Precision Pipes for its Life followed by Quality. It is because the Precision products have a CE marking which the other brand does not have.

3) Which brand you would prefer other than Precision?

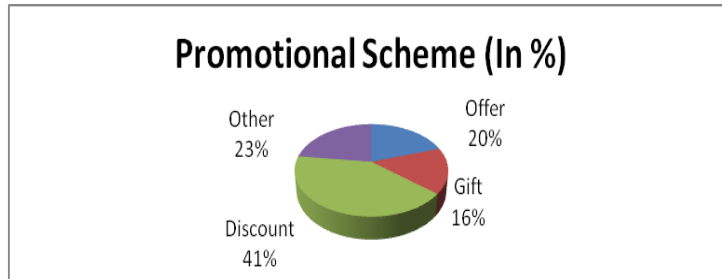
Brand Name	Preferred brands
GM	49
Presfit	23
Presto	28
Others	0



Nearly 49% of Retailers sells GM as a brand other than Precision Pipes followed by Presto at 28%, Presfit 23% and the others null. This is because the respondents are aware of GM before Precision Pipes, as it is very old and famous brand. So being a old and famous brand it has created its own goodwill and due to it, people does not hesitate for buying the GM's product.

4) Which type of promotional scheme is carried out by distributor?

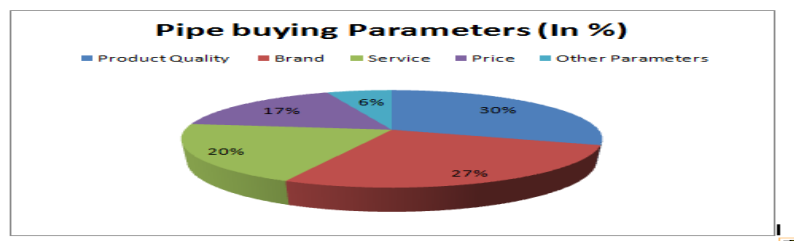
Promotional Scheme	(In %)
Offer	20
Gift	16
Discount	41
Other	23



According to this chart 41% of retailers have given discount as promotional scheme carried by distributor followed by 23% other. This is because the order placed in bulk quantity by retailers helps the distributor to sell the products in large number, and to have huge profit in which retailers also have some part of margin.

5) Choose the most important factor you consider while buying Precision's Pipes

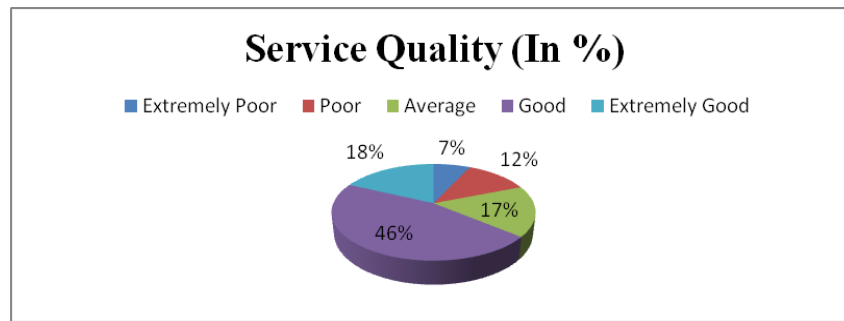
Pipe buying Parameters	In %
Product Quality	30
Brand	27
Service	20
Price	17
Other Parameters	6



30% of Retailers buy Precision Pipe because the Quality is good & due to its long lasting life, 20% buy because service is good, 27% for brand and for price 17%. This is because now a days the people are asking for quality of product, so that's why the retailers also emphasis more on Quality. Precision company adopts the low skimming pricing strategy so retailers refuse to accept the product on Price attribute.

6) How is the quality of the service provided?

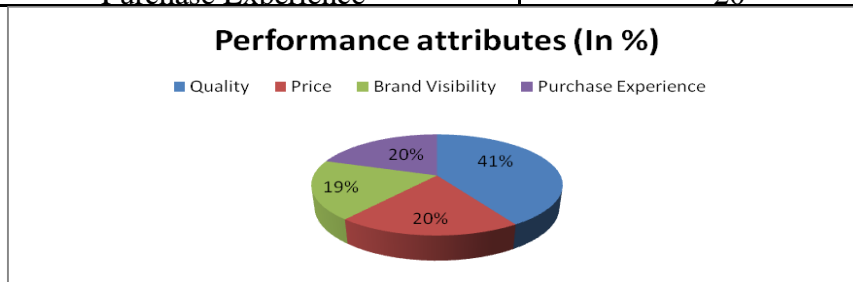
Service	In %
Extremely Poor	7
Poor	12
	17
Good	46
Extremely Good	18



46% of retailers have rated the Service provided by Precisions as good followed by as excellent, 17% as average, 7% as extremely poor and 12% as poor. Therefore around half of the respondents have rated the Service provided by Precisions as Good, because company mostly take care of their Customers, and has a huge believe in providing instant service and also after sales service. Any problem happen they provide the Solution or they solve immediately.

7) How is the Performance of the product on these attributes?

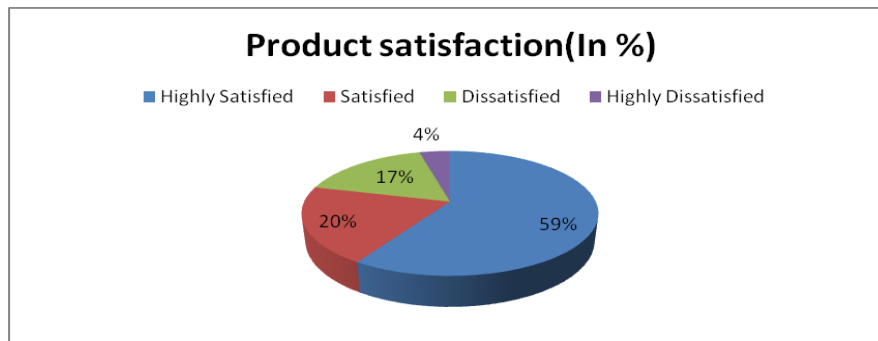
Performance attributes	In %
Quality	41
Price	20
Brand Visibility	19
Purchase Experience	20



41% of Retailers have rated the Quality of product followed by 19% Brand visibility, for Price 20%, therefore less than half of the respondents have rated the performance of product based on Quality of Precisions as Good or average. Company take care of their Product Quality as the company is mostly known for its Quality.

8) Taking in to consideration the attributes of the products, how satisfied are you with the product?

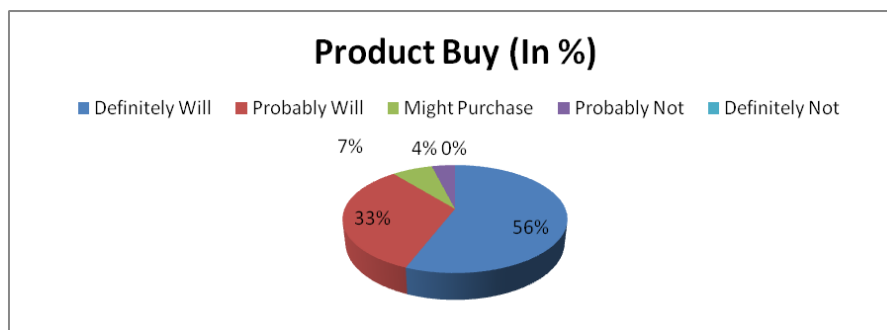
Satisfied With the Product	In %
Highly Satisfied	59
Satisfied	20
Dissatisfied	17
Highly Dissatisfied	4



Based on the satisfactory level of respondents on the attributes and benefits of the product, 20% of retailers are satisfied whereas 59% are Highly Satisfied. Therefore more than half of the respondents are satisfied with the attributes and benefits such as timely Delivery, Bill Collection, Quality, Problem solving, etc. product provided by Precision.

9) Based on your experiences how likely are you to buy the product Again?

Product Buy	In %
Definitely Will	56
Probably Will	33
Might Purchase	7
Probably Not	4
Definitely Not	0



Based on the respondents experience of the product 56% will buy the product again whereas 33% probably will buy followed by 7% Might buy and 4% Will probably not buy. Therefore more than half of the respondents will definitely buy the product again because of its distribution channel and quality provided by Precision. And there is also a major role of word of mouth due to its quality and it act as an advocate, which helps the company to have the competitive edge over other.

### Findings:

The major competitors for Precision are GM, Presto & Presfit. Precision pipe has high sell in Thane region & comparatively low in Kalyan-Dombivali District as compared to

western suburbs because of the purchasing power differ. We can say that 46% of the respondents are aware of GM as a brand of pipes because they have maintain good corporate image in the mind of the retailers and well established and highly promote their product from different media. 72% of the respondents have responded that the product was delivered by Precision Pipes within the specified Time frame. Presfit is market leader in casing and capping due to the low price as compared to that of precision and also have a good brand image. It is also found that people now-a-days are asking for quality and branded products.

**Conclusion:**

If the company will go for promotion definitely it can capture the market as it is found during survey most of the people are unaware of the precision products. Precision quality is better than others but has to work on its pricing policies which will lead the company to have competitive edge over others. Sales can be increased by at least 5 % - 20% through media promotion because people are unaware of the product due to the promotions. According to the research it was found most of the retailers prefer precision pipes as it is mostly demanded by customer followed by Presto and Presfit due to its price factor. The market is flooded with many brand but precision pipes is known for its quality which play a major role and have competitive edge over other brands. Most of the retailers sale casing and capping of the Presfit due to its low prices as compared to that of Precision and it also carries good corporate image in the mind of the retailers.

**Recommendations:**

Company should do more events and activities in Thane & Kalyan-Dombivali District. It should use some different ways like participating in Exhibitions. Digital Sign Boards to spread awareness. As it is found during survey majority of people come to know about precision through Events so there is a need to organize the events frequently. The company should focus more on advertisement to create awareness of the product because genuine product is the need of the hour. The company should improve its website so that customers can interact more easily. The company should come up with Rapid penetration pricing strategy to tap the middle and lower class market. The company should promote the Precision pipes through retailers by providing awards for the best seller in the events which will lead the retailers to act as an advocate for



company. As it is found that 58% respondent who are satisfied with the distribution aspect are from Thane & Kalyan-Dombivali. So, the company should increase its distribution channel in this region so that product can be available to the customer.

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## A STUDY ON EFFECTIVENESS OF ADVERTISEMENT'S WITH REFERENCE TO PRINT ADVERTISEMENTS

**Mr. Tausif Mistry**

Ph.D Scholar

IBMR.

Savitribai Phule Pune University.

**Prof. (Dr.) OmPrakas Haldar**

Head Of Department

Dr. DY Patil School of Management

Ajeenkya DY Patil University.

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### ***Abstract:***

*Advertising is not a new form of communication that we are not aware of. It plays an important role in promoting a product or service. It is an integral part of Integrated Marketing communication. It is involved in not only selling the product but also contribute in developing a favorable image for the product or service in the market. The difference in effectiveness of advertisements between ‘regular’ shows (about which viewers are assumed to have substantial information a priori) and ‘specials’ (about which they have very little) reveals the value of information in advertisements and the different roles that information can play. Although creating advertisements for services always remain challenging for advertisers. It is difficult for them to persuade the customers about the benefits and features of the services. The present paper is an attempt to explore the factors that makes advertising more effective. The results of the study indicated the various factors that make advertising more effective.*

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### **Introduction - Conceptual Framework**

In the recent marketing boom, airtime costs are rising. Audiences are falling. Print prices continue to climb steeply. Corporates are of the opinion that ads via TV, radio, press, posters must now more than ever prove their worth. Problem remains: advertising is a very costly activity which often defies tight analysis; if a campaign succeeds or fails you don't always know why. The matters of advertising have been made worse with the advent of Digital Marketing. Conventional research into how advertising works and its effect on consumers shifted the focus on the importance of advertising message and/or the executional strategy, and moderated this with the concepts such as involvement, motivation, and intentionality (Brown and Stayman, 1992; Bloom et al., 1994). Various research findings in the past have suggested that

consumers pay attention to only those advertisements that match with their purchase needs and respond to these advertisements according to the cognitive or affective appeals used in the advertisements.

We all know about the many information processing models which explains that consumer passes through a series of reception stages in a sequential order while responding to the advertising message. Consumer passes through central route or peripheral route for evaluating advertising message, according to Elaboration Likelihood Model (Petty and Cacioppo, 1986). Information processing through both these routes leads to formation of attitude, which, in turn is responsible or affects buying interest or buying decisions. Advertisers and marketers have always been interested in knowing how advertising affects buying decision of customers. Many research studies have been conducted to know the factors that make advertising more effective. But very few research studies focus on the effectiveness of service advertisements specifically for print media. Although the ultimate objective of advertising is to increase the sale, which in-fact is the ultimate objective for any communication strategy but it should not be the only criteria for measuring advertising effectiveness as consumer purchases depends upon a number of factors. The effectiveness of advertising can be measured on a variety of factors such as awareness and knowledge about the service, more information desired for the service, intention to buy the service etc. Many researches on advertising effectiveness have prioritized the dynamic nature of the relationships between the audiences and the advertising information and imagery they choose to interact with (Ritson and Elliot, 1999; Hackley, 2001). Advertisers of intangible products i.e. services face unique challenge of effectively communicating the information about service attributes and benefits because of its intangible nature (Mittal, 2002). Advertising effectiveness refers to the measurement of the results of an advertising campaign or a particular advertisement, (Beerli and Santana, 1999). Early research into service marketing highlighted this uniqueness and discussed the importance of communicating the relationship of tangible assets to service operation in order to make the service visible to the prospective customers (George and Berry, 1981).

