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Editor’s Note

The practice of excellence is in essence an attempt to achieve perfection through incremental improvements in whatever we do. In our search for superiority and leadership we are keen to define our area of excellence through exploring, pooling and disseminating knowledge; in our attempt to bridge the gap between academic research and the fast changing requirements of the corporate world.

Business education all over the world is in a “shake out” stage. The implication is obvious that inferior institutions are heading for extinction. In this turbulent environment; we have as a responsible institution managed to stand apart, due to our continuous effort to excel in every sphere of our endeavor.

IRJM is one of our prime constituent in our attempt to strengthen and sustain our journey towards excellence as a professional institution of repute. Constructive and insightful contribution of our authors has made IRJM a distinctive and stimulating intellectual journal.

Women constitute nearly half of the human population on the earth. Almost in all societies women are considered inferior to their male counterparts. Amidst a plenty of literature on women and related issues the first paper on “Role of Media in Restructuring Gender Biasedness” by Prof. (Dr.) Zeeshan Amir, discusses gender biasedness prevailing in the societies. The media has been looked upon as an interventionist to change the age old stereotyped image of women.

Law of Demand predicts that in a competitive market, price will function to equalize the quantity demanded by consumers and the quantity supplied by producers, resulting in an economic equilibrium of quantity. However, fluctuating business cycles, socio-economic variables, lifestyle changes, shift from traditional to modern consumer, consumer movements, development of buyer’s market have revolutionized the consumer preferences and buying patterns in the contemporary society and challenged the ideologies of consumption. The possibility of existence of a domain where the traditional bounded rationality ceases to exist has amplified. This paper “From Ceteris Paribus to Omnia Mobilis: Law of Demand in the Context of Service Economy” by Sumita Srivastava & Rupali Misra Nigam, is an attempt to identify those areas when Ceteris Paribus steady state assumption in the economic laws is replaced by Omnia Mobilis (everything is moving) assumption. The authors have analyzed the economic law of demand in light of the rapid change in the consumption pattern.

Basically Employee satisfaction is a measure of how happy workers are with their job and working environment. Many measures support that employee satisfaction is a leading factor in employee motivation, employee goal achievement and positive employee morale in the work place. In this paper, “Identification of Variables Affecting Employee Satisfaction and Their Impact on the Organization” by Prof. Rekha Prasad & Priyanka Srivastava, various variables responsible for employee satisfaction have been discussed such as Organization development, Job security, Work task, Policies of compensation and benefit, Promotion and career development etc. The authors have also suggested the different measures to improve the job satisfaction level in an organization.
The Indian consumer, irrespective of urban-rural divide, has become attitudinally affluent and seeks to fulfill his life style aspirations. This is leading to a growing demand for competitive, sophisticated and quality retail banking services in urban as well as rural India. Quality has come to be recognized as a strategic tool for attaining operational efficiency and improved business performance. Various scales for measuring service quality have been suggested by researchers in the paper “Measuring Service Quality at Rural Branches of Retail Banks: An Empirical Study”, by Mohd. Adil & Dr. Mohammed Naved Khan. The present study strives to propose a modified and validated version of service quality scale i.e. ‘Modified SERVPERF’ more relevant from the point of view of retail banks operating in rural India.

Retail is a buzz word in today’s changing business environment. Different industrial sectors are in the phase of transition from conventional business models to innovative, market driven and consumer centric models. However the emerging formats of retailing are posing tough challenges in front of Indian retailers. They are now designing customized retail products and services and targeting the untapped segment of the market especially the rural retail market. This study done by Mohd Faisal, Asif Akhtar & Dr. Asad Rehman on “Organized Retail Model for Rural Markets in India: An Empirical Study”, is an attempt to explore the potential of rural retail market of India, and developing a business model for the rural retail market in India.

Rural development is more than ever before linked to entrepreneurship. Entrepreneurship is one critical key to employment generation & creating economic & social value for our country. An effective formulation and implementation of strategies for entrepreneurial development is essential for all government schemes. There are different factors which affect the success of entrepreneur and the development of area. This paper on “Study of the Key Success Factor of Rural Entrepreneur in Rajsamand District” by Dr. Deepti Bhargava, presents the determinants of small business success as perceived and experienced by rural entrepreneurs of Rajsamand district of Rajasthan.

Professional education is the process of all round development of a person, which expresses his capabilities. In the ladder of education from nursery to university, the professional education is very important, the feeling of stress and anxiety increases with the importance of degree. Increasing rate of competition, tension of better performance and many more academic activities makes the life of the student quite difficult and he or she may feel stress, which often create problems like students get frustrated, depressed, irritated and some time they kill themselves. Keeping all these things in mind, Shiv Kumar Sharma & Shweta Chaudhary in their paper “An Analytical Study On The Perception Of Examination Stress Among Management Students,” have studied the level of examination stress among management students.

Infrastructure development makes India globally competitive, raises standard of living, enhances profits for government, bridges rural-urban divide and increases level of employment. The most significant criteria for a continued growth rate of an economy rest on the provision of a quality infrastructure. In order to meet high demands, various Public Private Partnerships or PPPs are being promoted for implementation of infrastructure projects. Gradation of transport, power, and urban infrastructure is therefore seen as critical for sustaining India’s economic growth, along with improved quality of life. Infrastructure projects involve a variety of environmental constraints which includes financial, regulatory,
institutional and fiscal constraints. The paper “A detailed study of environmental constraints faced by Public Private Partnership (PPP) in India and the road to a framework for successful implementation of PPP Projects” by Anis ur Rehman & Prof. (Dr.) Zeeshan Amir has addressed the various constraints. It requires necessary measures to overcome the various constraints faced by PPP’s at present if India has to become a developed country through consistent economic growth supported by robust infrastructure system.

While technical skills are very important for success in business; the soft skills also hold equal importance in the employability factor of an individual. Enterprise defines the entrants to be “Industry Ready” when they possess these soft skills. IT service industry is by nature ‘people-centric’ and is facing today critical need to bridge the soft skills gap. This has become a pre requisite to gain an edge in the global competitive environment. The paper “Growing Importance Of Soft- Skills For Entry- Level Professionals In Indian IT Industry,” by Manish Dhingra & Vaishali Dhingra discusses the important soft skills required for entry level IT professionals like communication, team work, and corporate etiquettes etc. and explores the various initiatives taken by the IT majors such as Infosys, Wipro, and TCS etc. regarding the same.

The emergence of the global marketplace & the rise of the 24/7 economy has fuelled the growth of retail across the world. A retailer not only needs to keep up with ever changing expectations & demands of the customers but also needs to keep track of the competition & changes in technology & the socioeconomic environment. The world’s eighth most valuable brands, McDonald’s Corporation is today, a leading player in the global branded quick service restaurant segment in virtually every country in which it does business. In the paper entitled “McDonald’s Fast Food Retailing – A Global Approach”, by Deepa Ingavale has focused on the strategies for internationalization and management practices adopted by McDonald’s Corporation from its inception to its internationalization which will be the guiding path for Indian fast food retailers who want to adopt strategy of globalization.

Microfinance which has been proven as an effective tool for poverty reduction is the provision of financial services to low-income clients, including consumers and the self employed who traditionally lack access to banking and related services. In India various microfinance models are in practice like; SHG model, Acceleration model, Partnership model, but in the present paper entitled “Growth and Development of Microfinance - A New Paradigm for Poverty Alleviation” the researchers, Dr. Rais Ahmad, Mohammad Awais and Mohd Arshad Khan have given emphasis to the SHG model in order to study its sustainability, outreach, empowerment impact, and their feasibility within their respective environments to find out the contribution of microfinance in the improvement of resource allocation, promotion of markets, and adoption of better technology to promote economic growth and development.

Traditional carpet industry at Bhadohi, an important carpet exporting centre in Uttar Pradesh, is facing severe crisis in the wake of global economic slowdown. Despite boasting of geographical indication (GI) certification, the handmade carpet of Bhadohi has not benefited much. The carpet industry, being highly labour intensive and decentralized, is an important source of employment to people of the region and also earning valuable foreign exchange. The authors, Waqar Ahmad Khan & Srikant Misra in their study “Impact of Economic Slowdown on Carpet Business in India with special reference to Bhadohi, UP,” have reasoned out the factors responsible for the decay of this industry and suggested the measures to revive.
International business has been undergoing a period of rapid transformation. The trends towards globalization are all reshaping the world’s trading patterns and consequently physical trade flows. Such restructuring is contributing to economic growth, better allocation of resources and more freedom of choice for consumers, as well as increased competition. Evidence from the 2007 and 2010 Logistics Performance Indicators (LPIs) indicates that, for countries at the same level of per capita income, those with the best logistics performance experience additional growth. This suggests that developing countries need to invest in better trade logistics to boost recovery from the current economic crisis. The purpose of the current paper on “The Role Of Third Party Logistics In International Trade With Respect To Indian Logistics Market” by Dr. Ali Ghufran, is to provide the general framework of the emerging trends of Third Party Logistics (3PL) in India and to define, comprehend the basic views of logistics, its various applications and the relationships between logistics and transportation.

