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## ***Editor's Note***

*A team is like a tool set. No one tool can do all things alone, but together they can. IRJM is designed as a forum for providing wide coverage to contemporary and innovative management thoughts extended by all management educators who seek to reflect on their professional practice. Our endeavor is to engage readers in an exploration of what and how to make use of the ever evolving reservoir of our knowledge base for effective management.*

*We appreciate our authors who have contributed their valued and thought provoking research papers/articles. We assure our readers from the academic and the corporate world of not only maintaining but raising the standard bar for both style and quality of manuscripts, driven principally from emerging trends in the field of business management.*

*In today's high tech, fast-paced world, the work environment is very different than it was a generation ago. Unfortunately, many employees these days feel they are working harder, faster, and longer hours than ever before. As more companies start to realize that a happy employee is a productive employee, they have started to look for ways to improve the work environment. Open communications among workers is the best way that employers are improving for the quality of work life. The first Paper by Prof. (Dr) Zeeshan Amir on 'The interactive effect of communication and stress on perception of quality of work life' elaborate the impact of effective communication and conclude the study by saying that the interactive effect of communication and stress plays an extremely important role on the perception of quality of work life.*

*Now a day companies focus on their customer and need to satisfy them by encouraging face-to-face Dealings, responding to messages promptly and keep their clients informed, by being friendly and approachable, they have a clearly defined customer service policy, giving attention to every detail. Companies aim to anticipate each client's needs and go out of their way to help them out in order to honour their promises. The paper by P. K. Agarwal et al on 'Assessment of customer satisfaction and delight among central air conditioning products in NCR' which is based on based on determinants of service quality viz; reliability, responsiveness, assurance, empathy and tangibles, points out that among Voltas, Hitachi and Blue Star, Indian giant Blue Star emerged as the most preferred brand in terms of quality and customer satisfaction which is a measure of how products and services supplied by a company meet or surpass customer expectation.*

*Food security built on three pillars of food availability, food access and food use is a complex sustainable development issue, linked not only to health through malnutrition, but also to sustainable economic development, environment, and trade. Now a day it is becoming increasingly difficult to maintain food security in a world beset. The paper on "Food Security and its impact on Indian economy" by Aiyub Rayeen recommends that the ongoing PDS should be reformed and can be replaced by a system of food stamps and a food credit card system, where FDI can play a vital role by providing insurance for agriculture and rural society.*



*India, the tenth largest economy in the world, and fourth in terms of People's Propensity to Purchase (PPP), has emerged as a promising destination for Non Resident Indian (NRI) investments. The country is witnessing a rising interest from NRIs to invest in well-established as well as small and medium enterprises. In this contrast the paper by Mohd. Akbar Ali Khan et al depicts the investment trend of NRI living in GCC, in different avenues based on their income group, various statistical techniques have been used to authenticate the study.*

*FDI can play an important role in stimulating growth and employment and in bringing much needed capital and know-how to developing countries. In recognition of the important role of Foreign Direct Investment in the accelerated economic growth of the country, Government of India initiated a slew of economic and financial reforms which is now ushering in the second generation reforms aimed at further and faster integration of Indian economy with the global economy. As a result of the various policy initiatives taken, India has been rapidly changing from a restrictive regime to a liberal one, and FDI is encouraged in almost all the economic activities under the automatic route. The paper on "outflows of FDI from India – Motives and economic implications" by Suhail Ghose et al focuses on the main motive of the outward FDI by Indian MNE's and its implications on the Indian economy, as some of the Indian firms, being in the formative stage of their global operation, are now among the strongest EMNE's and giving tough competition to the developed country MNE's.*

*The economy of India is touching new heights and that too against many odds. The current rate at which the retail industry is spreading its wings all over the country indicates only one thing that it will remain a lucrative pond for both national and international players to swim in. The retail sector in India could be referred to as its one of the fastest growing sectors with a lot of potential as number of Indians who can afford of living a top-notch lifestyle is rising. The study on "The development of Indian retail industry" by Ajit Kumar Bansal pose that the Indian retail industry, which is the largest among all the industries accounting for 12% of the country's GDP and around 8 % of the employment has come forth as one of the most dynamic and fast paced industries with several players entering the market but all of them have not yet tasted success because of the heavy initial investments, while the paper " Problems faced by the retailers and consumers - An empirical study" by M Dhanabhakyaam et al points out the fact that retail sector which is growing with its current growth rate of 8.5% will grow more than 25% in near future as it is taking a whole new turn and emerging with complex challenges as new players are gearing up to explore the market.*

*The level of education and training has an impact on women entrepreneurship and played a pivotal role in running a business which can be substantiated on the basis of their earnings, satisfaction and confidence. Keeping in view the above scenario the paper "Satisfaction of women entrepreneurs in small businesses" written by Anil Kumar stress on providing training and supporting facilities to women entrepreneurs so that they may be able to get higher satisfaction from their businesses.*



*The concluding paper entitled “Problems and prospects of women entrepreneurs in Karnataka state-A case study of Bijapur district” written by A.S Shiralashetti throws a light on SHG’s entrepreneur who are facing problems in the areas of financing, transportation and the like which can be solved upto some extent by adopting the right strategies in various areas of production and distribution so as to support the women entrepreneurs fostering the business processes.*

*In a situation of our own making, to apologize is one of the smartest things one can do. We regret the delayed release of this volume 3 No.2, December 2010 of IRJM., as we were restructuring our review process of the research papers/articles.*

*We are grateful to Hon’able Vice Chancellor, **Prof. S.W. Akhtar** and Academic Consultant, **Prof. S.M. Iqbal** for their constructive suggestions to make each issue of IRJM a great valuable asset for our readers. We acknowledge our Advisory Board and Editorial Board collectively for contributing their valued and precious time in finalizing the journal.*

**Prof. (Dr.) Zeeshan Amir**  
**Editor- In-Chief**



## ***THE INTERACTIVE EFFECT OF COMMUNICATION AND STRESS ON PERCEPTION OF QUALITY OF WORK LIFE***

**Prof. (Dr.) Zeeshan Amir\***

### **ABSTRACT**

*Communication competence is considered essential for communicators in an organization. Inadequate and incomplete communication creates stress among employees as regards to organizational role. Employees basically work for having a balance between organizational objectives and individual needs. High degree of perception of quality of work life leads to satisfied, and committed workforce. The present paper aims to discuss the interactive effect of communication and stress on perception of QWL.*

**Key words:** Quality of Work Life (QWL), Employee Stress, Communication

It is universally accepted by both management and practitioners and researchers that the success of any organization is highly dependant on how it attracts, recruits, motivates, and retains its workforce. Today's organizations need to be more flexible so that they are equipped to develop their workforce and enjoy their commitment.

Therefore, organizations are required to adopt a strategy to improve the employees quality of work life (QWL) to satisfy both the organizational objectives and employee needs. The role and importance of a good quality of work life of employees in an organization are viewed with respect to effective communication which reduces stress while one is on the job or off the job. We shall thus first enunciate the basics of both stress and communication and then try to correlate them in our endeavour to understand and discuss the importance of having effective quality of work life practices in organizations and their impact on employee performance

Quality of Working Life is a term that had been used to describe the broader job-related experience an individual has. But it cannot afford to ignore off-the-job experiences. Non working hours cannot be categorically detached from the working hours as an employee unconsciously carries the work experience to home. Hence it is the overall perception of QWL which makes an individual committed to the work place to give most possible performance.

Quality of work life (QWL) is viewed as an instrument of managing people. The QWL approach considers people as an 'asset' to the organization rather than as 'costs'. It believes that people perform better when they are allowed to participate in managing their work and make decisions.

Quality of Life is the extent of relationships between individuals and organizational factors that exist in the working environment. Quality of work life is the extent to which workers can satisfy important personal needs through their experiences in the organization. It is focusing strongly on providing a work environment conducive to satisfy individual needs. It is assumed that if employees have more positive attitudes about the organization and their productivity increases, everything else being equal, the organization should be more effective.

Successful organizations support and provide facilities to their people to help them to balance the scales as to what they perceive and what they receive.

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The term quality of work life refers to the favorableness or un-favourableness of a total job environment for people (Davis and Newstrom 1985). The basic purpose is to develop jobs and working conditions that are excellent for people as well as for the economic health of the organization. The elements in QWL program include-open communication, equitable reward systems a concern for employee job security and satisfying careers and participation in decision making.

QWL programs usually emphasize development of employee skills, the reduction of occupational stress and development of labor management relations. Several researches have been conducted in this field. Sayeed and Sinha (1981) examined the relationship between QWL, job stress and performance. The results indicate that higher QWL leads to greater job satisfaction.

In an organization we have people with diverse background, varied cultural values, different skills and qualifications and contrasting experiences. In spite of all diversities, one thing which binds them together as a great asset is nothing but communication. The stress caused due to inaccuracy and inadequacy of communication may lead to sense of alienation.

This also puts a question on their loyalty for the company. Here comes the role of employee communication. Effective communication is thus, critical to the organization as it directly affects the organizational performance.

The work related factors predominantly requiring the communication competence are the working environment, supervision, and participation in decision making

Effective communication enhances the capacity to convey information. It transmits information not only about tangible fact but also about emotions. When an employee transmit some information, he/ she may intentionally or unconsciously be communicating his attitude or frame of his or her mind.

Communication competence is considered essential not only for managers rather addressee too. It is the specific skill and abilities that basically create an effective communication environment vis -a vis open working environment.

Let us now understand the different kind of organizational stress-

Stress arises from a lack of fit between a person and its environment, if the person finds it difficult to cope with the constraints or demands encountered (Harrison, 1976). Stress can result from an opportunity, threat or challenge when the outcomes of the episode is uncertain but important ( Robbins and Sanghi, 2006).

The major stress experienced in the organization may be related to organizational role and ineffective communication which would otherwise help the employees know the organization better.

Organizational role (Pareek.1993 pp 3-20) is defined by the expectations which the significant people in the organization have from the role occupant. Role integrates the role occupant with the organization. Role occupant performs certain functions in response to his/her role expectations. Many a times the employees do not know exactly as to what is really expected from them in order to balance the individual objectives and organizational objectives. In this kind of ambiguity, while performing in a role, occupant invariably faces a number of problems. Quality of defined organizational role, therefore, is a potential source of stress. Stress experienced in an organizational role is known as Organizational Role Stress (ORS).

What really employees need to be given information and knowledge about in order to comprehensively define and explain the work expected from him, are :-



- Information about the organization with respect to its business, products or services, key persons to solve the problems along with organizational values and philosophies.
- Information about his/her job profile as to what is he /she expected to perform. Job specification and what are the skills and resources required for the same.
- Information about the team consists of supervisors, group leader and peers with whom one has to interact very often.

The knowledge about all the components, stated above inculcate in employees a sense of worth and belongingness with the organization. Effective communication produces confidence and make one realize that he /she will be given heed to, respected, trusted and valued by the organization.

There are different forms of communication like Information, advice, order, suggestion, persuasion, education, warning, moral boosting, motivation that are practiced every day in organizational life. They have to be essentially effective to create an amicable and free working environment contributing to better perception of QWL.

**Table Showing Impact of Effective Communication**

S.N	Forms of Communication	Effective Communication	Outcome	Impact
1.	Information	Factual understanding about organisation	Clarity about the nature and objectives of organization	Effective mode of communication will definitely lead to reduce the tension and stress related to ambiguity of the situation and working environment where one has to perform to exist in the organization. Any communication practice based on the basics of effective communication will gradually minimize the different socio-psychological blocks on part of communicators. Experiences related to organizational role will be less stressed. A balance between organizational objectives and employees needs, will lead to high degree of perception of QWL.
2.	Advice	Influence one's opinion and attitude	Change in behaviour for better results	
3.	Order	Complete instruction and direction in non-authoritative manner as per level of receiver	Task completion with minimum possible error.	
4.	Suggestion	Constructive suggestions	Better functioning	
5.	Persuasion	Influence feeling, attitude or belief	Win over and convince others to avoid conflicting situation	
6.	Education	Leads to learning and capacity building	Skill up-gradation to meet the challenges	
7.	Warning	Makes an employee careful	Avoid unpleasant situation of lay off	
8.	Moral Boosting	Inculcates discipline, high spirit and confidence	Better performance especially in odd situations	
9.	Motivation	Develop an inner urge to make effort	Improved performance	





It is being observed that even though a company has a brand equity in the market, however, it fails to be the same in eyes of its own employees. The employees are not able to carry the image because they do not perceive the quality of work life as positive. The employee communication, thus, should aim towards having a common consensus about the organization in the minds of its employees. It should be promoting loyalty among employees, provide better quality of work life that satisfies their needs, and encourage employees to represent the company in a manner consistent with the image defined in the market. Moreover, the company should work towards promoting transparency and openness in employee communication.

Employee communication is directly linked with the success of an organization. Generally, effective employee communication is linked to productivity and morale of the employees. The effective the communication, lesser the organizational stress, the better is the performance. Employees, today, want to have access to concrete information.

Researches have revealed that effective communication has a positive impact on employee satisfaction, productivity, turnover, and morale. Research shows that employees are most highly motivated and make their best contribution to the business when there is full and open communication at work. It is also proved that where there is an adequate and free flow of information and ideas among employees, productivity is enhanced and ambiguity, duplication and non performing conflict are minimized. Moreover, employee communication should not be seen as impersonal and a formality of dissemination of information among the employees. It should be considered to be an empathetic transfer of understanding and deeper feelings.

Thus for all practical purposes, it can be concluded that the interactive effect of communication and stress plays an extremely decisive role on the perception of QWL. QWL programmes stressing effective communication will contribute to have efficient, satisfied and committed work force.

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## ***INVESTMENT TRENDS OF NON RESIDENT INDIANS - A STUDY OF HYDERABAD CITY***

**Dr. Mhd. Ak bar Ali Khan\*, Shaik Shafeeqr Rahman\*\***

### **ABSTRACT**

*There are over 20 million NRI around the world, India is the third biggest NRI community globally after the Chinese and Irish. There are 150,000 Indian millionaires outside India, and they have a total of US\$360 billion in surplus funds available for investment. With the increasing inflow of the remittances and also the foreign investment, India has substantially benefited at both macro- and micro-economic level. India has also chalked out a plan to set up a Diasporas knowledge network, an investment unit and a research foundation to encourage NRIs to invest and participate in the economic development of the country. The present study is empirical and confined to the NRIs investment trends in different investment avenues in Hyderabad city. The authors have analyzed the problems of small investors and NRI's in the market like limited resources, lack of professional advice, lack of information etc.*

*The survey has been conducted to gather the information related with NRIs investment. The sample size of 140 is selected for survey. The survey conducted among the NRIs working in GCC countries, belong to Hyderabad city. Based on the facts and figures gathered from the NRIs through questionnaire conclusion has been drawn. The study indicates that all of the NRIs invested in more than one avenue. The NRI investors believe in portfolio investment rather than in single asset. The study concludes that there is significant difference in selection of Avenues in the investment pattern of NRIs. The Quantum of NRIs' Investment is dependent on the awareness of Investment avenues.*

**Keywords :** NRIs' Investment, NRIs' funds, Trends, Income, Diasporas.

### **Introduction :**

There are over 20 million NRI around the world, India is the third biggest NRI community globally after the Chinese and Irish. There are 150,000 Indian millionaires outside India, and they have a total of US\$360 billion in surplus funds available for investment. The Government of India has been making efforts to attract the foreign Institutional Investments as well as NRIs' Investment.

At the recent fourth Pravasi Bharatiya Divas, (held in Hyderabad 7<sup>th</sup> to 9<sup>th</sup> January 2006) the Chief Ministers of Andhra Pradesh, Gujarat, Kerala, Bihar, Maharashtra and Jammu and Kashmir showcased the potential of their states in a bid to woo NRI investment.

India has also chalked out a plan to set up a Diasporas knowledge network, an investment unit and a research foundation to encourage NRIs to invest and participate in the economic development of the country. Under the plan, the government hopes to set up an Indian Diaspora Knowledge Network to share knowledge of Indians living abroad for mutual benefit, an Overseas Indian Investment Unit to encourage NRI investment and an Overseas Indian Research Foundation to share the scientific experience of people of Indian origin living abroad.

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With liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services industry including merchant banking, leasing and venture capital. There are many avenues where NRIs can invest, in Real estate, Stock market, Bank Deposits, Life Insurance, Derivatives and mutual funds.

Indian Economy experienced a GDP growth of 9.0 percent during 2005-06 to 9.4 percent during 2006-07. By 2025 the India's economy is projected to be about 60 per cent the size of the US economy. The transformation into a tri-polar economy will be complete by 2035, with the Indian economy only a little smaller than the US economy but larger than that of Western Europe. By 2035, India is likely to be a larger growth driver than the six largest countries in the EU, though its impact will be a little over half that of the US. India, which is now the third largest economy in terms of purchasing power parity will overtake Japan and become third major economic power within 10 years.

India's current economic growth is likely to soon push it into the position as the 5<sup>th</sup> biggest economy in the world. Economic growth is currently averaging 5-6% and there are signs that this is likely to continue in the future. Reasons for economic growth include a raft of supply side policies that have helped to increase competitiveness and productivity. For example financial markets have become more deregulated, allowing more flexible loans. These have helped to increase investment, which has led to increased capacity and competitiveness. There has also been increased focus put on training and education of at least part of the population. Despite the rapid economic growth so far the Indian economy has managed to maintain relatively stable prices, with inflationary pressures remaining restrained.

### **Investment in India-Rationale**

The ever-growing economy, with robust growth & well-diversified industry, India seems to be a desired destination for NRI's. It is assumed that Indian external sector performance will continue to be good, thus one needs to look at the outsourcing revolutions that is taking place across the globe, in not only the services but also the manufacturing and research sectors. On the investment side, moderate rules and better and well regulated markets, which are drawing in capital to fund India's growth.

#### **A. Dynamic Policy by Government**

It has been close to two decades since the reforms process has started, with the main push coming with the twin devaluations in 1991. During this period numerous developments have taken places that have contributed to the flexibility of the Indian economy. Key amongst these are the opening up of the Indian economy to foreign investment, strengthening of the domestic financial system, liberalization of imports, rationalization of interest and exchange rates, a more conducive environment for investing in industry, and or course, the people-intensive services sector.

This resilience is clearly reflected in the fact that average economic growth rates have moved up and India had emerged as one of the fastest growing economies in the world.

#### **B. Priority Focusing Agriculture & Infrastructure**

In recent times there has been a renewed vision on two key but long ignored segments of the Indian economy – agriculture and infrastructure. The focus on agriculture and related activities, which supports approximately 65% of the Indian population, should provide a new thrust area for economic growth.



### **C. The Global Outsourcing Boom**

Indian had become a major hub for business process outsourcing companies, but there is much more to this outsourcing boom than is commonly understood. Fortunately, India stands to benefit from it in a great measure.

### **D. Well Equipped & Regulated Capital Markets**

The Indian stock and debt markets, including banks and mutual funds are well regulated by the Securities and Exchange Board of India and the RBI, various measures are taken to protect investors' sentiments & interest. In terms of infrastructure the Indian institutional framework is improving rapidly, backed by a strong financial system.

India is considered to be a first-rate investment destination, India has a vast potential for foreign investment. The amount of investment that has poured into India in last 3 Years is more than total investment they made in the country since India got Independence.

With the increasing inflow of the remittances and also the foreign investment (mostly by the non-resident Indians), India has substantially benefited at both macro-and micro-economic level. In addition to this, the reverse brain drain from USA has kept its Software Industry at high-levels fuelling further economic growth and job market. Its vast human resources with technical skills and flexible nature made India an important source world wide for the skilled manpower. Understanding the facts and benefits from the India's abundance of human resources, several countries have altered their strategies and policies towards India, promoting it to a friendly nation.

The real estate sector in India is undergoing a self-organization from being a highly unorganized sector. This has been one of the most crucial factors for India gaining its status as a highly favored investment destination through FDI and funds. Estimated size of organized India real estate sector accounts for USE 12 billion of India's USD 600 billion economy: just 2% way less when compared to mature economies. Relaxation of FDI rules has brought about capital gains in every sector of Indian economy. The government is making efforts in liberalizing the guidelines and norms for investment through FDI, making them more NRI friendly.

Growth in the Indian real estate sector- an estimated 30% last year, owing to FDI norms and related growth drivers, By 2010, real estate sector estimated to between USE 45-50 billion (Source : DSP Merrill Lynch).

Returns from real estate investments in India have consistently performed well and even out performed the other investment options. However, easy home loan availability by financial institutions in India, NRI remittances and repatriation procedures has emerged as the best of all the available prospects for the NRIs looking forward to return to India.

NRIs can acquire residential/immovable property in India, rent it out, transfer or sell it, if required. The NRI/PIO may use his own funds to acquire immovable property, the NRI's 'own funds' refer to the money received in India by way of inward remittance from overseas out of income earned overseas, personal saving outside India. These funds can be remitted through Non-Resident External (NRE) or Non-Resident Ordinary (NRO) or Foreign Currency (non-resident) (FCNR) bank accounts. However, the regulations do not permit the NRIs and PIOs to acquire property like agricultural land, plantation and farmhouse. With the government allowing 100 percent repatriation, they can also take the rental income and capital investment in the property outside India, subject to the foreign exchange regulations.



It's not just that Indians are only relying on India growth story; even others do, like our foreign partners so called NRI, FII, etc. As per latest data form central bank, foreigners, major chunk of investments has seen good amount of rising trend in the India mutual funds industry, since 2003. They hold around Rs 1,028 crore worth of units of Indian mutual funds in 2003. The figure has increased sharply to Rs. 2,663 crore in 2004 and Rs. 4,966 crore in 2005, as per central bank data. It is not clear which country contributed the most to the MF industry as most funds did not disclosed country wise list, as a result, unspecified countries account for over 70%.

### **Survey of Literature :**

**M.Akbar Ali Khan & Syed Abdul Quadeer (1996):** A Research paper on "Investment Pattern and Entrepreneurial Talents of Muslim NRIs in Industrial Projects : A Study of Selected ANRICH Units". The authors attempts to evaluate entrepreneurial pattern among Muslim NRIs in industrial projects. The study also highlights the factors contributing to success or failure of their projects and the remedial measures for their improvement. The study found that liberalized government policies results increase in foreign exchange reserves. Muslim NRIs have started participating industrial projects and facing business risks. The factors responsible for failure of the Muslim NRIs project were lack of managerial skill, high cost of the project, dishonesty of the manager. The study suggested a techno commercial exposure is necessary for even highly qualified entrepreneurs. Qualified and capable family members should be given some responsible positions in the organization. Technical opinion should be subject to cross check. Liaisoning with government officials and local people in the market is very necessary.

**Sitikantha Pattanaik, (Number 2007)** has studied remittances from the Gulf to India not only as a case of "rich dividend to the country on zero investment," but also as a costless outcome characterized by "rich harvest from a policy of benign neglect." This study outlines the macroeconomic justifications for according specialized policy attention to remittances on par with other sector specific policies, ranging from exports to foreign direct investment, and argues that the Gulf NRIs as a group deserve such a focused policy framework in India as a reward for their indelible contributions to the India economy. Gulf NRIs represent an important interest group, with genuine justifications supporting their great expectations that someday India's current policy of "benign neglect" will be replaced by a more focused policy framework, which not only could encourage remittance flows through an attractive policy environment, but also may lead to better harnessing of the immense growth and development potential of remittances.

**Kapiszewski, 2004 :** Studied Current stocks of foreign workers are still extraordinarily high : summary data derived from national sources. These data have been independently verified with national governments by Human Rights Watch 6 (HRW, 2003) With a total of around 12,5 million foreigners in the GCC region, representing just under 40% of total population, the range of immigrant to population ratios is 26-80% with United Arab Emirates and Qatar at 80%. The presence of foreigners in the workforce is even more pronounced for some countries, reaching 90% in UAE and Qatar, and 60% for Bahrain and Saudi Arabia. However, it should be noted that these figures do not include illegal immigrants, which judging by the number of expulsions carried out by Saudi Arabia and UAE) may be numerous.



**Muzaffar Chishti (February 2007):** studied “The Rise in Remittances to India : A Closer Look.” This article first explores the relative importance of remittances in India’s economy, then explains the reasons for this exponential gain, focusing on the effects of government and commercial bank policies, the profile of recent emigrants, and the strength of the India economy. The author concludes that India has clearly achieved a large sustained level of remittances. The India policy regime has demonstrated its ability to attract NRI capital through NRI deposit accounts and successive bond issue.

**Binod Khadria (2006) :** India : Skilled Migration to Developed Countries, Labour Migration to the Gulf Referred to as Indian Diaspora, an estimated – 20-25 million stock of Indian migrants is recorded world-wide. This is a function of flows of unskilled, semi- skilled and skilled workers from India over last two centuries. The labour migrants to the Gulf have been viewed as the main source of remittances, swelling India’s foreign exchange reserves. Both these perceptions need moderation. The second section presents a general contextual background of India. Section 5 is on labour migration to the Gulf. Section 7 is on the evolution and change in the perception of migration in India. Section 8 analyses measures initiated by the Government of India recently. The concluding section is a commentary on whether and how migration could change society in India and the rest of the South.

**S.K. Sasikumar & Zakir Hussain :** A research report on “Migration, Remittances and Development : Lessons from India” the authors studied that International labour flows from the developing countries and counterblow of remittances have increased significantly during the last two decades coinciding with globalization and post reform. In Broad context this research study addresses the following objectives : i) review the trends in flows and cost of remittances to India; ii) analyze the temporal shifts in the composition of remittance and sources; iii) examine the regulatory framework governing remittance flows; iv) study the existing channels of transfer and the agencies and institutions associated with them; and v) suggest the best means for maximizing the development potential and efficiency of remittances.

**John Willoughby :** Focuses on one unique feature of rapid social and economic transformation of the Arabian Gulf region : its unusually heavy reliance on expatriate labour from South Asia. While concentrating on issues affecting the whole region, this essay presents more specific information on two of the regions most heavily implicated in this labour exchange: the emirates of Sharjah and Dubai in the United Arab Emirates and the state of Kerala in South India. Despite worries amongst Arabs about the loss of national self-sufficiency and despite understandable complaints of labour exploitation from South Asais, the ambivalent anxieties unleashed by the intensive utilization of South Asian labor in the Gulf are likely to be a permanent political economic product of the labor networks, remittances and capital flows emanating from a still emerging Arabian Sea economy.

### **Obj ectives of the Study**

The objective of this paper is to examine the trends of NRIs Investment in different avenues. The study also discusses the NRIs Investment trend based on their Income Group .

### **Hypotheses**

**H1 : There is significant difference in selection of Avenues in the investment pattern of NRIs.**



## **H2: The Quantum of NRI Investment is dependent on the awareness of Investment avenues .**

### **Methodology**

This is an analytical study, the data collected through questionnaire. The study confined to NRIs working in GCC countries and invested in Hyderabad city. The study uses both primary and secondary data for analysis. The survey has been conducted to gather the information related with NRIs investment. The sample size of 140 is selected for survey. The survey conducted among the NRIs working in GCC countries, belong to Hyderabad city. The number of respondents divided in proportion of Indian population working in GCC countries. The study prepares the questionnaire for the purpose of the survey. The questionnaire divided into two parts, the first part is related with personal profile of the respondents which includes seven questions. The second part is related with NRIs Investment, the awareness of investment, area in which they invested. The second part includes eight questions. The study uses the E-Mail facilities to gather the information. 140 respondents includes both professional and non professionals.