Therefore, the unique attributes of services, together combined with the inherent differences across cultures, present specific challenges for service providers. Services as we know are different from products, are abstract in nature, they do not have physical characteristics and therefore, pictorial representations of services are not

possible. Therefore, to make service advertising effective is a big challenge before the advertisers.

### **Review Of Literature**

Of all the methods of communication, one of the most popular and common ways through which services are communicated to customers is advertising. Advertising has the potential to inform current and prospective customers about the goods and services of a company and force them to visit the company's distribution centers for further information and making purchase decisions (Kola and Akinyele, 2010). The intangible nature of the services has been creating problems for both customers as well as service providers. Murray (1991) found that consumers often associate services with a higher level of perceived risk because they find services to be harder to evaluate and tend to be more variable as compared to physical goods. Customers have difficulty in understanding the services to make decision to buy the services and when they buy it, they may find it difficult to evaluate their service experiences (Zeithaml, 1981). Advertising is one of the strategies which is used to counteract intangibility of services, as tangible cues in the advertisements have been known to assist consumers to grasp key dimensions of service offerings, facilitate their information processing and decision making and probably reduce the level of perceived risk associated with services (Pickett, Groove and Laband, 2001; George and Berry, 1981; Abernethy and Butler, 1992). According to Turley and LeBlanc (1993) - consumers perceive financial and quality risks to be more significant with services. In a study investigating the impact of intangibility on perceived risk, Laroche et al. (2003) reported that mental intangibility has significant impact on perceived risk whereas physical intangibility did not have any significant impact on the so called perceived risk. Stafford (1996) contented that manipulation of tangible cues is known to improve advertising effectiveness. Legg and Baker (1987) found that tangible objects, concrete language and dramatization in advertisements aid consumers to identify potential service providers. The primary challenge for advertising is to provide a tangible and differentiating element to the marketing of services. Service advertisers use various strategies to provide tangibility, including visualization of a service's benefits or qualities; physical representations of components of the service; association with an extrinsic product, person, event, place, or object; and documentation of facts or figures explaining characteristics of the service (Lane and Russell, 2000). Advertisements for services provide symbols or tangible cues, as concrete signals of the service's abstract attributes. (Lacobucci, 2001).Berry

and Clarke (1986) have proposed that effective advertising of services should facilitate consumers' visualization strategy. Visualization refers to the creation of a "vivid, mental picture of a service's benefits or qualities". A visualization strategy enables customers to experience the service virtually in the mind. According to Leong (2009), a strategy based on visualization which involve creation of a mental picture of service provider's benefits and qualities, can increase service tangibility and thus improve advertising effectiveness. Some researchers proposed that message-based persuasion (rational appeal) and feelings-based persuasion (emotional appeal) as a means to improve perceived tangibility and enhance advertising effectiveness for services (Albers-Miller and Stafford, 1999; Matilla, 1999). Rational appeal contains information of the advertised service and allows consumers to base their evaluation on logical, factual, and objectively verifiable descriptions of service features (Holbrook, 1978). On the other hand, an emotional appeal aims to stir up negative or positive emotions of the customers and motivates them to purchase the product or services (Kotler and Armstrong, 1991). Parsuraman et al. (1991) suggested that stressing evaluative cues of a service organization may be in terms of the appearance of physical facilities, equipments, contact personnel, or communication material. This help in delivering cues on service performance and quality by giving a feeling to the customer that he or she is physically present at the service outlet, and enhance customer confidence in the service provider. Zeithaml et al. (2008) has given some guidelines for enhancing effectiveness of service advertising. According to them, use of narratives to demonstrate service experience enhances advertising effectiveness. Many researchers have concluded that use of narratives or stories based on the list of service attributes appeal to those customers who are less familiar with the service category (Matilla, 2000). A different way to enhance advertising effectiveness is by presenting vivid information about the service as it creates a stronger or clear impression on the senses and produces a distinct mental picture. One way to use vivid information is to evoke strong emotion by concrete language and pictures. The other way is the use of interactive imagery which can enhance recall of names and facts about advertised service (Zeithaml et al., 2008). Clow et al. (2005) proposes that effectiveness of print advertisements is enhanced by using effective visual element. They further contend that visuals can be used in print advertisements to attract viewer's attention, to display the service setting, to create an emotion and to demonstrate how that product or service fit in consumers' life. Mittal and Baker (2002) suggest that service advertisers need to identify some physical

entities that would most effectively represent the core service experience to the customers. Featuring actual employees doing their jobs or explaining their services in advertising is effective for both internal as well as external customers of the service organization as it communicates to the internal customers (employees) that they are important (Zeithaml et al., 2008). Besides these, showing a satisfied customer as testimonial, mentioning awards and achievements, or showing a press release praising the performance of the company can also help in enhancing advertising effectiveness (Mittal, 2002).

After reviewing the literature, it is clear that many researchers have suggested various measures, such as, offering the tangible cues, highlighting service benefits and qualities, associating service with a person or event, presenting facts and figures about the services (e.g. mutual fund companies normally advertise past performance of their funds), customer testimonial, in which a satisfied customer shares his experiences with the readers, etc., to make the service advertising effective. However, which measure is effective is a research gap. The studies also do not throw any light on which measure would be effective for which medium of communication. For example, dramatization of services would not be possible in print media and facts and figures cannot be presented in detail in electronic media. Also the studies quoted above have not been conducted in Indian context. The present research work has been taken up to explore the factors that make service advertising effective for print media. The study attempts to bridge the gap by identifying constituents of print service advertisement in order to make it effective and persuasive for readers.

### **Why Print Media?**

According to a report of FICCI-KPMG, 2011, Print media is one of the most popular medium of communication in India after television) which witnessed a growth of 10 percent in the year 2016 and is expected to grow at similar pace in the next five years. The reason for tremendous growth of print medium and print advertising can be attributed to rising level of literacy in the country. According to PricewaterhouseCooper's report on India Entertainment and Media Outlook 2011, print media is projected to grow by 9.6 percent over the period 2011-15, reaching INR 282 billion in 2015 from the present INR 178.7 billion in 2010.

### **Research Methodology**

Type of Study: Descriptive research Study.

The sample was drawn on random basis from males and females of different age groups from Pune city. The total sample size was 300 with a break-up of 158 males in the age range of 20-45 years and 142 females in the age range of 16-40 years.

Tool for Data Collection

Questionnaire.

The respondents were shown advertisements of a leading e-commerce giant, a SUV manufacturer and a travel Agency.

The response of the respondents was noted on five-point Likert Scale, ranging from strongly disagree to strongly agree.

Tool for Data Analysis

SPSS software and Microsoft Excel was used for Data Analysis.

### **Observation And Data Analysis**

Six factors which emerged after the factor analysis, using SPSS software, are as follows:

- 1) **Appealing Visuals** – This factor consisted of items like, the advertisements are fascinating and attractive with a load of 0.7934, the visuals used in the advertisements are able to catch the attention of the viewers with a load of 0.7565, the visuals communicates a lot about the services with a load of 0.7010, remember the advertisements but not the company's name with a load of 0.6801, the advertisements are unique with a load of 0.55922, these advertisements were appealing with a load of 0.6768. The percentage of variance for this factor was 21.7. This factor indicates that presentation and the visuals used in the advertisement play very important role in grabbing attention of the readers.
- 2) **Believability** - This factor consisted of variables like advertisements are genuine with a load of 0.80331, after viewing these advertisements, I would consider using the services with a load of 0.67316, benefits of the services described in the advertisements are believable with a load of 0.53902. The total factor load of this factor was 2.01649. The percentage of variance for this factor was 13.5. This factor indicates that believability is important in the advertisement.
- 3) **Informational Content** – This factor consisted of two items namely, the advertisements are informative with a load of 0.73524; and the advertisements very well describes features of the services, with a load of 0.63223. The total factor load of this factor was 1.46847. The percentage of variance for this factor was 11.4. The

information provided in the advertisement helps customers in making purchase decision. It is also implied that the content of the advertisement should be able to convince the readers that the advertised product or service is able to satisfy the needs of the customers.

- 4) Relevance - This factor was comprised of the message given in the advertisements is relevant with a load of 0.85773, the copy of the advertisements very well communicate the benefits of using the services with a load of 0.66574; the message given in the advertisements is clear with a load of 0.58085. The total load of this factor was 2.11832. The percentage of variance for this factor was 8.2.\
- 5) Memorable - This factor consisted of two items; contents of the advertisements can be easily remembered, with a load of 0.77887 and; I would recall these advertisements while using these services with a load of 0.61109. The total factor load of this factor was 1.38996. The percentage of variance for this factor was 7.1.\
- 6) Persuasive - This factor consisted of two items like these advertisements made me think that these services might be useful to me with a load of 0.84087 and I will try the services at least once with a load of 0.46504. The total load of this factor was 1.30591 with 6.4 percent of variance.

### **Discussion**

Results of the study clearly indicated that attractive visuals, believability, information, relevance, ability to recall and persuasiveness are the major actors that make a service advertisement effective. As services are intangible in nature which is stark contrast with the products, it is difficult for the advertisers to decide the contents of the advertisements in order to persuade the customers. Visuals as indicated by the data analysis play important role in service advertising, especially in print advertisement. An attractive visual is worth a million said words. It enables the customer to experience the advertised service virtually in their mind. The services literature suggests that a visual tangible cue or representation helps services, advertisers by providing an observable means of tangibilizing an intangible offering. It helps in obtaining attention, creating impact, and stimulating interest from an indifferent audience through conveying a main selling point of products or services.

### **Conclusion And Implications**

Advertising of services is often difficult because of unique nature of services. Unlike goods, services are promised first and then delivered by someone else and are perishable. Services are also unique in the form of subjectivity, different people have



different views about the same service. Therefore, services cannot be standardized. Service marketers are always interested in knowing what to present in the advertisement to make it more effective. The results of the study clearly indicated that service advertising can become more effective by using creative appealing visuals, making it believable, and presenting vivid and relevant information, relating it with customer need, increasing recall value and making it more persuasive. The results of the study have implications, for the advertising agencies, advertising managers, entrepreneurs looking to make a mark in the advertising industry and practitioners, as it provides useful information on what makes an advertisement more effective and the results of this study will ensure that the marketing managers are spending their budgets optimally and get the maximum return on investment. This would help them in formulating creative strategy and deciding on what to present in the advertisement and which appeal to use in order to make service advertisements more effective. This study provides a platform to the researchers to conduct further research in this comprehensive framework.

### **Limitations Of The Study**

The present study was carried out in Pune city only with a small sample size of 300; it could be carried out in other cities also, with a large sample for more accurate results. The current study was limited to examining the advertising effectiveness of select services, where tangible cues are obvious to customers. The study could be extended to examine effectiveness of other categories of services such as financial services, telecom services, which are abstract in nature and tangible cues are less visible to customers. This research was limited to print media, where only visual component is present. However, advertising effectiveness can be affected by auditory elements to a large extent. Future research should aim at studying effectiveness of TV, Internet or radio advertisements that have auditory component.

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## **ANALYZING THE DEMAND CHAIN, IMPLEMENTATION OF SERVICE QUALITY MODELS AND UNDERSTANDING VOICE OF CUSTOMER: A CASE OF MACHINE TOOL OEM FROM WESTERN MAHARASHTRA**

**Prof. Sarang Dani,\*      Prof. Pooja Sarang Dani\*\***

\* Sarang Dani is an assistant professor of management and can be reached at dani.sarang@rediffmail.com /sarangdani\_sibar@sinhgad.edu

\*\* Mrs. Pooja Sarang Dani is an assistant professor of management and can be reached at poojadani@gmail.com/poojadani\_sibar@sinhgad.edu

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### ***Abstract:***

*This working paper of the live project discusses the case of one of the market leader company of machine tool, based out of Western Maharashtra, India. How the company is benefited by the application of management tools such as demand chain analysis to understand what exactly demanded by customer is supplied by the OEM. Project also included application of SERVQUAL Model to analyze the gaps in services quality and thereby reducing the gaps by process improvements by understanding expectation of customer by using voice of customer.*

### ***Keywords:***

*Demand Chain, SERVQUAL Model, Voice of Customer, OEM*

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### **1.0 Introduction:**

The demand chain is defined as that part of the value chain which drives demand. By nature demand chain is dynamic and involves the constant flow of information, product and / or services and funds. For ABC lead time of product, service quality gaps, distribution strategy of Organization, lack of product information / incomplete product information to customers as well as sales-force leads to problems in sale of product. Unnecessary expenses are incurred thereby hampering the profitability of Organization. It further impacts the very demand for Organization's products. Study of service quality is an important aspect in demand management of a technical product. The service quality gap arises due to difference between customer's perception (before delivery of service) and actual experience. In case of ABC identifying and eliminating services gap was essential to reduce overall cost.

Voice of the Customer is a market research technique that produces a detailed set of customer wants and needs, organized into a hierarchical structure, and then prioritized in terms of relative importance and satisfaction with current alternatives. In case of ABC requirement of ABC's machine tools by the customers was analyzed to understand exact requirement of customers to understand demand pattern.

**Acronyms:**

ABC: ABC is an OEM which is a market leader in machine tool manufacturing based out of Western Maharashtra.

LMN: LMN is one of the customers (loyal) of ABC.

XYZ: XYZ is the customer of ABC.