Nokia started operations in Finland as a paper manufacturing company. Gradually it moved into manufacture of handset and today has emerged as a leading manufacturer of handsets. An organization which deals in multiple products, manages multiple SKUs, sources components from various countries across the globe, operates and sells in multiple locations need to manage their supply chain efficiently. Supply chain management, therefore, was a critical issue for Nokia also. Nokia was able to achieve success and become a prominent player because of an efficient management of the supply chain. The present study entitled “Success through efficient Supply Chain Management: A Case of Nokia’s Indian Operation” done by Dr. Salma Ahmed, details Nokia’s Indian operations with a focus on modularization of components in manufacture, customized distribution for Indian market, and supplier relationship.

Due to the delay in the release of Vol.3 No.2, December 2010; we are presenting the combined issue of Vol.4, No.1-2, June-December 2011. We will ensure that future issues are published on time.

The dream begins with the leader who believes in you, who tugs and pushes and leads you to the next plateau. We express our deep gratitude to our Hon’ble Vice Chancellor, Prof. S.W. Akhtar for his confidence on the IRJM team to make it an excellent source of knowledge for our readers. We also extend our acknowledgement to our Chief Academic Consultant, Prof. S.M. Iqbal, for his time to time valuable inputs. We are also indebted to our Advisory Board and Editorial Board jointly for sparing their countless hours during the course of publication.

Prof. (Dr) Zeeshan Amir
Editor-In-Chief
ROLE OF MEDIA IN RESTRUCTURING GENDER BIASEDNESS

Prof. (Dr.) Zeeshan Amir*

Abstract

Women constitute nearly half of the human population on the earth. Almost in all societies women are considered inferior to their male counterparts. Amidst a plenty of literature on women and related issues, this article discusses gender biasedness prevailing in the societies. Consequently the women have been portrayed as a sex object who is financially and emotionally dependent on men. The media has been looked upon as an interventionist to change the age old stereotyped image of women.

Keywords: Gender Biasedness, Social Perception, Media

Gender Definition

The word sex conveys the biological and physical attributes while gender is used to denote the roles, responsibilities and status which, as a result of social conditioning have come to be associated with a given sex.

Male and female are different by nature but we are making it different by nurture too. Social arrangements and social conditioning has consolidated it. However man and woman should arise out of some things other than natural differences. Exclusive gender identity is the suppression of natural similarities for social purpose and by social means.

Gender is not a trait but a system for dividing people into distinct, non-overlapping categories despite their natural variability on any particular characteristics and regardless of inconsistency between features that are all supposed to be definitive. Gender specific work is part of what defines ‘real’ men and women

Gender confers to socially constructed traits attributed to males and females.

The effect of social condition is seen most conspicuously among girls being inferior to boys. They are compared at the stage when they don’t even understand the ‘why’ hidden into it.

At work places, they are devoid of equal wages and moreover the quality of work gets labeled as low to their counterpart.

When men realize their behavioural inconsistencies towards women, which they find hard to explain resort to defense mechanism like rationalization. They may complain about the stress they bear on job to feed their family.

Biasedness

The recognition of special values accorded to male children comes early. So growing up as a boy in an Indian family is to enjoy various types of social psychological and material types of privileges, whatever these latter may be depending on the economic status of the family.

The negative attitude towards girls starts from birth itself. Apart from the disappointments and frowns that greet the girl child on her arrival in this world, child rearing is marked with indifference and neglect. The girls grow up with a notion of their temporary membership within the natal home.

Idiom:- “Bringing up a daughter is like pouring water in sand”.

Telugu Expression:- “Bringing up a daughter is like watering a plant in another’s courtyard.”

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Many middle class families feel that it is a waste to send girls for higher education, where as for a boy’s education is considered as investment for the future.

**Patriarchy**

The literal meaning is the rule of father within family and is used to embrace the rule of men over women in the society.

In India from Vedic pre Aryan to post Aryan period, in one way or the other, explicit or disguised, women had been in subordination to men. As a result women developed a negative attitude of themselves. They regard man’s superiority, as divinely ordained (holy order) and take it for granted or as given. In fact large number of women don’t even realize that they are subjugated or oppressed.

**Capitalist patriarchy**

Even in the economic spheres, though some industries do employ women in large number, they do so only for some specific tasks, mainly to exploit the cheap labour of women workers. With ever increase in development programme, the unpaid labour has increased, they have no share in the benefit of their labour. The programmes do not provide for their participation in crucial areas of management and decision making, in cooperatives and marketing etc.

This is the capitalist patriarchy, the women is exploited both in private and public spheres of work and has no control over the income generated by her.

**Women and Economy**

Women’s perspectives remain marginalized in designing and implementing macro-economic and social policies. Their participation need to be institutionalized in such processes. Their contribution to socio-economic development as producers and workers is not fully recognized in the formal and informal sectors (including home based workers).

Women work in agriculture and crucial nature of their contribution to agricultural development is well acknowledged and accepted. But much of this work remains invisible both in statistical work profiles, as well as to policy planners and formulators. The result is that women access to new and emergent technologies or anything has been very marginal, whether it is the general agricultural extension, co-privatization of dairy programmes or green revolution technologies.

The centrality of the women’s role in the economy is that of a producer, not a mere consumer or a recipient of govt. welfare measures. It is on women as a producer we have to focus on, which entails a thorough review of structural obstacles that stand in the way of her increased access to resources, such as-land, capital, training, skills, credit, legal rights etc.

Among the lower classes, women not only attend to domestic code but also participate in natural production. Among the upper section, who live on the surplus generated by others, women not only do not participate in material production, but even domestic chores like cooking, cleaning and washing are done by hired labour. But in both the cases, women performed a secondary role. While among the lower classes they invariably have dual responsibilities, among upper classes the role of women become more ornamental and ceremonial.

**Social Perception and Education**

We are still governed by the social perception, attitude, values and structures that obstructs or deny gender equality as a value. Some of these are deep rooted in our past. But some are very new- ideas,
institutions and movements that manipulate old practices, norms, customs and primordial (existing from the beginning) loyalties of people to set the clock of social development back. The typical example of such new wine in old bottles is the escalation of dowry and dowry-related violence, the spread of female infanticide and feticide, market propaganda that glamorizes women’s role as primarily consumers and communal and ethnic movement that projects protection of cultural, religious rights of a group at the cost of gender equality and women’s freedom.

Equal access to education for women and girls has not yet been ensured. In reality, we are not able to adopt special measures to eliminate discrimination, universalize education, eradicate illiteracy, create a gender-sensitive educational system, increase enrolment and retention rates of girls and improve the quality of education to facilitate life-long learning as well as development of occupation/vocation/technical skills by women.

**Working Women**

Most working women in middle class families have no control over their economic resources. They suffer with psychological stresses. They are afraid to move up in their profession as their status should be lower than husband.

Sexual division of labour – The distinction between masculine and feminine work comes early in childhood and becomes sharper as the child grows. If girls do not show interest in domestic chores, they are chided and reprimanded to conform. The other value that are included happen to learn to bear pain and deprivation and not to complain. Its man privilege to leave household work to be done by women in middle class families.

**Role of Media in Restructuring Gender Biasedness**

Gender and the media is a subject that is being discussed frequently. The portrayal of gender as a product and the accompanying body politic in the media is well documented. Media can act as both a perpetrator and as a protagonist – it can either be an accomplice to gender-based discrimination by portraying stereotypical sensational images of women or it can provide balanced coverage that empowers women while exposing acts of gender bias.

Women are slowly emerging out of their centuries-old stereotypes, breaking off their shackles of conventional subordination and are increasingly raising their voice to demand their rightful place in the society. Today women have become one of the potent forces of change, causing upheavals in male-oriented society. Modern communication can be a great force for women’s emancipation if it is utilized for promoting a critical consciousness on the women’s questions. But it can be source of powerful support to values and practices accepted for consolidating women’s personality and identity. The present century has been a century of media evolution.