Secondary sources include RBI Bulletins, SEBI handbooks, Business dailies, journals and business websites.

The study tabulated gathered data in different table which matches the objective of the study. The 24 different investment set has been prepared for better analysis. The percentages has been calculated for better understanding and it was plotted on different type of graphs like pie graph, Bar graph, Line graph etc.

For the purpose of testing Hypotheses the following statistical tools are used :

- Correlations
- Regression
- Coefficient of Determination
- T-test
- Analysis of Variance

Based on the facts and figures gathered from the NRIs through questionnaire conclusion has been drawn.

### **1.01 Indians in GCC Countries :**

Indians manned the clerical and technical positions of the oil companies in the Gulf after oil was discovered in the region during the 1930s; the overall numbers were still small. Between 1948 and the early 1970s, these numbers gradually increased from about. 1,400 to 40,000. When large scale development activities started following the 1973 spurt in oil prices in the six Gulf Cooperation Council (GCC) countries of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the UAE, an upsurge in the flow of workers and labourers began from India to the Gulf. India and Pakistan supplied most of such unskilled labour, registering almost 200 percent growth between 1970 and 1975. In 1975, Indian expatriates constituted 39.1 percent, Pakistanis 58.1 percent, and other Asians 2.8 percent of the total non-Arab expatriates in the Gulf. Since then, Indian migration has overtaken that of Pakistan and other Asian countries of origin. Further, since the Kuwait war of 1990-91, Indians have replaced the non-national Arabs in the Gulf, viz., the Jordanians, Yemenis, Palestinians and Egyptians. From less than 258,000 in 1975, migrant Indian population in the Gulf went up to 3.318 million in 2001 (Refer Table : 1.01) which is now estimate to have crossed 3.5 million.



**Table 1.01 : Indian Migrant Population in the Gulf Countries  
Selected years : 1975-2001**

Country	1975	1979	1983	1987	1991	2001
S. Arabia	34,500	100,00	270,000	380,000	600,000	1,500,000
UAE	107,500	152,000	250,000	225,000	400,00	950,000
Oman	385,000	60,000	100,000	184,000	220,000	312,000
Kuwait	32,105	65,000	115,000	100,000	88,000	295,000
Qatar	27,800	30,000	40,000	50,000	75,000	131,000
Bahrain	17,250	26,000	30,000	77,000	100,000	130,000
Total	257,655	433,000	805,000	1,016,000	1,483,000	3,318,000

*Sources* : Rahman (1999), and Rajan (2004)

The non-resident Indians, as per the latest report, are estimated around 3.9 millions. Interestingly, around 3.3 millions Indians (about 85%) live in six countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) in the Middle East (Refer Table -1.02).

**Table 1.02 : Estimated Indians in Gulf 2001**

Country	Indian citizens
Bahrain	130,000
Kuwait	295,000
Oman	312,000
Qatar	131,000
Saudi Arabia	1,500,000
United Arab Emirates	950,000

Source : Ministry of External Affairs, 2001.

Access to the GCC countries was not as difficult prior to the mid-1970s, but thereafter restrictions have been imposed by the host countries due to the fear of rapid growth of non-national population. Thus it has been difficult for families to accompany the non-nationals workers to these countries, particularly the unskilled contract workers. Foreigners are not allowed to own businesses or immovable property in the Gulf countries : for running business enterprises they are required to have local citizens or agencies as major partners in their ventures, whether active or as sleeping partner. When it comes to human resources, shortage of labour has been endemic in all the countries of the Gulf, for the entire range of work – from professionals like doctors and nurses, engineers, architects, accountants and managers, to semi-skilled workers like craftsmen, drivers, artisans, and other technical workers, to unskilled labourers in construction sites, farmlands, livestock ranches, shops and stores and households. (Rajan and Nair)

However, a large majority i.e., 70 per cent of the Indian migrants in the Gulf constitutes the semi-skilled and unskilled workers, the rest being white-collar workers and professionals. The unskilled and semi-skilled workers have a high rate of turnover as their contracts are for short periods of employment and work, usually





not more than two year at a time. Those completing their contracts must return home, although a large proportion of them manage to come back with new contracts which are not available before a gap of one year.

Most of the remittances have accrued from the unskilled workers whose consumption expenses in the Gulf are minimal because their families are not living with them.

An important aspect of Indian labour migration to the Gulf has been its lion's share in the remittances sent home to India by the workers. Beginning in the mid-1970s, there was rapid increase in remittances, mostly from the developed countries. Today India is at the top of the list of countries receiving remittances from its migrants abroad.

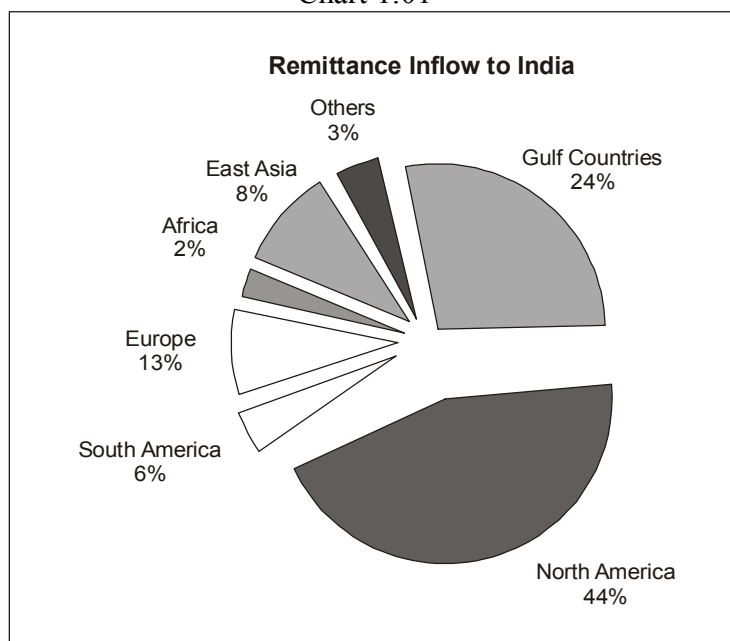
### 1.03 Remittances and Utilization of NRIs :

NRIs generate more than US\$100 billion in income each year; and they remit around US\$30 billion every year to their native country. In the Arabian Gulf area, for instance, there are some 4.5 million people of Indian origin ; they US\$ 4 billion in remittances to their relatives in India each year.

India has received US\$1.12 billion since the start of this year, accounting for 28 per cent of the US\$3.97 billion flowing into Asia. This represents a record for India, because it has traditionally lagged behind South Korea, Singapore and Thailand. Out of the \$23 billion that comes into India, an estimated \$8-9 billion comes from the US, and the next highest is the Gulf.

North America emerges as the most important source region of remittances (Chart 1.01) to India (about 44 per cent of the total remittances), while Asian region (Gulf and East Asia) contributed about 32 per cent of remittance flows to India. The higher share of North America is in line with the fact that the migration to North America in software and other technology related areas has been steady with relatively higher average earning levels.

Chart 1.01



Source : Reserve Bank of India Bulletin November 2006



Sustained inflow of remittances was underpinned by structural reforms, including a market determined exchange rate, current account convertibility as well as a shift in the labour outflow pattern from semi-skilled to increasingly the new stream of highly skilled migrants in technology sectors.

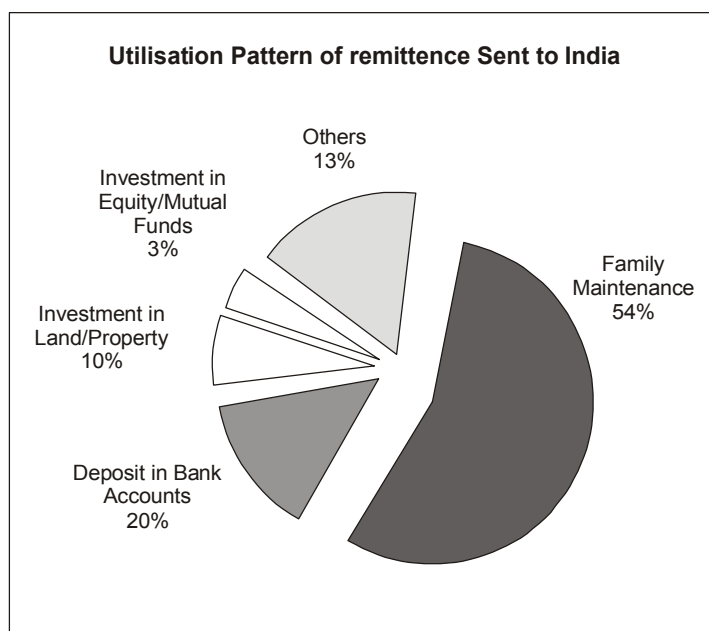
Besides these, the incentive structure for remittances including the introduction of a number of deposit schemes to attract funds from non-resident Indians, tax incentives and attractive interest rates on such schemes also contributed to the inflows of remittances. This shift in the market determined exchange rate in 1993, which led to a decline in the incentives for sending remittances through hawala channels.

Further, the improvement in the remittance-receiving infrastructure domestically – expansion in the network of banks and money transfer agencies – also contributed to the inflow of remittances. Accordingly, India is categorized as a country with a higher average size of remittances with average remittances sent to India by the US Indians at US\$1,100 (Orozco, 2003).

**Utilizations of NRIs:**

The issue of consumption *versus* investment enhancing effect of worker’s remittances is widely debated. Every individual has to hold some cash balance out of his current income to meet the day-to-day expenditure and as a measure of precaution against unforeseen emergencies, which J.M. Keynes called transaction and precautionary motives. The money or cash so kept yields no return, although it is called convenience yield. Savings generate out of surplus income, income available after covering transaction and precautionary motive. Savings, surplus of income over expenditure, are available for investment in an array of financial assets/instruments. An investment is commitment of funds made in the expectation of some positive rate of return, which will be commensurate with the risk attached to that investment.

Chart 1.02



Source : Reserve Bank of India Bulletin November 2006.



From the above chart-1.02 it is clear that the NRIs are utilizing 54% of their remittance for family maintenance. The remaining 46% is savings, surplus of income over expenditure available for investment. Out of 46% of surplus money 20% of the NRIs total remittance is investing in Bank Deposits. The ratio of Bank Deposits is more as compare to all other investment avenues. The main factor is most of the NRIs are risk averse. The ratio of investment in real estate is 10% which is high with compare to investment in equity and mutual funds. This is due to boom of real estate/property in the year 2005/2006.

The above chart 1.02 shows the utilization of NRIs remittance in equity/Mutual funds is 3% only. The Post liberalization era of Indian Economy has definitely instilled confidence in the NRIs as well. The non-resident Indians (NRIs) have increased their exposure in the Indian mutual fund industry by 30 times in the past four years. While the NRI share in total AUM in January 2003 stood at \$102 million, in January 2007, the figure rose to \$3.1 billion, according to industry estimates. In percentage terms, the NRI share has risen from 0.5% to more than 4%.

### 2.01 Data Analysis and Discussion :

Six avenues are selected for examination of the trends of investment by NRIs (working in GCC Countries) in Hyderabad. The list of avenues is listed in Table 2.01 below. The study indicates that almost all of the NRIs invested in more than one avenue. The NRI investors believe in portfolio investment rather than in single asset.

**Table : 2.01 NRIs' Investment Trends**

Investment Avenue	Respondents Invested	% out of 140
Real Estate	124	88.57
Gold	102	72.86
Govt. Sec./Shares	38	27.14
Mutual Funds	40	28.57
Fixed Deposits	57	40.71
Insurance Policies	27	19.29

Source : Primary Data collected through questionnaire

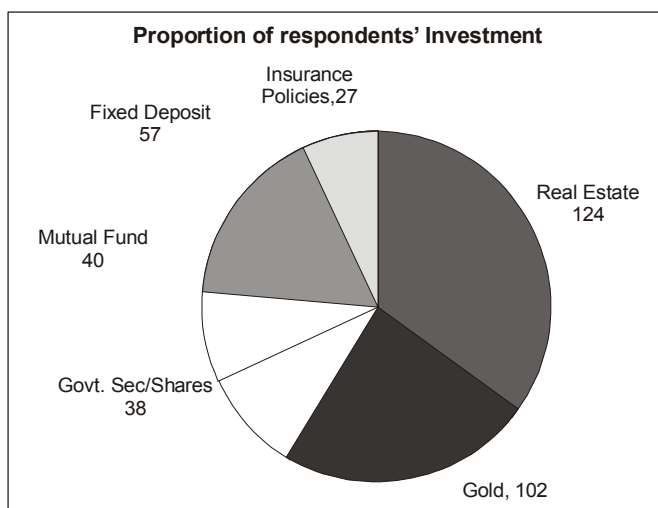
The study reveals that almost all NRIs invested in real estate in Hyderabad. The total number of sample collected is 140 out of that 124 NRI investors invested in real estate, the individual percentage coming to 88.57% (Table 2.01). There are 500 registered companies in Hyderabad (as per GHMC data 2008) attracting NRIs for their investment. The next priority of NRIs for their investment is Gold. It was found that 102 out of 140 respondents preferred gold investment. The percentage of NRIs invested in gold is 72.86%. The majority of investment sets/portfolios included Real Estate and Gold.

57 out of 140 NRI investors or Hyderabad included Fixed Deposits in their investment portfolios i.e. 40.71%. There are less differences in the pattern of investment between Real Estate and Gold i.e. only 22 respondents, whereas the difference between investment in Gold and Fixed deposits are very high. There are 102 respondents who invested in Gold but 57 respondents included fixed deposits in their portfolio. Real estate and Gold followed by Fixed Deposits are major investment avenues which included in NRIs portfolios.



The mutual funds are at fourth place in NRIs investment pattern. Only 40 respondents included mutual funds in their portfolios. Their percentage is 28.57%. This indicates that, the trend of investing in mutual funds is low among the NRIs. The reasons could be many like, lack of awareness, NRIs developed phobia because of the recent financial scams in Hyderabad, traditional thinking in terms of investing, the less percentage of highly educated NRIs etc. Consequently the mutual funds are unable to gain popularity among the NRIs.

Chart : 2.01



Source : Primary Data collected through questionnaire

It was found from the survey that 38 NRIs investment set out of 140 respondents in the Government securities/Share/Debentures (Refer Chart 2.01). There is not much difference between Mutual funds and Share & Debentures pattern of Investment. The Percentage of individual mutual funds is 28.57%.

Trend of Investment in Life insurance policies among NRIs shows very low. There are only 27 respondents, those invested in life insurance policies. The life insurance investment is share 19.29 %.

The NRIs are more inclined towards investing in two avenues that is real estate and gold.

### 2.02 Investment Combinations :

The NRIs investment is in combination of different avenues. They invested in different set of investments. This shows the risk averseness of the NRIs investors. The NRIs diversified their investment in more than one avenue to reduce the risk. The analysis of 140 respondents in the sample, the study found that their investments are divided into 24 investment sets. The Number of respondents invested in each set. Percentage of investment in each set and avenues included in each set are shown in Table 5.03.

A very few respondent invested in only one avenue, set 'D' in the table shows 11 respondents invested only in real estate. The percentage of such type of investment coming to 7.86%. Another set in the table 'set E' which include only one avenue that is Gold. The number of investor in that set is only 3, which is 2.14 % among all other investors. One set indicate only one Investment Avenue in the table that is 'Set X, the avenue in this set is Fixed Deposits. The Percentage among other investors is very low that is 4.29. The total 20 respondents invested in only one avenue they didn't prepare the set of investments. 20 out of 140 means 14.28 % of respondents believe in single asset investment where as others that is 120 believe in portfolio investment.



The numbers of portfolio investors are more among NRIs. The pattern of investments and different investment sets/combinations shown in table 2.02, and discussion after the table.

**Table : 2.02 Pattern of Investments and Different Investment Sets/Combinations**

Name	No of Respondents / Set	%	Avenues in each set
A	35	25	Real Estate, Gold
B	16	11.43	Real Estate, Gold, Fixed Deposits
C	3	2.14	Real Estate, Gold, Fixed deposits Insurance
D	11	7.86	Real Estate
E	3	2.14	Gold
F	3	3.57	Real Estate, Gold, Insurance Policies
G	5	3.57	Real Estate, Fixed Deposits
H	3	2.14	Real Estate, Insurance
I	2	1.43	Real Estate, Mutual Funds
J	2	1.43	Gold, Mutual Funds
K	6	4.29	Real Estate, Gold, Govt Sec/Shares Fixed Deposits
L	2	1.43	Real Estate, Gold, Govt Sec/Shares, Insurance Policies
M	3	2.14	Real Estate, Govt Sec/Shares
N	2	1.43	Real Estate, Gold, Govt Sec/Shares
O	2	1.43	Real Estate, Gold, Govt Sec/Shares, Mutual Funds
P	4	2.86	Real Estate, Gold, Mutual Funds, Fixed Deposits
Q	4	2.86	Real Estate, Gold, Govt Sec/Shares, Mutual Funds, Fixed Deposits.
R	4	2.86	Real Estate, Govt Sec/Shares, Mutal Funds, Fixed Deposits
S	4	2.86	Real Estate, Govt Sec/Shares, Mutual Funds
T	4	2.86	Real Estate, Gold, Govt Sec/Shares, Mutual Funds, Insurance
U	5	3.57	Gold, Mutual Funds, Insurance Policies
V	4	2.86	Real Estate, Gold, Govt Sec/Shares, Mutual Funds, Fixed Deposits
W	5	3.57	Real Estate, Gold, Govt Sec/Shares, Mutual Funds, Fixed Deposits, Insurance
X	6	4.29	Fixed Deposits
	140		

Source : Primary Data collected through questionnaire



The first set ‘Set A’ representing the two asset portfolio that is Real Estate and Gold. The majority of respondents preferred this portfolio for their investment. In the sample of 140 respondents 35 were chosen for this set of investment. This is the more preferable set by NRIs among all other investment portfolios created by the study. 25% of respondents invested in this set of investment. The study reveal that set A that is Real Estate and Gold are familiar among the NRI investors.

The second set ‘Set B’ representing three asset portfolio that is Real Estate, Gold and Fixed Deposits. 16 sample respondents invested in this set of investment. The percentage of among all 140 respondents is 11.43%. This set of investment has gain second position after ‘Set A’. The difference between both sets of investments is 13.57 % which is high. The study indicated that the set B placed second after Set A.

‘Set C’ represents four assets that is real estate, gold, fixed deposits and Insurance policies. The study found a minute contribution from the respondents of the sample to this set investment. Out of 140 only 3 NRIs invested in this four asset portfolio, the percentage o NRIs invested in this set is 2.14%. There is a huge divergence between Set B and Set C. There are 16 respondents invested in Set B whereas only 3 invested in Set C. The trend of investing in the four asset portfolio i.e. in real estate, gold, fixed deposits and insurance policies stand third after Set A and Set B.

The study points out that the major investment of the respondents are in the first two set of avenues, rest of the other sets has very low number of investors. Set W has some importance in all set of investments because this set includes almost all of the avenues, which are Real Estate, Gold, Govt Securities/Shares, Mutual Funds, Fixed Deposits, and Insurance Policies. The number of investors is only 5 and their percentage is 3.5%. The rest of the other investment sets are minor in number of investors only 3 or 4 respondents invested in that set of investments. This set of investment includes Govt 4 respondents invested in that set of investments. This set of investment includes Govt. Securities/Shares and Mutual Funds.

The study indicated that the NRIs investments set are based on two or three assets, few NRIs preferred 4 or 5 assets in their sets. The study also reveals that only 5 NRIs gone for all six avenues in their investment combination.

***Hypothesis : There is significant difference in selection of Avenues in the investment pattern of NRIs.***

The different combination is well described by the following table 2.03.

**Table : 2.03 Respondents in different set of Investment**

Sample No.	Set Name	Real Estate	Gold	Govt Sec/ Share/ Debentures	Mutual Funds	Fix ed Deposits	Insurance Policies
35	A	35	35				
16	B	16	16			16	
3	C	3	3			3	3
11	D	11					
3	E		3				
5	F	5	5				5
5	G	5				5	
3	H	3					3



2	I	2			2		
2	J		2		2		
6	K	6	6	6		6	
2	L	2	2	2			2
3	M	3		3			
2	N	2	2	2			
2	O	2	2		2		
4	P	4	4		4	4	
4	Q	4	4	4	4	4	
4	R	4		4	4	4	
4	S	4		4	4		
4	T	4	4	4	4		4
5	U		5		5		5
4	V	4	4	4	4	4	
5	W	5	5	5	5	5	5
6	X					6	
140	0	124	102	38	40	57	27
	Proportion	88.57	72.86	27.14	28.57	40.71	19.29

Source : Primary Data collected through questionnaire

With the help of the above table the ratio of investment of each set is calculated and table is presented in Annexure I. The study wants to analyze the difference between the avenue selections. The following hypothesis is tested.

**H0 :** *There is no significant difference in selection of Avenues in the investment pattern of NRIs.*

**H1:** *There is significant difference in selection of Avenues in the investment pattern of NRIs.*

For the purpose of testing the hypothesis the information of investment in different avenues are tabulated in matrix form. The ratio of each invested avenue has been taken.

With the help of matrix the analysis of variance is carried on (see annexure I.)

**The Result of ANOVA is Shown in the Following Table : 2.04**

Table : 2.04 ANOVA Table

Source of Variation	SS	DF	MS	F	F crit
Between Groups	597.7974728	5	119.56	3.41	2.3496
Within Groups	2386.058242	68	35.09		
Total	2983.855715	73			

The calculated f value is greater than critical value so null hypothesis is rejected. So the study concludes that there is significant difference in selection of Avenue in the investment pattern.

ANOVA test will give only the difference but the difference can be analyzed further. For that the study makes further analysis based on Income.



### 3. Investment Trend among Income Groups of Respondents :

The survey included the income group of the respondent; the intention of gathering this information is to evaluate the trend of investment in various income groups. There are five income groups included in questionnaire that is 20-40 thousand, 40-60 thousand, 60-100 thousand. 100-150 thousand. 150 thousand and above.

#### 3.01 Income Group 20000-30000 :

The first income group of NRIs is 20,000-30,000. The investment pattern of this group is presented in the following Table 3.01.

**3.01 Investment of NRIs' Income Group 20000-40000**

	No of Respondents	%
Real Estate	13	46.43
Gold	8	28.57
Govt Sec/Shares	1	3.57
Mutual Funds	1	3.57
Fixed Deposits	3	10.71
Insurance Policies	2	7.14
	28	

Source : Primary Data collected through questionnaire

The study reveals that the investment trend in NRIs falling under 20-40 thousand income group are low. There are 14 respondents whose income falls under this category. As the income is low there is less investment trends in this group. They also invested in different set of investment; the total of avenues invested is coming to 28. Under this group majority preferred to invest in real estate and Gold, other avenues has very low preferences. The reason for less polarity of other avenues is lack of awareness and lack of education in this group. The respondents falling in this group are non professionals and they are less educated. There set of investment includes only Real Estate and Gold, other avenues are neglected. Analysis of the chart 3.01 will reveal that the two avenue show significant investment whereas other avenues like Mutual funds and Government Securities/ share and neglected by the NRIs of this group. Only one respondent included this avenues in there investment set rest of the other 13 are preferred to invest in Real estate.

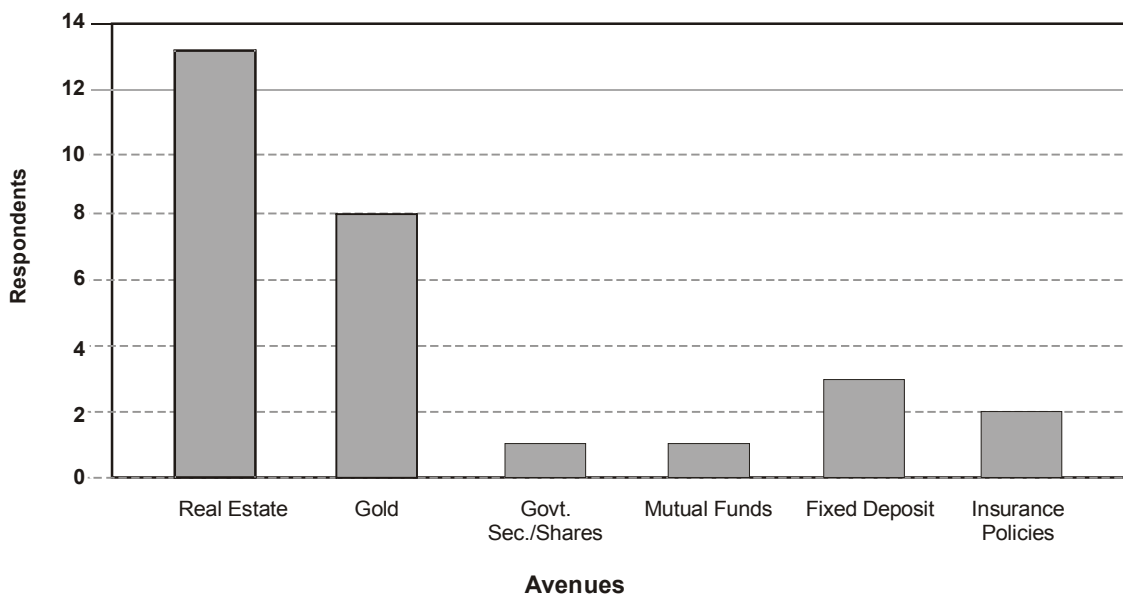
Few of the investors in fixed deposits and insurance polices. The number of NRIs invested in this area is only 3 and 2.

The study reveals that the trend of investment in NRIs with lower group is very low.





Chart 3.01  
Investment of NRI Income Group 20000-40000



### 3.02 Income Group 40000-60000:

The second category of income group is between INR 4000-60000. The study collected 47 respondents in this category of income. The investment trend in this group is better than the previous group. The investment trend is moderately divided in the investment avenues but not so high. The preference goes to Real Estate and Gold followed by fixed deposits. The study can analyze the trend of this income group by the Table 3.02. The investment of NRIs in Real state and Gold collectively coming to 62% rest of the 38% invested in other avenues. Fixed Deposits gain the 16% share in the total investment of this group.

Table : 3.02 Investment of NRIs Income Group 40000-60000

	No. of Respondents	%
Real Estate	33	33
Gold	29	29
Govt Sec/Shares	5	5
Mutual Funds	9	9
Fixed Deposits	16	16
Insurance Policies	8	8
	100	

Source : Primary Data collected through questionnaire

The 22% of total investment contributes to Mutual Funds, Government Securities/Shares and Insurance policies. The awareness of mutual funds and other stock markets investment among this group is better than the previous group. If comparison made between the income group between 20000-40000 and the income group of 40000-60000 the investors are more aware of all the avenues in second group of income.