**2.0 Literature Review:**

The engineering industry continuously faces the challenge of improving performance of production processes and efficiencies. With this objective at the background coupled with management of cost, it becomes more important to develop a strong chain of the suppliers and make them strategic partners of the company. (Jussi Heikkilä, 2002) Good relationship between the customer and the supplier contributes to reliable information flows, and reliable demand information flows in turn contribute to high efficiency—these are well-researched issues also in other industry environments. Understanding the customer's situation and need together with the right offering contributes to good co-operation in improving the joint demand chain, which further leads to superior demand chain efficiency and high customer satisfaction. (Uta Jüttner et.al. 2007) Demand chain design is based on a thorough market understanding and has to be managed in such a way as to effectively meet differing customer needs. (Pankaj Madhani, 2013) The goal of DCM is to create unique competitive advantages by linking together customer values with a more effective flow of products. DCM approach can help firms provide superior customer value by developing a mutual understanding of responsibilities, sharing ideas, information and resources, and working together as a team to resolve cross-functional problems of marketing and SCM. Two forms of quality are relevant to service-providing organizations: technical quality and functional quality (Gronroos, 1984)

**3.0 Research Methodology**

Setting the area undertaken for study:-

The study has been carried out in the Machine Tool Development (MTD) for tool-up solution in marketing department of ABC in Western Maharashtra region.

Targeted machines were Vertical machining centers and Horizontal machining centers.

Setting the objectives:-

After selecting the parts to be studied, the first stage is to identify the problem. So there was need to analyze demand chain of Organization so cost can be reduced to provide maximum value without hampering profit margin of an Organization. Past four year, ABC was market leader in CNC machining centers. Though Organization has capacity to manufacture machines there was some crisis in market tapping, and delivering service quality and service design etc. so improvement in service quality was required. Considering last four years sales order, decrease in demand of machines found. Major reason behind this was loss of customer due to high price of machines. This affects profit of the Organization. Understand the customer's requirement and their demands are most significant. Considering all these challenges, objectives of the project were set as follows:

**Objectives:**

- 1) To Analyze Demand Chain for ABC's customers.
- 2) To implement Service Quality Model for improving demand chain.
- 3) To understand customer's expectation and modify it by using voice of customer.

**Scope:**

- 1) The study and analysis of project were restricted to four zones of India, from these four major zones the sample size was taken as 35.
- 2) Out of 35 customers only two customers were taken into the consideration for demand chain analysis and service quality model.
- 3) The study was done on the basis of questionnaire to know the reasons of shortcoming of ABC.

**Designing the method of data collection:-**

Descriptive type of research, questionnaire structured in three parts product, service and network, which was asked to the respondents and accordingly the analysis being done. For collection of primary data the questionnaire was administered. On the basis of Likert scale questionnaire was designed.

Defining the sample size:-

Sample sizes of 35 customers were taken for this research. The survey undertaken from the month of May to July 2013. Sampling frame includes customers of all over India.

#### 4.0 Data Collection And Analysis

Data collected regarding product, service and Network of ABC in the form of questionnaire from total 35 respondents.

##### A) Product

1) How would you rate the quality of ABC's machines?

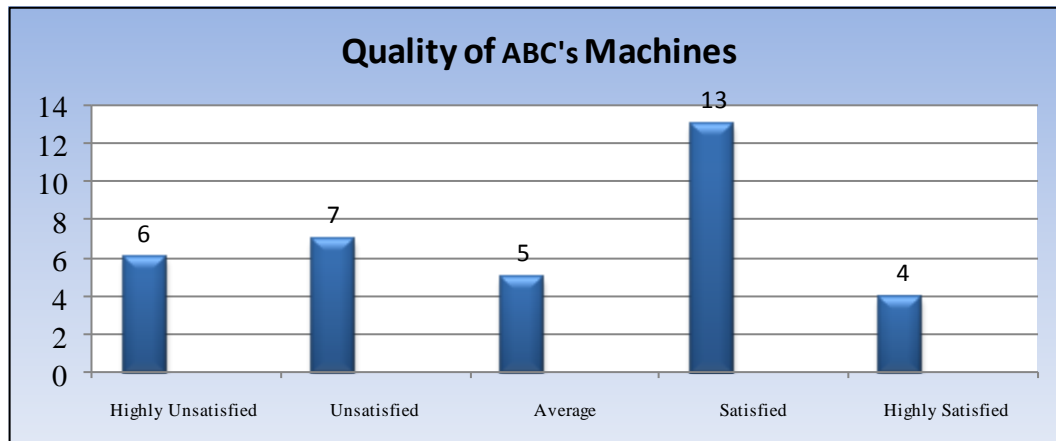


Chart no.1 Quality of ABC's machines.

**Interpretation:** Overall 37 % Customers are satisfied with quality of ABC's machines while only 12% are highly satisfied, 14% have opinion that machines are average and 17% of the customers are Highly Unsatisfied.

2) How will you find accessibility of ABC's machines?

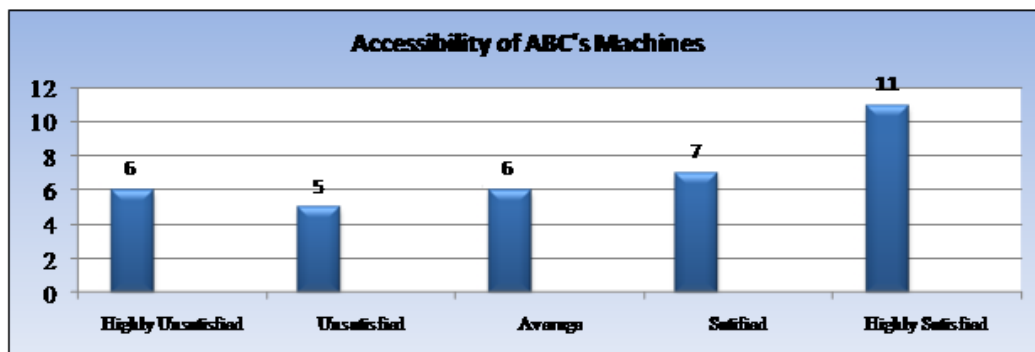


Chart no.2 accessibility of ABC's machines

**Interpretation:** Overall 32% customers are highly satisfied with accessibility of ABC's machines, 20% are satisfied while, 17% customers are average as well as highly unsatisfied and 14% find accessibility of ABC's machines is not fine.

3) How will you find performance of ABC's machines?

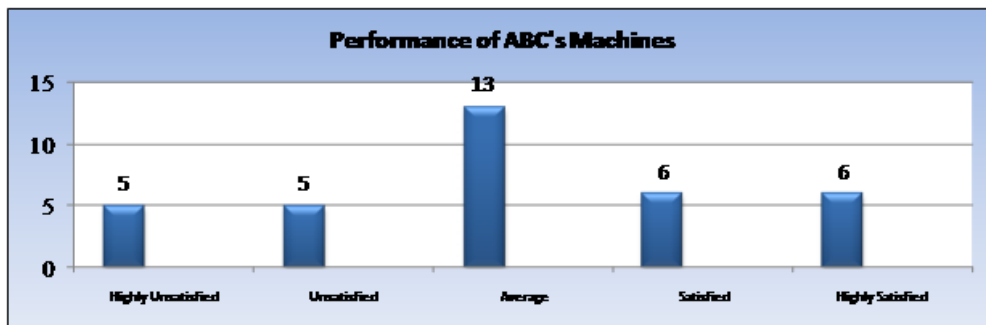


Chart no.3 Performance of ABC's machines

**Interpretation:** 38% Customers are saying performance of ABC machines are average and 14 % customers are not satisfied with the performance of machines where only 17% customers are satisfied so there is lot of scope for improvement of performance of ABC's machines.

- 4) How you find the variety of machines introduce every year by ABC?

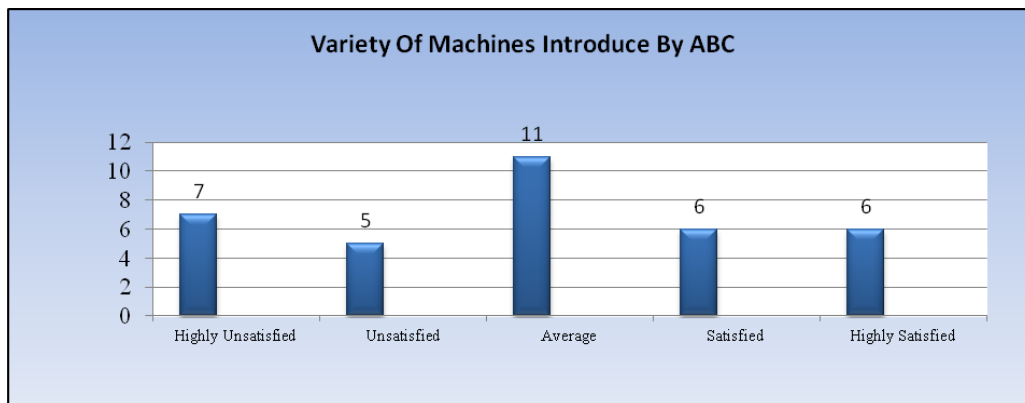


Chart no.4 Variety of machines introduce by ABC.

**Interpretation:** 11% of customers are saying new machines introduce by ABC are average while 5% customers are unsatisfied. Most of the customer wants advance machines compared to exiting one.

- 5) How was effort taken by ABC like Brochures/Internet/Personal visit/Exhibitions etc. in decision towards purchase of ABC's machines?

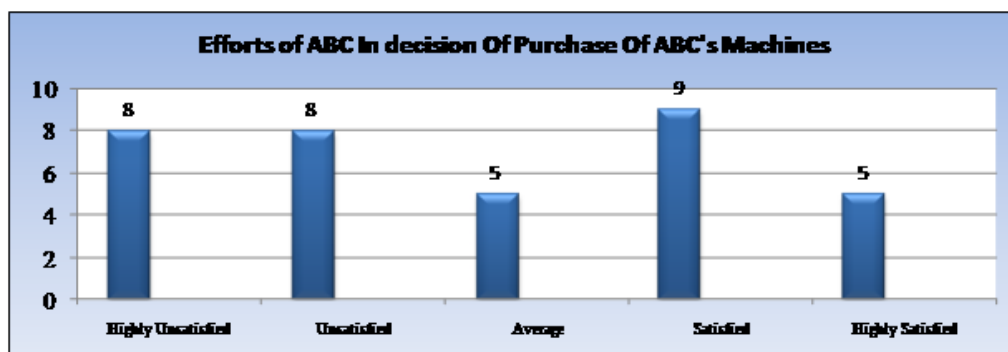


Chart no.5 Efforts of ABC in decision towards purchase of ABC's machines.



**Interpretation:** Overall 26% customers are satisfied for efforts taken by ABC in decision towards purchase of machines through Brochures/Internet/Personal visit/ Exhibitions.

- 6) How was your experience of purchasing machines from ABC? (Kindly rate)

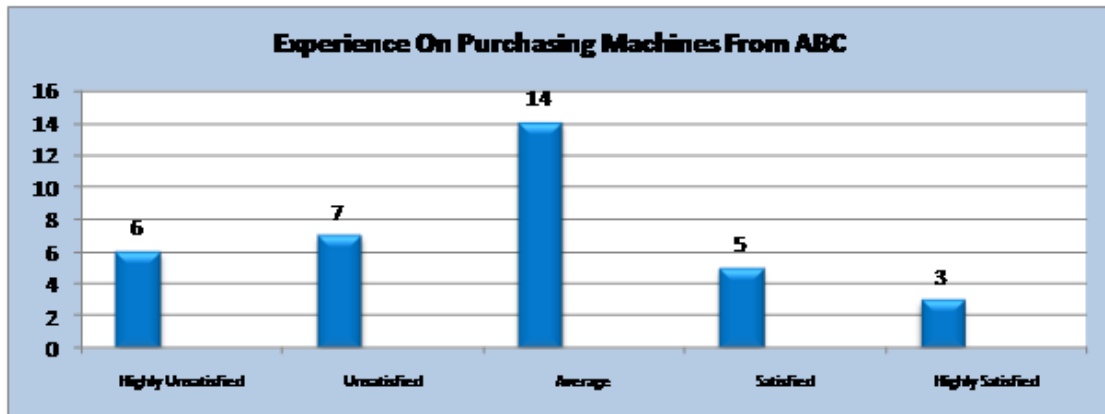


Chart no.6 Experience on purchasing machines from ABC.

**Interpretation:** Only 9% of customers are highly satisfied about experience of purchasing machines from ABC. However, 17% customers find experience of purchasing machines from ABC is highly unsatisfied.

- 7) How would you rate the pricing of ABC's machines?

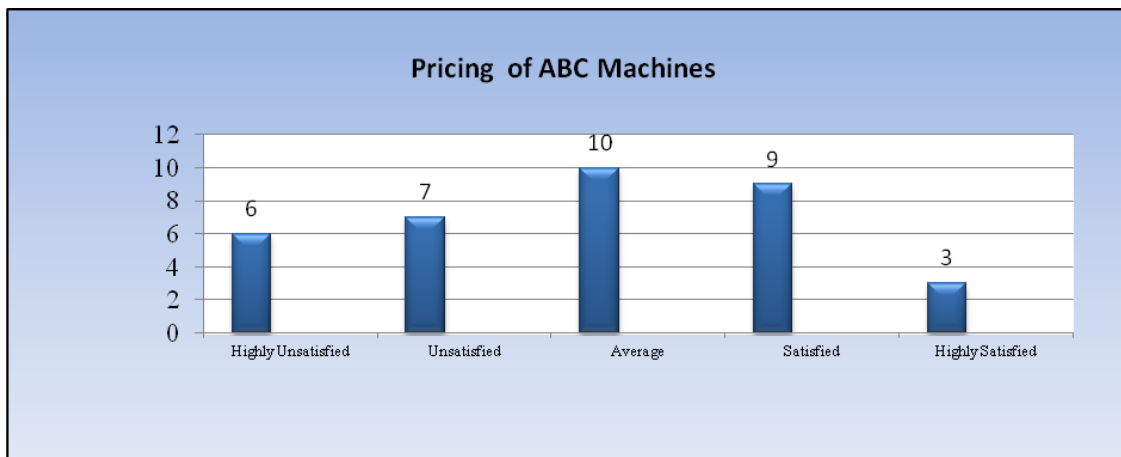


Chart no. 7 Rate of pricing of ABC machines.