The two revolutionary media radio and television emerged in this century and have already established themselves revolutionizing the mass media scene.

**Using the Power of the Media**

Gender biases in the media may have declined significantly over the last 15 years, but they are still far from resolved, says the report of the Global Media Monitoring Project (GMMP) 2010, in which India participated for the first time. In the Indian media, women constituted less than a quarter of the people heard or read about in the news, according to the report ‘Who makes the News?’ released by GMMP. The GMMP study was conducted in 108 countries and coordinated by the World Association for Christian Communication. Under the 15-year project, similar studies were conducted in 1995, 2000 and 2005.
The study finds that women are the ‘central focus’ of just 12 per cent of news stories in India, and
figured as ‘news sources’ only in 22 per cent of reports. And while 63 per cent of news stories actually
reinforced gender stereotypes, only nine per cent challenged them.

The distance between women and media not only deprives the women of their right to information
and knowledge but also keeps the women in the dark regarding the blatant misuse of the female and the
distortion of the truth. Although the images of women as reflected by the different mass media in the
country are not very different, it is an interesting fact that these images directly or indirectly feed and
reinforce the stereotypes.

The distortion of realities by the media has increased the gap of understanding between the different
sections of society. Effective informative communication is one of the most important channels for the
growth and development of women in the informal or unorganized sector, as without information regarding
services and benefits available through legislation, government schemes, banks and voluntary organizations,
women can hardly take advantage of them.

Media can be used to portray images consistent with human dignity of girls and women. The
programmes should specifically strive to remove demeaning, degrading and negative conventional stereotypical
images of women and violence against women. The media must be forced and encouraged to develop and
follow codes of conduct, professional guidelines and other self regulatory mechanisms to remove gender
stereotypes and promote balanced portrayals of women and men.

To reach a wide audience, various forms of media could be used. It requires innovative approaches to
promote socio-psychological issues related to women and gender discrimination through radio, television,
and film.

Radio

Knowing that radio campaigns can readily reach a large base of listeners, especially those living in
rural areas, the programmes focused on success stories related to education, micro credit, self dependence
and decision making could be relayed. The mass will identify them with the image portrayed in the programmes.

Television and Films

The sensitivity of the media towards issues of social development has significantly improved in
recent years. In developing regions of the country, the TV and films play a significant role in fostering
public opinion and awareness, there by making it critical for these media to take up social campaigns and
shed light on important issues.

Colors channel is setting an example by portraying the social issues with the woman playing a pivotal role.

The impact of visual media as a very powerful vehicle for communicating ideas and images is
known to be tremendous. Television creates a world which seems very real and viewers are unable to
differentiate between the contrived world and the real one. Impact of television is more as succession of
pictures becomes imprinted on minds that affect the mind set. The availability of cable and satellite television
exposes them to new information about the outside world; reinforces stereotypes and beliefs which may
affect individual attitudes and behaviours.

Situation may be restructured for intervention so as to build up new attitudes and values, eliminate
the old and reinstate the desirable reinforcement. It can be done through media by persuasive message and
effective communication method.
The serials, advertisements, news channels and other programmes can focus on the advocacy of the following issues:

- Gender training should be encouraged at the critical stages of life. Parents and especially mothers are first reinforcing agents for children. They also serve as models.
- Employed and educated parents with children have more opportunities to play on-traditional roles and therefore are more likely to change their attitude faster than others.
- Besides, it is also necessary to support families that show inclination to change. Publicise and reward them to demonstrate the benefit of new practices.
- Maternal employment and mothers’ education help in role transition.
- Shared parenting and its advantages should be emphasized and advertised.
- In schools, gender equality should be projected.
- Parents must find their daughters education as something worthwhile that would make the life of girls better than their mothers or grandmothers.
- The counseling programmes could be administered on groups who have positive attitude or attitude with least resistance. For example enlightened religious leaders, social workers, voluntary groups can help forming such target group.
- Status & power are important instrument of social change. The women in important position in government, politics and business, leaders of women’s organizations, women from high socio economic status, who are enlightened and committed to promote gender equality, should serve as instrument of change and also as models for emulation.

The whole intervention is subject to resistance. It calls for time, patience, energy and additional resources to have changed attitude. A media campaign can be a sincere effort in this direction where women can really experience social, economic and political empowerment.

References:
FROM CETERIS PARIBUS TO OMNIA MOBILIS: LAW OF DEMAND IN THE CONTEXT OF SERVICE ECONOMY

Sumita Srivastava*
Rupali Misra Nigam**

Abstract

Constructing economic models to explain complex economic phenomenon requires providing constricted conceptual relationship such as causation, explanation, confirmation, determinism, counterfactuals between variables under consideration which presuppose laws of nature. Analysing such multifaceted complex phenomenon is simplified by working out a number of partial solutions as auxiliaries in different stable inert states and segregating/isolating the disturbing causes sequentially. This ceteris paribus assumption, literally translated as “with other things being the same”, is fundamental to both predictive and descriptive purpose of building economic models.

Economic model of demand states that the quantity demanded is a function of price of the commodity, income of the consumer, prices of the related goods, tastes and preferences of the consumer. Based on this model, ‘Law of Demand’ predicts that in a competitive market, price will function to equalize the quantity demanded by consumers and the quantity supplied by producers, resulting in an economic equilibrium of quantity. However, fluctuating business cycles, socio-economic variables, lifestyle changes, shift from traditional to modern consumer, consumer movements, development of buyer’s market have revolutionised the consumer preferences and buying patterns in the contemporary society and challenged the ideologies of consumption.

The possibility of existence of a zone/space/area where the traditional bounded rationality ceases to exist has amplified. This paper is an attempt to identify those areas when Ceteris Paribus steady state assumption in the economic laws is replaced by Omnia Mobilis(everything is moving) assumption. The economic laws are not as dynamic to the changing consumption patterns as the change itself; perhaps sometimes even stagnant in explanation. We will analyse the economic law of demand in light of the rapid change in the consumption pattern. This paper is not an attempt to make the law irrelevant but an effort that a new definition is now required mutatis mutandis.

Keywords: Ceteris paribus, Law of demand, Omnia mobilis

Introduction

The diversity, heterogeneity and dynamism of the social science stream echoes that demand of a commodity cannot be studied in isolation. However, the economic laws are not as dynamic to the changing consumption patterns as the change itself; perhaps sometimes even stagnant in explanation. By introducing the doctrine of Omnia Mobilis (everything is moving) one can study the behavior/dynamics of demand function without the consideration of the Steady State/Ceteris Paribus assumption. The doctrinal authoritativeness of Marshall’s demand theory not only ignores the dynamic and complex relationship among a large number of variables in the study of a single economic phenomenon but also the changing growth of economic structures. Omnia Mobilis is an obvious reality not only for commodity market equilibrium but also for other emerging and predominant sectoral classifications of the economy.

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Everything that grows also changes its structure. A growing economy changes the proportions and interrelations among its basic sectors—agriculture, industry, and services and between other sectors—rural and urban, public and private, domestic- and export-oriented. The shift from industrialization to post-industrialization economic stages is also reflected in the structural changes of consumer demand and in the relative labor productivity of the three main economic sectors. The accepted laws of the industrialization era like the law of demand, therefore, focus on tangible items like goods/products/commodities. This paper is an attempt to investigate the application of Omnia Mobilis doctrine with special reference to growing service sector - an intangible product. The focus of the service industry is to keep up with the consumer’s insatiable frenzy for functional novelty, technological curiosity and perceived utility derived. With the service sector accounting for more than two-third of the GDP of the world economy, the study of law of demand for intangible goods – service – becomes imperative. In this paper, the possibility of Omnia Mobilis demand function has been examined in light of the rapid change in the consumption pattern and structural composition of the world economy with special reference to service economy.