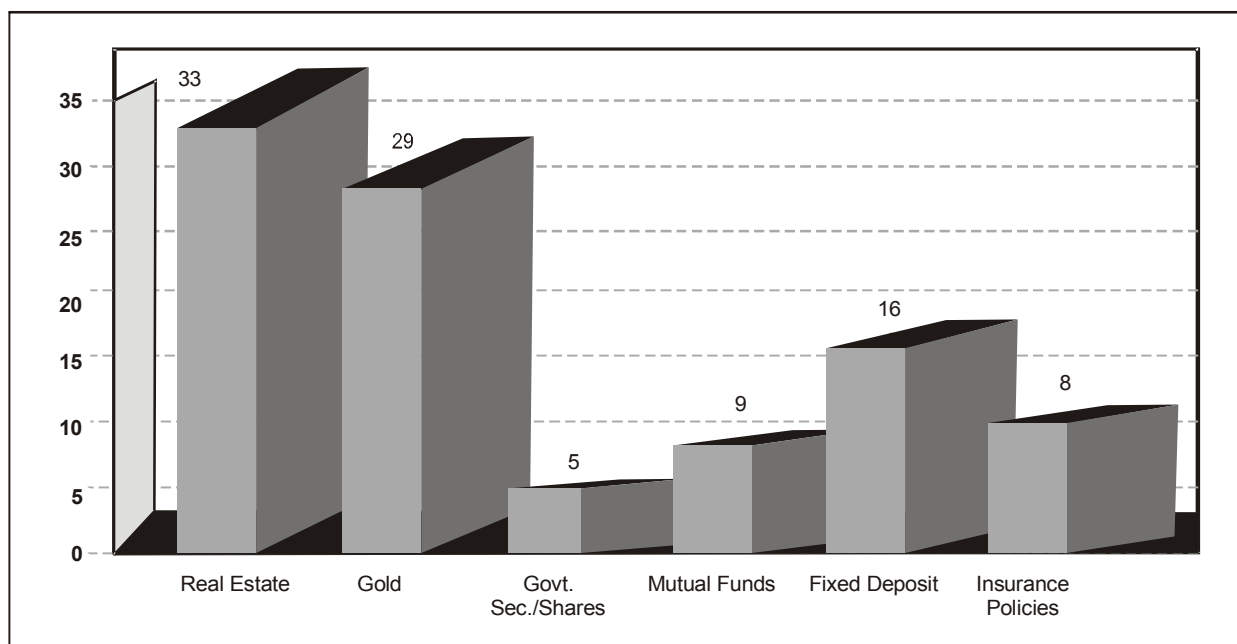


The investment can be made with surplus money. The NRIs in the income group of 2000-40000 has less amount of surplus money. The total remittance made by the NRIs from GCC countries are utilized by way of family maintenance (RBI Bulletin 2006).

The study disclose that the investment pattern differ with two income groups.

Chart 3.02

Investment of NRI Income Group 40000-60000



Source : Primary Data collected through questionnaire

### 3.03 Income Group 60000-100000:

The third category of income group presented by this study is 60000-100000. The NRIs falling in this category are balanced investors ; they invested their money in almost all investment avenues. The figures are mentioned in Table 3.03 and are plotted in chart 3.03. The number of respondents in this category is 44.

Table : 3.03 Investment of NRIs Income Group 60000-100000

	No. of Respondents	%
Real Estate	44	29.53
Gold	36	24.16
Govt Sec/Shares	20	13.42
Mutual Funds	18	12.08
Fixed Deposits	16	10.74
Insurance Policies	15	10.07
	149	

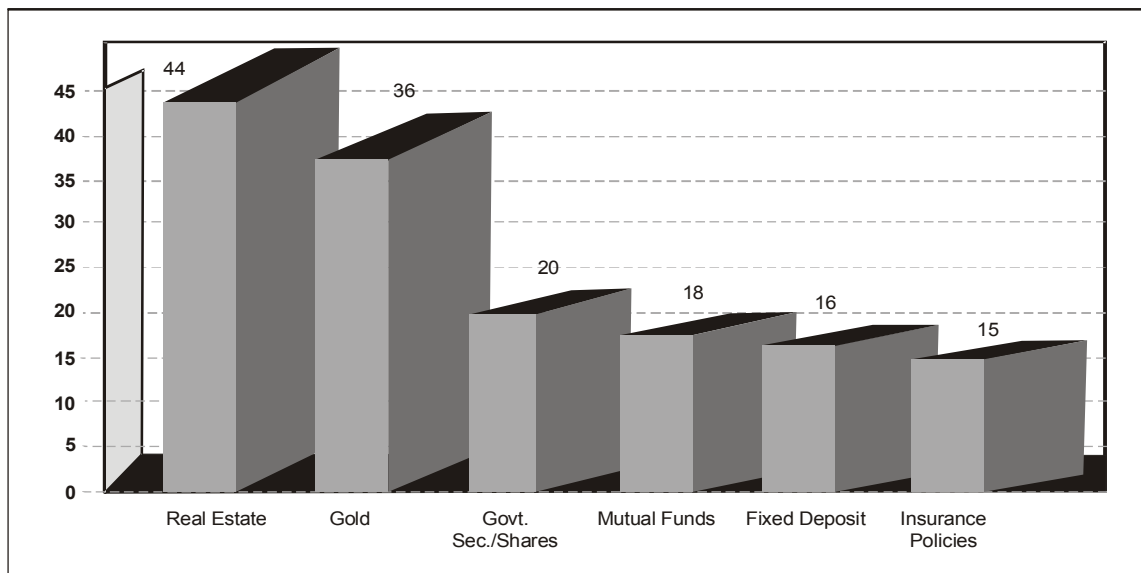
Source : Primary Data collected through questionnaire



The investment avenue Real Estate and Gold is again attracted the investors of this group. The trend of investing in other avenue is balanced. The total share of investment in Real Estate and Gold is 53.69 % where as remaining 46.31% they invested in other avenues. Government Securities and Shares gain familiarity after Real Estate and Gold.

Chart 3.03

Investment of NRI Income Group 60000-100000



Source : Primary Data collected through questionnaire

The entire 44 respondent invested their money in real estate (refer Chart 3.03).

The respondents invested in Gold are 36, the difference is only 8. The difference between Gold and Government Securities/Shares are more that is 16 respondents.

Among other avenues the variation of respondents' investment pattern is very low. With the comparison of the two groups discussed earlier this group has invested in almost all the avenue considered by the study.

The study indicates that the investment trend in this group is balanced, apart from giving importance to Real Estate and Gold the investor preferred other investment avenues.

### 3.04 Income Group 100000-150000:

The fourth income group included in this study is 100000-150000 per month. The number of respondents is 17; the percentage of this group among all is 12.14% in the study. The employees working in GCC Countries are earning not more than INR 100000 per month on an average. Beyond this range very few workers are there. The investment trend among the fourth income group of the study is analyzed in Table 3.04 and values are plotted on chart – 3.04



**Table : 3.04 Investment of NRIs Income Group 100000-150000**

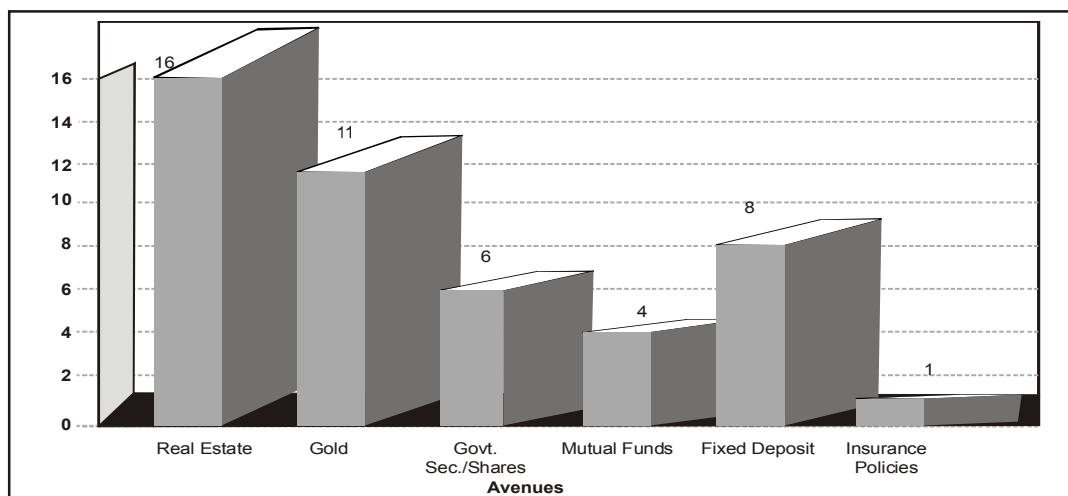
	No. of Respondents	%						
Real Estate	16	34.78						
Gold	11	23.91						
Govt Sec/Shares	6	13.04						
Mutual Funds	4	8.70						
Fixed Deposits	8	17.39	Insurance Policies	1	2.17		46	
Insurance Policies	1	2.17						
	46							

Source : Primary Data collected through questionnaire

The investment trend in this income is the same majority investors invested in Real Estate and Gold. The proportion of investment in Real Estate is 37.78%. This is the highest percentage of investment, followed by the Gold; the share of gold is 23.91%. The total percentage of investment in both the avenues is 58.69%. The study found that few NRIs falling under this group invested their money in other avenues also.

Chart – 3.04

Investment of NRI Income Group 100000-150000



Source : Primary Data collected through questionnaire

The investment in other avenues shows a little trend. The investment in insurance is neglected and only one NRI investor concentrated on that avenue. The NRI investor under this group of income selected Government Securities/Share for their investment set. The number of Respondent is less but the individual ratio is high, the total number of NRIs in this income group is only 17 out of which 6 invested in Government Securities/Shares. The individual ratio of this avenue is coming to 35.3%. The overall percentage of this avenue is coming to 13.04 % (as per Table 3.04). The trend of investing in Mutual fund among this income group is low. The number of NRI investor invested their amount in this avenue is only 4 (Refer Chart 3.04). The NRI investment trend to invest in Fixed Deposits is high. This is placed at third position after Real Estate and Gold. 8 out of 17 NRI preferred to invest in Fixed Deposits.



The study reveals that the trend of investment in this group of income that is 100000-150000 is in three avenues, which includes Real Estate, Gold and Fixed Deposits. A little inclination by this income group of NRIs towards Stock market that includes mutual funds.

**3.05 Income Group 150000 and Above :**

The last category of income group in this study is 150000 and above. The number of respondent in this category is 18. The NRIs investment trend and their percentages mention in Table 3.05 and plotted on Chart 3.05.

**Table : 3.05 Investment of NRIs Income Group 150000 and above**

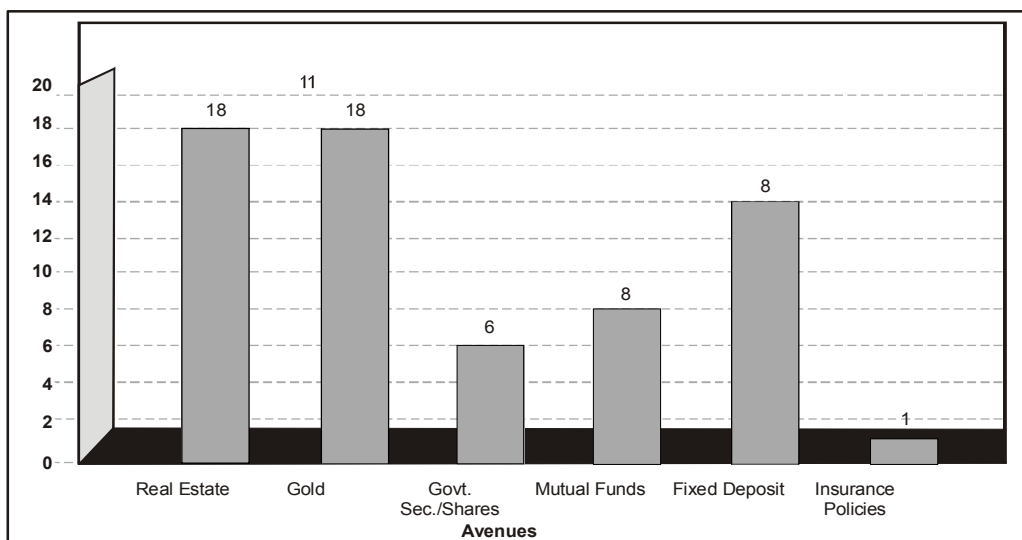
	No. of Respondents	%
Real Estate	18	27.69
Gold	18	27.69
Govt Sec/Shares	6	9.23
Mutual Funds	8	12.54
Fixed Deposits	14	21.54
Insurance Policies	1	1.54
	65	

Source : Primary Data collected through questionnaire

The NRI investors falling in this category trust on Real Estate and Gold investment. Out of 18 the total 18 invested in Real Estate and Gold. The individual percentage in this avenue is coming to 100%. The share of their investment set is 55.38 %. The second preference in this income group is given to Fixed Deposits, the number of investors preferred this avenue are 14 out of 18. The percentage of total investment in this group for this avenue is coming to 21.54% (Refer Table 3.05).

Chart 3.05

Investment of NRI Income Group 150000 +



Source : Primary Data collected through questionnaire



The investment trend in other avenues is moderate. There is investment in mutual funds in this group of income. 8 out of 18 invested in Mutual Funds. The trend in investing in Government Securities/Share is also moderate, 6 out of 18 invested in Government Securities/Shares. The study reveals that the NRIs in this income group shows interest in security market investment. The insurance policies are given least importance in the investment portfolio of NRI belong to this category of income. The number of NRI investors is only one in this income group.

The study found that investment in insurance policies is less in two income groups that is 100000-150000 and 150000 and above.

#### 4. Investment Trend among Professionals :

The study divides total respondents into two that is professionals and non-professionals. The non-professional investors make their portfolios based on two or three investment avenues. The reason is lack of knowledge and lack of awareness. The non-professional NRIs are falling under low income group.

The professional NRIs include Doctors, Engineers, Architects, Chartered Accountants, Finance Manager etc. Their knowledge and market awareness is high. They included maximum avenues in their portfolios. Their portfolios are made up of 4 or 5 avenues. Few professional NRIs included all the six avenues in their portfolio.

#### Hypothesis :

***H1: The Quantum of Investment is dependent on the awareness of Investment avenues.***

For the purpose of testing the hypothesis the survey includes the Investment avenue awareness pattern of NRIs. The study reveals the facts, which are tabulated below in Table 4.01.

**Table : 4.01 Respondents' Avenue Awareness**

Avenues	No. of Respondents	%
Real Estate	140	25.64
Gold	126	23.08
Govt Sec/Shares	60	10.99
Mutual Funds	80	14.65
Fixed Deposits	80	14.65
Insurance Policies	60	10.99
	546	

Source : Primary Data collected through questionnaire

The study reveals that almost all NRIs are aware about the real estate investment. The survey conducted for 140 NRIs cent percent respondents accept that they are aware with Real Estate Investment Avenue. The respondents selected different set of avenues the total of that responses are 546. The percentage of real estate is coming to 25.64%.

The avenue gold place second, the percentage of respondents shows their awareness for their investment in gold is 126. The share of awareness of Gold as one of the avenue is coming to 23.08%. Out of 140 respondents 126 are aware of Gold Avenue.



Mutual funds and fixed deposits got third position of popularity. The 80 respondents out of 140 show the awareness of mutual funds and fixed deposits. The last position as per the response received for awareness of the avenues is goes to Government security/Shares and Insurance policies. The 60 respondents out of 140 are aware about these two avenues.

The comparison made with investment trends of the NRIs and awareness pattern, the study reveals the following results. (Table 4.02)

**Table : 4.02 Comparison of Investment Pattern and Awareness Pattern**

Investment Avenue	Respondent Invested	%	Respondent aware of avenues	%
Real Estate	124	31.96	140	25.64
Gold	102	26.3	126	23.08
Govt/Sec/Shares	38	9.8	60	10.99
Mutual Funds	40	10.3	80	14.65
Fixed Deposits	57	14.7	80	14.65
Insurance Policies	27	7	60	10.99
	388		546	

Source : Primary Data collected through questionnaire

For the purpose of comparison, correlation coefficient is calculated the result of which is :

$$+0.98$$

The result shows that there is positive relationship between awareness of the Investors and the investment pattern of the investors. The correlation coming to 0.98 that mean the pattern of investment is not 100% depend upon the awareness of the investors. The majority of investors depend upon the awareness of the avenues.

When two variables have a high correlation coefficient, the study has evidence indicating the presence of a strong relationship between the variables. The study wants to describe the relationship with the help of regression analysis.

The regression equation of Y on X

Y = Investment Pattern (Dependent Variable)

X = Awareness of the Avenue (Independent Variable)

The equation is

$$Y=a+bX$$

The calculation result shows the following values and the calculation shown in Annexure II.

$$Y= -9.96+1.59X$$

The above equation describes the relationship between the awareness of the NRI investors and the investment pattern.

Whenever a regression equation is performed, the study want to know how well the equation describes the data-that is, how well the regression equation ‘explains’ the total variance observe in the dependent variable (Y). This can be find out with the help of coefficient of determination, which is identified as  $R^2$ .



The study found the result of  $R^2$  which is as follows and the calculation is in Annexure II 0.964

$R^2$  Values in the 0.80-1.00 range indicates that the regression equation describes the data very well and does a good job of “explaining” the observed variation in the dependent.

Finally t-test is applied for testing the Hypothesis.

**$H_0$ . The Quantum of NRIs’ Investment is independent to the awareness of Investment avenues.**

**$H_1$  The Quantum of Investment is dependent on the awareness of Investment avenues.**

Level of Significance : 5%

Test Statistics : As the Avenues are only 6 that is coming in small sample and correlation is calculated so t-test for correlation is applied.

Calculation :  $t = r \sqrt{(n-2) / \sqrt{(1-r^2)}}$

The value of calucated t = **2.978**

The critical value in the table for 10%, 5%, for two tail at d.f. 4 is mention below.

Level of Significance	Critical Values at d.f. 4
10%	2.132
5%	2.776

The calculated value is greater than critical values at 10% and 5% level of significance, the null hypothesis is rejected. So the final conclusion is the Quantum of Investment is dependent on the awareness of Investment avenues.

### **Conclusion / Suggestion**

It is observed that most of the NRIs are risk avers. The NRIs diversified their investment in more than one avenue to reduce the risk. Understandably these investors are from the medium income strata. Resultantly they prefer investing in Real Estate and in FDRs. The study concludes that there is significant difference in selection of Avenue in the investment pattern of NRIs. The selection of avenue is subject to income groups. The awareness of modes of investment is very low. The NRIs invested in those avenues which are known to them and source of awareness are friends and relatives. The new concepts develop in current scenario that is wealth management. The NRIs can take the help of wealth manager to invest their money in Indian market.

It is suggested that since there is huge potential in mutual funds, which is untapped, the financial institutions have to create awareness about the safety of mutual fund investment and also the high rate of returns. Running exclusive campaigns in the capitals of various countries can create Mutual Funds’ awareness.

The new norms and guidelines laid down by RBI have not reached the common NRIs. The government has to come up with special schemes to reach the low-income group among the NRIs. Basically it is all about creating confidence among the NRIs with respect to investment avenues and other policies.





Annexure – I

Anova Single Factor

Summary

Groups	Count	Sum	Average	Variance
Column 1	20	100	5	37.07761
Column 2	16	100	6.25	66.62502
Column 3	10	100	10	10.46476
Column 4	11	100	9.090909091	7.840909
Column 5	10	100	10	43.12438
Column 6	7	100	14.28571429	20.24953

ANOVA Table

Source of Variation	SS	df	MS	F	P-value	F crit
Between Group	597.797473	5	119.5594946	3.407312	0.008325	2.349573
Within Groups	2386.05824	68	35.0890918			
Total	2983.85572	73				

Annexure II

Calculation of Regression and coefficient of determination :

Investment Avenue	Respondent Invested %	Respondent aware of avenues %
Real Estate	31.96	25.64
Gold	26.3	23.08
Govt/Sec/Shares	9.8	10.99
Mutual Funds	10.3	14.65
Fixed Deposits	14.7	14.65
Insurance Policies	7	10.99

The correlation coefficient of the above two variables are 0.98

The awareness pattern is independent variable and the investment pattern is dependent variable.

The regression equation is calculated as follows :

Mean of X = 16.67

Mean of Y = 16.68

$\sigma_x = 6.23$

$\sigma_y = 10.12$

With the help of the above information the regression equation is coming to Y on X

$Y - 16.68 = 0.98 * 10.12 / 6.23 (X - 16.67)$

$Y - 16.68 = 1.59 X - 26.24$

$Y = 1.59 X - 26.24 + 16.68$

$Y = -9.96 + 1.59X$



To find out the dependency among the two variable coefficient of determination is calculated and tabulated in the following table.

Y	X	Y*	Y- $\bar{Y}$	(Y- $\bar{Y}$ ) <sup>2</sup>	Y-Y*	(Y-Y*) <sup>2</sup>
31.96	25.64	30.8076	15.28	233.4784	1.1524	1.3280258
26.3	23.08	26.7372	9.62	92.5444	-0.4372	0.1911438
9.8	10.99	7.5141	-6.88	7.3344	2.2859	5.2253388
10.3	14.65	13.3335	-6.38	40.7044	-3.0335	-.2021223
14.7	14.65	13.3335	-1.98	3.9204	1.3665	1.8673223
7	10.99	7.5141	-9.68	93.7024	-0.5141	0.2642988
16.68	16.67			511.6844	18.078252	

The coefficient of determination is -

$$R^2 = 0.9646691$$

To test the hypothesis t-test is calculated.

$$t = r \sqrt{(n-2) / \sqrt{(1-r^2)}}$$

$$= 0.98 \sqrt{(6-2) / \sqrt{(1-0.98^2)}}$$

$$t = 2.978$$

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## ***ASSESSMENT OF CUSTOMER SATISFACTION AND DELIGHT AMONG CENTRAL AIR-CONDITIONING PRODUCTS IN NCR***

**(A comparative study of Blue Star, Voltas & Hitachi)**

**Dr. P.K. Agarwal\*, Mr. Pradeep Kumar\*\*, Ms. Swati Gupta\*\*\***

### **ABSTRACT**

*The concept of customer satisfaction and delight has become of utmost importance for most of the companies as customer proves to be the only true profit centre for them. Gone are the days when companies used to be more seller-oriented or profit – oriented rather as they are now more customer – oriented. Their marketing performance is not judged on the basis of sales or profits earned by them rather judged on the basis of how much satisfied and delighted their customers are. Though evaluation of customer satisfaction and delightness is not so easy because nobody can predict rightly what will satisfy and delight the customers at a particular point of time as the satisfaction criteria of customer changes time to time. However, there are companies like Blue Star, Voltas and Hitachi which have stood test of time on this parameter. The present study aims at assessing the level of customer satisfaction and delight among Blue, Voltas and Hitachi with respect to central air conditioning services provides by them. The parameters taken in the study are ducting solution, service quality, initial installation cost, availability of spare parts, power saving, durability, intensity of noise, breathing comfort, cooling comfort, cooling even after breakdown.*

**Keywords :** Customer satisfaction, Customer delight

### **Introduction**

To be a strong brand requires a keen understanding of competitor's intention and thorough knowledge of customers. Competition may come from all direction with improved quality and affordable prices. So it is really essential on the part of the company to analyze its position with respect to its competitors, for which a comparative analysis is more important. It tells about the strengths and weaknesses of the company as well as its competitors. As we also know that businesses succeeds by keeping and growing customers therefore customer is the company's only true profit centre. Successful companies are those who decide their marketing programs by putting their customers at the centre. Therefore at the present juncture customer satisfaction and delight is one of the important assets for the companies which have been analyzed in the present study.

Air-conditioning, customer satisfaction and customer delight can be interpreted as follows :

**Air-conditioning** can be defined as "a process which cools (or heats), cleans, circulates, freshens air and controls its moisture contents simultaneously. " Most often air-conditioning is about removing heat.

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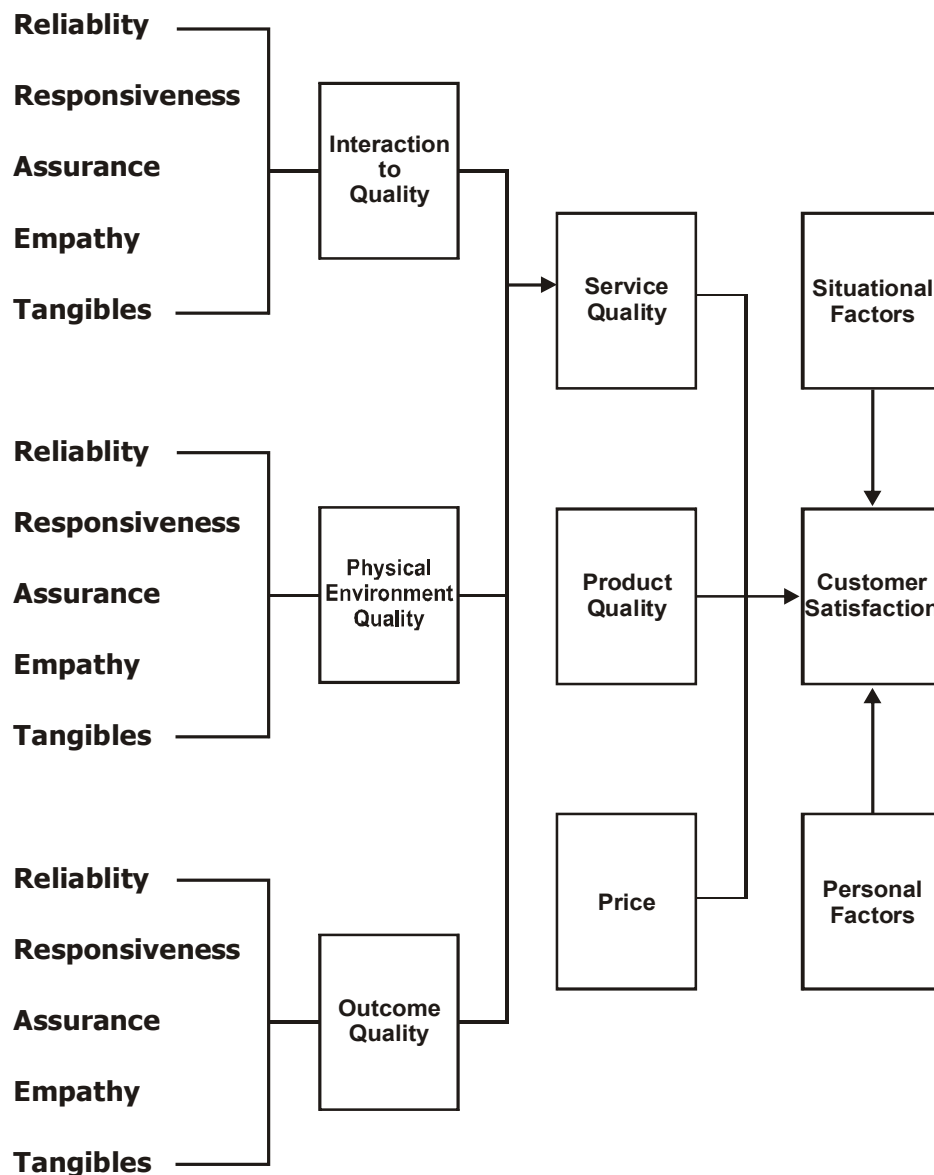
Richard L. Oliver has interpreted Customer satisfaction as “Satisfaction is the consumer’s fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment.”

**Customer delight** is defined as “Customer delight means more than just feeling great about a product or service.” It also means that the customer demonstrates high return and recommend rate behaviour.

### Determinants of Customer Satisfaction

Besides the five determinants of service quality, viz. reliability, responsiveness, assurance, empathy, and tangibles (Fig. 1); satisfaction is also influenced by product and service features, consumer emotions, their attributions, and their perception of equity or fairness along with personal factors.

**Fig – 1. Customer Perception of Quality and Customer Satisfaction**





## Scope of the Study

Though, the study is limited in its scope as it has been conducted in NCR only (Noida, Ghaziabad and Delhi) on a limited number of people (effective 170). However, it is large enough to give an insight of the industry because all the three companies are renowned and control more than 50% of central air-conditioning market. So assessing these companies in terms of customer satisfaction and delight will surely provide us with the better understanding of the feedback of the market.