**Interpretation:** Overall 17% customers are highly unsatisfied because of high price of ABC's machines as compare to other's machines. So there is need to reduction in price of CNC machines.

- 8) Kindly rate how frequently were you informed by emails / phone calls about the state of machine, after placement of order?

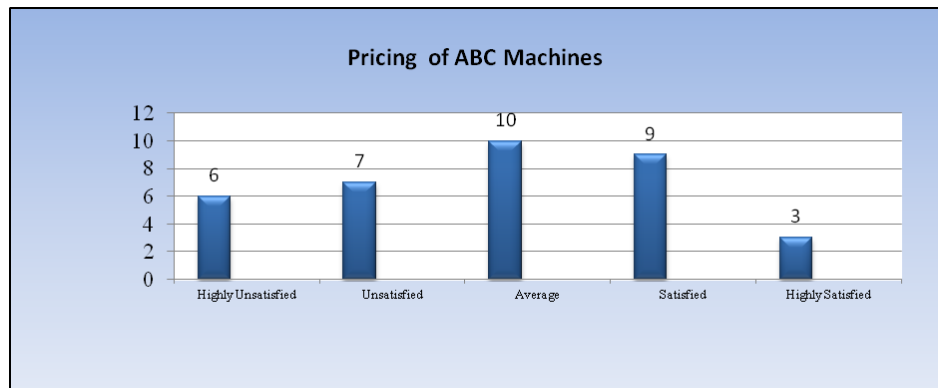


Chart no.8 Informed on state of machines after placement of order

**Interpretation:** 32% Customers are unsatisfied because they were not frequently informed about status of the machines. Hence chances of gap between customer expectation and management perception increases.

9) Overall, how will you satisfy for buying machines from ABC again?

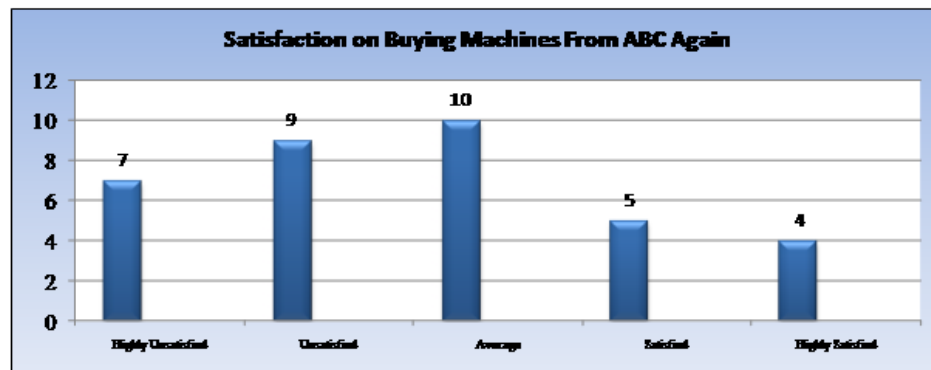


Chart no.9 Satisfaction on buying machines from ABC again.

**Interpretation:** Overall only 29% are average and 20% are highly unsatisfied for buying machines ABC. So ABC has taken lot of efforts for effective selling.

10) Kindly rate ABC's machines as compare to other manufacturer's machines?

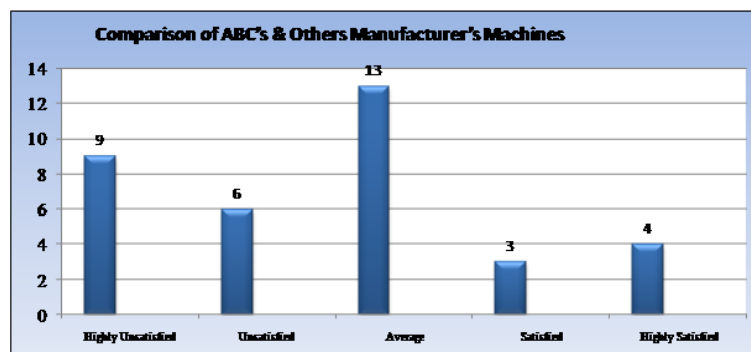


Chart no.10 Rate of comparison of ABC's & others manufacturer's machines

**Interpretation:** 26% customers are believed that other manufacture's machines are good as compare to ABC's machines. Here customers preferences need to be consider.

**B) Service**

- 1) Kindly rate satisfaction on receipt of ABC's information by website/telephone calls/ brochures/ exhibition/ magazines/email?

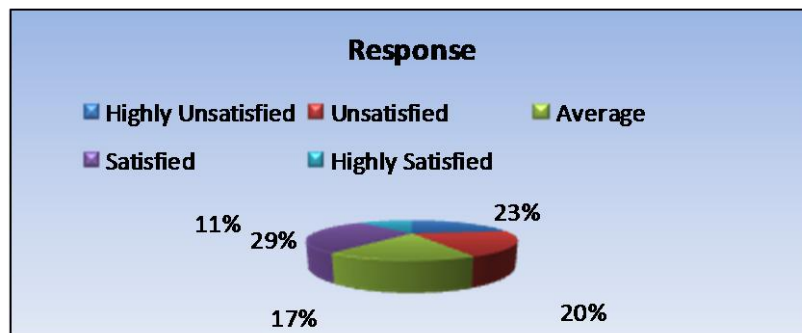


Chart no.11 Satisfaction on receipt of ABC's information.

**Interpretation:** 29% are satisfied on receipt of ABC's information by website/telephone calls/brochures/ exhibition/ magazines/email.

- 2) Are you satisfied with the response from ABC after your enquiry?

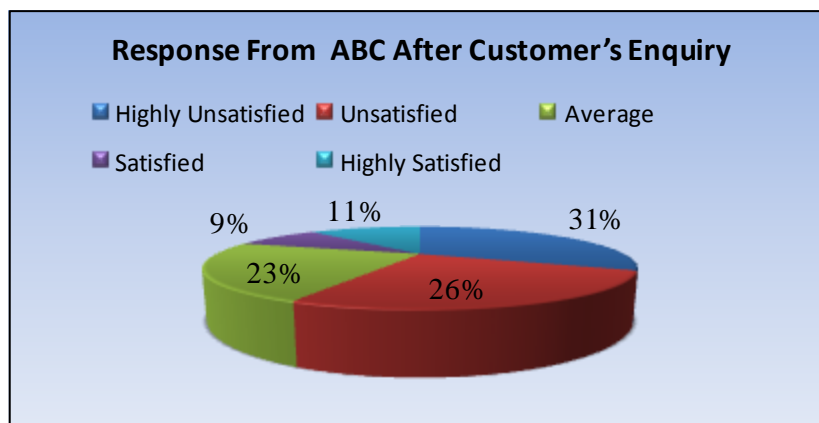


Chart no.12 Response from ABC after customer's enquiry

**Interpretation:** Only 9% customers are satisfied with the response from ABC after their enquiry. Here maximum gap between service delivery observed.

- 3) Are you satisfied with the information provided to you by the sales team?

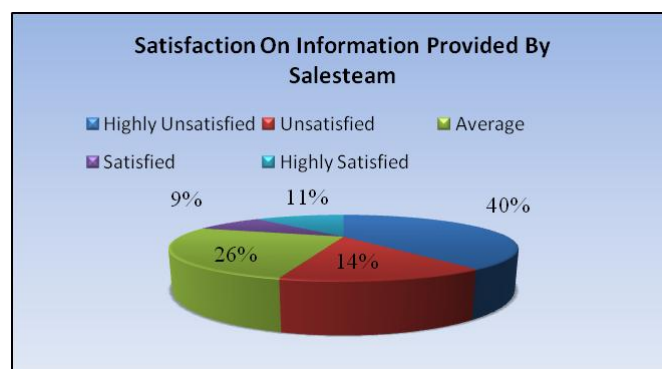


Chart no.13 Satisfaction level of information provided by sales team

**Interpretation:** 40% customers are highly unsatisfied with the information provided by sales team. So the sales team required training for effective presentation to reduce gap

- 4) Are you satisfied with the service offer by ABC's service technicians?

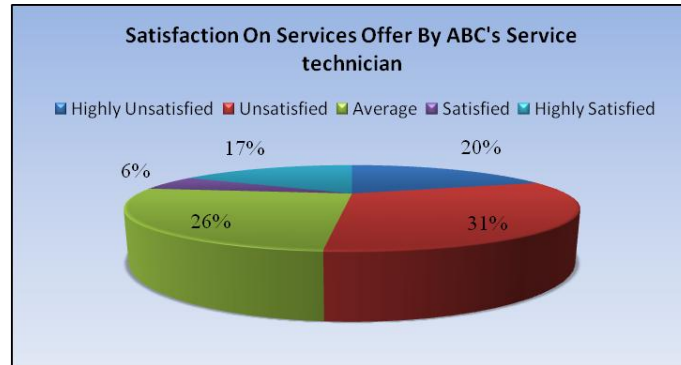


Chart no.14 Satisfaction on services offer by ABC's service technician

**Interpretation:** Overall only 6% customers are satisfied with service technicians while 31% customers find unsatisfied with services.

- 5) Do you satisfied of ABC's after sales service?

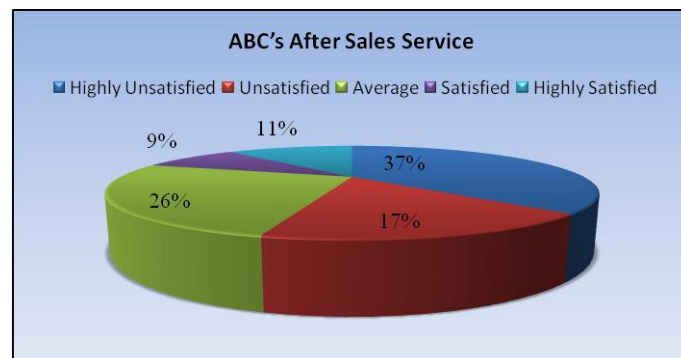


Chart no.15 ABC's after sales service.

**Interpretation:** Overall 37% customers are finding highly unsatisfied for after sales service. Here is the huge gap in expected service and perceived service

- 6) How will you like to rate warranty service of ABC?

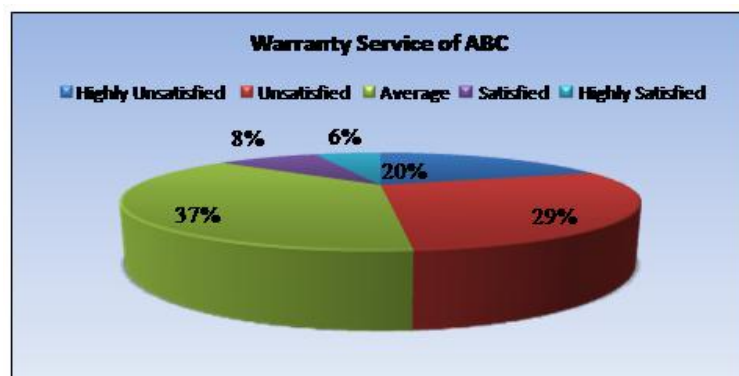


Chart no.16 Warranty service of ABC

**Interpretation:** 37% customers are finding warranty service of ABC is average and only 6 % customers are highly unsatisfied.

- 7) How satisfied are you with services provided during Annual Maintenance Contract (AMC)?

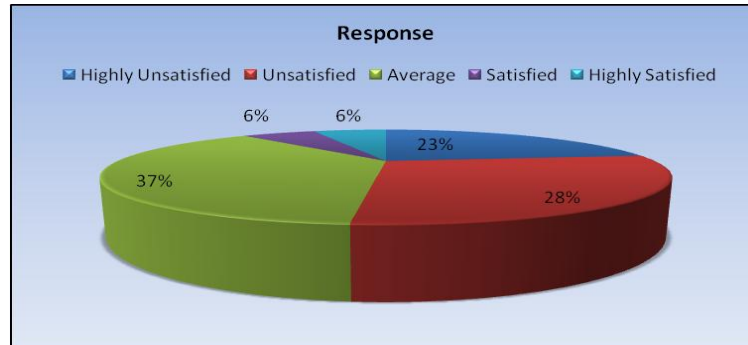
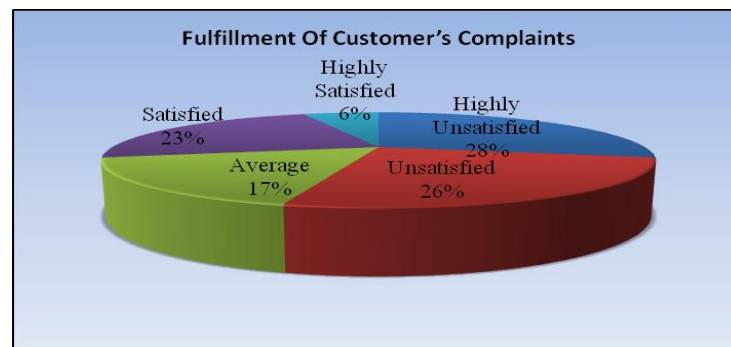


Chart no.17 Response on service provided during AMC

**Interpretation:** 23% customers are highly unsatisfied with services provided during annual maintenance contract.

- 8) How do you rate the satisfaction of fulfillment of your complaints?

Chart no.18 Fulfillment of customer's complaints



**Interpretation:** Only 6% customers are highly satisfied with fulfillment of complaints while 28% customers are highly unsatisfied with fulfillment of complaints.

- 9) How will you rate accuracy of order supply & invoice of ABC?