Ceteris Paribus Perspective: Some Reflections

Ceteris Paribus, a Latin phrase, literally translated as ‘with other things the same’, or ‘all other things being equal or held constant’ helps researchers rule out the possibility of other factors that could override the relationship between the antecedent and the consequent. A ceteris paribus assumption is often fundamental to the predictive purpose of scientific inquiry. In order to formulate scientific laws, it is usually necessary to rule out factors which interfere with examining a specific causal relationship. Under scientific experiments, the ceteris paribus assumption is realized when a scientist controls for all of the independent variables other than the one under study, so that the effect of a single independent variable on the dependent variable can be isolated. By holding all the other relevant factors constant, a scientist is able to focus on the unique effects of a given factor in a complex causal situation. Ceteris paribus assumptions are also relevant to the descriptive purpose of modeling a theory. In such circumstances, analysts such as physicists, economists, and behavioral psychologists apply simplifying assumptions in order to devise or explain an analytical framework that does not necessarily prove cause and effect but is still useful for describing fundamental concepts within a realm of inquiry.

In economic contexts, the use of ceteris paribus clauses can be traced back to Petrus Olivi in 1295. In the 16th century, Juan de Medina and Luis de Molina used “ceteris paribus” while discussing economic issues. William Petty, in his Treatise of Taxes and Contributions (1662) qualifies his labor theory of value by a “ceteris paribus” clause. Ceteris paribus clause was popularized by Alfred Marshall in the late 19th century by advocating partial equilibrium analysis. Marshall’s approach analysed complex economic phenomena by parts where each part of the economic model can be joined to generate an approximation of the real world. This approach can be termed the Isolation Approach and according to Marshall (Schlicht, 1985) originates from two possible Isolation clauses. First the ceteris paribus assumption allows some variables to be considered unimportant. This clause is called Substantive Isolation. Second, the ceteris paribus assumption allows the influence of some important factors to be disregarded. The application of the ceteris paribus assumption in this case is purely hypothetical; therefore the second clause is called Hypothetical Isolation. It allows parts of the model to be managed more easily.
In other words, to explain a complex economic phenomenon, the ceteris paribus approach considers the effect partially of each variable in a set of m variables (usually termed independent variables, Xj, j = 1, 2 . . . m) upon a variable of interest (usually termed the dependent variable, Y). More precisely, if “Y” is a function of, say, X1 and X2, the (partial) relationship between Y and X1 can be visualized in the 2-D space describing Y and X1, assuming X2 is held constant. The real-world scenario is thus approximated by the cumulative effect of the partial effects of the X variables on Y. Ruiz (2009) suggests that the application of Ceteris Paribus Assumption originated from three basic reasons. First is the historical reason wherein this assumption was built to help in the explanation of any economic phenomenon then maybe the number of variables accounted was fewer in those days than now. Second reason is that the Ceteris Paribus assumption can be considered as a basic tool for teaching-learning economics. Third reason is the graphical modeling used in economics which is based on the application of the 2-Dimensional Cartesian coordinate system (X, Y) since a long time.

According to Ruiz, the 2-Dimensional Cartesian coordinate cannot visualize multi-variable economic modeling into the same graphical space. Thereby, the 2-Dimensional Cartesian coordinate system only is available to visualize two variables (the dependent and independent variable) simultaneously into the same graphical space. Ruiz has suggested the concept of Econographicology or a study of multi-dimensional graphs for understanding the affect of multiple independent variables on a single dependent variable. With the inception of Econographicology, new types of Cartesian Spaces like Pyramid Cartesian Space (P-Cartesian Space), Diamond Cartesian Space (D-Cartesian Space), 4 -D Kite Cartesian Space, 5-D Kite Cartesian Space, Infinity Cartesian Space (I-Cartesian Space) and Multi-variable Pictorial Cartesian Space (MP-Cartesian Space) are constructed based on the traditional 3-D space concept, but they represent 4-D, 5-D, 8-D, 9-D and Infinity-Dimension. The multiple-dimension representations are to facilitate easy understanding of economic phenomena. This paper is an attempt to use Pyramid Cartesian Space for mapping the law of demand in the traditional 3-D space for the service sector economy.

**Modeling Demand Function of Service Economy**

The term ‘service economy’ is used in reference to two recent economic developments. One is the increased importance of the service sector in industrialized economies. And the other is the relative importance of service in a product offering. Products today have a higher service component than in previous decades. In management literature this is referred to as the ‘Servitization of Products’. Virtually every product today has a service component to it. The old dichotomy between product and service has been replaced by a service-product continuum. Many products are being transformed into services. For example, IBM treats its business as a service business. Although it still manufactures computers, it sees the physical goods as a small part of the ‘business solutions industry’. They have found that the price elasticity of demand for ‘business solutions’ is much less than for hardware. There has been a corresponding shift to a subscription pricing model. Rather than receiving a single payment for a piece of manufactured equipment, many manufacturers are now receiving a steady stream of revenue for ongoing contracts. Thus, service economy makes it easier to relate to the Experience Economy - actual quality of life decisions made by human beings based on assumptions about service-and integrates economics better with marketing theory about brand value e.g. products are purchased for their assumed reliability in some known process. This assumes that the user’s experience with the brand (implying a service they expect) is far more important than its technical characteristics. Thus in this changing context, and after an extensive survey of literature on demand dimensions of service economy, the following demand model is proposed:
\[
D_s = f(C_{\text{Exm}}, PQ, A, I)
\]

Here,

- \(D_s\) = Demand for service
- \(C_{\text{Exm}}\) = Customer Experience Management
- \(PQ\) = Price Quality Trade Off
- \(A\) = Advertising
- \(I\) = Innovation

A brief description of each variable follows:

**Customer Experience Management (C_{\text{Exm}}):**

Customer Experience Management (CEM) is the collection of processes a company uses to track, oversee and organize every interaction between a customer and the organization throughout the customer lifecycle. The goal of CEM is to optimize interactions from the customer’s perspective and, as a result, foster customer loyalty. Pine, J. and Gilmore, J. (1999) argue that businesses must orchestrate memorable events for their customers, and that memory itself becomes the product - the “experience”. More advanced experience businesses can begin charging for the value of the “transformation” that an experience offers, e.g. as education offerings might do if they were able to participate in the value that is created by the educated individual. This, they argue, is a natural progression in the value added by the business over and above its inputs.

**Price Quality Trade off (PQ):**

Consumer perceptions of price, quality and value are considered pivotal determinants of shopping behavior and choice (Bishop 1984, Doyle 1984, Jacoby and Olson 1985). A fundamental assumption of classical consumer theories is that clear, stable values and preferences underlie people’s judgment and decisions, and logically equivalent assessment questions thus elicit consistent answers (Tversky, Sattath & Slovic, 1988). However the prominence effect suggests that choice and matching tasks generate systematically different responses especially in view of recent indications that quality tends to be a more prominent dimension than price. Simonson and Tversky (1992) suggested that the quality or performance of products and services often represents the purpose of purchase, whereas price is commonly perceived more as a constraint on the quality that can be obtained.

**Advertising:**

Most researchers agree that services have distinctive characteristics that differentiate them from goods (Abernethy and Butler 1992, Murray and Schlacter 1990, Upah and Uhr 1981). Most researchers advocate that advertising is an essential variable affecting demand of services since it makes an intangible service more tangible (cf.Barry 1981, Barry and Clark 1986; Cutler and Javalgi 1993). Advertising expenditures for services are similar in many ways to investments in durable plant and equipments.

**Innovation:**

Innovation in service is often more closely connected to the way products are delivered. Technological change is, for example, associated with the number of hours during which a service can be delivered or with improvements in the spatial dimension of the services (e.g. home banking). The quality of a service (e.g. user friendliness) is another component of innovation which is usually not correctly...
reflected in the measurable output (see Licht and Moch 1999 or Baldwin et al., 1998 for an approach to measure service outputs in qualitative terms). The multidimensionality of service sector innovation output partly explains the existing problems in tracking the productivity growth of services. The focus of service innovation is to constantly improve the customer experience by systematically understanding the customer’s expressed and non-expressed needs. Service innovation always begins with consumer needs or wants -- frequently unexpressed. Retail innovators such as Starbucks, Amazon, Walmart have created game changing business models. Mayo Clinic is constantly innovating how they deliver their services to their customers. WestJet and Southwest Airlines compete in their markets on service and constantly innovate, using their innovative culture to maintain a competitive advantage.

**Current Market Realities: Rethinking an Alternative Demand Modeling of Service Economy in Omnia Mobilis Perspective**

In service economy system, we recognize, ‘everything depends on everything else’ and also that ‘everything is always changing’ leading to a situation of Omnia Mobilis (JM Buchanan, 1958). Current market realities require the construction of models, which in turn should contain predictive or explanatory value. There is a need to develop a model where the fundamental truth of the interdependence cannot be ignored. This paper takes the approach of Ruiz Estrada on the application of multi-dimensional graphs in visualizing and modeling total change in a dependent variable in response to changes in any or all of the (many) independent variables affecting it (Econographicology). The multi-dimensional graph applied to demand and supply shows that under the Omnia Mobilis (everything is moving) assumption, the quantity sold in the market is a joint function of all the independent variables that affect both supply and demand.