## Companies' Profile

- i) **Blue Star Ltd** – Blue Star is India's largest central air-conditioning company with an annual turnover of Rs. 2575 crores. A network of 29 offices, 5 modern manufacturing facilities, 700 dealers and around 2600 company began as a modest 3-member team engaged in reconditioning of air-conditioners and refrigerators. Since then company has never looked back and has covered newer heights in the succeeding years. Today, Blue Star has wide variety of products spanning from central A.C. Room A.C. , Cassette A.C. to Water chiller.
- ii) **Voltas Ltd** - Voltas ltd was promoted as a JV between Tata Sons Pvt. Ltd and Volkart Brothers in 1954 to take over the Engineering & Import division of M/s. Volkart Brothers. The company went public in 1956 and the Volkart Brothers sold their stake in the company. In the beginning, it was only marketing imported products and was acting as an indenting agent. Gradually it established its first factory in 1963 to manufacture AC and refrigeration equipments at chinchpokli, Mumbai and one year later a new plant was setup in Thane, Maharashtra to manufacture air-conditioning equipments like compressor, condenser, and chiller. With time, the product range widened to include other engineering equipments. AC range of Voltas includes central AC, Split and window AC, Pristine, Panache, Cassette and Slimline.
- iii) **Hitachi Ltd** – Hitachi Ltd. Was incorporated at February 1, 1920 with Head Office at 1-6-6 Marunouchi, Chiyoda-ku, Tokyo (Japan). Hitachi, which means "risen sun", is looking for a new dawn of profits from its galaxy of businesses. The company is a world leading maker of powerful, corporate transaction-oriented mainframes as well as semiconductors, servers and other information systems. Hitachi's consumer goods from TV's refrigerators and washing machines. Its air-conditioning range includes various kinds of Home AC, Commercial AC, Refrigerators and Washing machines.

## Research Objectives

1. To assess the level of customer satisfaction and delight for each brand of central air-conditioner with respect to product features .
2. To assess the level of customer satisfaction for each brand of central air-conditioner with respect to service rendered.
3. To determine the position of Blue Star, Voltas & Hitachi based on customer's preference with respect to selected attributes.
4. To find out the most prominent area of dissatisfaction of the customers.



### Research Methodology

The study was conducted in Noida, Ghaziabad and Delhi on 210 respondents (50 architects, 50 engineers, 50 doctors, 30 consultants & 30 manages) who were selected on the basis of judgmental sampling. Among them 40 was the non-response size. So, effective sample size was 170. The study is based mainly on primary data collected with the help of a well drafted, pre-tested and structured questionnaire, Five point Likert scale has been applied wherever necessary as depicted below :

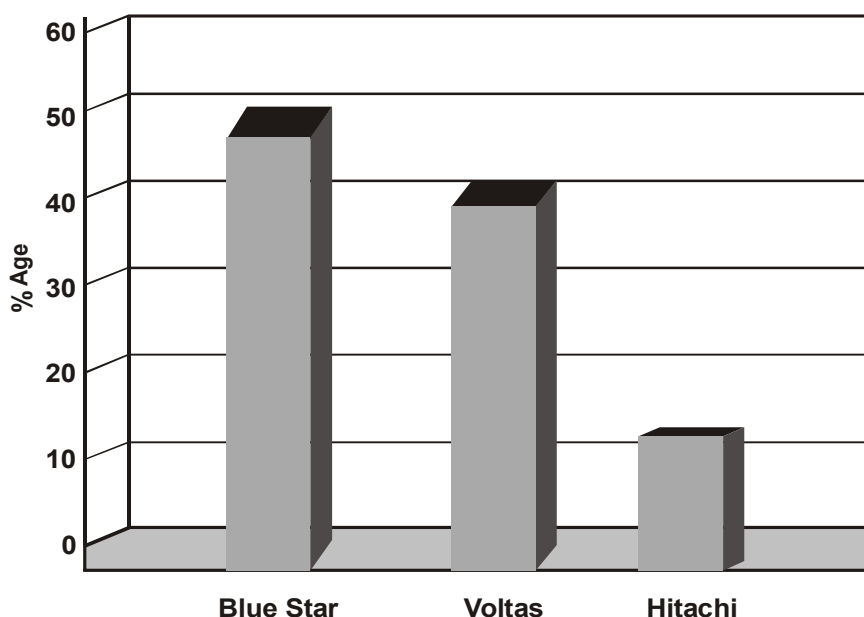
<b>Strongly Dissatisfied</b> (-2)	<b>Dissatisfied</b> (-1)	<b>Indifferent / Can't say</b> (0)	<b>Satisfied</b> (+1)	<b>Strongly Satisfied</b> (+2)
--------------------------------------	-----------------------------	---------------------------------------	--------------------------	-----------------------------------

The main central air conditioning customer satisfaction and delight research elements were :

- (a) Percentage of customer preference on the basis of ducting solution
- (b) Percentage of Customer preference on the basis of service quality
- (c) Percentage of customer preference on the basis of initial installation cost
- (d) Customer preference on the basis of availability of spare parts
- (e) Position of Blue Star, Voltas & Hitachi based on mean score for power saving
- (f) Position of Blue Star, Voltas & Hitachi based on mean score for durability
- (g) Position of Blue Star, Voltas & Hitachi based on mean score for intensity of noise
- (h) Position of Blue Star, Voltas & Hitachi based on mean score for breathing comfort
- (i) Position of Blue Star, Voltas & Hitachi based on mean score for cooling comfort
- (j) Position of Blue Star, Voltas & Hitachi based on mean score for duration of cooling even after power break down.

### Data Analysis & Interpretation –

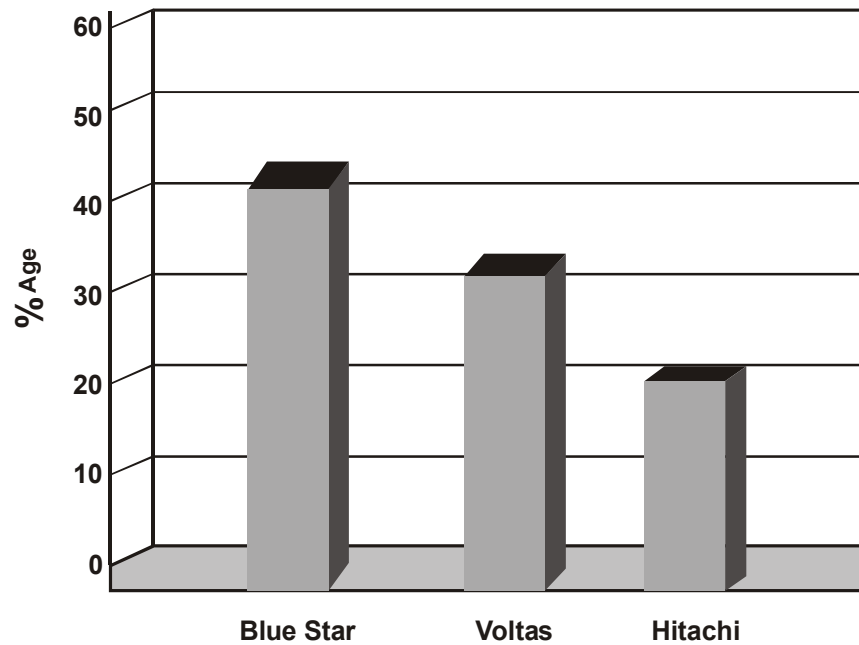
- (a) Percentage of Customer preference on the basis of ducting solution -





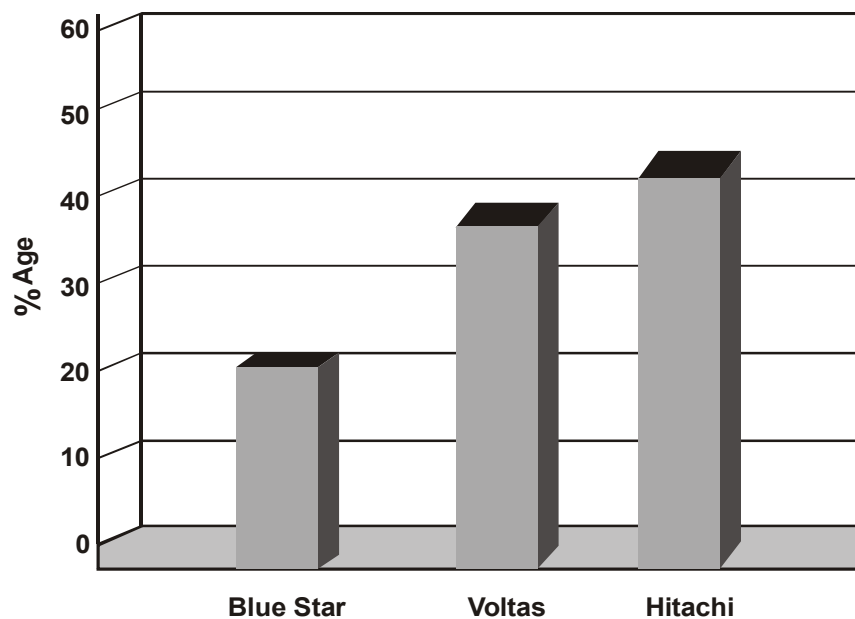
As per the survey, 48% customers prefer Blue Star on the basis on the basis of ducting solution whereas Voltas and Hitachi are preferred by 40% and 12 % customers respectively.

(b) Percentage of Customer preference on the basis of service quality



On the basis of service quality 44% customers prefer Blue Star whereas 36% and 20% prefer Voltas and Hitachi respectively.

(c) Percentage of customer preference on the basis of initial installation cost

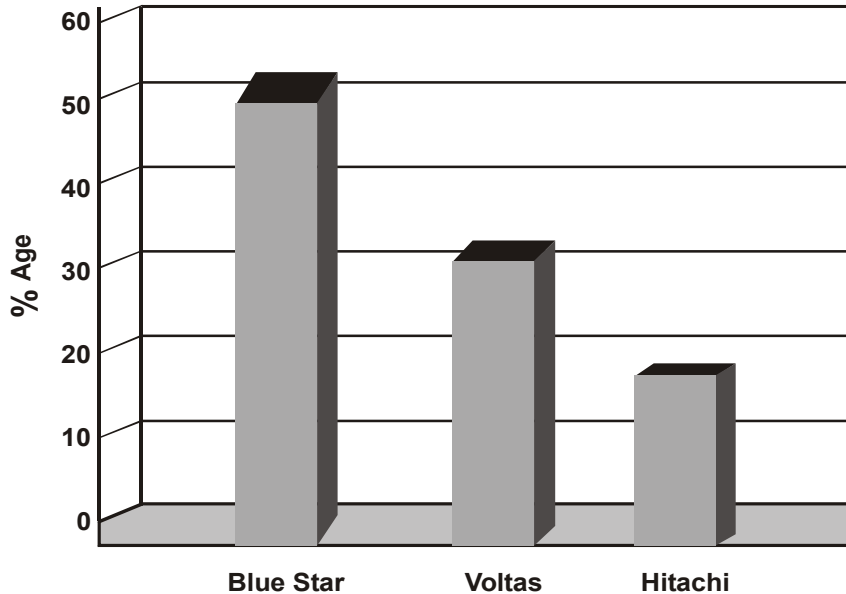






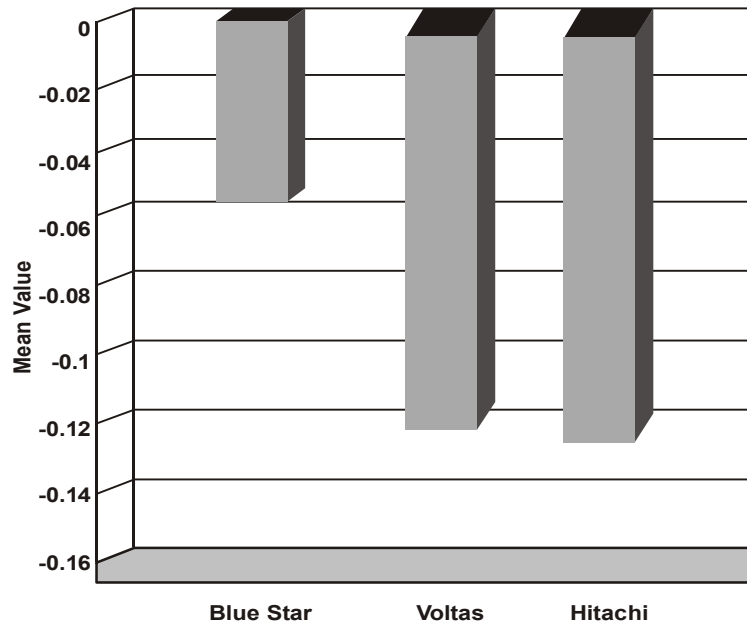
On the basis of installation cost only 20% customers prefer Blue Star whereas Voltas & Hitachi are preferred by 36% & 44% respectively.

(d) Customer preference on the basis of availability of spare parts -



52% customer prefer Blue Star because its spare parts are easily available. 32% customers prefer Voltas whereas 16% prefer Hitachi.

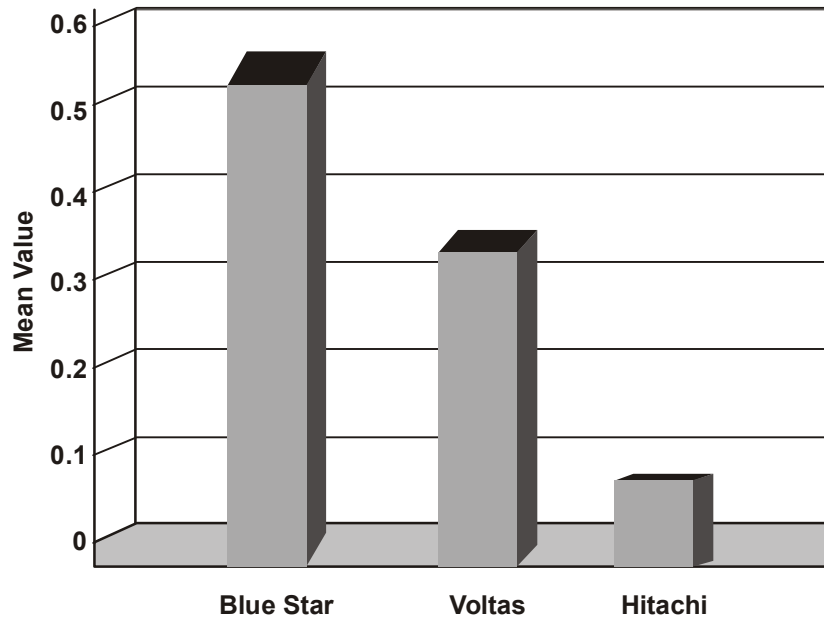
(e) Position of Blue Star, Voltas & Hitachi based on mean score for power saving



Negative mean value in each case shows that the customers are not satisfied on the ground of power saving by all three companies. They want more power efficient centralized air conditioning. However, Blue Star is more power efficient among all three experimental companies.

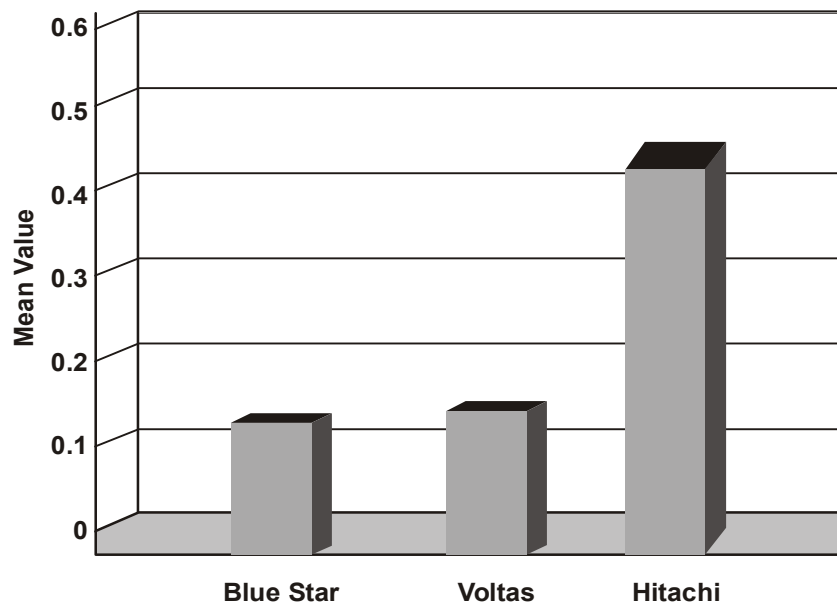


(f) Position of Blue Star, Voltas & Hitachi based on mean score of the durability



Blue Star scores over others as far as durability is concerned followed by Voltas and Hitachi.

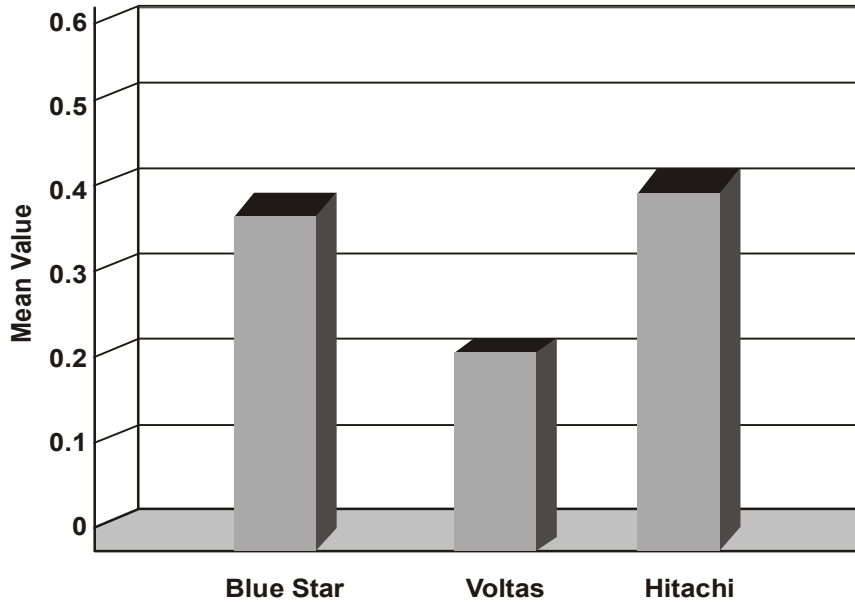
(g) Position of Blue Star, Voltas & Hitachi based on mean score for intensity of noise



Mean value of Blue Star and Voltas for intensity of noise are similar whereas it is more in case of Hitachi.

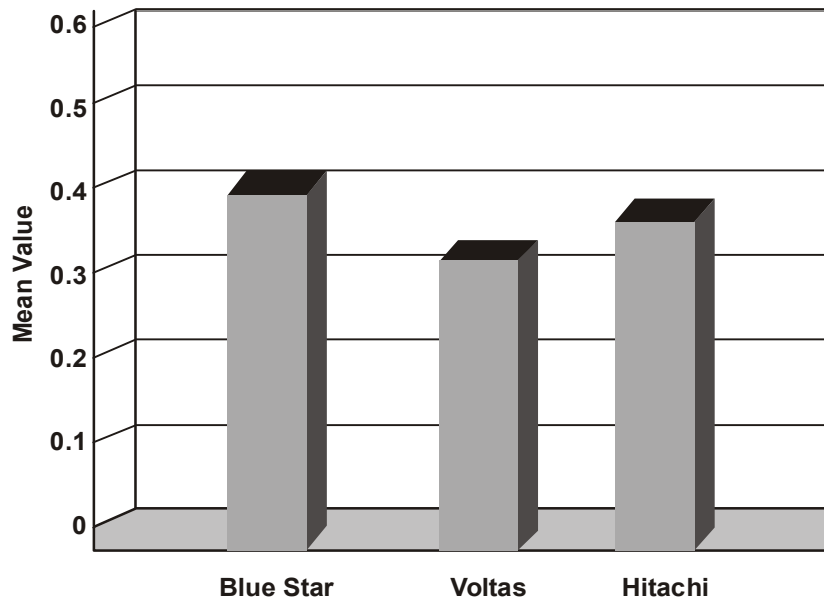


(h) Position of Blue Star, Voltas & Hitachi based on mean score for breathing comfort



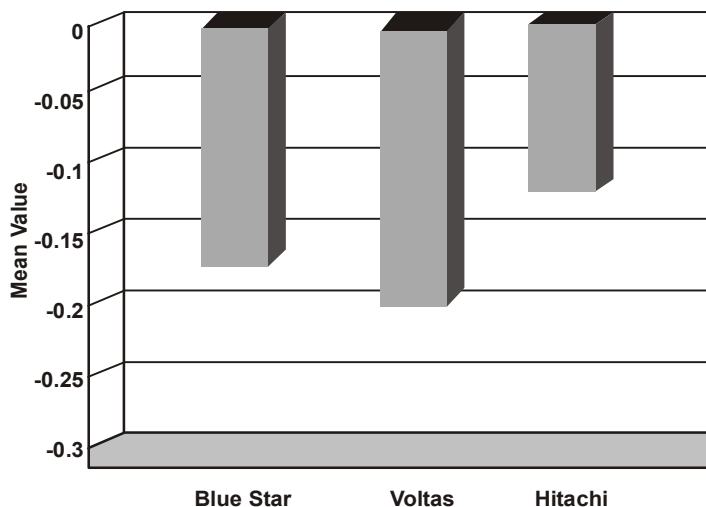
Hitachi has superior breathing comfort followed by Blue Star and Voltas.

(i) Position of Blue Star, Voltas & Hitachi based on mean score for cooling comfort



Blue Star has higher mean score for cooling comfort which means it provides more cooling followed by Hitachi & Voltas.

- (j) Position of Blue Star, Voltas & Hitachi based on mean score for duration of cooling even after power break down.



Though Voltas provides longer duration of cooling after power break down, However, people want even more longer duration of cooling after power cut. This is the reason mean value is negative.

#### Findings :

- On the basis of ducting solution, Blue Star is preferred more than Voltas & Hitachi.
- As per the availability of spare parts & service quality, Blue Star scores over others.
- Initial installation cost of Blue Star is higher than Voltas & Hitachi.
- In terms of Power consumption, Blue Star is more economical.
- Durability of Blue Star is much better than the other two companies.
- Lesser decibel of noise is with Hitachi as compared to Blue Star & Voltas Ltd.
- Blue Star provides better cooling comfort to their customers as compared to Voltas & Hitachi .
- In terms of breathing comfort Hitachi scores over other.
- As far a after sales services is concerned, Blue Star is better than Voltas & Hitachi

#### Conclusion

The study shows that Blue Star has come out as the more preferred brand in terms of quality & customer satisfaction in Air-conditioning market, especially in case of central air-conditioner. Though the other brands like Voltas & Hitachi are also doing well but in terms of durability, service quality & after sales service still they have to go a long way. As is evident from the results, Blue Star has always delighted its customers and stood test of time on the expectations of customer .

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## **FOOD SECURITY AND ITS IMPACT ON INDIAN SOCIETY**

**Dr. Aiyub Rayeen\***

### **ABSTRACT**

*Food is an important factor for human life in the world or as well as for Indian society, without food there is no life. Economy of Indian society emerged from the colonial rule as a food defect economy. There was no any progress made by the agriculture sector is agrarian society before independence<sup>1</sup>. Crop failures continue to occur at an interval of 3 to 5 years with the monotonic regularity<sup>2</sup>. The consequent shortage of food grains lead to malnutrition even starvation death, and massive migration of the poor society to urban society in search for food and services. The other problem is price highly marked rise in price of foods due to shortage of essential consumer goods. There should be availability of sufficient food grains at a reasonable price so that each and every individual in a society can access food grains as per her/his requirements. Even when the pace of economic development has been accelerating, the problem of food insecurity is still persisting in most underdeveloped countries of the world. According to the food and agricultural organization, India alone accounts for over 400 millions poor and hungry people<sup>3</sup>. Since reducing poverty from Indian society is one of the major development challenger facing our country. India has introduced a wide range of economic reforms, policies and management for social welfare.*

**Keywords :** Agriculture sector, Food Corporation of India (FCI), Minimum Support Price (MSP), Green Revolution Policy (GRP)

### **Methodology:**

The present paper is based on secondary data taken from the various issues of Economic survey, Government of India, New Delhi. In this paper, the discussion is based on to reduce crisis of food through government policies and its impact on Indian Society.

### **Food Security and its Impact:**

The country aimed at ensuring for food security to all the people, especially the poor society by the intervention of public distribution system. These system operates through a large distribution network of round 4.89 lakh fair price shops, and are supplemental in nature<sup>4</sup>. Under public distribution system the central government is responsible for the procurement and transportation of food grains up to the principal distribution centers of the FCI while the state Government are responsible for the identification of families living below the poverty line, the issue of ration cards, and the distribution of food grains to the vulnerable sections through EPS. Public distribution system to have failed in serving the second objective of making food grains available to the poor in the society, if it had the consumption levels of cereals should not have fallen on average, to improving its efficiencies, the public distribution was redesigned as TDPS with effect from June 1997. The TDPS envisages identify the poor households and giving them as fixed entitlement of good grains at subsidized process. Under this scheme higher rates of subsidizes are being given to the poor and to the poorest among the poor society.

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The concept of food security has been discussed mostly in making available minimum quantity of food grains to the entire population. Now, India has set three main objectives for its food management initiatives<sup>7</sup>, Such as,

- (i) Procurement of food grains from farmers at remunerative prices,
- (ii) Distribution of food grains to the consumers particularly the weaker section of Society, and
- (iii) Maintaining a buffer stock of food grains to ensure food security in the Country.

Government of India is also adopted Minimum Support Price (MSP), this initiative tries to ensure remunerative prices to the poor farmers in rural society by procuring food grains with a view to ensuring stability in food prices. Being the nodal agency, Food Corporation of India (FCI) is responsible for procurement, distribution and storage of food grains.

According to the report of Economic Survey of India, the year 2001-03 witnessed high level of stock build up. The food grain stock available with the FCI stood at an all time high of 64.7 million tones against an annual requirement of around 20 million tones for ensuring food security in June 2002. After the year 2002, there has been a steady decline in the food stocks because of selectively lower procurement of rice and wheat, reduction in the growth of agriculture sector, relatively high off-take of cereals, The stock position of food grains as on January 1, 2008 was 19.2 million tones against a buffer stock norm of 20 million tones comprising 11.5 tones of rice and 7.7 million tones of wheat. With reduced buffer stock of wheat has led to the government for resorting to import of wheat from abroad to meet the demand as committed towards targeted PDS and other welfare programmes for poor section of society. Since the world food price is at peak now, the domestic prices of wheat after the projected import is not expected to see a decreasing trend.

Further, the enhancement in minimum support price of food grains over the years has given rise to an increase in the economic cost and the distribution cost of the food grains. While the distribution cost of wheat and rice Rs.165.3 per quintal in 2003-04 the same rose to Rs.286.7 in 2007-08. During same period the economic cost of wheat and rice was Rs.928.7 and 1371.3 per quintal. The Government steps in price stability in food commodities for poor have not really benefited the poor farmers. Steps to insulate the poorer section of the society from price rise by distribution of essential food items through fair price shops, allocating food grains to Below Poverty line and Antodaya Anna Yojna beneficiaries, and maintaining CIP a wheat and rice at July 2002 level could not ensure the availability of sufficient food grains to the poor due to price rise in food items<sup>8</sup>.