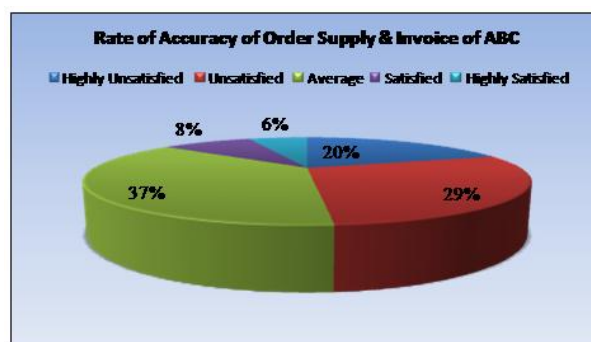


Chart no.19 Rate of accuracy of order supply & invoice of ABC

**Interpretation:** Only 37% customers are rate average for accuracy of order supply & invoice of ABC's machines.

10) Do you satisfied of overall service delivery of ABC?

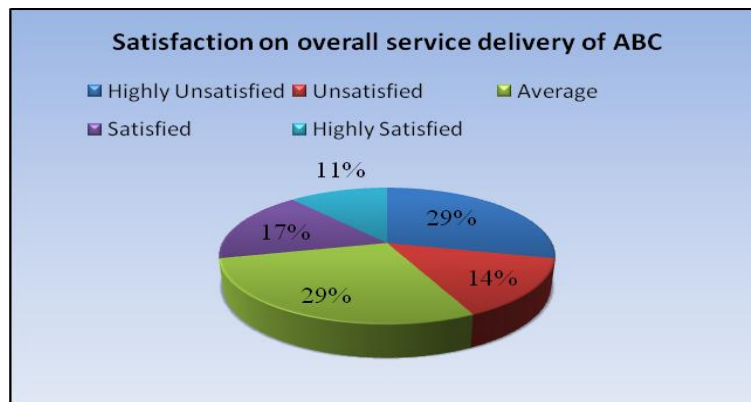


Chart no.20 Satisfaction on overall service delivery of ABC

**Interpretation:** Only 11% customers rate for highly satisfied so there is need to improve service quality provided by ABC.

### C) Network

1) Kindly rate the quality of delivery of machines to your place?

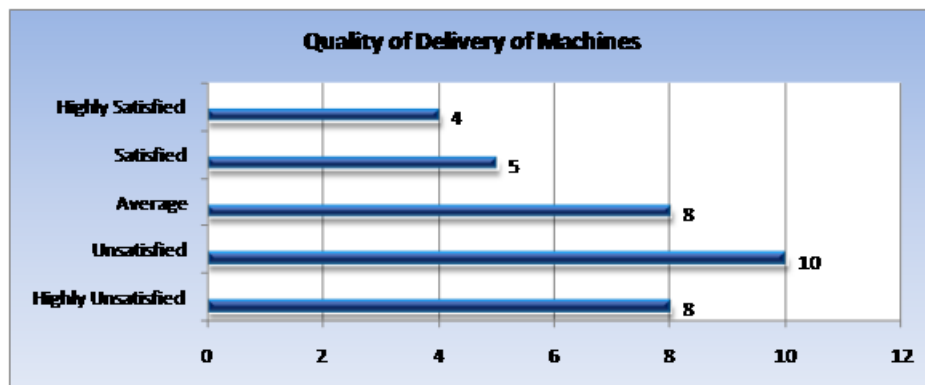


Chart no.21 Quality of delivery of machines

**Interpretation:** 29% customers are unsatisfied as they find quality of delivery of machines poor to their place.

2) How will you rate timely delivery of machines?

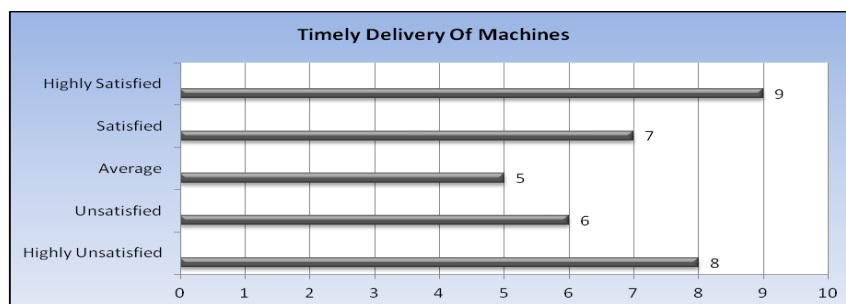


Chart no.22 Timely delivery of machines.

**Interpretation:** Overall 26% customers are highly satisfied timely delivery of machines while 14% customers are saying timely of delivery of machines is average.

3) How will you rate packaging quality of ABC's Machines?

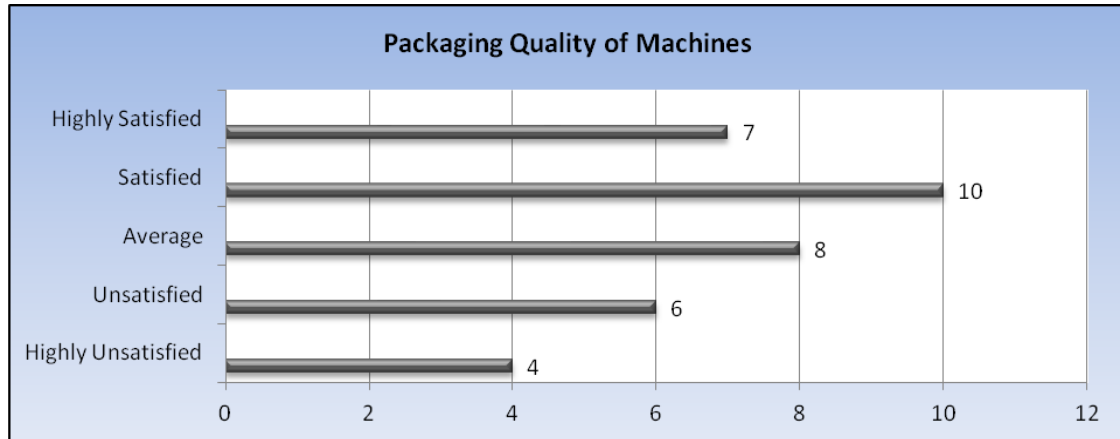


Chart no.23 Packaging quality of machines.

**Interpretation:** Overall 29% customers are satisfied with packaging quality of machines. 11% are highly satisfied because of good quality of packing machines.

4) How do you find quality of coordination between regional/ local offices of ABC?

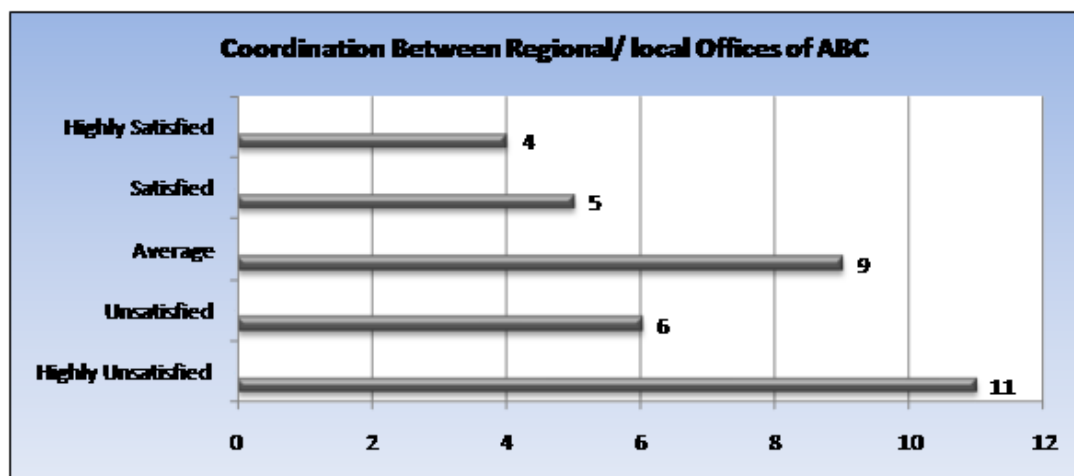


Chart no.24 Coordination between regional/ local offices of ABC

**Interpretation:** Overall only 11% customers find quality of coordination between regional/ local offices of ABC satisfied, here is big gap found in external communication.

Suggestion if any

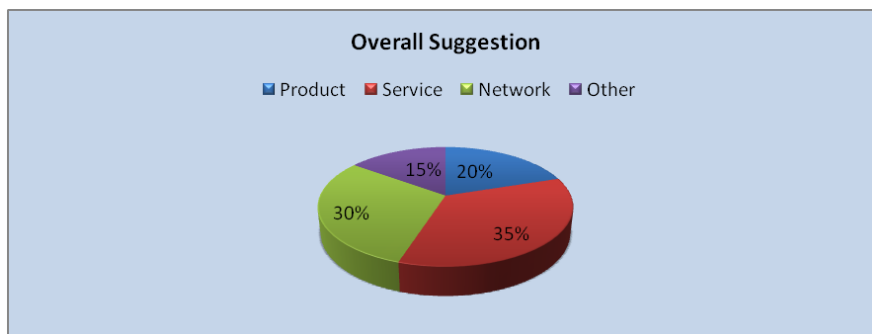


Chart no.25 Overall suggestion

**Interpretation:** 20% customer give suggestion about product for technical improvement, 30% are of about network, 35% customers give suggestion about service to improve service gap and 15% customers give other reasons for suggestion.

#### Zone wise Sales order in Crore

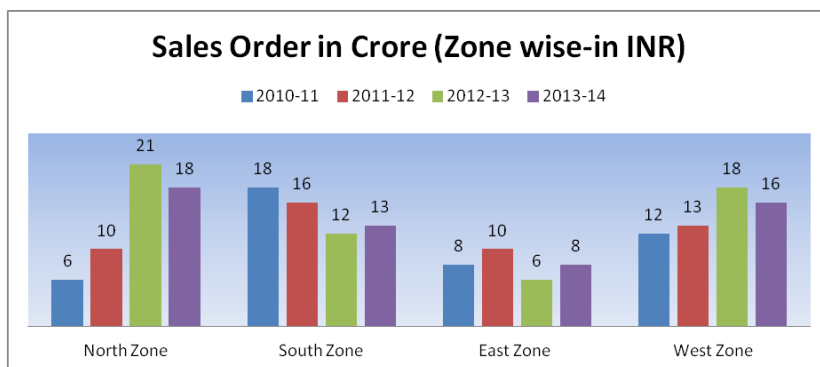


Chart no.26 sales orders in INR in Crore-Zone wise.

**Interpretation:** Sales order of financial year of 2013 is 18 cr. which is less as compare to financial year 2012 for North Zone, Sales order for south region is 18 cr. for FY 2010 and only 13 cr. for FY 2013, sales order of West region in FY2012 was 18 Cr. And it drops by 2 Cr. in FY 2013, Sales order for FY 2011 is 10 cr. which is very higher than any other financial year for East region.

#### Range of CNC machining centers (HMC and VMC)

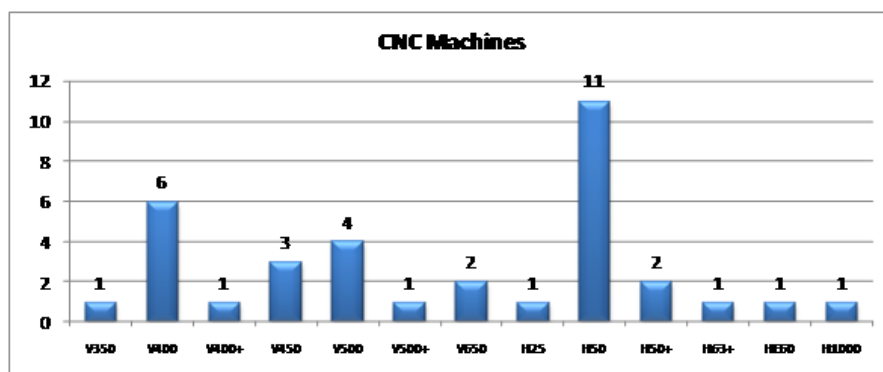




Chart no.27 Range of CNC Machines

**Interpretation:** IVI350 machines have less demand as compare to IVI400 (reasons technical features), IVI350 machines can be modified as per voice of customer, Similarly IHI25 has less demand as compare to IHI50.

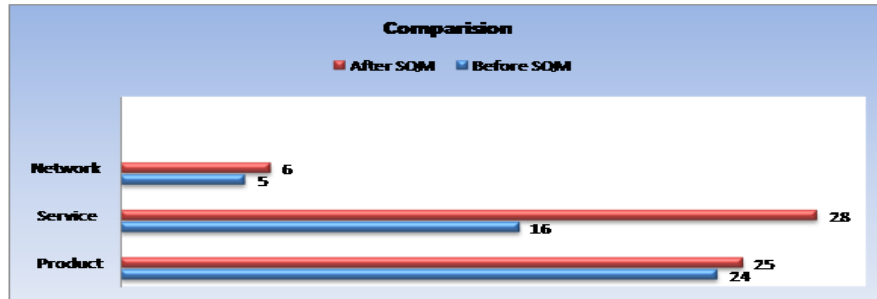


Chart No. 28 Analysis on XYZ Organization's feedback of about product, service, network

## 5.0 FINDINGS

- Most of the customers are satisfied with the quality, accessibility, timely delivery of ABC's machines.
- Total cost of HMC machine is 87 lakhs. Profit of Organization is 11% and Organization's offer price worth Rs. 97 lakhs.
- Total cost of VMC machine is 15 lakhs. Profit of Organization is 11% and Organization's offer price worth Rs.25 lakhs.
- Expenses are on direct activities like marketing and sales cost of Rs. 8% for HMC as well as VMC which is maximum.
- Further analysis of marketing and after sales expenses revealed that, visiting costs of sales force and service staff force are high. The primary cause was found as lack of necessary skills of the visiting technicians (after sales service staff).