In the proposed model, Demand for a service is a function of four parameters – Customer Experience Management, Price-Quality Trade-Off, Advertising and Innovation. These forces interact/collide with each other and eventually lead to the demand of the service. This conceptual interaction has been mapped on the Infinity Cartesian Space (1-Cartesian Space) (Ruiz, 2006) consisting of five axes ([X1:i, X2:i, X3:i, X4:i], Yi) or (Xi:i, Yi). Accordingly each independent variable, X1:i, X2:i, X3:i, X4:i, and the dependent variable, Yi, has its individual axis. These infinity independent variables form a general parametric circle until a cylinder is created. We have plotted the four variables Customer Experience Management, Price Quality Trade Off, Advertising and Innovation in the general parametric circle with radius depicting the correlation of the individual independent variable with the demand for services.

The general function to build demand and supply cylinders is given below by:

\[ Y_{CL} = f_c ([X_{CLj}, P_{CLj}, R_{CLj}], j = 1, \ldots, m_c) \]

**Where:**

- \( C = \{1, 2\} \) is the Cylinder, \( C = 1 \) is the demand cylinder and \( C = 2 \) is the supply cylinder
- \( L = \{1, 2, 3 \ldots n\}, n \rightarrow \infty \), is the Level (normally, time)
- \( m_c, m_c \rightarrow \infty \), is the number of independent variables in cylinder \( C \)
- \( X_{CLj} \) is the independent variable \( j \) in cylinder \( C \) at level \( L \) lying in position \( P_{CLj} \) with value \( R_{CLj} \);
- \( 0^\circ \leq P_{CLj} < 360^\circ \), is the position of \( X_{CLj} \) in cylinder \( C \) at level \( L \);
- \( R_{CLj} \) is the radius corresponding to the \( X_{CLj} \) in cylinder \( C \) at level \( L \);
- \( Y_{CL} \) is the dependent variable, quantity demanded (\( C=1 \)) and quantity supplied (\( C=2 \)) at level \( L \)
Visualizing and Modeling Demand and Supply Surfaces

The Demand and the Supply Cylinder

The demand cylinder is a series of \( n \) sub-cylinders, one for each level. For a given sub-cylinder, say for \( L=1 \), the values of the \( m \) independent variables \( X_{1:L} \) affecting demand \( Y_{1:L} \) are plotted on the base of the sub-cylinder as the radii. The demand for a service at Level \( L=1 \) is plotted in using the various independent variables \( X_{1:1} \): Demand for service, \( X_{1:1:2} \) as \( C_{Exm} \) or Customer Experience Management, \( X_{1:1:3} \) as \( PQ \) or Price Quality Trade Off, \( X_{1:1:4} \) as Advertising and \( X_{1:1:5} \) as Innovation. The resultant demand sub-cylinder at time/level \( L=1 \) is plotted as \( Y_{1:1} \) (figure 1). Similarly, the other sub-cylinders of the demand function are plotted in the main cylinder \( Y_{1:L} \) at various levels \( L \).

On the same lines, the supply cylinders are also plotted and placed side by side. However, the mathematical formulation and identification of independent variables of the supply cylinder is beyond the scope of this paper.

The Balance Line, Balance Point and Changes in Demand and Supply

The balance line, \( BL_L \), is the line that connects \( Y_{1:L} \) and \( Y_{2:L} \) in sub-cylinder \( L \). This line may be linear as shown in Figure 1 or non-linear. The quantity sold in the market lies somewhere on this line given by the Balance Point, \( BP_L \). The quantity sold is thus viewed as a “balance” between demand and supply quantities. Thus, \( BP_L = g(Y_{1:L}, Y_{2:L}) \)

In other words, the quantity sold in the market is a function not only of the common price but also of all the factors that affect supply and demand. This suggests that demand and supply quantities can remain in disequilibrium at time \( L \).

Conclusions

Marshall’s Isolation Approach for explaining the complex demand function of service economy does not seem fit enough to explain the dynamics of the demand model of service economy. Substantive Isolation
Clause – some variables are considered unimportant – is not valid in the dynamic ‘servitization of products’ sector. Hypothetical Isolation clause – disregarding the influence of some important factors – cannot be applied to the service industry where perception (a function of expectations of mind) of the service plays an important role.

We have studied the law of demand for service sector in the omnia mobilis state with the help of multi-dimensional graphs. It analyses the application of alternative Multi-Dimensional Cartesian coordinate systems to put forward an alternative graphical method visualizing multi-variable data behavior of demand and supply function in this dynamic world. There is no intention to make the law irrelevant but an effort that a new definition of old ceteris paribus laws is now required with the changing structure of the economy, consumption pattern, quality expectations mutatis mutandis.

The proposed model that studies the demand for services incorporates four forces that guide the purchase decision like fostering customer loyalty by orchestrating memorable events or Customer Experience Management; like providing value or quality and performance of products and services or Price Quality Trade Off; like commoditizing the intangible services through Advertising and delivering customers’ non-expressed needs or Innovation. These variables or determinants determine the demand of a service and are then compared with the supply function. The determinants of supply cylinder affect the scope of future research. The parameters of the demand function and the supply function move together for an equilibrium state in the omnia mobilis economic conditions.

References

IDENTIFICATION OF VARIABLES AFFECTING EMPLOYEE SATISFACTION AND THEIR IMPACT ON THE ORGANIZATION

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Abstract

Employee satisfaction is the terminology used to describe whether employees are happy, contended and fulfilling their desires and needs at work. Many measures support that employee satisfaction is a factor in employee motivation, employee goal achievement and positive employee morale in the work place. Basically Employee satisfaction is a measure of how happy workers are with their job and working environment.

In this paper various variables responsible for employee satisfaction has been discussed such as Organization development factors, Job security factors, Work task factors, Policies of compensation and benefit factor and opportunities which give satisfaction to employees such as Promotion and career development also has been described. This paper also deals the various ways by which one can improve employee satisfaction.

Keywords: Satisfaction, Employee satisfaction, Importance of Employee Satisfaction

Introduction:

According to Nancy C. Morse (1997) “Satisfaction refers to the level of fulfillment of one’s needs, wants and desire. Satisfaction depends basically upon what an individual wants from the world, and what he gets.” Employee satisfaction is a measure of how happy workers are with their job and working environment.

It is sure that there may be many factors affecting the organizational effectiveness and one of them is the employee satisfaction. Effective organizations should have a culture that encourages the employee satisfaction, Bhatti & Qureshi, (2007)

Employees are more loyal and productive when they are satisfied Hunter & Tietyen, (1997), and these satisfied employees affect the customer satisfaction and organizational productivity, Potterfield, (1999).

There is no limit for the employees to reach the full satisfaction and it may vary from employee to employee. Sometimes they need to change their behaviors in order to execute their duties more effectively to gain greater job satisfaction, Miller, (2006). Having good relationships with the colleagues, high salary, good working conditions, training and education opportunities, career developments or any other benefits may be related with the increasing of employee satisfaction.

‘Employee satisfaction is the terminology used to describe whether employees are happy, contended and fulfilling their desires and needs at work. Many measures support that employee satisfaction is a factor in employee motivation, employee goal achievement and positive employee morale in the work place.’ Susan M. Heath field (About. Com). Cranny, Smith & stone (1992) defined ES as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with he/she actually receives. According to Moyes, Shao & Newsome (2008) the employee satisfaction may be described

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as how pleased an employee is with his or her position of employment. As Spector (1997) defined job satisfaction as all the feelings that a given individual has about his/her job and its various aspects. Employee satisfaction is a comprehensive term that comprises job satisfaction of employees and their satisfaction overall with companies’ policies, company environment etc.

**Need for Employee Satisfaction:**

Everyone from managers, retention agents to HR need to get a handle on employee loyalty and satisfaction – how committed is the workforce to the organization and if workers are really contented with the way of things for gauging their likelihood to stay with the company. One of the main aspects of Human Resource Management is the measurement of employee satisfaction. Companies have to make sure that employee satisfaction is high among the workers, which is a precondition for increasing productivity, responsiveness, quality and customer service.