Hence there has been a huge gap between the Minimum Support Price (MSP) and Central Issue Price (CIP) for below poverty line under targeted public distribution system, this gap has encouraged the unscrupulous fair price shop owners to divert the food grains to open market. The policy on agricultural production after mid-60s focused on enhancement of agricultural production and reduction in the import demand. Researchers have documented that the mechanism of support price for procurement and maintenance of rice and wheat stocks of maintaining food security in the domestic economy has not really supported this drive of the government rather it has created price-distortion in the food market both in India and foreign. The recommendations listed in the 10th plan for public distribution system should result in making the system more factual and efficient and capable of meeting the requirements of a liberalized economy for the benefit of society.



### **Policy of Food Security and Management :**

The situation regarding food security is not much better. Still a sizeable Section of the Indian society is deprived of adequate quantity of food grains at a reasonable price. Nearly 20% of total Population are living below poverty line and this figure itself explains the grim situation of food insecurity in India. Government of India has been adopted three main policies such as:

- (i) Policy of waiving Farm loan,
- (ii) Green Revolution Policy; and
- (iii) Technology Fatigue.

Now, we are going to analyse all these aspects in detail that what should India do?

(i) During the recent past, suicides by the farmers owing to their dept burden in many states have aroused hot debate and discussion in the parliament and among informed academicians. Taking into account UPA Government initiated a policy measures to waive the farm loans to end the debt trap of by the farmers and ensuring them food security. Due to heavy pressure of debt burden, this policy decision of the government was supposed to give relief to nearly four crores farmers at an estimated government outlay Rs.60, 000 crores.

However this scheme has been criticized by politician, academician and others that thin policy may not end the debt-trap to the farmers because the loans taken from non-institutional sources are not included into the waiver scheme, as money owned to private lenders accounts for around 70 percent of the total debts of the farmer. This substantial position of the debt amount will not be waived off, as this policy is only focusing on the institutional sources of loans. The definition about the small and marginal formers has to be different for the irrigated and non irrigated areas because farmers income who owns 5 to 6 hectares of land in the dry farming areas is often less than of those owing even less than a hectare of land in irrigated areas. There is no relief for farmers who are working in the informal sector. This policy did not indicate any provision in the budgetary allocation. So, this policy thus ignored about 45 percent farmers in the informal sectors who pay high rate of interest to money lenders as debtors to them. Thus, even though the loan waiving policy of the government is an important step, it is certainly not sufficient to end the problem of food scarcity in India.

(ii) The adoption of Green Revolution Policy (GRP) first time in India succeeded in a record grain output of 131 million tons in 1978-79. Yield per unit of farm land improved by more than 30 percent between 1947 and 1979. More than 71 percent of the wheat crop area, 35 percent of the rice crop area and 20 percent of the millet and corn crop area used the HYV seeds. Due to these achievements of GRP, India became world's biggest agricultural producers. India saw annual wheat production rise from 10 million tones in 1960<sub>s</sub> to 74 million tones in 2006.

But the impact of Green Revolution Policy can be seen to limited areas such as Punjab, Haryana, Gujrat, Mharashtra and other few states have been benefited and these are rich states. Other poor states can not be seen benefited by this GRP, like Orissa, Assam, Bihar, Madhya Pradesh and other states. These states are still found to be backward in agriculture production due to political discrimination done by central government. The transition from traditional agricultural in which inputs were generated on farm to Green Revolution agriculture which required the purchase of inputs, lead to the widespread establishment of rural credit institutions. Smaller farmers often went



into debt, which in many cases result in a loss of their farmland. Because wealthier farmers had better access to credit and land, the Green Revolution increased class disparities. Because some regions were able to adopt Green Revolution agriculture more readily than others, inter regional economic disparities increased as well. Many small farmers are hurt by the dropping prices resulting from increased production over all.

The Green Revolution Policy has shown many good results to improve the productivity in rice and wheat in India and this country became self-sufficient in food production. Due to this achievement some of the prominent socio-economists suggested that our country need second Green Revolution specially keeping in mind to those backward states which needs strong support of the central government for the success of 2<sup>nd</sup> Green Revolution<sup>11</sup>. It may definitely benefit to these states to increase their productivity in agriculture sector.

(iii) The 11<sup>th</sup> Plan and 53<sup>rd</sup> National Development council report focusing mainly on agriculture, that there is a technology fatigue, which needs to be addressed in order to increase the production of food grains and overall growth of agriculture, The situation assessment survey collected a report on various aspect of agricultural farming by the ministry of agricultural showed that over 40 percent of farmers are willing to get out of farming because it had become non-viable, no body seems to have high-lighted the cost and price related issues in the meeting. Technology fatigue<sup>11</sup>, It is not a new phenomenon, not common to all crops and all regions. It has existed in certain crop in India for many years now and it was never an issue earlier. We have been importing large quantities of pulses from various countries over many years because there is an absolute technology failure in pulses crop. Despite the fact that there is an increasing demand for pulses, we have not tackled this issue so far. This is the result of policy of fatigue because prices for different crops were not announced in consonance with the cost of cultivation.

The reduction in public investment in agriculture for new technology and other investment in production is most important considerable to be one of the reasons for poor performance of agriculture in recent years. Non-availability of institutional, credit in time has forced farmers to rely on non-institutional sources to meet their credit requirements for crop cultivation in most places in India. Farmers were unable to repay loans in time because the rate of interest charged by the money lenders in village society is exorbitant and the returns from crop cultivation are also very low. Hence, our planning commission has fixed target of 4 percent growth rate for the 11th plan period and it is going to be herculean work for policy makers in planning commission of India for the welfare agricultural farmers in village society.

### **Conclusion:**

We come to conclusion from this paper that the various factors have been tried to identify as responsible for the crisis in the availability of food and for the rise in prices of cereals items. It is very important that our country place renewed emphasis on self-sufficiency to ensure food security, since they are unlikely to be affording expensive food imports. Despite the huge stock of food grains available in FCI godowns, stray cases of hunger and death are still being reported. So, public distribution system should be reformed and made more efficient. The present system can be replaced by a system of food stamps and a food credit card system. To help the private sector to play an enhanced role in the distribution system, 26 percent foreign Direct Investment FDI should be allowed in food retailing and 100 percent FDI in insurance for agriculture and rural society.





**Foot Notes :**

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## ***OUTWARD FOREIGN DIRECT INVESTMENT FROM INDIA : MOTIVES AND ECONOMIC IMPLICATIONS***

**Suhail Mohammad Ghouse\* and Javed Aslam\*\***

### **ABSTRACT**

*This paper examines emerging patterns and the various economic implications of the emerging Indian multinational enterprises and their role as the new drivers of economic globalization. The paper focuses on the main motives of the outward foreign direct investment (OFDI) by the Indian MNEs and its economic implications on the Indian economy. The novelty of the study lies in its analysis of the overall investment climate for the internationalization of domestic companies and the nature of their global operations. The findings cast doubt on the recent surge in the OFDI from India as unmixed economic blessing, given the remaining distortion in the domestic investment climate.*

**Keywords :** Foreign Direct Investment (FDI), Multinational Enterprises(MNE'S), Emerging Multinational Enterprises (EMNE'S)

### **Introduction**

Foreign Direct Investment (FDI) plays a vital role in the development of a developing economy. It has become an important force of economic globalization over the last thirty years. The last three decades have seen major internationalization of industries from developing economies in terms of their greater participation in international trade, increase in the share of FDI, and a surge in their outsider merger and acquisition activity. Investment in FDI from developing countries is not a new concept but now a day there has been a marked increase in the magnitude of flows.<sup>1</sup> Flows of outward FDI from developing countries rose from about 6 billion in 1989-1991 to \$ 253 billion for 2007. The stock of outwards FDI from developing countries rose from around \$ 145 Billion in 1990 to \$ 2288 billion in 2007.<sup>2</sup>

The growing internationalization of firms from two fast growing developing countries, China and India is the debate. We are focusing India's FDI in current fiscal year. Exports have been a major feature of the growth of the Indian economy over the last few decades. Outward FDI from India has grown rapidly in recent years and industries from India are increasingly involved in overseas mergers and acquisitions. Nayyar (2008) explain outward FDI from India, whose flows grew from negligible levels in 1990 to \$ 13.6 billion in 2007, and stock rose from 0.1 billion in 1990 to \$ 29 billion by 2007.

Outward FDI from India has spanned investments in a broad range of sectors, including information technology, pharmaceutical, steel, food and beverages and services.<sup>3</sup> Indian company Tata group have made overseas acquisition in Automobiles acquiring Jaguar in the UK and steel Anglo – Dutch firm Corus. Ranbaxy has made global forms of pharma acquisitions with information technology and business processing. Firms from Indian have been involved in significant and growing levels of mergers and acquisitions abroad. Over the period 2005-07, cross border purchases by Indian firms averaged \$ 1.5 billion per annum.<sup>4</sup>

<sup>1</sup> See World Investment Report 2008, Annex Table A. 1.8 and Table B.1 in terms of its sectoral distribution; in 2004-06

<sup>2</sup> See World Investment Report 2008, Annex Table B.2.

<sup>3</sup> Aggregate statistics apart, many of the firms aggressively on the path of Internationalization are from India for instance, two thirds of the 100 firms identified as "New global challenger" in a recent Boston consulting group (2006) reports are Indian.

<sup>4</sup> See word investment Report 2008, Annex Tables B.1 and B.2

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The newfound outward orientation is notable for some of its qualitative aspects too, of which two stand out in particular one, the time profile of flow of FDI does not conform to the conventional predictions of the “investment development path” taken by developing countries. Traditional theories envisage developing graduating through different stages, starting from a stage where inward FDI allows domestic firms to acquire technology and one manufacturing capabilities, then graduating stage where domestic industrial capability allows these firms to export their output; only eventually investing overseas, and typically only in economics lower down in the state of development by design of their economic regimes, India developed their industrial base through policies of import substitution without recourse to massive in form of FDI in the early stages. India’s outward FDI flows have emerged much sooner than expected, whether compares to the trajectory of early industrializing nations or more recent industrialized nations such as South Korea.

Two, some of the capital outflows and acquisitions have been to developed economies rather than, as is often expected; to less developed economics. Tata, the large conglomerate from India, has made high profile business investments in the UK. At one level, the outward flow of capital from developing countries to acquire assets in developed countries presents of conundrum.

Ordinarily, we should expect the rate of return on capital to be higher for investments in a fast growing developing economy rather than for overseas ventures in industrially advanced economies. To put it simply, the “Uphill flow” of capital from labor rich developing countries to the developed world does not fit textbook economic theory. One possible explanation is contextual. Liberalization may have given firms an opportunity to diversify their real investment portfolios. The logic of diversification may make it rationale for a firm to expand overseas even when the returns on such investment are lower, as long as returns domestically and overseas are left than perfectly correlated.

The Indian firms that have led the internationalization process are those that were well diversified across domestic industrial sectors: consider the Tata Group, whose interests range from manufacturing steel to food beverages, and running hotels to business process outsourcing in the post-regulatory constraints on diversification abroad often compelled these firms to diversify domestically, beyond levels that can be explained by technological economies of scope. Once policy became suitably accommodating to outward FDI, international diversification followed quite naturally, in many cases, the firms quest for economies of scale also motivate them to invest abroad. This is particularly true in sectors such as steel and metals. At the same time, some of the FDI investments may have been prompted by “Push factors”: policies that distant the take of returns on capital at the enterprise level create an imperative to venture abroad.

### **FDI by Indian firms in a Global Context:**

The first overseas Indian venture was a textile mill setup in Ethiopia in 1959 by the large Indian conglomerate Birla Group of Companies. It sustained growth in Indian overseas investments through FDI could be seen starting around the late 1970’s when the industrial licensing system become more stringent as part of the government’s move to control big businesses. By 1983, there were 140 foreign investment projects in operation and another 88 various stages of implementation (1911-1986). The total number of approved projects had reached 229 by 1990. Kumar (2007) most of the foreign affiliates setup during the period 1975-1990-91 amounted to only \$ 220 millions.



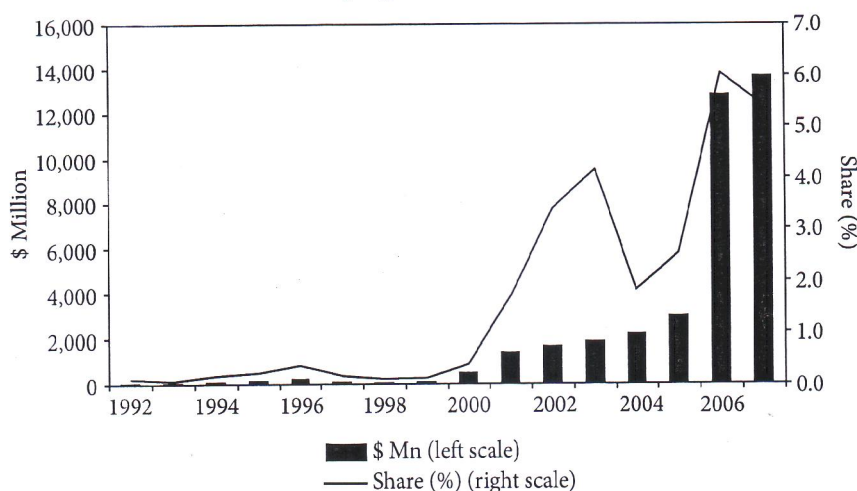
The second period of internationalization of Indian firms began from about 1995 and gathered momentum as foreign exchange restrictions on capital transfers for acquisitions liberalized in successive stages from 2000 (Magaraj 2006). The number of approved projects increased from 220 in 1990-91 to 395 in 1999-2000 and to 1595 in 2007-08 (Kumar 2008). Total FDI outflow from India increased from about \$25 million in the early 1990s to nearly \$14 billion in 2007.

### India's share in total developing economy:

FDI outflows remain below 0.5 percent throughout the 1990s but increased continuously since, reaching nearly 6.0 percent in 2007. (See table 1 and fig 1). India remains a net FDI recipient, even though the gap between outflows and inflows has been sharply narrowing over the past few years. In 1990, annual outflows, on average, amounts to 7 percent of inflows. This increased from about 30% to 60% between 2000-05 and 2005-07.

Data reported in this paper, unless otherwise stated, came from UNCTAD, World Investment Report database. The Data in table 1 helps in easily understanding India's relative position in the world as a source country of FDI. In the early 1990's, India's share in FDI outflows from developing economies was the lowest if we compare the four large emerging market economies used as comparison [Brazil, People's Republic of China (PRC), Mexico and South Africa]. Over the ensuing year, India's share has grown faster than those of the comparators. In 2004-05, it surpassed that of South Africa and in 2006-07, it surpassed that of Mexico. The share of FDI outflow in Gross Domestic Capital Formation (GDCF) in India has likewise increased much faster than the other four economies and the average for all developing economies during the period 1994-2007.

Figure 1. Indian Outward FDI: Value and Share in Outward Flows from Developing Economies, 1992-2007



FDI = foreign direct investment.

Source: Based on data from UNCTAD, World Investment Report database, downloaded 22 March 2009.


**Table 1. Foreign Direct Investment Outflows: India in a Global Context<sup>a</sup>**

Measure Economy/Economy Group	1994-1995	1999-2000	2004-2005	2006-2007
<b>(a) \$ billion</b>				
World	324.7	1159.9	900.5	1659.8
Developed economies	273.0	1055.4	767.4	1389.7
Developing economies	51.3	101.7	118.8	232.7
South Africa	1.9	0.9	1.1	5.2
Mexico	0.4	1.1	5.5	7.0
Brazil	0.9	2.0	6.2	17.6
China, People's Rep. of <sup>b</sup>	2.0	1.3	8.9	21.8
India	0.1	0.3	2.6	13.2
<b>(b) Share in total world outflows (%)</b>				
Developed economies	84.1	91.0	85.2	83.7
Developing economies	15.8	8.8	13.2	14.0
South Africa	0.6	0.1	0.1	0.3
Mexico	0.1	0.1	0.6	0.4
Brazil	0.3	0.2	0.7	1.1
China, People's Rep. of	0.6	0.1	1.0	1.3
India	nil <sup>c</sup>	nil <sup>c</sup>	0.3	0.8
<b>(c) Share in developing economy outflows (%)</b>				
South Africa	3.6	0.9	1.0	2.2
Mexico	0.8	1.1	4.6	3.0
Brazil	1.7	2.0	5.2	7.6
China, People's Rep. of	3.9	1.3	7.5	9.4
India	0.2	0.3	2.2	5.7
<b>(d) Share in gross domestic capital formation (%)</b>				
World	5.3	17.2	9.8	14.2
Developed economies	5.8	20.3	11.7	18.0
Developing economies	3.8	6.7	4.8	6.5
South Africa	6.7	3.6	2.7	5.4
Mexico	0.4	1.1	3.6	3.7
Brazil	0.7	1.9	5.5	3.6
China, People's Rep. of	0.9	0.4	1.0	1.7
India	0.1	0.3	1.2	4.4

a -Two-year averages.

b- Excluding Hong Kong, China; Macau SAR of the People's Republic of China; and Taipei, China

c- Less than 0.05.

Source: Compiled from UNCTAD, *World Investment Report* database downloaded 22 March 2009.

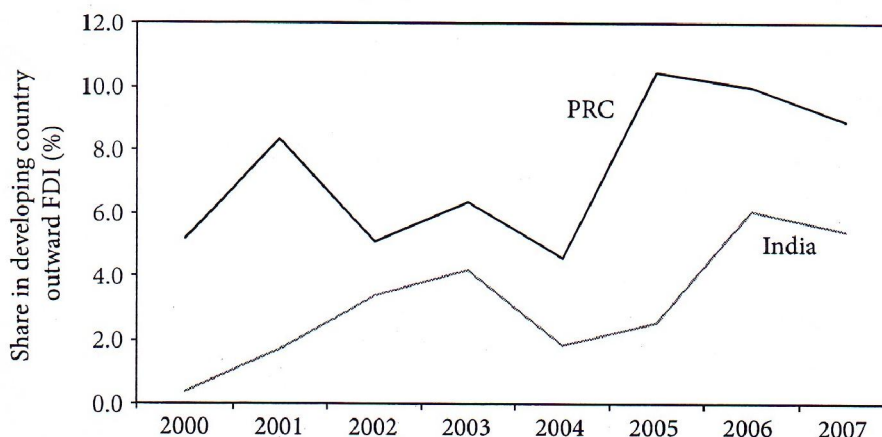


### Geographical Distribution:

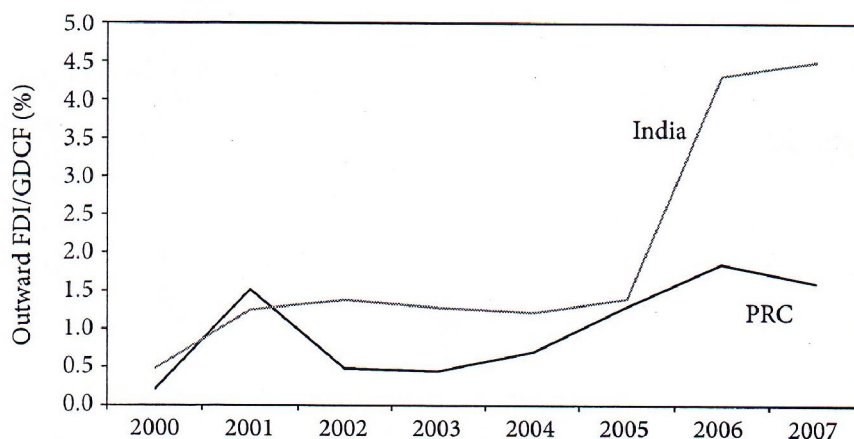
The main characteristic of EMNEs (Emerging Multinational Enterprises) in the 1970s and 1980s was their heavy concentration in developing countries. Geographically, Indian firms spanned latest in East Africa, Middle East, and South and East Asia relying on the Indian Diaspora in these economies (see table 2). The developing economy share of approved investment of Indian MNEs increased from around 35% in the early 1990s to more than 53% by 2002-06. Much of this diversification has resulted from acquisitions rather than Greenfield (investment in newly established firms). Developed economies accounted for over 80% of the total number of Indian acquisitions during the period 2000-06, “share much higher than that in total FDI”.

Figure 2. Outward FDI from the PRC and India, 2000–2007

(a) As a Percentage of Developing Economy Outward FDI



(b) As a Percentage of Gross Domestic Capital Formation



FDI = foreign direct investment; GDCF = gross domestic capital formation;

PRC = People's Republic of China.

Source: Based on data compiled from UNCTAD, *World Investment Report* database, downloaded 22 March 2009.



**Table 2. Geographical Distribution of Approved Outward Foreign Direct Investment by India (%)**

	Up to 1990	1991-1995	1996-2002	2002-2006
<b>Developing Economies</b>	86.1	63.8	63.3	46.2
Southeast and East Asia	36.3	26.0	11.0	12.8
South Asia	9.4	8.1	2.6	0.9
Africa	17.0	8.6	11.5	13.5
West Asia	9.0	13.0	6.4	4.4
Central Africa	10.4	1.9	0.6	1.2
Central and Eastern Europe	3.0	5.1	27.3	9.3
Latin America and the Caribbean	0.3	1.1	4.0	3.9
<b>Developed Economies</b>	13.9	35.0	36.7	53.8
Western Europe	7.8	20.4	12.3	35.2
North America	6.1	15.1	24.2	14.1
Total	100	100	100	100
Total, \$ million	222	734	6403	11587

*Note: Data are on the basis of Indian Financial year.*

*Source: Compiled from Kumar (2008), Table 3.*



**Table 3. Approved India Outward Foreign Direct Investment by Board Economic Category, 1999/2000-2007/2008 (%)**

Category	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	1999 2000	1999 2008
Manufacturing	31.2	26.8	73.1	71.9	52.8	72.3	59.9	24.9	43.7	42.7	42.7
Financial services	0.2	1.2	1.6	0.1	2.4	0.3	5.9	0.2	0.2	0.7	0.7
Non financial services	65.1	63.4	18.7	19.1	30.2	19.5	24.8	54.7	12.1	30.3	30.3
Trading	3.3	6.5	4.6	4.8	5.3	2.5	4.7	8.3	3.2	5.1	5.1
Other	0.1	2.1	2.0	4.2	9.2	5.4	4.7	12.0	40.7	21.3	21.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	1767	1406	3051	1464	1430	2781	2866	15053	22480	52299	52299

*Note: Date is on the basis of Indian financial year.*

*Source: Compiled from Reserve Bank of India, Annual Report (various years).*



**Table 4. Geographical Distribution of Foreign Acquisition by Major Sectors/Industry, 2001-2006**

Economy/ Region	(Number of rms)										Total	%
	Information Technology	Pharmaceuticals / Health Care	Automotive	Chemicals	Consumer Goods	Mining	Gas	Oil & Other	Total			
Africa	0	1	0	3	1	0	6	2	13	4.2		
Australia	2	0	0	1	0	8	1	2	14	4.5		
Canada	0	1	0	0	0	0	0	2	3	1.0		
China	1	1	2	1	0	0	1	2	8	2.6		
People's Rep. of												
Europe	15	30	13	2	3	3	0	15	81	26.2		
United Kingdom	10	6	5	1	5	1	0	12	40	12.9		
Japan	0	1	0	0	0	0	0	0	1	0.3		
Latin America	2	5	0	3	0	0	1	0	11	3.6		
Middle East	2	0	0	0	0	0	0	0	2	0.6		
Russia	0	0	0	0	0	0	1	1	2	0.6		
South Asia	0	0	0	1	1	0	2	1	5	1.6		
Southeast Asia	8	0	1	2	1	3	0	4	19	6.1		
United States	51	17	4	4	4	0	1	20	101	32.7		
Other	1	0	2	1	2	0	1	2	9	2.9		
<b>Total</b>	<b>32</b>	<b>62</b>	<b>27</b>	<b>19</b>	<b>17</b>	<b>15</b>	<b>14</b>	<b>63</b>	<b>309</b>	<b>100.0</b>		

Source: FICCI (2006).



**Sectoral Composition:**

During the three decades beginning in the late 1960s, more than 80% of Indian FDI was in manufacturing (Lall 1982, Lall 1986). Within manufacturing, Indian firms were spread over a much broader spectrum of activities than those of other countries (Wells 1983). The largest sector was textiles and yarn, accounting for a quarter of capital held overseas. The period from about 2004 to 2008 has seen a vast diversification in the sectoral/industry composition of overseas activities of Indian firms. The share of manufacturing in total approved capital declines from 72.3% in 2004-2005 to 43.7% in 2007-2008. (Table-3). There has been a notable increase in services-related FDI; disaggregated data (not departed here for brevity) shows that the major areas of concentration were manufacturing and pharmaceuticals, automotive; consumer goods; chemicals and fertilizers. Modern data is one the basis of Indian financial year source compiled from Reserve Bank of India, Annual report (various years).

**Table 5. Sectoral Composition of Foreign Acquisitions by Indian Firms 2001- 2006**

	Total Number of Acquisitions	Acquisitions for which values are Available				
		%	Value \$ Million	%	Average	Value
Information Technology	160	105	46.1	2351	24.3	22.4
Pharmaceutical and Health Care	51	23	10.1	1571	16.3	68.3
<b>Automotive</b>	<b>26</b>	<b>13</b>	<b>5.7</b>	<b>358</b>	<b>3.7</b>	<b>27.5</b>
Steel	9	8	3.5	1079	11.2	134.9
Metal and Minerals	7	5	2.2	129	1.3	25.8
Petroleum and Natural Gas	13	6	2.6	1445	15.0	240.8
Chemicals	24	17	7.5	316	3.3	18.6
Telecommunications	5	5	2.2	638	6.6	127.6
Consumer Goods	41	25	11.0	1297	13.4	51.9
Other <sup>b</sup>	35	21	9.2	472	4.9	22.5
Total	371	228	100.0	9656	100.0	42.4

<sup>a</sup>Includes textiles, electrical goods, cosmetics and toiletries, and food and beverages.

<sup>b</sup>Includes hotels, financial services, and non-financial services (media, publishing, shipping)

Source: CMIE (2007).





**Table 6. Foreign Acquisitions by Developing Economy Firms:  
Top 20 Economies in Terms of Total Value of Acquisitions. 2007-2008**

Economy	\$ Million	Rank	Share in	
			Developing Economy Acquisitions (%)	World Acquisitions (%)
Singapore	26145	1	8.7	2.3
United Arab Emirates	15468	2	11.1	1.4
Russia	13635	3	9.8	1.2
India	9743	4	7.0	0.9
Mexico	9430	5	6.8	0.8
Hong Kong, China	9123	6	6.5	0.8
Brazil	8026	7	5.8	0.7
Korea, Republic of	7278	8	5.2	0.6
Saudi Arabia	7110	9	5.1	0.6
China, People's Rep. of	6946	10	5.0	0.6
South Africa	5213	11	3.7	0.5
Qatar	3831	12	2.7	0.3
Argentina	3821	13	2.7	0.3
Malaysia	3533	14	2.5	0.3
Egypt	2760	15	2.0	0.2
Kazakhstan	2245	16	1.6	0.2
Turkey	1665	17	1.2	0.1
Bahrain	1609	18	1.2	0.1
Chile	1114	19	0.8	0.1
Taipei, China	1047	20	0.8	0.1

**Item**

Total world acquisitions, \$ million	1,129,195
Developing economy acquisitions, \$ million	139,578
Developing economy share (%)	12.4
India's ranking in the world	17

<sup>a</sup>Excluding tax-haven countries

Source: Compiled from UNCTAD, World Investment Report database, downloaded 22 March 2009.