### 5.1 ABC's Demand chain for Customers

**Fig. 5.1 ABC's Existing Demand Chain**

- There is need to analyse demand chain for cost reduction.
- Loyal customers like LMN Transmission Company regularly buy CNC machines from ABC so by analysing ABC's demand chain for providing maximum value at minimum cost.
- 17% customers are highly unsatisfied because of high price of ABC's machines as compare to other's machines. They believe that other manufacture's machines are good as compare to ABC's machines. (Refer chart no.7)

- Most of the customer's voice that other manufacturer's can give all specification in low price as compare to ABC.
- Most of the customers are not satisfied due to repeated failures to meet time, cost and quality performance commitments.
- Only 11% customers rate for highly satisfied so there is need to improve service quality provided by ABC.( refer Chart no. 20)
- Understanding operational processes of ABC is very essential, major gaps found in Service design, quality of service. So for improvement in service quality
- For enhancing service quality customer like XYZ Organization taken in to consideration.
- The service gap arises due to ABC does not correctly perceive exactly XYZ Organization demand\
- Poor training, incapability to meet the set service standard XYZ Organization give less rate to ABC's service.
- Due to failure to manage customer expectations and perform according to specifications XYZ is unsatisfied.
- In some cases XYZ Organization gets wrong word of mouth about services offer by ABC it can be technical, about services such as warrantee period, services offer by ABC etc.
- Majority of these gaps arose due to untrained / unskilled technicians / sales force and improper coordination
- It was found that financial year 2013 has very low sales order as compared to other financial year.
- HMC-IHI25 has less demand as compare to IHI50 ( Refer Chart no .30)
- VMC-IVI350 machines have less demand as compare to IVI400. (Refer Chart no .30)
- IVI350 and IHI25 can be modified according to voice of customers.

## **6.0 Suggestions**

### **6.1 Demand chain analysis**

Mapping the demand chain for ABC's esteemed customer LMN Transmission Company.

#### **6.1.1 Before demand chain analysis:**

After mapping demand chain, it was observed that cost of marketing and after sales expenses is maximum which include machine packing charges, freight outward,

warranty expenses, insurance and visiting cost. It goes to 8% which is maximum. These expenses necessary to trim down. Total offer price was Rs.97 Lakhs and Total cost was Rs. 87 Lakhs per machine. So profit can be calculated as:

#### 6.1.2 Profit= Offer Price –Total cost of machine

= 97 Lakhs-87 Lakhs

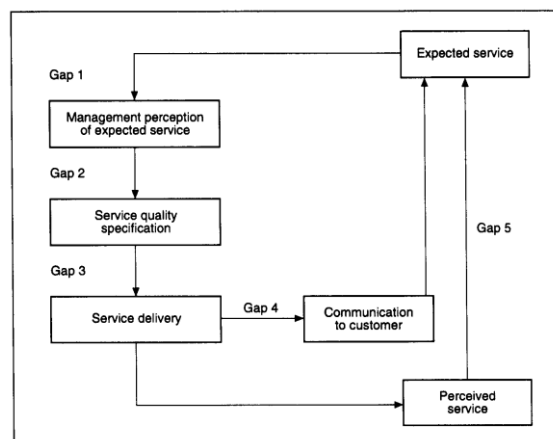
=Rs. 10 lakhs i.e. 11 % of offer price.

#### 6.1.3 After demand chain analysis:

After analyzing demand chain, out of 8% of expenses on marketing and after sales, visiting cost is too high and it can be reduces. It is found that visiting cost i.e. 1% (Rs. 50,000) can be control per CNC machine. This done without disturbing profit margin. So the LMN Transmission Company get advantage of demand analysis by paying 96 lakhs and ABC also save Rs.50, 000 per machine. By training sales force as well as technicians and Advance use of technology its helps to save the visiting cost. This helps to retain customer. Skill technician are suggested to send if there are any difficulty with machines after sales. Training calendar arrange to train sales force as per suggestion as ABC already done two training session in month of June and July. By linking Demand Chain Analysis to Competitive Advantage ABC can use cost reduction strategy by reducing visiting cost and provide maximum value to customer. Reducing cost of machines give a competitive advantage as considering other manufacture's machines cost.

#### 6.1.4 Implementing SERVQUAL Model:

Implementing service quality model is very useful for understanding and improving operations for providing maximum value by reducing the service gap. XYZ Organization taken for implementing Service quality model. Before implementation of service quality model several service gaps found.



**Fig 2 Service Quality Model**

Customer Gap = f (Gap 1, Gap 2, Gap 3, Gap 4, Gap5)

GAP 1: Gap between consumer expectation and management perception:

XYZ Organization is not satisfied with receipt of information by ABC's sales team.

To overcome this gap tracking performance from which customer can satisfied is very vital. Here XYZ Organization's demand and ABC's perception need to match. So exact collection of data about customer expectation is taken again and researching its demands is very useful. Here proper training is provided to sales team to overcome from this gap.

GAP 2: Study of gap between management perception and service quality specification:

XYZ Organization give less rating to ABC's after sales service. To improve after sales service ABC trained skill technician for providing service satisfaction to customer. This is very useful for improving the service standards and maintenance of machines.

GAP 4: Gap between service delivery and external communication: XYZ Organization find quality of coordination between regional/ local offices of ABC is not fine. So effective Team work is necessary to increase sales order. Highly effort taken on Organization representatives and advertisements are more valuable output.

## **6.2 Observations during implementation:**

- 1) To overcome from these gaps complaints are re -solved and feed back is taken again. (Refer chart no 32) It was found that, XYZ Organization had significantly improved on satisfaction and the service was considerably reduced.
- 2) It was found that financial year 2013 has very low sales order as compared to other financial year.
- 3) The IVI350 have less demand as compare to IVI400 ,similarly IHI50 have more demand as compare to IHI25 (refer chart no.30). So for increasing the demand of machines, increasing sales order IVI350 and IHI25 are suggested be modified as voice of customer.
- 4) Customer claim they want advance technology in machines and variety of machine (refer chart no.4) It was thought that this will further help the Organization to target larger set of customers and increase its sales.
- 5) Cost leadership strategy used for increase in sales of CNC machines and achieving competitive advantage. By linking demand chain analysis with competitive advantage per machine cost reduced to get maximum profit.

- 6) Skill technician are suggested to send if there are any difficulty with machines after sales. Training calendar arrange to train sales force as per suggestion.

### **6.3 Outcome of implementing SERVQUAL model:**

- 1) Service Quality Model used for client XYZ for understanding and improving operations for providing maximum value by reducing the service gap.
- 2) The service gap between XYZ Organization exactly want and ABC's perception. This gap is reduced by researching demand of XYZ Organization.
- 3) Study of gap between management perception and service quality specification is very useful for improving the service standards and maintenance service.
- 4) Gap between service delivery and external communication. ABC focuses on effective team work of sales force to increase sales order. Highly effort taken on Organization representatives and advertisements are more valuable output. By taking survey again for XYZ Organization It was found that as compare to earlier survey XYZ Organization satisfied with service provided by ABC moderately achieve service quality by using service quality model.
- 5) According to voice of customer machines IHI25 and IVI350 suggested to modify. As customers are prefer fine technical quality of product and more accuracy. Ability to predict customer's demand is very difficult. This process is all about being proactive and constantly innovative to capture the changing requirements of the customers with time. This can directly improve sales.

### **7.0 Conclusion:**

Analysis of demand chain helps to reduce unwanted cost without hampering profit margin of Organization. Analysis of demand chain is done for ABC's esteemed customer LMN Transmissions Ltd. Out of marketing and after sales expenses, visiting cost of Rs. 50,000 saved per machine. For targeting new market, improvement in service design, service quality and implementation of service quality model can help to fill up the service quality gaps for client such as XYZ Organization. Considering the feedback from voice of customer CNC machines like IVI350 and IHI25 are suggested to be modified. This can directly improve sales.

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## TO STUDY THE DEMOGRAPHIC DISTRIBUTION OF WHITE-GOODS CUSTOMERS FROM THE RELATIONSHIP MARKETING PERSPECTIVE

Dr. Amit Arun Medhekar  
medhekar123@gmail.com

Dr. Mrs. Sarita T. Aurangabadkar  
saritaa36@gmail.com

### **Abstract**

*This study focuses on demographic distribution of white-goods customer in Pune city and PCMC area. Relationship Marketing (RM) is the most admired and thought provoking notion in the recent Marketing Literature. Relationship building has been proved to be most essential yet challenging phenomenon. Hence the inscrutable ways of the behavior of customers are to the indicator of their psyche. Also inter-dimensional comparison is studied for knowing customer preferences.*

*Keywords: Demographic distribution, White Goods customer, Relationship Marketing, inter-dimensional comparison*

**Purpose** – *The purpose of this research is to study the demographic distribution of customer in the context of white-goods sector from RM perspective. This study is carried out in Pune city and PCMC Area. Yet this is not a comparative study. The research also makes suggestions based on inter dimensional comparison so as to understand customer preferences well.*

**Design/methodology/approach** – *This research uses mixed method approach to research. Meta-analysis of literature was the basis for developing the metric. The primary data was obtained from a sample size of 825 based on standard sample size equation. Sampling technique used is convenient sampling as it is selected on the ease of access.*

### **Introduction**

The white-goods industry is a special class of consumer durable goods (consumer appliances) operating under dynamic business environment. The white-goods are generally the machines which perform tasks such as storage and preservation of food, cooking, and cleaning and include a wide variety of products mainly: refrigerators, washing machines, air-conditioners, etc

The most apt and pragmatic initiative has been taken about RM by many research scholars globally. This relational foundation has led to the most vital contribution through the ethical as well as feasible aspect of Relationship building. There is a

ruthless competition among domestic and global players to notch up the sales and grab the maximum market share. Today's customer is not only choosy but he is also dictating the terms through the product purchase of reputed brand at competitive rates. In this intense competition-each company desires to do the best with the organizational resources to accomplish strategic advantage. The external (environmental) and internal (organizational) forces constantly reciprocate with each other and marketers understand the business dynamics through it.

**Literature Review:**

Relationship Marketing is evolving as a practice oriented pathway that is transforming itself into an extension of marketing discipline. As a marketing offshoot- Relationship Marketing is breaking precincts of Transactional Marketing. Technological elevation and available numerous products/services are allowing customers to choose well from huge array. Relationship marketing in the context of white-goods in India is the central focus of research in marketing because of large young population with access to disposable income, easy finance options, and umpteen job opportunities in diversified fields (Mohanraj et al., 2014). Time is now ripe for the manufacturers of white-goods to identify their important customers and develop relationships for long-lasting clientele and this is where the relationship marketing has a role to play. Relationship marketing has proved that it has the ability to enhance the marketing productivity (Seth & Rajendra, 2002). Relationship marketing has resulted in the customer retention (Rahman & Masoom, 2012). There is evidence that relationship marketing leads to customer loyalty in consumer goods (Rizan et al., 2014).

There are even studies which have extended beyond just customer satisfaction (Al-Hersh et al., 2014) to customer delight (Souca, 2014) and customer happiness (Paliwal & Indu, 2013). Even though the research in these lines have been active, the impact of relationship marketing on customer retention (Magasi, 2015) gained momentum for the simple reason that success of companies manufacturing white-goods demand the customers to maintain a long-term relation with the company so that they not only repurchase, but also buy the other white-goods from the same company.

**Objectives of the Research**

- 1) To study the demographic distribution of white goods customers (respondents) in Pune city and PCMC area.
- 2) To study Inter-dimension Comparisons of chosen Relationship marketing dimensions



### Demographic details of Respondents

Demographic distribution is the presentation of the data for an understanding of the respondents' characteristics and their distinct features. The respondents chosen for this research are from conveniently chosen customers of white goods in Pune and Pimpri-Chinchwad Municipal area. This would be adequate to be a representative sample for this research where the impact assessment of relationship marketing is under investigation. The sample size chosen was 825 customers of white goods.

Majority of the respondents were male (74.5%) in the age group of 25-35 years (41.5%) followed by the age group of 35-45 years (26.2%) (Table 1.1). Educational qualification wise, majority of the respondents were Graduates (41.5%) followed by Diploma Holders (21.8%). In terms of Annual Income wise majority of the respondents were in the salary group of Rs. 2,00,000 - 4,00,000 (33.5%) followed by Rs.1,00,000 - 2,00,000 (24.4%). In terms of Occupation the majority of respondents were in the group of Employment (51.9%) followed by Housewives (21%). In terms of Experience with the purchase of White Goods, the majority of the respondents were having 2-5 years of experience (42.1%) followed by 5-10 years (38.1%). The Role of the respondents in the family was also important to this research and it was observed that majority of the respondents were from the category of Husbands (39.8%) followed by Wives buying the White Goods for the family (34.8%).

**Table 1.1: Demographic Distribution of the Respondents (N = 825)**  
(Source: Based on Primary data)

Attributes	Frequency	Percentage
<i>Gender</i>		
Male	615	74.5
Female	210	25.5
<i>Age</i>		
Less than 25 years	62	7.5
25 – 35 years	342	41.5
35 – 45 years	216	26.2
45 – 55 years	126	15.3
Great than 55 years	79	9.5

<b><i>Educational qualification</i></b>		
Certificate	114	13.8
Diploma	180	21.8
Graduate	342	41.5
Post graduate	86	10.4
Doctoral	22	2.7
Others	81	9.8
<b><i>Annual Income</i></b>		
Less than Rs. 1,00,000	126	15.3
Rs. 1,00,000 -2,00,000	201	24.4
Rs. 2,00,000- 4,00,000	276	33.5
Rs. 4,00,000-6,00,000	163	19.8
Rs. 6,00,000-8,00,000	38	4.6
Above Rs. 8,00,000	21	2.4
<b><i>Occupation</i></b>		
Employment	428	51.9
Business	121	14.7
Housewife	173	21.0
Retied	47	5.7
Dependent/Student	56	6.7
<b><i>Experience with white goods</i></b>		
Less than two years	63	7.6
2 – 5 years	347	42.1
5 – 10 years	314	38.1
More than 10 years	101	12.2

<i>Role in the family</i>		
Husband	328	39.8
Wife	287	34.8
Son/Daughter	127	15.3
Single/widow/widower	83	10.1

**Demographics Analysis:** The demographics of the respondents indicated that the majority of the respondents were male and mainly from age group of 25 to 45 years. Qualification wise they were mainly graduates followed by post graduates with a salary range of the customers on the overall was Rs. 1,00,000 to Rs. 4,00,000. In terms of their occupation they were mainly from the employment class followed by housewives. The respondents were having an experience of 2 to 10 years of experience with the white goods purchase and in terms of their role in the family the respondents were mainly husbands followed with wives. The sample size chosen is 825 which is adequate for this kind of study (e.g. Batainehet et al., 2015). Hence, the respondents are appropriate choice in terms of their knowledge as per the demographics to respond to the problem situation identified in this research and the results obtained can be generalized to considerable extent.