The litmus test is to study turnover and average length of service. If turnover is on the rise, loyalty levels are low and vice versa. Comparing them to industry averages gives good idea of attrition probabilities. Staff attendance, compliance with policies and confidence in leadership are other indirect indicators of allegiance while excessive theft and sabotage spell obvious lack of commitment. According to Heskett et al (1994), more satisfied employees, stimulate a chain of positive actions which end in an improved company performance. In another research it is said that employee satisfaction influenced employee productivity, absenteeism and retention, Derek R. Allen & Merris Wilburn, (2002). The success of any company is directly link to the satisfaction of the employees who embody that company, that retaining talented people is critical to the success of any organization, Freeman, (2005) .Studies shows that businesses that excel in employee satisfaction issues reduce turnover by 50% from the norms, increase customer satisfaction to an average of 95 % & lower labor cost by 12%, Carpitella, (2003). The more satisfied an employee is, the less turnover and absenteeism occurs, Maloney, & McFillen, (1986). Judge, et. al, (1993), on the other hand, mentions that employee satisfaction is positively correlated with motivation, job involvement, organizational citizenship behavior, organizational commitment, life satisfaction, mental health, and job performance, and negatively related to absenteeism, turnover, and perceived stress and identify it as the degree to which a person feels satisfied by his/her job. In contrast, Rousseau (1978) identified three components of employee satisfaction: they are characteristics of the organization, job task factors, and personal characteristics.

In the construction industry, where the quality of products is dependent on the skill of laborers and on-site supervisors, employees play a significant role in the success and outcome of the product and the company, (U.S. Bureau of Labor Statistics, 2004).

Profit and growth are stimulated directly (and primarily) by customer loyalty. Customer loyalty is a direct consequence of customer satisfaction. Customer satisfaction is heavily influenced by customer perceptions of the value of services they receive. Value is created by satisfied, loyal and productive employees. Employees who feel a sense of teamwork and common purpose, a strong commitment to communication, and managerial empowerment are most able, and willing, to deliver the results that customers expect (Employee Satisfaction, 2005)

Human Relations perspective posits that satisfied workers are productive workers (e.g., Likert, 1961; McGregor, 1960). Thus, organizational productivity and efficiency is achieved through employee satisfaction and attention to employees’ physical as well as socio emotional needs.
Human relations researchers further argue that employee satisfaction sentiments are best achieved through maintaining a positive social organizational environment, such as by providing autonomy, participation, and mutual trust (Likert, 1961).

Employees’ job satisfaction sentiments are important because they can determine collaborative effort. Consistent with this reasoning, Likert (1961) has argued that collaborative effort directed towards the organization’s goals is necessary for achievement of organizational objectives, with unhappy employees failing to participate (effectively) in such efforts.

In a unique study conducted by Harter et al. (2002), based on 7,939 business units in 36 organizations, the researchers found positive and substantive correlations between employee satisfaction-engagement and the business unit outcomes of productivity, profit, employee turnover, employee accidents, and customer satisfaction.

The predominant view has focused on the situational context (e.g., supervisory support) as a cause of satisfaction and has argued that high-performance work practices and thus a positive working climate foster employee satisfaction (see, e.g., Bowen, & Ostroff, 2004; Wright, Dunford, & Snell, 2001; Wright, Gardner, Moynihan, & Allen, 2005).

Keen observation of employee reactions and conduct is by far the most obvious and easiest technique. Casually walk around the office, watching employees working, interacting with each other and talk to them informally. Are they smiling, energized, cooperative and alert or listless, inactive and unhelpful? You can even employ a professional consultant as an objective third-party to assess the work atmosphere and compare with other companies.

Taking simple observation to the next level by asking employees outright in attitude surveys, focus groups and exit interviews and analyzing the results to determine staff attitude, opinions and motivation. While satisfied employees are not necessarily loyal or loyal ones always satisfied, it cannot be denied that job satisfaction fuels loyalty. After all its been rightly said that, the more satisfied an employee is regarding his or her working conditions, the more likely is he or she to develop a psychological attachment or commitment to the organization. According to Mark graham Brown, (2006), there is a strong link between employee satisfaction and customer satisfaction and between customer satisfaction and future revenue.

Companies should try their best to evaluate why employees leave or what kindles their dissatisfaction. Examine the root causes – where does the problem lie? Is it earnings or benefits? Does it have something to do with job quality or workplace support? Or is lack of appreciation or growth to blame. The onus is on the management to keep employees engaged and happy, so as to persuade them to stay. In fact, this is critical to organizational success.

**Variables on which Employee Satisfaction Depends:**

Through review of literature, we can classify the variables in mainly 2 broad categories namely:-

1. **Organizational Variables:**

   The organization determinants of employee satisfaction play a very important role. The employees spend major part of their time in organization so there are number of organizational variables that determine employee satisfaction of the employees. The employee satisfaction in the organization can be increased by organizing and managing the organizational variables or organizational factors.
Following these 10 variables comes in this category:-

(i) **Organization Development**

Organization development is an ongoing, systematic process to implement effective change in an organization. Its objective is to enable the organization in adopting better to the fast-changing external environment of new markets, regulations, and technologies. It starts with a careful organization-wide analysis of the current situation and of the future requirements. In other words, we can say that Organization development is the process through which an organization develops the internal capacity to most efficiently and effectively provide its mission work and to sustain itself over the long term. This definition highlights the explicit connection between organizational development work and the achievement of organizational mission. Following these points come under this category:

- Brand of organization in business field and their comparison with leading competitors.
- Potential development of the organization.

(ii) **Policies of Compensation and Benefit**

This is the most important variable for employee satisfaction. Compensation can be described as the amount of reward that a worker expects from the job. Employees should be satisfied with competitive salary packages and they should be satisfied with it when comparing their pay packets with those of the outsiders who are working in the same industry. A feeling of satisfaction is felt by attaining fair and equitable rewards. Following these points come under this category:

- Wage and salary.
- Reward and penalties.

(iii) **Promotion and Career Development**

Promotion can be reciprocated as a significant achievement in the life. It promises and delivers more pay, responsibility, authority, independence, and status. So, the opportunity for promotion determines the degree of satisfaction to the employee. Following these points come under this category:

- Opportunity for promotion.
- Equal opportunity to grow despite being male or female
- Training program.
- Opportunity for use skills and abilities.

(iv) **Job Satisfaction**

Job satisfaction is the favorableness or un-favorableness with which employees view their work. As with motivation, it is affected by the environment. Job satisfaction is impacted by job design. Jobs that are rich in positive behavioral elements—such as autonomy, task identity, task significance and feedback contribute to employee’s satisfaction. Following these points come under this category:

- Job design
- Task identity
- Recognition
- Responsibility
- Empowerment
- Quantity of task.
- Difficult level of task
(v) Job Security

Job security is an employee’s assurance or confidence that they will keep their current job. Employees with a high level of job security have a low probability of losing their job in the near future. Certain professions or employment opportunities inherently have better job security than others; job security is also affected by a worker’s performance, success of the business and the current economic environment. Following these points come under this category:

• Facility of transfer
• Accessible / reasonable target
• Leaves

(vi) Working Environment & Condition:

Employees are highly motivated with good working conditions as they provide a feeling of safety, comfort and motivation. On contrary, poor working condition brings out a fear of bad health in employees. The more comfortable the working environment is more productive will be the employees. Following these points come under this category:

• Feeling safe and comfort in working environment.
• Tools and equipment.
• Working methods
• Security guards and parking facility.
• Well ventilated with good light fans and air-conditioning.
• Neat and clean office place, rest area and washrooms.

![Fig. Types of Organizational Variable](image-url)
(vii) Relationship with Supervisor:
A good working relationship with your supervisor is essential since, at every stage, you need his or her professional input, constructive criticism, and general understanding. Following these points come under this category:
- Relationship with immediate supervisor.
- Communication between employees and senior management.
- Treatment to employee.

(viii) Work Group:
There is a natural desire of human beings to interact with others and so existence of group in organization is a common observable fact. This characteristics result in formation of work group at the work place. Isolated workers dislike their job. The work groups make use of a remarkable influence on the satisfaction of employees. Following these points come under this category:
- Relationship with the group members.
- Group dynamics
- Group cohesiveness
- Need for affiliation.