### **Entry Modes:**

At the end of Mid 1990s, Greenfield investment was the norm for the overseas operating Indian firms. During this period any case was recorded of overseas acquisitions. Given the nature of terms and conditions applicable to overseas investment; all cases recorded during this year were joint ventures, usually with minority ownership. Since about 2004, the expansion of Indian outward FDI has primarily taken the form of acquisitions (see table 1). The total number of acquisitions increases from 25 in 2000 to 277 in 2008. During this period 2005-08, the value of total acquisitions amounted to \$22 billion, about 80% of India's total reports FDI outflow.

During this period, the new development foreign ventures have also shifted toward full ownership. According to a study of FICCI 2006, 68% acquisitions by Indian firms during 200-06 involved acquisition of full ownership; it has been the mode of entry in most of the large acquisitions in developed economies. Recently foreign acquisitions by Indian firms have increased at a much faster rate compared to the average developing country experience. In the year 2007-08 India ranked as the fourth largest overseas business acquirer country among the developing and transitional economies. Indian's share in total valued of developing economy acquisition (7%) was larger than those of PRC (5%) and Brazil (5.8%).

### **Motives for FDI outward FDI:**

Competitive advantage is a precondition but not a sufficient condition for FDI outward. There are some factors that motivate firms in investing abroad. The early literature provides a long list of factors like risk diversification, lack of information to the potential buyers about firms products and technologies etc.

The motives for outward FDI from India differ across industries and over time; the main drivers are:

- ✓ Access to technology and knowledge has been an important consideration for Indian firms seeking to improve their competitiveness and to move up their production value chain. In 2003, Wipro acquired Nerve Wire Inc (US) for \$ 18.7 million to improve domain knowledge and other IT related advantages. Wockhardt Ltd bought a pharmaceutical company in the UK for markets, knowledge and strategic reason.
- ✓ The increasing number of home grown Indian firms (e.g. Tata Group, Infosys, and Ranbaxy) and their improving ownership specific advantages, including financial capability, are among the key drivers. The growing competitiveness of Indian firms involves in providing outward business and IT services to foreign clients has provided a push for these firms themselves go global to operate near their clients and to expand their growth opportunities in market abroad.
- ✓ Securing natural resources is becoming an important driver for Indian outward FDI. In 2003 Hindalco acquired two copper mines in Australia and Oil and Natural Gas Commission (ONGC) Ltd., purchased a 25% stake in Sudan oil field from Talisman Energy (Canada) for \$ 720 million to secure the supply of resources.
- ✓ The another driver for investing abroad by Indian Firms to foreign market, production facilities and international names for instances Infuse acquired expert information services Pvt. Ltd. (Australia) in 2003 for \$22.9 million to decrease in Australia market. Tata Motors purchased Daewoo commercial company (Republic of Korea) in 2003 for \$ 118 million for accessing the South East Asian market.



### **How outwards FDI has helped India? :**

✓ The removal of policy and regulatory obstacles has been an essential first step in opening up the global expansion opportunities for Indian companies. In January 2004, Prime Minister Manmohan Singh announced that “Indian corporate will hereafter be freely permitted to make overseas ‘investment up to 100% of their net worth, whether through an overseas joint ventures or a wholly-owned subsidiary. This will enable Indian companies to take advantage of global opportunities and also to acquire technological and other skills for adoption in India. In 2005, the Reserve Bank of India (RBI) for the first time, allowed domestic banks to lend money to Indian companies for overseas acquisitions. Economic conditions have also become more favorable. As of June 2006, India had exchange reserves of US \$ 164.5 billion; companies can therefore fund overseas acquisitions more readily.

✓ Indian firms have traditionally used large cash reserves to acquire foreign companies and targeted less expensive distressed assets. Cash transactions are still relatively common, thanks to the positive cash flows of efficient Indian business. However, as Indian companies have become more global in culture and as the Indian banking system has become more sophisticated. M & A transactions are increasingly financed via debt. Access to capital is also made easier by the improvement in India’s country risk ratings. And the fact that certain Indian companies have credit ratings higher than the sovereign rating means that they have greater access to capital in overseas markets. A bonus of this greater need to access debt financing will be to boost India’s somewhat weak corporate debt market.

Since 2005, Indian companies have been permitted to fund foreign direct investments using external commercial borrowing. As result more Indian cross border deals are being financed in whole or in part, by foreign banks, in 2006. Tata Steel borrowed US \$ 8500 million in Singapore in a syndicated loan ‘involving 17 Banks to fund growth and acquisitions in south Asia and China.

Many Indian executives have long since overcome “cultural barriers” through their experiment working in multinationals and many more through work have studied aboard. All of this provides a level of comfort and ease in conducting business globally and in taking a more global perspective of business opportunities. Encouraged by visibly successful deals around the world, Indian business people are thriving in an environment where their entrepreneurial zeal and enthusiasm is being recognized globally. Names like Ranbaxy and M & M are no longer only familiar to industry insides. They are global brands, making waves on global markets.

This confidence is not restricted to India’s large companies with many smaller firms also taking to the global market place.

### **Concluding Remarks:**

India has a history of outward FDI dating back to 1950s but the total outflows remained small up to the later four decades. After the Indian govt. adopted liberalization, the outflows increased rapidly in the mid 1990s. In particular there has been a surge in outflows since about 2005 following significant dismantling of foreign exchange restrictions on capital transfers for acquisition of foreign ventures by Indian firms during the period 2000-2004. Some of the Indian firms are now among the strongest EMNEs.

The fact that Indian MNEs have emerged against the backdrop of a long standing import-substitution regime does not necessarily imply that a protected home market is breeding ground for successful global expansion



of the local firms. The industrialization process in India had begun much before the independence in 1947 as many big industrial houses had come up before this date. Overall, it remains a matter of speculation what would have been India's economic destiny and the role of India's big businesses if the process of economic reforms started in 1991 would have been taken place much earlier or the government had focused on the privatization after the independence in accordance with the Bombay plan.

Notwithstanding the rapid global spread in recent years, Indian MNEs are still at the formative stage of their global operations. Their perception is still largely based on country-specific, rather than firm specific advantages, although there are some isolated cases of companies developing their own firm specific advantages. Overall, they seem to be complimentary to, rather than directly competing with, developed country MNEs in their global operations.

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## ***THE DEVELOPMENT OF INDIAN RETAIL INDUSTRY***

**Dr. Ajit Kumar Bansal\***

### **ABSTRACT**

*Retailing in a layman's language involves the procurement of varied products in large quantities from various sources and their sales in small lot for direct consumption to the purchaser. The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before. Retail is clearly the sector that is poised to show the highest growth in the next five years. The sector is set for a revolution, as both the present players and new entrants are gearing up to explore the market. This sector contributes 10% of India's GDP and the current growth rate is 8.5%. The present size of the organized retailing sector is approx. 3% and is expected to grow 25-30% by the year 2010. There are about 325 new malls, 1600 supermarkets and 350 departmental stores currently under construction. Many players are coming up with huge investments, due to which the present 12 million mom-and-pop shops and kirana stores fear losing their business. As per most of the predictions sector might reach to US\$ 400-600 billion by the year 2010. In the current paper we shall discuss the development of retail industry, major players in retailing in India, Retail formats prevailing in India & the challenges faced by Indian Retail Industry.*

**Keywords:** Retail Industry, GDP, Retail Growth, Development, Retail Formats.

### **Introduction:**

The Indian retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

India's retail sector is wearing new clothes and with a three-year compounded annual growth rate of 46.64 per cent, retail is the fastest growing sector in the Indian economy. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike, introducing the Indian consumer to an unparalleled shopping experience. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage though attempts are being made to increase its proportion to 9-10 per cent by the year 2010 bringing in a huge opportunity for prospective new players. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP.

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### **Organized Retail Market in India: Size of Opportunity :**

Going forward, TSMG (Tata Strategic Management Group) projects that in the next 10 years, the overall retail market in India is likely to grow at a CAGR of 5.5% (at constant prices) to 1,677,000 Cr in 2015. The organized retail market is expected to grow much faster at a CAGR of 21.8% (at constant prices) to Rs. 246,000 Cr by 2015 thereby constituting ~15% of the overall retail sales. Based on our projections, the top 5 organized retail categories by 2015 would be food, grocery & general merchandise, apparel, durables, food service and home improvement. (See Fig.1)

The lifestyle and mindset-change of the Indian customer has led to a spur in the retail industry with the total private consumption in 2006 clocking Rs.20,000 billion according to the Indian Retail Report 2007. Cities like Mumbai, Bangalore, New Delhi, Hyderabad, and Pune have round 40 malls as of today, which is expected to touch 250 by 2010 (KPMG report).

The Indian retail industry is valued at \$270 billion, with organised retail cornering 4.5 %. The organized pie is expected to see a growth at a CAGR of 37 % (India Retail Report 2007). (See Fig.2)

The Indian retail has grown at a CAGR of 11.2% during the period 2007-2009 with food and grocery accounting for the major share. Despite the industry being dominated by the unorganized retailers, the organized retailing revenues have soared at a CAGR of 19.5% during the period 2007-2009. The apparel and footwear segment occupies the major share in the organized retail market.

According to the 8<sup>th</sup> Annual Global Retail Development Index (GRDI) of AT Kearney, Indian retail industry is the most promising emerging market for investment. In the year 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country, whereas it rose to 12% in the year 2009 and it is expected that by the end of 2010 it will reach to 22%.

### **Where is the opportunity?**

Retailers inspired by the Walmart story of growth in small town America are tempted to focus on smaller towns and villages in India. However, a careful analysis of the town strata-wise population, population growth, migration trends and consumer spend analysis reveals a very different picture for India.

As per our estimates, the share of the 35 towns with current population greater than 1 mn in the overall population of India would grow much faster from 10.2% today to reach 14.4% by 2025. Simultaneously, the share of these towns in the overall retail market would grow from 21% today to 40% by 2025. (See Fig.3)

Within these top 35 towns, an estimated 70-80% of trade could be in the organized sector. This is similar to the experience in China where in cities like Shanghai and Beijing, organized sector accounts for 70-80% of overall retail trade in certain categories.

Hence, retailers should focus on the top 37 towns in the next decade. The opportunity in smaller towns and rural India would be smaller and fragmented as compared to the larger towns.



### **The factors responsible for the development of the retail sector in India**

can be broadly summarized as follows:

- ✓ Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes. Looking at income classification, the National Council of Applied Economic Research (NCAER) classified approximately 50% of the Indian population as low income in 1994- 95; this is expected to decline to 17.8% by 2006-07.
- ✓ Liberalization of the Indian economy which has led to the opening up of the market for consumer goods has helped the MNC brands like Kellogs, Unilever, Nestle, etc. to make significant inroads into the vast consumer market by offering a wide range of choices to the Indian consumers.
- ✓ Shift in consumer demand to foreign brands like McDonalds, Sony, Panasonic, etc.
- ✓ The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets. About 47% of India's population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the retail sector in the country. As India continues to get strongly integrated with the world economy riding the waves of globalization, the retail sector is bound to take big leaps in the years to come.

### **Retail Formats in India:**

The following kinds of retail formats are found in India:

- Mom-and-pop stores: These are generally family-owned businesses catering to small sections of society. They are small, individually run and handled retail outlets.
- Category killers: Small specialty stores have expanded to offer a range of categories. They have widened their vision in terms of the number of categories. They are called category killers as they specialize in their fields, such as electronics (Best Buy) and sporting goods (Sport Authority).
- Department stores: These are the general merchandise retailers offering various kinds of quality products and services. These do not offer full service category products and some carry a selective product line. K-Raheja's Shoppers Stop is a good example of department stores. Other examples are Lifestyle and Westside. These stores have further categories, such as home and décor, clothing, groceries, toys, etc.
- Malls: These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.
- Specialty Stores: The retail chains, which deal in specific categories and provide deep assortment in them are specialty stores. Examples are RPG's Music World, Mumbai's bookstore Crossword, etc.
- Discount stores: These are the stores or factory outlets that provide discount on the MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over.



- **Hypermarkets/ Supermarkets:** These are generally large self-service outlets, offering a variety of categories with deep assortments. These stores contribute 30% of all food and grocery organized retail sales. Example: Big Bazaar.
- **Convenience stores:** They are comparatively smaller stores located near residential areas. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers.
- **E-tailers:** These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. Examples are Amazon.com, Ebay.com, etc.
- **Vending:** This kind of retailing is making incursions into the industry. Smaller products such as beverages, snacks are some the items that can be bought through vending machines. At present, it is not very common in India.

### **Major Retailers in India:**

**1. Pantaloon Retail:** It is headquartered in Mumbai with 450 stores across the country employing more than 18,000 people. It can boast of launching the first hypermarket Big Bazaar in India in 2001. It has an all-India retail space of 5 million sq. ft. which is expected to reach 30 million sq. ft. by 2010. It is not only the largest retailer in India with a turnover of over Rs. 20 billion but is present across most retail segments -

Food & grocery	- Big bazaar, Food bazaar
Home Solutions	- Hometown, furniture bazaar, collection-i
Consumer electronics	-e-zone
Shoes	-Shoe factory
Books: music & gifts	-Depot
Health & Beauty care	-Star, Sitara and Health village in the pipeline
E-tailing	-Futurbazaar.com
Entertainment	-Bowling co

One of their recent innovations include e-commerce' hybrid format of 'small' shops , the area for these stores will be 150 sq. ft. fitted with 40 digital screens. Customers will be encouraged to browse through the entire range of products on digital screen. They will be able to place the order, the delivery of which will be arranged by the shop to their homes within a few hours

**2. K Raheja Group:** They forayed into retail with Shopper's Stop, India's first departmental store in 2001. It is the only retailer from India to become a member of the prestigious Intercontinental Group of Departmental Stores (IGDS). They have signed a 50:50 joint venture with the Nuance Group for Airport Retailing. Shoppers Stop has 7, 52, 00 sq ft of retail space with a turnover of Rs 6.75 billion.



The first Hypercity opened in Mumbai in 2006 with an area of 1, 20,000 sq. ft. clocking gross sales of Rs. 1 bn in its first year. Crossword brand of book stores, Homes stop a store for home solutions, Mother care a concept stocking merchandise related to childcare are also owned by them. Recently, Raheja's have signed a MoU with the Home Retail Group of UK to enter into a franchise arrangement for the Argos formats of catalogue & internet retailing.

The group has announced plans to establish a network of 55 hypermarkets across India with sales expected to cross the US\$100 million mark by 2010.

**3. Tata group:** Established in 1998, Trent - one of the subsidiaries of Tata Group - operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large assortment of products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. Trent has more than 4 lakh sq. ft. space across the country. Westside registered a turnover of Rs 3.58 mn in 2006.

Tata's has also formed a subsidiary named Infiniti retail which consists of Croma, a consumer electronics chain. It is a 15000-17000 sq. ft. format with 8 stores as of September 2007. Another subsidiary, Titan Industries, owns brands like "Titan", the watch of India has 200 exclusive outlets the country and Tanishq, the jewellery brand, has 87 exclusive outlets. Their combined turnover is Rs 6.55 billion. Trent plans to open 27 more stores across its retail formats adding 1.5 mn sq ft of space in the next 12 DLF malls.

**4. RPG group:** One of the first entrants into organised food & grocery retail with Foodworld stores in 1996 and then formed an alliance with Dairy farm International and launched health & glow (pharmacy & beauty care) outlets. Now the alliance has dissolved and RPG has Spencer's Hyper, Super, Daily and Express formats and Music World stores across the country.

RPG has 6 lakh sq. ft. of retail space and has registered a turnover of Rs 4.5 billion in 2006. It is planning to venture into books retail, with the launch of its own bookstores "Books and Beyond" by the end of 2007. An IPO is also in the offering, with expansion to 450+ Music World, 50+ Spencer's hyper outlets covering 4 million sq. ft. by 2010.

**5. Landmark group:** Were launched in 1998 in India. Lifestyle is spread across six cities, covering 4.6 lakh sq. ft. with a turnover of Rs 3.5 billion in 2005. A new division named Lifestyle International has emerged for their international brands business comprising Bossino, Kappa and Springfield in their portfolio. Their retail mix includes Home solutions (Home centre), fashion (lifestyle, landmark International), value retailing (max retail), hypermarkets & supermarkets (Max), kids entertainment (Funcity).

They plan to invest Rs. 300 crores in the next two years to expand on Max chain, and Rs 100 crores on Citymax 3 star hotel chain. They have already instituted a separate company christened Citymax Hotels (India).

**6. Piramal Group:** In September 1999, Piramal Enterprises announced their arrival into retail with the launch of three retail concepts: India's first true shopping mall of international standards, called Crossroads; a lifestyle department store named Piramyd Megastore; and a family entertainment centre known as Jammin. Piramyd Megastore and Jammin were anchor tenants for Crossroads (recently sold to Pantaloon for Rs 4 billion). In 2001, the group entered the business of food & grocery retail with the launch of TruMart supermarkets in Pune. They have around 18 TruMart stores covering 1.90 lakh sq. ft. registering a turnover of Rs 37.6 mn in 2005. Piraymd Megatsore's contributes more than 70 % to their retail mix with a turnover of Rs 112.8 mn. They plan to open 150 stores covering 75 mn sq ft of retail space in the next 5 years.



**7. Subhiksha:** Subhiksha is a Chennai-based, decade old, no frills, food, grocery, pharma and telecom, discount retail chain. ICICI Venture Capital holds 24% in the equity capital of Subhiksha. It has more than 500 stores across the country covering a retail space of more than 1 million sq ft with a registered turnover of Rs 3.34 bn in 2006. It has a planned investment of Rs.300 crores to ramp up its operations to 1200 stores by 2008.

**New but potential BIG player.**

**8. Bharti-Walmart:** Their plans include US\$ 7 bn investment in creating retail network in the country including 100 hypermarkets and several hundred small stores. They have signed a 50:50 percent joint venture agreement with Walmart. Wal-Mart will do the cash & carry while Bharti will do the front-end.

**9. Reliance :** India's most ambitious retail plans are by reliance, with investments to the tune of Rs. 30,000 cr (\$ 6.67 bn) to set up multiple formats with expected sales of Rs 90,000 crores (\$20bn) by 2009-10. There are already more than 300 Reliance Fresh stores and the first Reliance Mart Hypermart has opened in Ahmedabad. The next ones are slated to open at Jamnagar, followed by marts in Delhi / NCR, Hyderabad, Vijaywada, Pune and Ludhiana.

**10. AV Birla Group:** They have a strong presence in apparel retailing through Madura garments which is subsidiary of Aditya Birla Nuvo Ltd. They own brands like Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town.

In other segments of retail, AV Birla Group has announced investment plans of Rs 8000 - 9000 crores in the first 3 years till 2010.

**Challenges of Retailing in India:** Retailing as an industry in India has still a long way to go. To become a truly flourishing industry, retailing needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation, which favours small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

The retailers in India have to learn both the art and science of retailing by closely following how retailers in other parts of the world are organizing, managing, and coping up with new challenges in an ever-changing marketplace. Indian retailers must use innovative retail formats to enhance shopping experience, and try to understand the regional variations in consumer attitudes to retailing. Retail marketing efforts have to improve in the country - advertising, promotions, and campaigns to attract customers; building loyalty by identifying regular shoppers and offering benefits to them; efficiently managing high-value customers; and monitoring customer needs constantly, are some of the aspects which Indian retailers need to focus upon on a more proactive basis.



Despite the presence of the basic ingredients required for growth of the retail industry in India, it still faces substantial hurdles that will retard and inhibit its growth in the future. One of the key impediments is the lack of FDI status. This has largely limited capital investments in supply chain infrastructure, which is a key for development and growth of food retailing and has also constrained access to world-class retail practices. Multiplicity and complexity of taxes, lack of proper infrastructure and relatively high cost of real estate are the other impediments to the growth of retailing. While the industry and the government are trying to remove many of these hurdles, some of the roadblocks will remain and will continue to affect the smooth growth of this industry. Fitch believes that while the market share of organised retail will grow and become significant in the next decade, this growth would, however, not be at the same rapid pace as in other emerging markets. Organised retailing in India is gaining wider acceptance. The development of the organised retail sector, during the last decade, has begun to change the face of retailing, especially, in the major metros of the country. Experiences in the developed and developing countries prove that performance of organised retail is strongly linked to the performance of the economy as a whole. This is mainly on account of the reach and penetration of this business and its scientific approach in dealing with customers and their needs. Early signs of organized retail were visible even in the 1970s when Nilgiris (food), Viveks (consumer durables) and Nallis (sarees) started their operations. However, as a result of the roadblocks, the industry remained in a rudimentary stage. While these retailers gave the necessary ambience to customers, little effort was made to introduce world-class customer care practices and improve operating efficiencies. Moreover, most of these modern developments were restricted to south India, which is still regarded as a 'Mecca of Indian Retail'.

**Road Ahead :** According to industry experts, the next phase of growth is expected to come from rural markets. As per a market research report published in June 2008 by RNCOS titled, 'Booming Retail Sector in India', organised retail market in India is expected to reach US\$ 50 billion by 2011. Number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015. Rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent. Driven by the expanding retail market, the third party logistics market is forecasted to reach US\$ 20 billion by 2011. Organised retailing of mobile handset and accessories is expected to reach close to US\$ 990 million by 2010. India continues to be among the most attractive countries for global retailers. Foreign direct investment (FDI) inflows between April 2000 and April 2010, in single-brand retail trading, stood at US\$ 194.69 million, according to the Department of Industrial Policy and Promotion (DIPP).

- Leading watchmaker Titan Industries Limited plans to invest about US\$ 21.83 million for opening 50 premium watch outlets Helios in next five years to attain a sales target of US\$ 87.31 million. "We are looking to open Helios outlets in Mumbai, Delhi, Hyderabad, Kolkata, Chennai, Pune, Ahmedabad etc in next 12 months," said Ajoy Chawla, Vice President (Retail), Titan.
- British high street retailer, Marks and Spencer (M&S) plans to significantly increase its retail presence in India, targetting 50 stores in the next three years. M&S currently operates 17 stores in India through a joint venture (JV) with Reliance Retail.
- Chinese retail major, Yishion has entered the Indian market and plans to have at least 125 points of sales, including exclusive stores and multi-brand outlets, across India by 2012. It will open its first exclusive store in New Delhi by September 2010.



- Spain's Inditex, Europe's largest clothing retailer opened the first store of its flagship Zara brand in India in June 2010. It further plans to open a total of five Zara outlets in India.
- Bharti Retail, owner of Easy Day store—supermarkets and hypermarts—plans to invest about US\$ 2.5 billion over the next five years to add about 10 million sq ft of retail space in the country by then, according to a company spokesperson.
- Raymond Weil plans to invest US\$ 883,665 in India during 2010, according to Olivier Bernheim, President and CEO, Raymond Weil.

### **India Retail Industry: Snapshot of Indian Retailer, Indian Consumer, Indian Retail Market Size and Potential**

- The Indian retail industry accounts for 11% of the GDP and 8% of employment.
- The government allows 100% Foreign Direct Investment (FDI) in cash and carry through the automatic route and 51% FDI in single brand retail through Foreign Investment Promotion Board (FIPB).
- The Economic Survey 2007-08 has suggested that share of foreign equity in all retail trade is 100% in respect of luxury brands and other specialized retail chains.
- The back-end costs without distribution centre costs or retail administration costs in retail jargon are around 2.5% to 3% of sales.
- India is being touted as the next big retail destination with an average CAGR of 40% to 45%.
- The sheer size of the population demands attention from retailers worldwide and the potential for growth in this nascent industry is tremendous.
- As per AT Kearney's GRDI for 2008, India ranks second to Vietnam. It topped the list in 2007.
- India is the world's 4th largest economy in terms of Purchasing Power Parity, after USA, China and Japan; it is expected to move to the third position by 2010.
- India is rated ahead of China on the Foreign Direct Investment Confidence Index (FDICI) making it an attractive retail market among other emerging economies in the world.
- According to a study conducted by the Associated Chambers of Commerce and Industry (ASSOCHAM), the annual retail sale that was close to US\$ 6 billion in 2007, is expected to reach USD 17 billion by 2010.
- The ICRIER study found that total Indian retail business would grow at 13%, from US\$ 322 billion in 2006-07 to US\$ 590 billion in 2011-12. The unorganized retail will grow 10% from US\$ 309 billion 2006-07 to US\$ 496 billion in 2011-12.
- India is rated in the highest category of the Aspirational Index in Asia as per the AC Nielsen Online Omnibus Survey 2005.
- According to NCAER, only 14% Indian households will have annual household incomes less than US\$ 921.66 by 2012.
- An Economic Times study of 50 top consumer goods and services firms in the June quarter of 2008-09 saw sales grow at an average rate of 24% year on year.