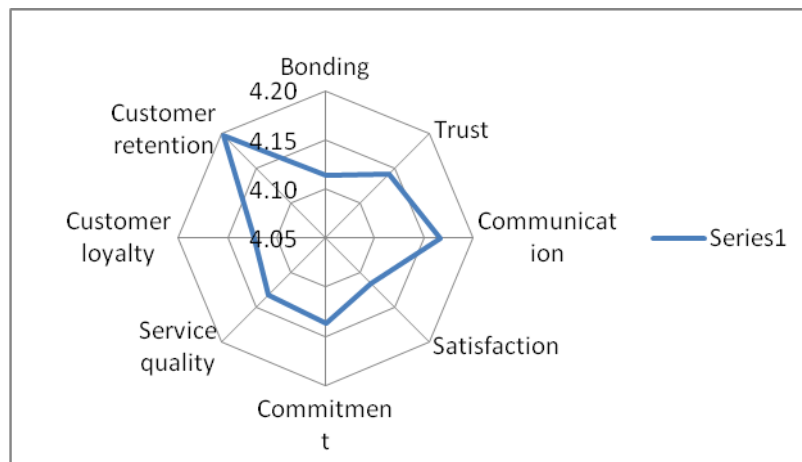
### Inter-dimension Comparisons

It is clear from the Table 1.2 and Figure 1.1 that the mean scores of the dimensions are very closely related on the overall basis. However, among the dimensions of study, Customer retention is highly ranked dimension followed by Communication, and it is interesting to note that Trust and Commitment are bracketed at the rank 3. It is followed by Customer loyalty and Service quality at the rank 4 and 5 respectively. The least perceived dimensions are again bracketed by Bonding and Satisfaction.

**Table 1.2: Dimensions and the Mean Score on Likert 5-point Scale (Source: Based on Primary data )**

Dimensions	Mean Score	Std. Dev.	Rank
<b>1. Bonding</b>	4.11	0.70	6
<b>2. Trust</b>	4.14	0.67	3
<b>3. Communication</b>	4.17	0.65	2

<b>4. Satisfaction</b>	4.11	0.69	6
<b>5. Commitment</b>	4.14	0.68	3
<b>6. Service quality</b>	4.13	0.69	4
<b>7. Customer loyalty</b>	4.12	0.68	5
<b>8. Customer retention</b>	4.20	0.66	1



**Figure 1.1: The Inter-Dimension Comparison (Source: Based on Primary data)**

**The inter-dimension comparison:** It indicated that the best perceived dimension was Customer Retention followed by the Communication between the Dealer and the Customer. Trust and Commitment in Relationship Marketing followed the top two dimensions. The least perceived dimension happened to be Bonding and Satisfaction. These two were followed by Customer Loyalty and Service Quality. This finding just gives the relative perception of the dimensions of research interest by the customers of White Goods. Even though inference cannot be drawn because of the descriptive nature of the analysis it provides a clue that Customer Retention is well practiced by the vendors of white goods.

**Conclusion:**

**The demographic study:** The demographics study revealed that majority of the respondents in the sample (N =825) on the average comprised of male, belonging mainly to the age group of 25 to 35 years, with majority of them being graduates. Further, the majority of the respondents drew about one to four lacs of annual income,

was mainly employed class, was having about two to ten years of experience dealing with white goods, and was either husbands or wives in terms of the role in the family.

**The perceived dimensions:** The observation through the mean, standard deviation, and percentage distribution was that customer retention as perceived through the customers was very good in terms of the white goods sales and services. It was supposed to be supported through the communication, commitment and trust (dimensions of relationship marketing) followed by the service quality. It was also revealed that bonding and satisfaction were the least perceived dimensions of relationship marketing followed by the customer loyalty. . The managers of white-goods sector must look into the bonding and satisfaction dimensions of relationship marketing as these two are least perceived dimensions.

Zeithaml (2013) has identified three types of bonding which develop between the suppliers and the customers: financial bonding, social bonding, and structural bonding. White good sector will have to work on all the three types of bonding. The financial bonding can be developed through continuous relation building with the customers so that the white-good sector can create awareness about the availability of the goods which meet the financial conditions of the customers. Financial bonding is basically through financial incentives such as: lower prices for greater volume purchases or lower prices for customers who have been with the firm a long time. Social bonding with the white-good sector can be built through the social networking between all the stake holders of the white-goods sector so that there will be constant exchange of viewpoints in terms of various aspects related to the white-goods in terms of the performance, utility, durability, quality, etc.

Social bonding is by combining the financial bonding with interpersonal relationship building. The key here is to network with the customers and customize the products to their specific requirements. Structural bonding plays a major role in the transformation of transactional marketing (one time sales) to relationship marketing (long term commitment). Structural bond with the customers can be developed through making attempts to seek answers to questions such as: what does a customer look while buying particular categories of white-goods? Who among the competitor companies are in the active consideration set of the customer? What are customer expectations? Structural bonds are technology-based and they are designed to add the service component to the sales of the goods. The opportunity to provide service will provide answers to the

aforementioned questions as the supplier interacts with the customers on a regular basis.

Managers also need to consider the reasons for the poor perception of the dimension satisfaction and rectify the causes of poor satisfaction. The very concept of relationship marketing is to move towards the long-term relation building with the customers and it is not possible unless complete satisfaction of all the stake holders of the white-goods sectors is achieved. Satisfaction of all stake holders is emphasized in relationship marketing because when employees are satisfied they will serve the customers better and when the customers are satisfied they will give more business and when business is scaled up the top management will be able to draw upon the economies of scale and thus the entire white-good sector gets benefitted.

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## TRACKING INSIDE CUSTOMER MIND: CONCEPT AND PRACTICE OF NEUROMARKETING

**Dr. Avinash Ganbote<sup>1</sup>**

**Dr. Dyaneshwar Pisal<sup>2</sup>**

<sup>1,2</sup> Associate Professor, Institute of Management, Malegaon, Baramati, Pune.

Phone: 02112-254216, 9665366955

E-mail: [avinashganbote11@gmail.com](mailto:avinashganbote11@gmail.com)

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### **Abstract**

*Neuroscience is concern with scientific study of nervous system; a branch of biology. Over the time this discipline become highly interdisciplinary science that collaborates with science, engineering, linguistics, mathematics, medicine and allied fields, philosophy, physics, management and psychology. It has emerged as a field which is going to shape decisions related with financial behavior of consumers. Present article tries to introduce these emerging areas in the field of neuromarketing, neuroeconomics, neurofinance, consumer neuroscience. Aspects related with ethical issues in neuromarketing are also mentioned in the article. Some theories related with behavioral sciences related with this area of study are also incorporated. Basic aim of this article is to configure ourselves with new exiting emerging world of marketing management and neuroscience.*

**Keywords:** *neuromarketing, neuroeconomics, ethical issues*

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### **1. Introduction:**

Marketing as defined by American Marketing Association (Approved July 2013) as 'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large'.

Kotler, Armstrong (2013) defined Marketing in broader term as social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others.

In a narrower business context they defines Marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return



Marketing Research, as defined by AMA is the function that links the consumer, customer, and public to the marketer through information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

Thus onus of marketing on delivery of value to customers and same is definition of marketing research as understanding marketing as process. This orientation of two fundamental aspects of marketing in present days compel us to think about intrinsic aspects of individual consumer towards his/her predispositions towards buying decisions. Fortunately in recent days developments in the areas of science and its applicability in business research has phenomenally increased leading to advancement in the development of better analytical tools in interdisciplinary areas of science including social sciences which comprises management studies. In Marketing Research three aspects of customer behavior is important for market. They are individual, group and organizational. Presently Qualitative and Quantitative are two methods used in marketing research which relays on ability and willingness of respondent to accurately report their attitude and/or prior behavior. But purchasing compartment are primarily lies in unconscious state of mind. Therefore there is increasing blending of various areas in research such as medicine, psychology, psychiatry with social sciences, economics and marketing.

Thus this leads to coining of two terminologies, namely neuroeconomics and neuromarketing. Neuroeconomics is application of neuroscientific methods to analyze and understand economically relevant behavior.

Neuromarketing is application of neuroscientific methods to analyze and understand human behavior in relation to markets and marketing practices. Thus it investigates the area which leads to predictable buying pattern which is termed as 'Buying Button'. Since this is related with brain imaging controversy is related with this field which is more of ethical aspects as it is infringe personal privacy to various degrees.

Research in marketing is considerably broader than simply exploring end consumers and their decision making process. In various studies special attention is given to non-consumer level questions in an attempt to broaden the scope of debate as

to the application of neuroimaging to marketing research. Interestingly, many of these questions have been investigated in the context of neuroeconomics, yet marketing research has much to offer in such areas, among others such as Trust, Pricing, Negotiations and Marketing and Society Ethics.

With developments in the area of neurosciences, understanding of working of brain leads to more precise behavioral predictions those leading to more cognitive thought process. There is increasing interface between neurosciences and management sciences.

Different techniques are used to map brain areas which stimulate buying decisions at unconscious mind. To mention few as, Galvanic Skin Response (GSR), Eye-tracking, Electroencephalography (EEG), Functional Magnetic Resonance Imaging (fMRI), Positron Emission Tomography (PET) and Magnetoencephalography (MEG). We thus are witnessing emergence of revived concept as coined by Franz Joseph Gall as 'New Phrenology' wherein he tries to correlate human psyche with measurement of different parts of human skull. In these days we are going deep inside skull to predict human behavior related with buying decisions.

## **2. Biological aspects of Human decision making process:**

In recent times standard models have developed related with decision making process in brain. Basic models in this area correlated economics with choice making phenomenon in brain. These address both macro and micro level phenomenon's related with price stimuli in making choices buying decisions. Reinforcement learning model of Dopamine neurons up to micro level decision making is promising area in continuous development of this model. 'curse of choice' is another concept involved which deals with selection of Brands among numerous choices available and risk associated with decision making as customers grow older.

To study the biological basis of trust, PJ Zak (2004) focused on a "chemical in the brain called oxytocin in which was believed to be released only during childbirth. Zak found that when there is trust, the brain releases oxytocin. When people are hugged, their brain will release oxytocin. Humans have biology for reciprocation. Zak calls this the 'moral molecule' When applied to marketing, trust of a product, as Zak's study indicates, would lead to acceptance.

Zak also studied dopamine, which is a chemical released in the brain when experiencing pleasure. He looked for particular genetic variants that made professional

stock traders on Wall Streettrader successful. He collected saliva samples and other information from 60 professionaltraders and then compared those to MBA students at Claremont who were not trading stocks professionally. Zak looked for genetic markers associated with dopamine, which modulates risk-taking and reward-seeking behaviours . Zak wanted to determine what distinguishes the two groups, and whether there was some combination of genes that predicted how long the professional traders could survive on Wall Street. The most successful traders had genes that gave them moderate levels of dopamine leading to risk-taking resulting in a good payoff versus risk. Zak concluded that economics and neuroscience are complementary fields, and by coupling the disciplines, relevant insight into human behavior can lead to understanding of decision-making characteristic for the situation which is based on the activity of appropriate neurons.

### **3. Theories in Modern Behavioral Economics:**

Kahneman along with Amos Tversky is father of modern behavioral economics.Hehelp in drafting predictable behaviors in unconscious mind even though decision of choice is not rational.Timothy Wilson looks at unconscious processes from the perspective of the self-awareness, showing how inaccessibility of our mental processes often causes us to misunderstand ourselves and our motivation in fundamental way.

Leonard Mlodinon works on understanding how our nonconscious mind operates and why our minds are organized in such intersecting way.Darren Bridger practiced on the concept of neuromarketing as an art. Robert Heath come up with new outlook towards advertising emphases on low attention processing and nonconscious processes to create better and long lasting impact of advertisements.

Thomas Ramsay compiled studies on commercial neuromarketing studies with in-depth discussion on underlying science.Duglas van Praet outlined theory of advertising which relies on mechanics of nonconciuousprocesses.PeterSteidl expressed his views on branding strategy from a neuromarketing perspective.

### **4. Ethical issues in neuromarketing**

The canonical criticisms of neuromarketing, which arose at its inception and have remained prevalent today include unethical research practices, unethical applications of technology, and manipulations of consumers. Yet, despite these criticisms, the volume of academic research in neuromarketingand related areas has grown steadily. Most ethical objections to neuromarketing refer to risks of harms and violations of rights.