(ix) Leadership Styles:
The satisfaction level on the job can be determined by the leadership style. Employee satisfaction is greatly enhanced by democratic style of leadership. It is because democratic leaders promote friendship, respect and warmth relationship among the employees. On contrary, employees working under authoritarian and dictatorial leaders express low level of employee satisfaction. Following these points come under this category:
- Prefer democratic style of leadership
- Friendship, respect and warmth relationship.

(x) Other Factors:
There are some other important variables which affect the level of employee satisfaction in organization. Following these points come under this category:
- Group outgoing (feel like a part of family).
- Encouragement and feedback.
- Use of internet and other technology for doing job.

2. Personal Variables:
The personal determinants also help a lot in maintaining the motivation and personal factors of the employees to work effectively and efficiently. Employee satisfaction can be related to psychological factors and so numbers of personal variables determine the employee satisfaction of the employees. Following these 5 variables comes in this category:

(i) Personality:
The personality of an individual can be determined by observing his individual psychological condition. The factors that determine the satisfaction of individual and his psychological conditions is perception, attitude and learning. Following these points come under this category:
- Competencies and personality of employee are suitable for job.
- Perception, attitudes and learning of employee.
(ii) Expectation:
The expectation level of employees affects their satisfaction level. If one receives more outcome than expected then he will be highly satisfied and vice-versa. Following these points come under this category:
• Expectation of employee from the job.

(iii) Age:
Age can be described as noteworthy determinants of employee satisfaction. It is because younger age employees possessing higher energy levels are likely to be having more employee satisfaction than older age employees. Following these points come under this category:
• Young employees possessing high energy level so feeling more satisfied.
• Old employees resist accepting new techniques.

(iv) Education:
Education plays a significant determinant of employee satisfaction as it provides an opportunity for developing one’s personality. Education develops and improvises individual wisdom and evaluation process. The highly educated employees can understand the situation and assess it positively as they possess persistence, rationality and thinking power.
• Highly educated employees possess rationality and thinking power.
• Education develops individual wisdom and evaluation process.
(v) Gender Differences:

The gender and race of the employees plays important determinants of employee satisfaction. Women, the fairer sex, are more likely to be satisfied than their counterpart even if they are employed in same job. Following these points come under this category:

- Generally women are more likely to be satisfied than men.

**Why is employee satisfaction important?**

Employee’s satisfaction is significant for organisation and employees both. Organisational objectives are to be matched for collective achievement of organisational goal in order to have sustained existence. Importance of employee satisfaction can understand in 2 main areas namely:

1. **Importance of Employee Satisfaction for the Organization:**
   - Enhance employee retention.
   - Increase productivity.
   - Increase customer satisfaction.
   - Reduce turnover, recruiting, and training costs.
   - Enhance customer satisfaction and loyalty.
   - More energetic employees.
   - Improve teamwork.
   - Higher quality products and/or services due to more competent, energized employees.

2. **Importance of Employee Satisfaction for the Employee:**
   - Employ will believe that the organization will be satisfying in the long run.
   - They will care about the quality of their work.
   - They will create and deliver superior value to the customer.
   - They are more committed to the organization.
   - Their work is more productive.

**How to Improve Employee Satisfaction?**

Employee attitudes typically reflect the moral of the company. In areas of customer service and sales, happy employees are extremely important because they represent the company to the public. Satisfaction, however, is not linked solely to compensation. Sure, a raise or benefits will probably improve employee contentment, at least temporarily, but small, inexpensive changes can have a long-term impact. Zappos.com CEO Tony Hsieh’s book Delivering Happiness suggests that employers should follow the science of happiness. The book stresses the importance of happy employees. Since the publication of this New York Times Best Seller, Hsieh has expanded his message from to a bus tour to an entire movement. On her happiness project blog, Gretchen Rubin, author of The Happiness Project, identifies seven areas to improve happiness in the workplace. While employees can’t weak their habits to improve happiness, employers can also make small changes to the seven categories. A little bit of effort can lead to happy, efficient, and loyal employees.
13 Steps or things which we can do to increase employee satisfaction and loyalty thereby increasing our business’ revenue and profit are as follows:

1. **Clear, Concise and Consistent Communication:**
   In many organizations, employee doesn’t know what is mission, vision, objects. Building a corporate culture that requires employees to be an integral part of the organization can be an effective way of getting the most from the talents or competencies brought to the organization by each employee. We should keep employees informed on the company’s position, progress made, issues/challenges, and how they directly contribute to the success of the business.

2. **Getting to Know Your Employees and Create a Team:**
   It can be done by the hiring right employee for right job and clearly defined and communicated employee expectations. Every organization should spend time to instill trust and accountability, laying out clear expectation and securing their commitment to the business and build a culture around working together to meet challenges, create new advantage, and propel the business to greater success.

3. **Training and Other Improvement Programs:**
   Provide necessary education, training and coaching that increases employees skills and shows the employee that you are interested in their success and readiness for new responsibility.

4. **Empower Employees Across the Company:**
   Step up appropriate levels of new responsibility across the company. Push appropriate decision-making and allow people closest to the issue to make the call. Make sure your employee knows that you trust them to do their job to the best of their ability.

5. **Work Itself:**
   We can increase employee satisfaction by making job rotation, job enlargement like knowledge enlargement and task enlargement as well as job enrichment. Target should be accessible for employee.

6. **Fair Compensation and Benefits:**
   Policies of compensation and benefits are most important part of organization. But you should build your policies at “suitability” not “the best”.

7. **Opportunity for Promotion and Career Development:**
   Develop programs to promote all titles in the organization and build programs for career development of each title. Organization should give opportunity to every employee for using their abilities, skills and creativeness.

8. **Monitor Performance and Reward for Contribution:**
   People naturally keep score. Use this to as advantage by monitoring positive contribution and behavior, rewarding as appropriate. Motivate others to reach new performance levels by knowing how they measure up to expectation. We should build the proper evaluation and fair and encourage employees perform work.

9. **Provide Regular, Honest Feedback:**
   Don’t wait for a crisis situation to give feedback. Instead, give regular constructive input into the employee’s performance across a wide variety of issues, build loyalty, challenge to new levels of performance and keep it real.
10. Build Corporate Culture:
We should focus on making proper communication channel, good and supportive relationship with coworkers and with supervisor. Employee satisfaction can be increased by demonstrating respect for everyone in the organization or company.

11. Provide Best Equipment and Safe Working Condition:
Invest in employees by making sure their tools and equipments don’t keep them from being successful. Give them the very best tools to deliver the very best performance to the company, customers and the marketplace. Companies should build occupational health and safety program.

12. Use of Information Technology:
Creating a work environment in which employees are productive is essential to increased employee productivity, their satisfaction as well as profits for any organization, corporation or small business. There is no shortage of information on ways to motivate employees, but more and more companies are realizing that there is a strong correlation between flexibility in the workplace and employee satisfaction and productivity. The concept of telecommuting is certainly not new. However, recent advances in cloud computing and collaboration software make telecommuting programs easier to implement from a technological standpoint. Concerns about cost, security, features and reliability have all been laid to rest with the introduction of hosted, Software as a Service applications. With an Internet connected computer, employees can securely access centralized data, collaborate with remote team members and host interactive web meetings and presentations.

The rise of cloud computing technology and Wi-Fi availability has enabled access to remote servers via a combination of portable hardware and software. Telecommuting offers benefits to communities, employers, and employees.

[Diagram: Ways for Improving Employee Satisfaction]

- Know your Employees
- Improve Program
- Work itself
- Promotion Opportunity
- Regular Feedback
- Safety Working Condition
- Remain Positive

Fig. Ways of Improving Employee Satisfaction
13. Remain Positive:
Organizations should lead the team forward through positive outlook and contribution and showing their faith in their employees.

Conclusion:
On the basis of above points we can say that employee attitudes typically reflect the moral of the company. In areas of customer service and sales, happy employees are extremely important because they represent the company to the public.

So, every organization should develop strategies that strengthen the work environment and increase the employee morale and employee satisfaction to enhance employee performance and productivity, which ultimately results in high profits, customer satisfaction as well as customer retention.