**Conclusion:** The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for 11 per cent of the country GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

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**Index:**

Fig.1

**Organized Retail Market in India (Rs. Cr.)**

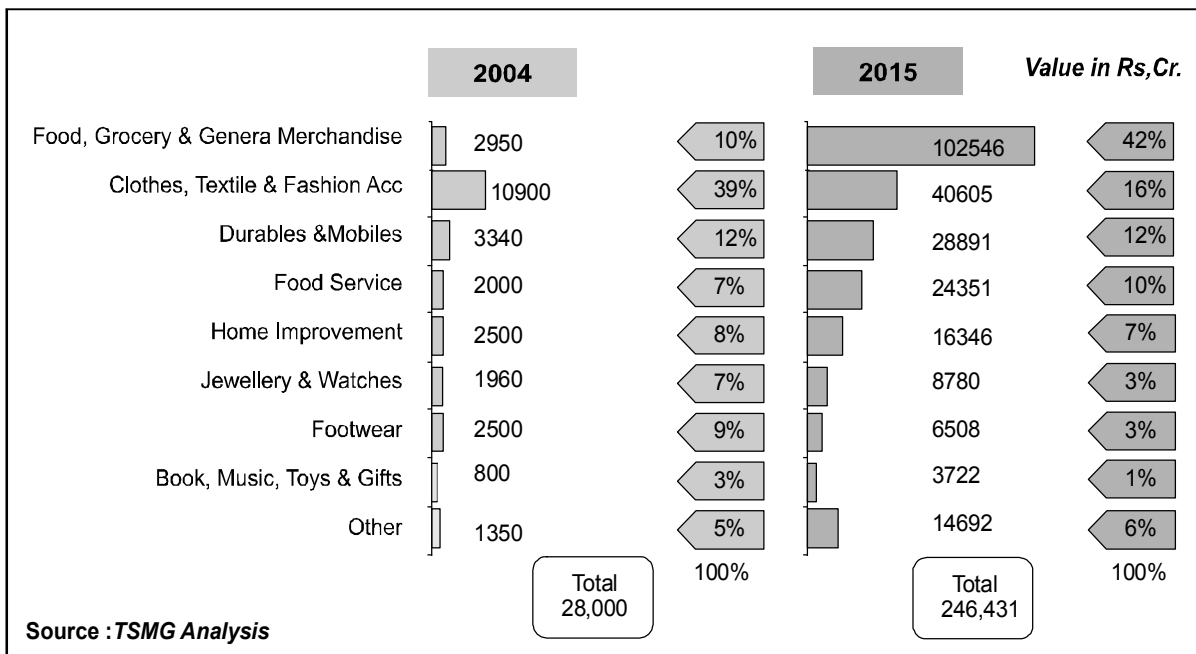


Fig.2

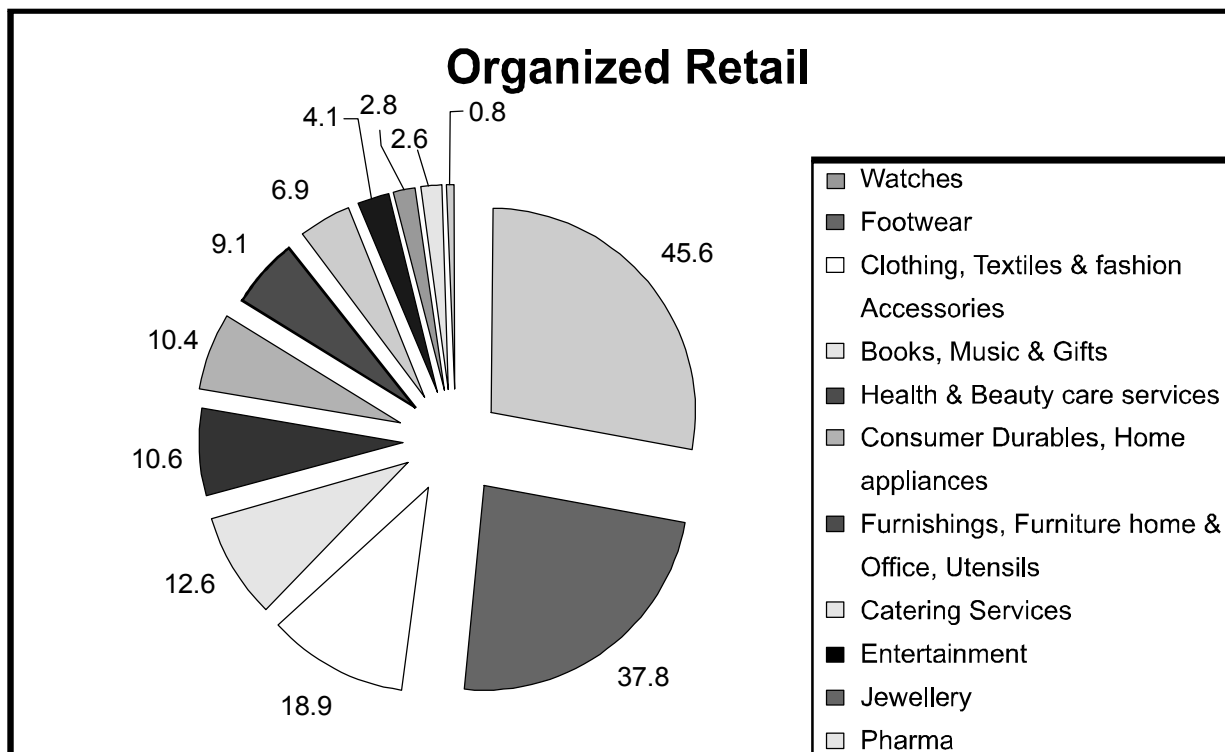
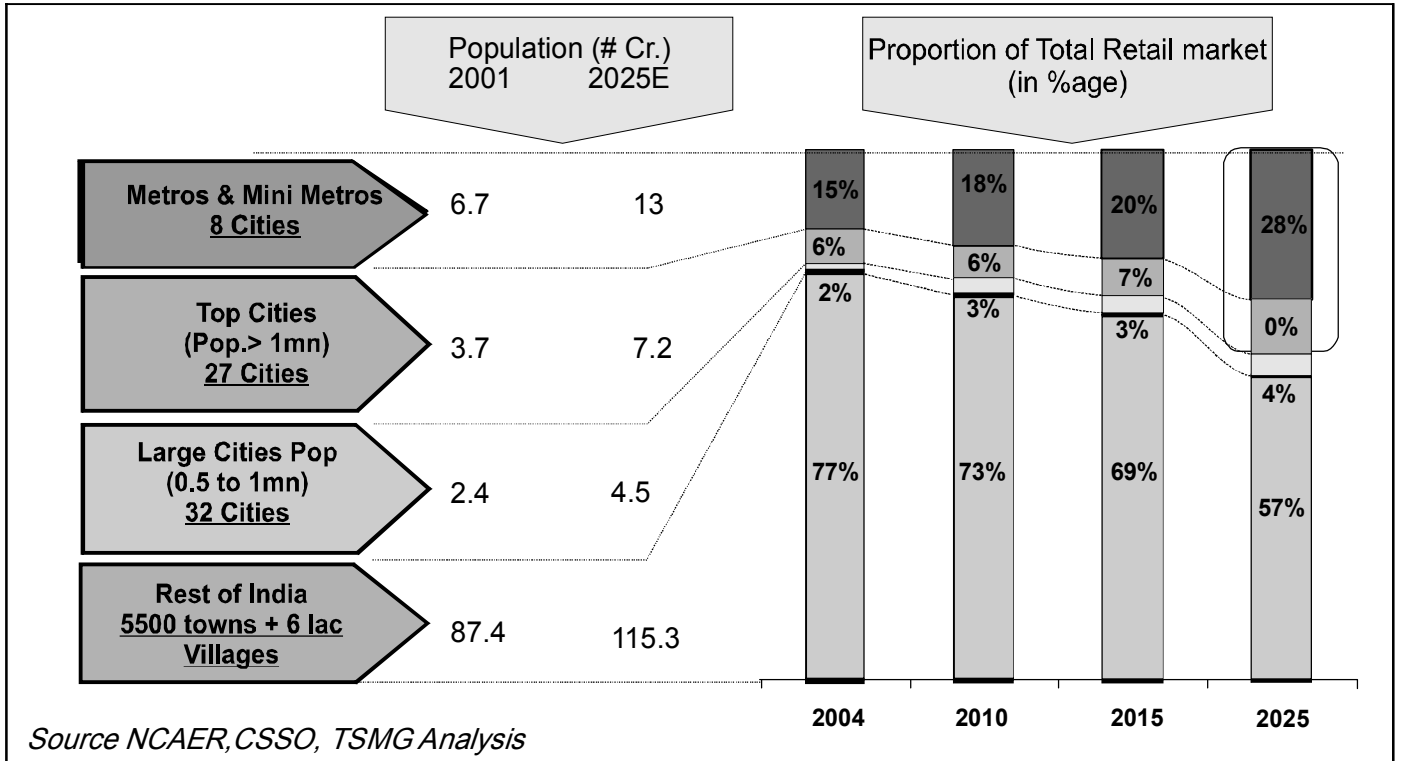




Fig.3





## ***PROBLEMS FACED BY THE RETAILERS AND CUSTOMERS – AN EMPIRICAL STUDY***

**Dr. M. Dhanabhakya<sup>\*</sup>, V. Anitha<sup>\*\*</sup>**

### **ABSTRACT**

*The retail scenario is one of the fastest growing industries in India over the last couple of years. India retail sector comprises of organized retail and unorganized retail sector. Traditionally the retail market in India was largely unorganized; however with changing consumer preferences, organized retail is gradually becoming popular. Unorganized retailing consists of small and medium grocery store, medicine stores, subzi mandi etc. More than 90% of retailing in India fall into the unorganized sector, the organized sector is largely concentrated in big cities. Organized retail in India is expected to grow 25-30 per cent yearly and is expected to increase from Rs35,000 crore in 2004-05 to Rs109,000 crore (\$24 billion) by 2010.*

**Key Words:** Retailing, Consumer preferences, Customers, Marketing, Behaviour

### **Introduction**

Retailing is the activity of selling goods and services to a final consumer for his own use. It is concerned with getting goods in their finished state into the heads of customers who are prepared to pay for the pleasure of eating, wearing or experiencing particular products items. Retailing is all about distribution of goods and services. Retailers form the link between the manufacturers, wholesalers, agents and the customers. They are the persons who keep in touch with the customers and get an opportunity to understand their needs and preferences.

The retail sector in India is witnessing unparalleled growth. Unmatched demographics, rising income levels, shifting lifestyles and changing aspirations of the burgeoning middleclass has unleashed a retail revolution in the country. Fresh retail geographies are emerging, innovative formats are being introduced and retailers are tapping new customer segments with prolific product offerings.

### **Statement of the Problem**

In this competitive world, we can see many problems in marketing of any product or service. Some problems can be solved, but so many problems may not be solved. India is a developing country and retail marketing is an important one to develop a country's economy. Retailers, who are the connecting link between the producer and consumer, face many problems to market their products from various dimensions and many causes behind this. At present the customers are also more dynamic. The customers have certain expectations from the items they purchase such as its quality, price, good services etc. Hence, there is a need for a research work in the field of problems of retail marketing in the point of view of retailers and customers as well.

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## Review of Literature

Review of previous studies is essential for every research to carry on investigation successfully. Hence, the present study is also based on the following reviews.

Amuthan.R. (2004) studied “A study on Retail Banking strategies of private sectors Banks with special reference to HDFC bank & ICICI Bank”. It is only their continued thrust and world class banking made them yielding the net profit of Rs.387 crores and Rs.1206 crores respectively.

Thirumoorthi.P. (2006) studied in his research about “A study on retailers and customer attitude towards P & G Detergent Powder”. It can be concluded that the company must concentrate more on high margin to create a better performance. Importance must be given to sales promotion. The retailers must also be asked to give more displays and discounts. Thus it can be concluded that the customer and retailer attitude towards the P & G detergent powder is positive.

Suresh (2007) studied in his research about “Buying Behaviour and promotion in Textile Retailing and concluded that increase in turnover should be achieved by reducing the margin in this competitive era to survive in the long run. Keep updates about the price fluctuations and new fashions in the supplier market. Always be in a receptive mood to know the preference and taste of customers”.

Tamilarasan.R. (2007) in his study focused to “A study on Retail store service Quality Dimensions in select Retail stores”. This study after an in depth analysis of a variety of store dimensions and services quality dimensions reveals that all these dimensions have to be improved to earn a competitive edge and survive in the retail Business in view of the changing and emerging retail scenario, in India with the possible advent of the MNC’s in the retail Indian Market Scenario.

LaxmiPrabha.G. (2007) in her study focused to study “the prospects and problem of Indian Retailing” one of the major concerns of retail is “shoplifting”, shoplifters use different shoplifting techniques for the theft. It is done deliberately with the intention of robbing the processor for the particular piece of property that has been stolen from the retail establishment.

Amatural Baseer (2007) studied in his research about “Emerging Trends in India”, The demanding ascertain Indian consumer is now sowing the seeds for an exciting retail transformation that he already started bringing in larger interest from international brands / formats. With the advent of these players, the race is on to please the Indian customer and its time for the Indian customer sit back and enjoys the hospitality of being treated like a King.

Rathanyake (2008) studied in his research about “customer complaining Behaviour in Retailing”, proper understanding of the dynamics of customer complaining behaviour support the retailer to treat the customers who are not satisfied with the retail Experience.

Hariharan.G. (2008) in his study “profile and perception of retail consumers”, analyzed the consumers perception towards retail, in Palakkad. Visiting retail outlets has become a group activity. Most of the shoppers are influenced by as well as accompanied by colleagues, friend and relatives. Majority of the people who visit do not shop at all. The hang around meet friends, do window – shopping and spend time leisurely.



## **Objectives Of The Study**

The specific objectives of the study are as follows.

- To ascertain the problems of retailers
- To evaluate the causes of problems in retail business
- To identify the satisfaction level of customers towards retailing services
- To analyse the problems faced by the customers in retail marketing

## **Methodology-Data**

The present study intends to examine the issues framed in the objectives relating to the problems in Retail Marketing. The study is an empirical research based on survey method and the data collected for the study includes only primary data. The primary data have been collected through the survey method by direct personal interview with the sample respondents. The required primary data for the present study were collected from 100 sample respondents by using interview schedule method. For the present study, among various retail markets available in Pollachi Town, food and grocery retail markets have been selected by considering their market share.

## **Sampling Design**

The sample size of the study is taken as 100 which consist of 50 customers and 50 retailers. A sample obtained from customers' includes regular customers (per month) and temporary customers who have previous dealing with the retailers and a sample obtained from retailers include food and grocery retailers. Convenience sampling method is employed for data collection from both the retailers and customers.

## **Frame Work and Tools Used For Analysis**

Data collected through interview schedule were presented in a master table and required sub tables were prepared. The statistical tools such as Percentage analysis, Weighted ranking analysis, Garrett's ranking analysis, Likert's scaling technique and Chi-square analysis were applied which are considered appropriate to this study. Statistical package 17.0 was employed to work out certain calculations.

## **Area and Period of The Study**

The area of the study is confined to Pollachi town, Coimbatore district. The data was collected through the questionnaire.

## **Problems Faced By The Retailers**

In the present study an attempt is made to analyse the problems faced by the retailers by using weighted ranking method and the problems are categorized into four viz. problems from employees, problems from customers, problems from dealers and problems in terms of finance.

## **Problems From Employees- Weighted Ranking Analysis**

Here, an attempt is made to analyse the problems of retailers from employees by using weighted ranking analysis.

**Table 1 -Problems from Employees - Weighted Ranking Analysis**

S.No.	Reasons	Weighted Score	Rank
1	Untrained employees	166	II
2	Laziness of the employees	148	III
3	Lack of reliability	174	I
4	Irresponsible approach with customer	135	IV
5	Poor co-operation with co-workers	127	V

Source: Primary Data

It is clear from the Table that lack of reliability is ranked as the first and foremost problem faced by the retailers in the study area as its score is higher than others followed by untrained employees and laziness of the employees.

#### **Problems From Customers - Weighted Ranking Analysis**

Here, an attempt is made to analyse the problems of retailers from customers by using weighted ranking analysis.

**Table 2 -Problems from the Customers- Weighted Ranking Analysis**

S.No.	Reasons	Weighted Score	Rank
1	Over bargaining	178	III
2	Expecting discount & offers	186	II
3	Seeking credit facility	175	IV
4	Bad debts	232	I
5	Hard in approach	136	VI
6	Misbehavior	143	V

Source: Primary Data

It can be concluded from Table that among the various problems of retailers Bad debts is the main problem faced by them from customers followed by more expectation of discount and offers and over bargaining.

#### **Problems From Dealers - Weighted Ranking Analysis**

Here, an attempt is made to analyse the problems of retailers from dealers by using weighted ranking analysis.

**Table 3 -Problems from the Dealers- Weighted Ranking Analysis**

S.No	Reasons	Weighted Score	Rank
1	Price variation	285	I
2	Delay in delivery	220	V
3	Poor market information	212	VII
4	Irregular motivation in terms of award and gift	147	VIII
5	Poor credit facility	237	III
6	Low profit margin	263	II
7	Supply of out dated products	216	VI
8	Poor delivery	229	IV

Source: Primary Data



It can be elucidated from the above Table that price variation is the main problem faced by the retailers from dealers. Low profit margin and poor credit facility are considered as other major problems of retailers from the dealers.

#### **Problems in Terms of Finance - Weighted Ranking Analysis**

Here, an attempt is made to analyse the problems of retailers in terms of finance by using weighted ranking analysis.

**Table 4 -Problems in terms of Finance- Weighted Ranking Analysis**

S.No,	Reasons	Weighted Score	Rank
1	Unavailability of loan / CC from banks	133	V
2	Requirement of more working capital	151	II
3	Limited credit period from dealers	144	III
4	Limited financial resources	182	I
5	Poor recovery of accounts receivable	138	IV

Source: Primary Data

It can be concluded from Table that bad debts is the main problem faced by the retailers from the customers. Requirement of more working capital and limited credit period from dealers are identified as other major problems faced by retailers in terms of finance.

#### **Causes of Problems in Retail Business**

Here, an attempt is made to analyse the causes of problems in retail business by using weighted ranking analysis.

**Table 5 -Causes of Problems in Retail Business - Weighted Ranking Analysis**

S.No.	Reasons	Weighted Score	Rank
1	Limited financial resources	246	II
2	Lack of experience	273	I
3	Change in Outlook of Customers	214	VII
4	Long credit period allowed	238	VI
5	Inconvenient Location	245	IV
6	Lack of customer's awareness	240	V
7	Poor market condition	247	

Source: Primary Data

Table reveals that among the various causes of problems faced by the retailers lack of experience is the first and foremost cause. Poor market condition and limited financial resources are other major causes for problems of retailers.



### Association Between The Socio - Economic Factors of Customers and Their Level of Satisfaction Towards Retail Services

It is decided to analyse the Satisfaction Level of Customers towards Retail Services Offered by considering the following factors price, co-operation of the employees, reply on enquiry, parking facility, toilet facility, availability of products, location convenience, proper cleaning of the shop, availability of all the goods, air ventilation, proper arrangement of goods, quality of products, availability of branded products, provision of door delivery and after sales service.

**Table 6 -Satisfaction Level of Customers towards Retail Services Offered:  
Chi-square Analysis**

Socio-economic Factors	Degrees of Freedom	Chi-square Calculated value	Chi-square Table value	S/NS
Age	4	2.870	9.488	NS
Gender	2	0.527	5.991	NS
Education	6	6.965	12.592	NS
Occupation	8	15.601	15.507	S
Marital Status	2	5.783	5.991	NS
No. of Members	4	5.335	9.488	NS
Annual Income	4	8.160	9.488	NS

Source: Primary Data. S-Significant; NS-Not Significant; Level of Significance-0.05;

By applying chi-square test, it is found that there is a significant relationship between occupation of the customers and their satisfaction level. By applying chi-square test, it is also found that there is an insignificant relationship between the age, gender, educational qualification, marital status, number of members in a family and annual income of the customers and their satisfaction level.

**Table 7 - Overall Satisfaction Level of Customers towards Retailing Service**

Satisfaction Level	No. of Respondents	Percentage
High	19	38
Moderate	21	42
Low	10	20
Total	50	100

Source: Primary Data

From the above Table it is found that 38% of the respondents are highly satisfied, 42% of the respondents are moderately satisfied and only 20% of the respondents are less satisfied with regard to various services offered by the retailers.



**Table 8 -Age and Satisfaction Level of Customers towards Retailing Service**

Age	Satisfaction Level			Total
	Low	Moderate	High	
Below 30 years	5 (18.5%)	9 (33.33%)	13 (48.14%)	27 (100%)
30 to 40 years	4 (22.22%)	9 (50%)	5 (27.78%)	18 (100%)
Above 40 years	1 (20%)	3 (42%)	1 (38%)	5 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data

From the above Table it is found that 48.14% of the respondents belonging to the age group below 30 years are highly satisfied. It is also found that 22.22% of the respondents of age group between 30 and 40 are less satisfied.

**Table 9 -Gender and Satisfaction Level of Customers towards Retailing Service**

Gender	Satisfaction Level			Total
	Low	Moderate	High	
Male	5 (25%)	8 (40%)	7 (35%)	20 (100%)
Female	5 (16.67%)	13 (43.33%)	12 (40%)	30 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data

It is found that 40% of the female respondents are highly satisfied. It is also found that 25% of the male respondents are less satisfied.

**Table 10 -Education and Satisfaction Level of Customers towards Retailing Service**

Education Level	Satisfaction Level			Total
	Low	Moderate	High	
School level	2 (28.6%)	3 (42.9%)	2 (28.6%)	7 (100%)
College level	7 (20.58%)	11 (32.35%)	16 (47.05%)	34 (100%)
Professionals	1 (12.5%)	6 (75%)	1 (12.5%)	8 (100%)
Illiterate	0 (0%)	1 (100%)	0 (0%)	1 (100%)
Total	21 (20%)	10 (42%)	19 (38%)	50 (100%)

Source: Primary Data

It is found that 47.05% of the respondents having college level education are highly satisfied. It is also found that 28.6% of the respondents having school level education are less satisfied.



**Table 11 -Occupation and Satisfaction Level of Customers Towards Retailing Service**

Occupation	Satisfaction Level			Total
	Low	Moderate	High	
Business People	2 (16.67)	3 (25%)	7 (58.33%)	12 (100%)
Govt. employees	1 (20%)	1 (20%)	3 (60%)	5 (100%)
Private employee	3 (16.67%)	8 (44.44%)	7 (38.89%)	18 (100%)
Professionals	1 (25%)	2 (50%)	1 (25%)	4 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data

It is found that 60% of the Government employees are highly satisfied. It is also found that 45.45% of the agriculture respondents are less satisfied.

**Table 12 -Marital Status and Satisfaction Level of Customers towards Retailing Service**

Marital Status	Satisfaction Level			Total
	Low	Moderate	High	
Single	4 (15.38%)	8 (30.76%)	14 (53.84%)	26 (100%)
Married	6 (25%)	13 (54.17%)	5 (20.83%)	24 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data

It is found that 53.84% of the single respondents are highly satisfied. It is also found that 15.38% of the married respondents are less satisfied.

**Table 13 -Annual Income and Satisfaction Level of Customers towards Retailing Service**

Annual Income	Satisfaction Level			Total
	Low	Moderate	High	
Below Rs.50000	6 ( 23.08% )	7 (26.92%)	13 (50%)	26 (100%)
Rs.50000 to Rs.100000	3 (23.08%)	7 (25.84%)	3 (23.08%)	13 (100%)
Above Rs.100000	1 (9.09%)	7 (63.63%)	3 (27.28)	11 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data

It is found that 48.15% of the respondents having annual income of below Rs.50000 are highly satisfied. It is also found that 25.92% of the respondents from the same category are less satisfied.

**Table 14 -No. of Members and Satisfaction Level of Customers towards Retailing Service**

No. of Members	Satisfaction Level			Total
	Low	Moderate	High	
1-2	3 (37.5%)	4 (50%)	1 (12.5%)	8 (100%)
3-5	6 (17.14%)	15 (42.86%)	14 (40)	35 (100%)
Above 5	1 (14.29)	2 (28.57%)	4 (57.14%)	7 (100%)
Total	10 (20%)	21 (42%)	19 (38%)	50 (100%)

Source: Primary Data



It is found that 51.72% of the respondents having wealth of below Rs.5 Lakh are highly satisfied. It is also found that 31.25% of the respondents having wealth of Rs.5-10 Lakh are less satisfied.

### Problems Faced By Problems While Utilizing Retail Services

There are numerous problems faced by the customers while they purchase their products from their retailers. The following Tables show the problems of customers from retailers and employees, problems in terms of product, accessibility and physical appearance.

**Table 15 -Problems of Customers in terms of Product – Garrett Ranking Analysis**

Problems	Total Score	Mean Score	Rank
Adulterated products	2740	54.8	II
Poor quality of products	2266	45.32	IV
Higher Price	2886	57.72	I
Higher Price	1953	39.06	IV

Source: Primary Data

It is clear from the Table that higher price is the major problem faced by the customers in terms of product followed by adulterated products, poor quality of products and poor package.

**Table 16 -Problems of Customers in terms of Accessibility – Garrett Ranking Analysis**

Problems	Total Score	Mean Score	Rank
Non availability of goods at all time	2725	54.5	II
Unavailability of branded products	3150	63.0	I
No door delivery	1831	36.62	IV
Poor after sales service	2253	45.06	III

Source: Primary Data

It is clear from the Table that unavailability of branded products is identified as the major problem in terms of accessibility followed by non availability of goods at all time, poor after sales service and no door delivery.

**Table 17 -Problems of Customers from Employees and Retailers – Garrett Ranking Analysis**

Problems	Total Score	Mean Score	Rank
Price Discrimination	3366	67.32	I
Poor reply on enquiry	2966	59.32	IV
Lack of knowledge	3176	63.52	II
Poor co-operation of the employees	1622	32.44	VI
Selling expired products	2743	54.86	V
Doing Adulteration	3089	61.78	III

Source: Primary Data



It is clear from the Table that price discrimination is the major problem faced by the customers from employees and retailers followed by lack of knowledge, doing adulteration, poor reply on enquiry, selling expired products and poor co-operation of the employees.

**Table 18 -Problems of Customers in terms of Physical Appearance –  
Garrett Ranking Analysis**

<b>Problems</b>	<b>Total Score</b>	<b>Mean Score</b>	<b>Rank</b>
Inconvenient Parking facility	3468	69.36	I
Inconvenient toilet facility	2335	46.7	VI
Inconvenient location	3009	60.18	III
No proper cleaning of the shop	2599	51.98	V
Worst air ventilation	2939	58.78	IV
Improper arrangement of goods	3249	64.98	II

Source: Primary Data

It is clear from the Table that inconvenient parking facility is the major problem faced by the customers in terms of physical appearance followed by improper arrangement of goods, inconvenient location, worst air ventilation, no proper cleaning of the shop and inconvenient toilet facility.

### **Suggestions**

- It is found that majority of the retailers are suffering from the problem of bad debts. Though bad debts are unavoidable in business, it can be minimised. For that it is suggested that the retailers should maintain friendly relationship with their customers, must assess the credit worthiness of their customers before allowing credit and allowing credit sales only to the regular customers. Then only the retailers can escape from this critical problem.
- It is found that majority of the sample respondents are suffering from the problem of limited financial resources. Hence, it is suggested that the government should provide financial facility (short term and medium term loans) to those retailers who are financially weak.
- It is found that majority of the sample respondents ranked poor market condition as their major problem. Hence, it is suggested to the retailers could successfully market their products by more careful identification of market segments and providing service superior to that of the competitors. It is found that there is a significant relationship between occupation and problem faced by the customer. Hence it is suggested to the retailer that may try to cater the needs of different occupation group of people by selling the products at reasonable price, ensuring the availability of branded and non-branded products etc.
- It is found that price discrimination by the employees and retailers is considered as major problem to the customers. Hence, it is suggested that the retailers and employees should try to follow some ethics in price fixation and avoid the discrimination in fixing price failure of which would dampen their business growth in a long run.



## Conclusion

Retail is clearly the sector that is poised to show the highest growth in the next five years. The sector is set for a revolution, as both the present players and new entrants are gearing up to explore the market. This sector contributes 10% of India's GDP and the current growth rate is 8.5%. The present size of the organized retailing sector is approximately 3% and is expected to grow to 25-30% by the year 2010. There are about 300 new malls, 1500 supermarkets and 325 departmental stores currently under construction. Based on the findings of the study, various suggestions were made. If those will be properly considered by the retailers, preferred result could be accomplished.

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## ***SATISFACTION OF WOMEN ENTREPRENEURS IN SMALL BUSINESSES***

**Anil Kumar\***

### **ABSTRACT**

*The paper endeavours to examine the level of satisfaction of women entrepreneurs from their businesses. A sample of 120 women entrepreneurs has been taken from the State of Haryana. Data has been classified on the basis of education, nativity, type of family and level of income earned by women entrepreneurs. Chi-square test was used to find out association, if any, between variables taken for the study and future prospects of their businesses. Analysis of data highlights that there exist significant variations in various variables taken in the study and level of their businesses. The level of satisfaction was found to be more among women entrepreneurs possessing higher level of education. Similarly level of satisfaction was found to be more among women entrepreneurs coming from rural areas. Women entrepreneurs hailing from joint family are more satisfied from their businesses. Untrained and women entrepreneurs earning low level of income are relatively less satisfied from their businesses. Keeping in view their perception towards level of satisfaction from their businesses, there is a need to formulate strategies for the further growth of their businesses. There is a need to provide training and supporting facilities to these women entrepreneurs so that they may be able to get higher satisfaction from their businesses*

**Keywords :** Entrepreneurs, Transition Economics, Level of Satisfaction

### **Introduction**

Entrepreneurship development is a medium to fasten the pace of economic development of any nation. The economic development of advanced countries of the world to a large extent has been attributed to growth of entrepreneurship in small enterprises. Economic policies in the western nations have further demonstrated that as economies move from command to market driven, gender inequalities are bound to abridge over a period of time.