The relevant harms include both immediate effects on individual consumers and long-term effects on society as a whole. The purported rights include positive rights to privacy, autonomy, and dignity as well as negative rights not to be deceived, subjected to experiments without consent, or used as a means only. Some of these rights are widely recognized and even codified in generally accepted principles for research practice. Some of these fears regarding neuromarketing are widespread, and they carry the trappings of an ethical challenge, but most of them do not raise distinctive or realistic ethical issues. Some of these fears are not distinctive of neuromarketing, because they do not involve any new controversy beyond that attributable to traditional marketing. Only a few ethical issues arise that are both distinctive and realistic, and solutions that could mitigate those concerns can be formulated. Some ethical issues associated with this issue are introducing Neuroscience into Marketing, Academia versus Industry, Methodological Rigor, Transparency, Quality Certification and Privacy.

### **5. Counterpoint: Benefits to Consumers via Neuromarketing**

Neuromarketing, if used responsibly, has the potential to enhance consumers' experiences as well. A fundamental goal of marketing is to understand and address consumers' needs. As a function of the deeper understanding of consumer needs that can emerge from neuromarketing research, firms may be able to produce more desirable products, create more enticing promotional marketing materials, and enhance consumer's experiences. Consumers are likely to benefit by receiving products that are well-suited to their needs.

Advertising frequency and total quantity could be reduced by two positive deliverables of neuromarketing. More effective ads are created, reducing the need for high ad volume. New segments of consumers are identified via neuromarketing intelligence, and those consumers can be targeted more directly and selectively. Another potential advantage from neuromarketing concerns with treatment for addiction. Compulsive buying disorder is an affliction for a small group of consumers. The idea that neuroscience techniques could illuminate clinical pathologies related to compulsive buying may lead academics in the area of neuromarketing to pursue research funding from various research Institutes based on its clinical relevance to a recognized.

Neuroscience techniques can also be used to enhance public safety campaigns, which are essentially marketing campaigns in the interest of the public. Future public

service announcements and campaigns could be assessed and filtered based on their likelihood of transmitting the core content of the public safety campaign. Through such positive uses, neuromarketing has significant potential for good, despite its ethical dangers.

## 6. Conclusion:

In this age of digital technology and upcoming applications in the area of artificial Intelligence (AI), we foresee more applications of neuromarketing practices in marketing. This activity is going to be supported by developments in the area of bioengineering and other emerging technologies. As behavioral patterns and human profiling are increasingly coming under public domain, legitimate concerns over privacy and ethical issues need to be addressed in days to come.

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## ROADMAP TO THE EFFECTIVENESS OF TALENT MANAGEMENT

**Dr. Surojit Saha**

ASM Group Branding Head

Email : [surojit1@gmail.com](mailto:surojit1@gmail.com)

Contact : +91. 9130.854.236

**Deepak Singh Parmar**

Senior Executive - Digital Marketing TCS

Email : [parmar.deepu@gmail.com](mailto:parmar.deepu@gmail.com)

Contact : +91.8698.447.644

**Dr. Suhas Bhaskar Joshi**

Head Marketing, DRIC, Pune

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### **Abstract**

*Talent management — Essential to growing and expanding position in the market place. Key to our growth strategy is a continuous supply of current and future talent. Our greatest differentiator is our employees' collective talent. Talent management means hiring people with the right skills and aligning their career development and goals with our corporate strategy. The concept of talent management has attracted most of the researchers' attention in recent years. As human capital has been known as the most critical element of competitive advantage, most organizations around the world have grasped the importance of talent management. Talent management does not have one face, so various organizations implement it with their unique strategy. However, there are some basics they need to follow as their primer steps that lead them to better understanding and implementing of talent management. In the current economic downturn, there is a high demand for talents in the organizations. While most of the organizations implement talent management in their organization but there are a lot of unknown issues that need to be investigated. The aim of this study is to examine the talent management process in organizations. This is a descriptive study. Data is obtained by analyzing journal articles on the topic. Therefore the study essentially uses secondary data. This paper presents the definition and importance of talent management, the reason for the war on talent and finally the key success factors of talent management.*

**Key words /Index terms:** Talent, Talent management, war of talent, Talent Pool, Attracting talents, Recruiting Talents, Deploying Talents, Retaining Talents and

*Succession Planning, Talent Acquisition, Talent Evaluation, Talent Alignment, Competency mapping, Talent, Talent management, war of talent, Talent Pool, Attracting talents, Recruiting ,Talents, Deploying Talents, Retaining Talents and Succession Planning*

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**Introduction:**

In the current economic downturn, there is high demand for talents and it has proven to be highly tough to attract, deploy, develop, and retain them. Talent management is a hot topic that has just attracted everyone's attention; on the other hand, the universities outflow fails to fulfill talent demand worldwide. Today almost all the companies has started to use the concept of talent management and they know that they need to be more practical to deal with an employee with right knowledge, skills, abilities, behaviors, and relationships to achieve strategic business objectives. Almost all the organizations use talent management system but they may not be aware of what they do exactly in the talent system. Each of them defines talent management in a different way. Some define talent as the high performance employees or potential people in the organization; the others consider high skill and knowledgeable people as talents, and another group believes that the organization itself can make their talented people with succession planning.

However, in recent years, talent management has attracted most of the researchers' attention

**To be competitive in the marketplace, we focus on:**

6. Attraction: We continue to compete with our peers for a shrinking number of skilled workers. We leverage our global resources to provide a superior experience to our candidates and our employees.
7. Engagement: We make work exciting, engaging and meaningful for our employees, so they can be productive, innovative and satisfied.
8. Development: We invest in our employees through career development and advancement opportunities. This strengthens our reputation as a desirable place to work.

9. Retention: Our work in engagement and development are key to retention, including inclusion and diversity, career management, and work-life balance.
10. Learn more about the skills we look for in our professional candidates knows how to attract and develop quality talent around the globe

#### **#.Talent acquisition :**

11. Our Talent Acquisition team uses best practices to attract top talent to our facilities throughout world. Key initiatives include:
12. Introducing and integrating new technologies to enhance the talent acquisition experience for the candidate and our internal hiring teams.
13. Establishing best practices, workflow processes and standardization for talent acquisition.
14. Creating and deploying compelling marketing and employer branding materials for the global teams' target audiences.
15. As a core function of Corporate Human Resources, the Talent Acquisition team functions include:
16. University Relations (UR): The UR team organizes on-campus and other activities to engage and attract highly qualified and diverse talent.
17. Talent Acquisition Center (TAC): The TAC helps source candidates and provides consultative service to our hiring teams by sharing best practices and key hiring metrics.
18. Executive Talent Acquisition (ETA): The ETA team is responsible for sourcing candidates and providing executive hiring managers with expertise on external executive searches.
19. Employment Marketing and Technology (EMT): The EMT team supports the TAC and UR teams by making our Global Talent Acquisition team a best-in-class recruiting resource.





Specific talent needs differ by region. The Talent Acquisition team understands unique market conditions and responds accordingly. For example, when growth and development of the Asia-Pacific marketplace required us to expand our regional presence and product offerings, we invested in two TACs (in Pune, India, and Shanghai, China) to quickly attract top quality professionals.

5. Employee engagement.
6. We want to understand the perceptions and opinions of our employees. Our biannual Employee Survey provides an opportunity to gain employee feedback on employee engagement, leadership, and commitment to achieving our aspirational goals.



7. Leaders use the survey results to develop action plans. Our goal is to address issues head on and produce measureable improvements going forward. This process extends across and up and down the entire organization, including up to the direct reports of our CEO.
  8. Exit interviews are another opportunity of gaining feedback. We use exit interview responses as a continuous improvement opportunity to improve satisfaction and retention of employees going forward.
  9. Balancing work-life effectiveness
  10. Part of attracting and retaining the very best talent is helping our employees weigh work, family and personal demands.
  11. Learn more about balancing work-life effectiveness at Talent development We are committed to continuous learning across the organization across diverse business groups and regions — supports information sharing through courses, resource groups and knowledge transfer.
- University, our online corporate university, offers an extensive portfolio of learning resources for our employees and stakeholders to advance their knowledge. Through leadership development courses, we foster our future leaders. We offer individual employees the resources and information they need to continuously improve their skills and performance. Performance and career management Our performance management system, Achieving Performance Excellence (APEX), links an employee's performance to organizational success. APEX processes and tools enhance goal setting and alignment, development planning, tracking progress, coaching and performance evaluation.
  - Career management tools provide employees with the knowledge they need to take powerful action and drive their careers forward. A robust website offers training and tools for both managers and employees, supporting engagement in employee career development. The principle elements of the career framework for managers are directly linked to the principle elements for employees. This integrated approach facilitates the dialogue needed to discover, create, and help employees meet their aspirations. The tools prompt managers to help employees thrive by identifying specific actions and impacts.

- Training opportunities Partnerships with colleges and universities provide specialized courses and tools that complement. Resources specific to each region in our global operations, including:
- Classes and videos
- Library and subscription services
- Global and cultural awareness tools
- Business consulting services
- Bring together employees who share a common purpose, interest or background. Inclusion ERGs are a place for employees to exchange ideas and provide or receive mentoring and professional development. Learn more.



- Leadership development
- Driving performance in all areas of talent management requires good leaders. Our invitation-only “In the Zone” Leadership Development Programs help employees assessed to have strong future career potential to grow into larger roles. Three levels are offered: Executives; Advanced (mid-level) Leaders; and Future (early career) Leaders. The program covers business, team and personal leadership topics.

It is designed to accelerate participants’ knowledge of our business and their readiness for larger roles. “In the Zone” programs are held globally, with strong senior leader engagement and support.

- Our focus on leadership excellence is expanding to include a core curriculum for leaders (front line leaders, mid-level, executives, general managers and others). We

strive to strengthen current leaders' competencies and develop a pipeline of future leaders of the company.

- Corporate oversight and engagement Talent Management and Organizational Effectiveness (TMOE) is one of six Centers of Expertise (CoE) within Corporate Human Resources (HR), led by our Chief Human Resources Officer. TMOE is responsible for acquiring, developing, aligning and planning for organizational talent.
- TMOE oversees regional teams that design, develop, implement and manage talent. Teams are responsible for talent management policies, processes, technology and services. HR field personnel deploy Corporate HR's programs and provide critical input and feedback on HR programs and initiatives.
- Resource management
- Talent management fuels our global growth strategy with talent. We focus on activities with the highest impact on advancing our workforce over time. To determine what those activities should be, we leverage EBS planning processes to get direction and establish targets. For example, our Organizational Capability Assessment (OCA) and succession planning processes regularly measure talent gaps across each region, business and function.
- Our partnerships with external organizations help to advance our Talent management program. We participate in the University of Southern California's (USC) Center for Effective Organizations. The USC think tank is a center for sharing and learning best practices with other thought leaders. In addition, as a member of the Conference Executive Board, we have access to benchmark studies, research and HR tools.
- How we measure success?
- Our competitive advantage is built on our ability to attract, engage and develop current and future talent. We continually evaluate our performance in our focus areas by measuring metrics such as:
- Employee engagement score – Our goal is to maintain favorable employee engagement ratings. For the last six years, we have sustained an above-average employee engagement score.
- University – Employees used key learning resources at record levels in 2016. The online functional colleges were accessed by 197,000 employees who completed 269,000 courses.

**Talent Management Literature Review:**

- The concept of talent management has attracted most of the researchers' attention in recent years. As human capital has been known as the most critical element of competitive advantage, most organizations around the world have grasped the importance of talent management. Talent management does not have one face, so various organizations implement it with their unique strategy. However, there are some basics they need to follow as their primer steps that lead them to better understanding and implementing of talent management. In the current economic downturn, there is a high demand for talents in the organizations. While most of the organizations implement talent management in their organization but there are a lot of unknown issues that need to be investigated. The aim of this study is to examine the talent management process in organizations. This is a descriptive study. Data is obtained by analyzing journal articles on the topic. Therefore the study essentially uses secondary data. This paper presents the definition and importance of talent management, the reason for the war on talent and finally the key success factors of talent management.
- Major Hypothesis:  
This report should be seen as a starting point for future research. Future research should particularly focus on why organizations should identify different groups that are valuable for that particular organization and how they should do this. Moreover, research should look into what consequences and effects the identification of talents and the offering of extra training, development, and career opportunities of these employees might have on both individual and organizational performance.  
Moreover, we believe, research should look more into how the implementation of multiple talent pipelines influences the behaviour of non-talents.



### SCOPE OF FUTURE RESEARCH :

The present study had examined the impact of Talent management practices in IT sector; future research can focus on other sectors like manufacturing, service etc. The approach with this field study is to bridge the theory and practical views together. It provides the basis for further testing and exploration with other organizations as well. This study does bring both the theoretical and practical implications together. For employees, it confirms that talent management practices will improve the employee productivity with the aspects of job satisfaction, commitment, developing innovative skills etc and, for organization provides a model with which to create a talent management strategy. It needs to be applied further to similar organizations and explored in other types of industries as well as in larger groups. This research could also stimulate further theory. The model could be tested in a business unit to review and test the impact of talent management practices and on organizational effectiveness. Did the profits and productivity increase after implementation of a talent management strategy? Further research could explore how rewards and recognition relate to talent Management and engagement. Do monetary and/or non-monetary rewards enhance engagement? Each dimension could be individually studied for its affect on talent management and engagement.

### Conclusion :

If organizations truly believe that people are their most valuable asset, a talent management practices must be in place as part of the overall organization strategy to initiate and sustain the success of a company. Talent management practices cannot practice until the appropriate talent initiatives are

identified and implemented. The talent management constructs include a working environment that encourages continuous improvement, an open climate and clear communication from management. If this occurs, employees will contribute more where a job is challenging with meaningful accomplishments, there is trust in management, the manager serves as a coach, and employee development is promoted. This study does not provide support for a direct cause-effect relationship but rather urges a more critical review of research-based inquiries into talent management and its practices. As the results of this study suggest, a talent management practices does positively affect employee and organizational productivity. Talent management can drive change where needed in a continuously changing business environment in order to achieve the business goals when it is embedded within the organizational strategy. HR/OD is the strategic force to promote this strategy throughout the entire organization.

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