The female participation in economic activities has seen tremendous improvement at global level during last decade. Women-owned firms represented nearly 40 per cent of all firms in the United States and employed approximately 27.5 million people. Similarly, rates of self-employment among women are increasing in several EU countries. In Germany, women have created one-third of new businesses since 1990 representing more than one million jobs. In Europe and newly independent states Transition Economics, women are 25 per cent of the business owners. In Great Britain women are one-fourth of the self-employed sector. There are over 5 million women entrepreneurs constituting one fourth of all the entrepreneurs in China. In Japan too a similar trend has been noticed. The percentage of women entrepreneurs increased from 2.4 per cent in 1980 to 5.2 per cent in 1995. At present 9.5 per cent women entrepreneurs are managing the small enterprises in India (GOI, 2001).

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Information vividly shows that rate of participation of women in business in India are found to be low when compared with advanced countries of the world. The new economic regime has offered large number of opportunities and challenge to micro and small enterprises of our economy. As a result of this, small and micro enterprises owned by women entrepreneurs have been confronted with the various issues related to entrepreneurship development. The present study has tried to analyze the satisfaction of women entrepreneurs in India.

### **Review of Literature**

The literature cites number a few studies in this field.

Taylor and Brooksbank (1995) examined the marketing practices among small New Zealand organisations by taking a sample of 427 small business owners. Findings revealed that the small business firm looks the marketing practices differently from their larger counterparts.

Breen et al. (1995) examined financial and family issues by taking a sample of 211 female entrepreneurs from Australia. The study highlighted that female business owners faced the problem of getting finance and started business with low initial capital. On the family front women entrepreneurs faced the problem of supervision and care for sick children.

Caputo and Dolinsky (1998) have examined the role of financial and human capital of household member to pursue self-employment among females. The analysis revealed that business knowledge and cooperation of husband in family matters contribute a lot to pursue the business. Finding further suggested that government should provide necessary skill to women to ensure rapid growth of entrepreneurship.

Bliss and Garratt (2001) has examined the working of organisation for women in Poland. The paper has examined the various activities performed by these associations to promote women entrepreneurs. Information was collected from 12 support organisation for women. Data collected from these organisations highlighted that basic purpose of these organisations has been to provide inputs to women entrepreneurs in the field of professional ethics, protection of rights of women entrepreneurs and their companies, exchange of experience and other activities.

Mambula (2002) analysed major constrains faced by SMEs in Nigeria. A sample of 32 small business entrepreneurs was taken. Analysis of data revealed that majority of SMEs face the problem of finance and infrastructure while managing their businesses. The author recommended that small business entrepreneurs should collaborate with each other to sort out the various problems faced by them. There is a need to form alliance of Government, Research Institutions and Financial Institutions to create appropriate training for prospective small business.

Watson (2003) has examined the failure rates among female control business in Australia. The analysis of study highlighted that failure rate of female control business is relatively higher than male controlled business. But the difference is not significant after controlling for the effects of industry.

Tagoe et al (2005) has examined the financial challenged facing by urban SMEs under financial sector liberalisation in Ghana. Main challenges faced by urban SMEs are access to affordable credit over a reasonable period. To manage this challenge SMEs should manage record keeping in an effective manner. Moreover, availability of collateral improves SMEs access to formal credit. But better availability of investment avenues further reduces the accessibility of credit to SMEs.



Jamali (2009) examined constraints and opportunities faced by women entrepreneurs in developing countries. A sample of ten Lebanon women entrepreneurs involved in different businesses was taken. The study concluded that there was close interplay of micro and macro level factors. As opportunities are mostly identified at micro-level, constraints faced are both at micro and macro level. Under macro level, lack of government support, economic stagnation, recession, and legal constraints topped the list.

### **Objectives and Methodology**

In this study an attempt has been made to analyse the satisfaction of women entrepreneurs toward their businesses. To achieve these objectives, six districts from Haryana namely Ambala, Faridabad, Gurgaon, Rewari, Panipat and Hisar have been taken. A sample of 120 women entrepreneurs has been taken for the analysis. Information has been collected from respondents by using pre-tested well-designed questionnaire.

Most of these women entrepreneurs have established their business after post-reform period i.e. after 1991. All these women entrepreneurs have employed at least 5 workers in their enterprises.

### **Hypotheses of the study**

- There is no significant relationship between education of women entrepreneurs and level of job satisfaction
- There is no significant relationship between nativity of women entrepreneurs and level of job satisfaction
- There is no significant relationship between type of family of women entrepreneurs and level of job satisfaction
- There is no significant relationship between form of business organization of women entrepreneurs and level of job satisfaction.
- There is no significant relationship between training of the women entrepreneurs and level of job satisfaction
- There is no significant relationship between income earned by the women entrepreneurs and level of job satisfaction.

### **Results and Discussion**

Table 1 highlights the level of satisfaction expressed by women entrepreneurs from their businesses. 82 per cent women entrepreneurs are satisfied from their businesses. Only small proportion of women entrepreneurs is dissatisfied from their businesses. It shows that women entrepreneurs are managing their businesses as per their calibre. Education-wise information further shows that as the level of education of women entrepreneurs enhances, their level of satisfaction from business also increases. It shows that education affects the level of satisfaction from the business. 84 per cent women entrepreneurs possessing post graduate level of education are satisfied from their business. On the other hand, 65 per cent women entrepreneurs possessing +2 level of education are satisfied from their business. The value of chi square is found to be statistically significant.





**Table 1: Education -wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Education</b>				
Nil	-	-	1 (100.0)	-
Primary	-	-	1 (100.0)	-
Plus Two	6 (23.08)	11 (42.31)	9 (34.62)	-
Graduate	23 (35.38)	36 (55.38)	5 (7.69)	1 (1.54)
Post Grad.	12 (44.44)	11 (40.74)	4 (14.81)	-

Chi-square = 16.722      Df= 12      Significant

Table 2 shows nativity-wise level of satisfaction of women entrepreneurs from their businesses. The proportion of women entrepreneurs hailing from rural are found to be more satisfied from their business as compared to women entrepreneurs coming from urban areas. It seems that women entrepreneurs coming from urban areas are more might be having more expectations from business and in this process their level of satisfaction is less as compared to other women entrepreneurs. The value of chi square is found to be statistically insignificant.

**Table 2 :Nativity -wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Nativity</b>				
Rural	4 (40.00)	6 (60.00)	-	-
Urban	37 (33.64)	52 (47.27)	19 (17.27)	2 (1.82)

Chi-square = 2.325      Df= 3      Insignificant

Table 3 shows type of family-wise level of satisfaction of women entrepreneurs from their businesses. The level of satisfaction of women entrepreneurs hailing from nuclear families are slightly on higher side as compared to women entrepreneurs hailing from joint families. 84 per cent women entrepreneurs hailing from joint families are satisfied from their businesses. On the other hand, 81 per cent women entrepreneurs coming from nuclear families are satisfied from their businesses. It may be due to support available to them from the various sources. The value of chi square is found to be statistically insignificant.

**Table 3: Type of family -wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Type of Family</b>				
Joint	11 (28.21)	22 (56.41)	5 (12.82)	1 (2.56)
Nuclear	30 (37.04)	36 (44.44)	14 (17.28)	1 (1.23)

Chi-square = 1.991      Df= 3      Insignificant



Table 4 shows form of business organisation-wise level of satisfaction of women entrepreneurs from their businesses. Form of business organisation of women entrepreneurs further shows that all the women entrepreneurs managing business under large scale organisations are satisfied from their businesses. It seems that large business organisations provide more opportunities for the entrepreneurs to grow. On the other hand, more than 80 per cent women entrepreneurs managing business under other forms of business organisations are satisfied from their businesses. There is a need to pursue women entrepreneurs to some groups in order to overcome some burden of their dual responsibilities and utilise their efforts for the further growth of their businesses. The value of chi square is found to be statistically insignificant.

**Table 4: Form of business organisation-wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Form of Business Organization</b>				
Sole	34 (31.78)	53 (49.53)	18 (16.82)	2 (1.87)
Partnership	2 (33.33)	3 (50.00)	1 (16.67)	-
Others	5 (71.43)	2 (28.57)	-	-
Chi-square = 5.046	Df= 6	Insignificant		

Table 5 shows training-wise level of satisfaction of women entrepreneurs from their businesses. It seems logical that trained women entrepreneurs possess more skill and dexterity and manage their business more effectively. 88 per cent trained women entrepreneurs are satisfied from their businesses. On the other hand, 72 per cent untrained women entrepreneurs are satisfied from their businesses. It shows that there is need to formulate the policies to motivate the women entrepreneurs to take training to enhance their competitiveness in the business. The value of chi square is found to be statistically insignificant.

**Table 5 : Training-wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Training</b>				
Got Training	28 (39.44)	5 (49.30)	6 (8.45)	2 (2.82)
No Training	13 (26.53)	23 (46.94)	13 (26.53)	-
Chi-square = 8.812	Df= 3	Significant		



Table 6 shows level of income-wise level of satisfaction of women entrepreneurs from their businesses. The level of income earned by women entrepreneurs further shows that as the level of income increases, the level derived from the business also improves. All the women entrepreneurs earning more than Rs. 15,000 per month in business are satisfied from their business. On the other hand, 65 per cent women entrepreneurs earning less than Rs. 5000 per month are satisfied from their business. 96 per cent women entrepreneurs earning income in the range of Rs. 7500-10,000 per month are satisfied from their business. The value of chi square is found to be statistically significant. It shows that these two variables are positively associated with each other.

**Table 6 :Income-wise level of satisfaction from the business**

Group	Fully Satisfied	Satisfied	Indifferent	Dissatisfied
<b>Total</b>	<b>41 (34.17)</b>	<b>58 (48.33)</b>	<b>19 (15.83)</b>	<b>2 (1.67)</b>
<b>Income(Rs.)</b>				
< 5000.	5 (13.16)	20 (52.63)	12 (31.58)	1 (2.63)
5000-7500	10 (34.48)	15 (51.72)	4 (13.79)	-
7500-10,000	11 (44.00)	13 (52.00)	1 (4.00)	-
10,000-15,000	4 (33.33)	5 (41.67)	2 (16.67)	1 (8.33)
15,000+	11 (68.75)	5 (31.25)	-	-
Chi-square = 27.936	Df= 12	Significant		

## Conclusion

The foregoing analysis reveals that the level of satisfaction was found to be more among women entrepreneurs possessing higher level of education. Similarly level of satisfaction was found to be more among women entrepreneurs coming from rural areas women entrepreneurs hailing from joint family are more satisfied from their businesses. Untrained and women entrepreneurs earning low level of income are relatively less satisfied from their businesses. Keeping in view their perception towards level of satisfaction from their businesses, there is a need to formulate strategies for the further growth of there businesses. There is a need to provide training and supporting facilities to these women entrepreneurs so that they may be able to get higher satisfaction from their businesses

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## ***PROBLEMS AND PROSPECTS OF WOMEN ENTREPRENEURS IN KARNATAKA STATE -A CASE STUDY OF BIJAPUR DISTRICT***

**Dr. A.S.Shiralashetti\***

### **ABSTRACT**

*Like many other countries of the world, India has endowed with rich natural and human resources; needs proper use by adopting modern technology for growth and development of the economy. To use these natural resources optimally and to mitigate the burning unemployment problems, development entrepreneurship among women is vital.. Many women entrepreneurs are playing a vital role in this direction through creation of utilities and generation of employment. However, they have been facing many problems from different angles need to be resolved through the provision of necessary support in financing, production, marketing and improvement in socio-cultural environment. The present study has based on the primary data collected through questionnaires from 150 sample respondents from Bijapur District. The study revealed that women entrepreneurs are facing the problems of finance, marketing, production, sales and pricing, etc. The study advised to support the women entrepreneurs to fight against these evils from which they are suffering.*

**Keywords :** Gross Domestic Product (GDP), Women Entrepreneurship, Self Help Group (SHG)

### **Introduction**

Recently the role of women in the Indian society has changed considerably. Women today are no more confined to the kitchen and the four walls of the house. But they have been actively participating in every economic activity and successfully proving that they are more than men in any activity. Women are the backbone of many successful persons in India and abroad. Women in our country constitute 48.15 percent of the total population. Therefore, to make India to grow at double digit GDP, involvement of women in productive activities who constitute around 50 per cent of total population is very essential. Like both hands are necessary for the growth and development of any human, men and women are need to work jointly and individually for the development of family income in particular and nation's income in general.

Economic development of a country means a process by which per capita income of that country moves upward over a period of times. Like many other countries of the world, India has endowed with rich natural and human resources; needs proper use by adopting modern technology for growth and development of the economy. Therefore, entrepreneurship development among women is essential for proper use of renewable and non-renewable natural resources and to provide employment to the unemployed youth. Many women entrepreneurs have been playing a key role in this direction through creation of utilities and generation of employment. However, women entrepreneurs in the study area have been facing problems from different angles. An attempt has been to examine the type of problems the women entrepreneurs are facing during entrepreneurial activities.

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### Concept of Women Entrepreneur Enterprise

The word entrepreneur has been derived from French word “Entreprendre” (to undertake). In the early 16<sup>th</sup> century it was applied to persons engaged in military expeditions and extended to cover construction and civil engineering activities in the 17<sup>th</sup> century but during 18<sup>th</sup> century the entrepreneur refers economic activities. Many authors have defined the entrepreneur differently. Generally the entrepreneur is a person who combines capital and labour for the production. According to Cantillon, “Entrepreneur is the agent who buys means of production at certain prices in order to sell at prices that are certain at the moment at which he commits himself to his cost”. According to P.F.Drucker, ‘He is one who always (1) search for change (2) responds to it (3) exploits it as an opportunity’.

“A small-scale industrial unit or industry related service or business enterprise managed by one or more women entrepreneurs in the proprietary concern in which she/they will individually or jointly have a share capital of not less than 51 percent as partners/shareholders/directors of private limited company, members of cooperative society”.

### Methodology

The present study covers problems and prospects of women entrepreneurs in the study area from different angles. The study is based on the primary data collected through 150 sample women respondents from Bijapur District. The respondents were selected 50 from rural, 50 from semi-urban and 50 from urban randomly as sample for the study. The pre tested questionnaires are used to obtain data from the sample respondents. The collected data are classified and tabulated. The percentage tool has been used to examine the type of problems among women entrepreneurs.

### Objectives of the study:

The main objective of the present study is to examine the problems and prospects of women entrepreneurs in Bijapur district from various angles and to offer useful suggestions to overcome from these inherent problems.

### Analysis of Problems and Prospects of Women Entrepreneurs in Bijapur district:

**Table 1- Opinion of Women Entrepreneurs Regarding Shortage of Capital**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	35(70.00)	30(60.00)	28(56.00)
No	15(30.00)	20(40.00)	23(44.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

*Figures in parentheses indicate percentages to the respective column total.*

Capital plays a vital role in the production and distribution of a product. Capital is required from the day of inception of enterprises till to its wind up. Therefore, capital is called as lifeblood of any enterprise. But capital is the most scarce resource in our country. In view of this, many of the women entrepreneurs have been suffering from shortage of capital. Table 1 reveals that 70 per cent of rural, 60 per cent of semi-urban and 56 per



cent of urban women entrepreneurs faced shortage of capital in the initial stage of their enterprises. The problem of shortage of capital is high in rural women entrepreneurs as compared to semi-urban and urban women entrepreneurs.

**Table 2-Opinion of Women Entrepreneurs Regarding Borrowing**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	17(34.00)	23(46.00)	29(58.00)
No	33(66.00)	27(54.00)	21(42.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

*Figures in parentheses indicate percentages to the respective column total.*

The shortage of capital can be met by the entrepreneurs either by borrowing from financial institutions like CB, RRB and Co-op.banks etc or from non financial institutions. However, borrowing from non financial institutions become costlier and borrowing from financial institutions needs collateral security and guarantee. Further, low level of education acts as hindrance to provide the requirements of bankers. In view of this, many women entrepreneurs in the study area have not availed the credit facility from financial institutions. It is revealed from table 2 that 66 per cent of rural, 54 per cent of semi-urban and 42 per cent of urban women entrepreneurs have not borrowed from financial institutions due to lack of knowledge and lack of collateral security and guarantee. It is also clear that more number of urban women entrepreneurs have borrowed from financial institutions as compared to semi-urban and rural women entrepreneurs.

**Table 3- Opinion of Women Entrepreneurs Regarding Unhealthy Competition**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	22(44.00)	26(52.00)	38(76.00)
No	28(56.00)	24(48.00)	12(24.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

*Figures in parentheses indicate percentages to the respective column total.*

The success of any entrepreneurs depends on the healthy competition among themselves and with others. Healthy competition provides opportunity to entrepreneurs prove their talent in entrepreneurial activities. But unhealthy competition among themselves and with others acts adversely to their growth and development. It is clear from table 3 that out of total women entrepreneurs selected as sample for the study, 44 per cent of rural, 52 per cent of semi-urban and 76 per cent of urban are facing unhealthy competition among themselves and with bigger entrepreneurs. The problem of unhealthy competition is high in urban and low in rural women entrepreneurs and it is 52 per cent in semi urban women entrepreneurs. This indicates that the cooperation is still exist in rural areas.

**Table 4- Opinion of Women Entrepreneurs Regarding the Transport System**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	34(68.00)	31(62.00)	13(26.00)
No	16(32.00)	19(38.00)	37(74.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

The production has no meaning unless the same is made available to the ultimate consumers or buyers at the time when they required. To make the product available in time at right quantity needs quality transport network and services to move the products from production to consumption. Table 4 reveals that 68 per cent of rural, 62 per cent of semi-urban and 26 per cent of urban women entrepreneurs have stated the transport system as defective for creating place utility to the products. However, 32 per cent of rural, 38 per cent of semi-urban and 74 per cent of urban women entrepreneurs have expressed their opinion that they have no problems in movement of products to the market place.

The profitability of entrepreneurial activities depends on timely availability of sufficient information on different aspects of production and distribution. Many entrepreneurs are getting remunerative price on their products due to non availability of information on demand and supply. Therefore, there is an urgent need to provide sufficient information on different aspects of production and distribution to these small entrepreneurs increase their wealth. It is clear from table 5 that 72 per cent of rural, 66 per cent of semi-urban and 48 per cent of urban women entrepreneurs are suffering from shortage of information on financing, training, production and marketing. The problem of insufficient information is high in rural and moderate in semi-urban and low in urban women entrepreneurs.

**Table 5- Opinion of Women Entrepreneurs Regarding the Information System**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	36(72.00)	33(66.00)	24(48.00)
No	14(28.00)	17(34.00)	26(52.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.



**Table 6- Opinion of Women Entrepreneurs Regarding the Pricing System**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	33(66.00)	35(70.00)	30(60.00)
No	17(34.00)	15(30.00)	20(40.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

Profitability of any firm depends on how best they fixed the price for their products. In fact, price is the base for earnings. Any small mistake in fixing price of the products affects adversely to greater extent to the growth and development of the firm. Generally, the price of any products is fixed on the basis of cost of production, demand and supply and competition. No firm commits the mistake of fixing price beyond the ceiling limit and below the floor limit. However, the products of many women entrepreneurs are under priced and therefore pricing is the greatest problem to them. Table 6 reveals that 66 per cent of rural, 70 per cent of semi-urban and 60 per cent of urban women entrepreneurs have opined that their products are under priced and as a result they have been earning very less. This problem is high in semi-urban women entrepreneurs and low in urban women entrepreneurs.

**Table 7- Opinion of Women Entrepreneurs Regarding Training**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	36(72.00)	35(70.00)	30(60.00)
No	14(28.00)	15(30.00)	23(40.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

Expertise is must to carry on any productive activities and it will not come on its own. It requires training before venturing in productive activity to enhance benefits by minimizing costs. The government has been doing all efforts to train the women entrepreneurs through various schemes. However, many women entrepreneurs have failed to get the benefits of the training programmes due to lack of awareness on the one side and limited time to reach the venue and other family bindings on the other. Table 7 reveals that 72 per cent of rural, 70 per cent of semi-urban and 60 per cent of urban women entrepreneurs have not trained properly due to lack of training facilities in the respective areas. The rural women entrepreneurs are the highest percentage and urban women entrepreneurs are the lowest percentage in the total women entrepreneurs among total entrepreneurs who have not received training from government and non-government agencies.

**Table 8- Opinion of Women Entrepreneurs Regarding Family Problems**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	34(68.00)	31(62.00)	15(30.00)
No	16(32.00)	19(38.00)	35(70.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

The male members of the family have been suppressing the role of female members either for sentimental reason or for low interest. Further, women in the Indian society have been playing multiple roles as mother, wife and daughter in law etc, in the family. Hence, she has to work to satisfy all the members in accordance with her role along with her entrepreneurial activity. It is revealed from table 8 that 68 per cent of rural, 62 per cent of semi-urban and 30 per cent of urban women entrepreneurs are playing multiple role in running their enterprises whereas 32 per cent of rural, 38 per cent of semi-urban and 70 per cent of urban have no such problem.

**Table 9- Opinion of Women Entrepreneurs Regarding Self-confidence**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	25(50.00)	26(52.00)	28(56.00)
No	25(50.00)	24(48.00)	22(44.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

Risk and returns are the two faces of the same coin and both are closely related to each other in any enterprise. To obtain optimum return from entrepreneurial activity by managing risk needs self-confidence in entrepreneurs. However, many women entrepreneurs have lack of self-confidence in undertaking entrepreneurial activities. It is clear from table 9 that 50 per cent of rural, 52 per cent of semi-urban and 56 per cent of urban women entrepreneurs have low self-confidence in the initial stage of their investment. The problem of self-confidence is high in urban women entrepreneurs and low in rural women entrepreneurs in the study area.

**Table 10- Opinion of Women Entrepreneurs Regarding Increase in Income**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	31(62.00)	29(58.00)	28(56.00)
No	19(38.00)	21(42.00)	22(44.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

The main objective of any enterprise is to increase the income by increasing the productivity and performance. The income of the entrepreneurs will increase only when they have competency in using the resources judiciously. Self-confidence with proper training can make them to increase their income. Table 10 reveals that 62 per cent of rural, 58 per cent of semi-urban and 56 per cent of urban women entrepreneurs have increased their income after their entrepreneurial activities whereas the rest percentage of them are unable to increase their income. The percentage of women entrepreneurs who increased their income is high in rural and low in urban area.

Expansion and diversification enables to enhance income of the enterprise by reducing risk. Therefore, entrepreneurs try to expand and diversify their business to higher income and to minimize the amount of risk involved in carrying the entrepreneurial activity. Table 11 clears that 54 per cent of rural, 48 per cent of semi-urban and 50 per cent of urban women entrepreneurs have opined that they expanded and diversified their entrepreneurial activities. Rural women entrepreneurs are the highest percentage and semi-urban women entrepreneurs are the lowest percentage who stated regarding the extension and diversification of their investments.

**Table 11- Opinion of Women Entrepreneurs Regarding Expansion and Diversification of their Enterprise**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	27(54.00)	24(48.00)	25(50.00)
No	23(46.00)	26(52.00)	25(50.00)
Total	50(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

**Table 12- Opinion of Women Entrepreneurs Regarding Savings**

Opinion	Number of Women Entrepreneurs		
	Rural	Semi-urban	Urban
Yes	21(42.00)	23(46.00)	27(54.00)
No	29(58.00)	27(54.00)	23(46.00)
Total	110(100.00)	50(100.00)	50(100.00)

Source: Field Survey.

Figures in parentheses indicate percentages to the respective column total.

The capital is one of the most important factors of production and is available only when there has savings from large numbers of people. The savings not only help the entrepreneurs to invest further for diversification and expansion but also available to meet uncertain contingencies in the future. The savings may act as shock absorber in many cases. Hence, it is necessary to save some portion of earnings to meet capital requirement and uncertain contingencies. Table 12 reveals that 42 per cent of rural, 46 per cent of semi-urban and 54 per cent of urban women entrepreneurs saved their portion of earnings and invested in various government and semi-government investments avenues. Further the savings percentage is high in urban and low in rural women entrepreneurs when compared with each other.

#### Findings of the study;

The following are the findings of the present study.

- 70 per cent of rural, 60 per cent of semi-urban and 56 per cent of urban women entrepreneurs faced shortage of capital in the initial stage of their enterprises.
- 66 per cent of rural, 54 per cent of semi-urban and 42 per cent of urban women entrepreneurs have not borrowed from financial institutions due to lack of knowledge and lack of collateral security and guarantee.
- 44 per cent of rural, 52 per cent of semi-urban and 76 per cent of urban are facing unhealthy competition among themselves and with bigger entrepreneurs.
- 68 per cent of rural, 62 per cent of semi-urban and 26 per cent of urban women entrepreneurs have stated the transport system as defective for creating place utility to the products.
- 72 per cent of rural, 66 per cent of semi-urban and 48 per cent of urban women entrepreneurs are suffering from shortage of information on financing, training, production and marketing.
- 66 per cent of rural, 70 per cent of semi-urban and 60 per cent of urban women entrepreneurs have opined that their products are under priced and as a result they have been earning very less.
- 72 per cent of rural, 70 per cent of semi-urban and 60 per cent of urban women entrepreneurs have not trained properly due to lack of training facilities in the respective areas.
- 68 per cent of rural, 62 per cent of semi-urban and 30 per cent of urban women entrepreneurs are playing multiple role in running their enterprises
- 50 per cent of rural, 52 per cent of semi-urban and 56 per cent of urban women entrepreneurs have low self-confidence in the initial stage of their investment.



- 62 per cent of rural, 58 per cent of semi-urban and 56 per cent of urban women entrepreneurs have increased their income after their entrepreneurial activities.
- 54 per cent of rural, 48 per cent of semi-urban and 50 per cent of urban women entrepreneurs Q have opined that they expanded and diversified their entrepreneurial activities.
- 42 per cent of rural, 46 per cent of semi-urban and 54 per cent of urban women entrepreneurs saved their portion of earnings and invested in various government and semi-government investments avenues.

#### **Suggestions:**

From the analyses of problems and prospects of women entrepreneurs, the following suggestions are offered to improve the position of women entrepreneurs.

- Bringing entrepreneurial awareness among women through seminars, symposiums and workshops.
- Opportunity should be given to more number of women to avail the benefits of Entrepreneurship Development Programme.
- Formation of more women marketing cooperatives.
- Encouraging the use of bank facility to overcome from shortage of capital.
- Making the bank credit easier to women entrepreneurs.
- Setting women entrepreneurial cell at gram panchayat, taluka panchayat, schools and colleges.
- Formation of more self-help groups.
- NGOs should come forward to initiate projects that help the women entrepreneurs.
- Arranging regular training camps at the needy place.
- Improving the basic infrastructure necessary for the growth and development of entrepreneurship.
- Improving the women economic status.
- Maintaining gender balance in decision-making.

#### **Conclusion:**

The economic progress of India depends on the productive activity of entrepreneurs. Agriculture sector was the major contributor for the growth of Indian economy. However, there has sea change in India. Today, industry and service sectors are contributing lot to the growth of Indian economy. Many women entrepreneurs have been coming forward to take up entrepreneurial activities. The problems for big and medium scale entrepreneurs are less as compared to SHG entrepreneurs. They are facing many problems like financing, selling, production, transportation, etc, due to low level of education on the one hand and the family background on the other. The problems of SHG entrepreneurs may be solved to some extent by adopting the right strategies in various areas production and distribution.

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