References:
MEASURING SERVICE QUALITY AT RURAL BRANCHES OF RETAIL BANKS: 
AN EMPIRICAL STUDY

Mohd. Adil*
Dr. Mohammed Naved Khan**

Abstract

The Indian consumer, irrespective of urban-rural divide, has become attitudinally affluent and seeks to fulfil his life style aspirations. This is leading to a growing demand for competitive, sophisticated and quality retail banking services in urban as well as rural India. Quality has come to be recognized as a strategic tool for attaining operational efficiency and improved business performance. Consumer goods companies are already tapping this potential and now it is for the banks to make the most of the opportunity to deliver quality solutions to this market. However, keeping in mind the inherent characteristics of services, which make them different from goods and create problems with management of service quality in service firms, various scales for measuring service quality have been suggested by researchers. In this context, SERVQUAL and SERVPERF constitute two major service quality measurement scales. However, keeping in mind the demographic profile of subjects and observations of previous researchers especially in the Indian context, for present study SERVPERF scale was deployed. The present study strives to propose a modified and validated version of service quality scale i.e. ‘Modified SERVPERF’ more relevant from the point of view of retail banks operating in rural India. The study has an applied bias as the findings can be of help to banks operating in rural areas in assessing their quality of service along with the re-structuring and prioritizing service quality dimensions and strategizing promotional activities.

Keywords: Service quality, Rural, Retail bank, SERVPERF, India

Introduction

Demographic shifts in terms of income levels and cultural shifts in term of life-style aspirations are changing the profile of Indian consumer not only in cities but also in rural hinterland and are expected to be the key drivers of economic growth (Ravichandran, 2003). The Indian consumer irrespective of urban-rural divide now seeks to fulfill his life styles aspirations at a younger age with an optimal combination of equity and debt to finance consumption and asset creation. This is leading to a growing demand for competitive, sophisticated retail banking services. The consumer represents a market for a wide range of products and services- he needs a mortgage to finance agricultural land, fertilizers, loan for his tractors, personal two-wheeler; a long-term investment plan (fixed deposit) to finance his child’s marriage; a life insurance policy- the possibilities are endless. And, this consumer does not live just in India’s top ten cities. He is present across cities, towns and villages as improving communications increases awareness even in small towns and rural areas. Consumer goods companies are already tapping this potential- it is for the banks to make the most of the opportunity to deliver solutions to this market. In fact the biggest opportunity for the Indian banking system today is the rural consumer.

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**Senior Faculty, Department of Business Administration, Faculty of Management Studies & Research. Aligarh Muslim University, Aligarh, India

Empirical studies focusing on service quality at rural retail banks are few and far between. The extant literature primarily delves into service quality attributes important for urban consumers. Thus there is a pressing need to bridge this gap by carrying out studies encompassing rural consumers. This is all the more required in case of emerging economy like India which has been witnessing a sustained growth in income of rural consumers. As such, this research strives to identify and prioritize dimensions of service quality relevant from the point of view of rural customers.

**Literature Review**

On a simplistic note, it can be said that services are activities or benefits that one party can offer to another that are essentially intangible and do not result in ownership of anything. So services are deeds, processes and performances (Gronroos 1984, Zeithaml 2000).

Service quality is increasingly recognized as being of key strategic value by organizations in both the manufacturing and service sectors. Service quality is “the outcome of an evaluation process, where the customers compare their expectations with the service they have received” (Gronroos 1984). On the other hand Parasuraman *et al.* (1988) define quality of service as “the global overarching judgment or attitude relating to the overall excellence or superiority of the service”. Banking is a high involvement industry and delivering quality services and products to the customer, is essential for success and survival in today’s global and highly competitive banking environment (Wang *et al.*, 2003). It is service quality that allows the company to differentiate itself from its competitors (Arasli *et al.*, 2005, Baumann *et al.*, 2006). Customers tend to measure a bank’s service quality in terms of the personal support they receive, rather than the technical support. Other researchers have supported that service quality depends on individual perceptions (Schneider and White, 2004). Aldaigan *et al.* (2002) observed that service quality in the retail banking environment has been the focus of a number of studies but none of these studies has taken the Gronroos (1984) model of service quality as its organizing framework to develop a method of measuring customers’ service quality perceptions. Furthermore, researchers suggest that user perception is the most important determinant of consumer’s value perception. These value perceptions thus formulated tend to impact the future purchase intentions of consumers (Bolton & Drew; 1988, 1991). As service quality improves, the probability of customer satisfaction increases. Increased customer satisfaction leads to behavioral outcomes such as commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failures and positive word-of-mouth advertising about the organization. “Service quality is at the root of customer satisfaction and is linked to such behavioural outcomes as word of mouth, complaint, recommending, and switching” (Yavas *et al.*, 2004).

There has been much interest in the relationship between service quality and outcomes such as retention, loyalty, and profitability. In order to examine these relationships, researchers first needed to measure service quality. As the services possess the element of intangibility it is very difficult to have a standardized and scientific tool for measurement (Parasuraman *et al.*, 1991). However, Parasuraman *et al.* (1985, 1988) developed SERVQUAL, a 22-item scale (Parasuraman *et al.*, 1988) to measure service quality along five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. The instrument has been revised and used extensively in a variety of service settings such as banking, credit card services, repair and maintenance and long distance telephone services in developed nations.
Angur et al. (1999) and Cronin et al. (1994) examined the applicability of alternative measures of service quality in the emerging economies and observed that simply measuring performance provides a better measure of service quality than the difference score suggested by Parasuraman et al. (1988) and hence proposed a performance-based scale SERVPERF, a 22-items scale to measure service quality. Furthermore, the most telling evidence to date which testifies the above claim is one of the original co-authors of SERVQUAL recently reported results that appear to support the conclusions of Cronin & Taylor (1992) over that of SERVQUAL, “Our results are incompatible with both the one-dimensional view of expectations and the gap formation for service quality. Instead, we find that service quality is directly influenced only by perceptions of performance.” Hence, it can be concluded that to measure service quality in banking industry SERVPERF is a better scale (Jain and Gupta, 2004) and thus it was decided to use the same for the present study too.

Review of extant literature reveals that very few empirical studies (Yavas et al., 1997; Angur et al., 1999; Sureshchandar et al., 2003) in the context of emerging economies have been published in reputed peer reviewed academic journals, in contrast to innumerable studies made by researchers in the context of western world (Aldaigan & Buttle, 2002; Arsli et al., 2005; Baumann et al., 2006; Campbell, & Roberts, 2006; Glaveli et al. 2006, Kumar, et al., 2010; Lee & Hwan, 2005; Thuy, P.N., & Hau, L.N., 2010; Yap et al., 2010). It is interesting to note that very rarely the above referred studies have touched upon service quality perceptions of rural bank customers, irrespective of the context.

The present paper attempts to fill the gap by providing an insight into service quality perceptions of bank patrons residing in rural areas. From a pragmatic viewpoint, then, the paper will serve as a useful information source for researchers interested in modelling patterns of service quality in the context of rural bank customers.

Research Methodology

Objectives

The objectives of the present study are listed below:

- To explore the psychometric properties of ‘Original SERVPERF’ scale in the context of customers of rural retail bank branches.
- To explore the psychometric properties of ‘Refined SERVPERF’ scale in the context of customers of rural retail bank branches.
- To explore the service quality dimensions using ‘Original SERVPERF’ scale in the context of customers of rural retail bank branches.
- To explore the service quality dimensions using ‘Refined SERVPERF’ scale in the context of customers of rural retail bank branches.
- To prioritize relevant service quality dimensions from the point of view of customers of rural retail bank branches.
Hypotheses

Based on the extant literature, the following research hypotheses were considered for the study:

H₁: Significant differences do not exist in psychometric properties of ‘Original SERVPERF’ and ‘Refined SERVPERF scale’.

H₂: Significant differences do not exist between the leading bank (SBI) and other banks on the service quality dimension- tangibility.

H₃: Significant differences do not exist between the leading bank (SBI) and other banks on the service quality dimension- reliability.

H₄: Significant differences do not exist between the leading bank (SBI) and other banks on the service quality dimension- assurance.

H₅: Significant differences do not exist between the leading bank (SBI) and other banks on the service quality dimension- responsiveness.

H₆: Significant differences do not exist between the leading bank (SBI) and other banks on the service quality dimension- empathy.

H₇: Significant differences do not exist in the importance of various service quality dimensions- tangibility, reliability, assurance, responsiveness and empathy for customer of rural retail bank branches.

The Research Instrument

The SERVPERF measuring instrument developed by Cronin et al. (1994) was adapted and used for the present study. A number of empirical studies covering service industries other than banking (Bolton and Drew 1991a,b; Churchill and Surprenant 1982; Mazis, Ah-tola, and Klippel 1975; Woodruff, Cadotte, and Jen-kins 1983, Angur et al., 1999; Agarwal et al., 2004; Seth et al., 2005; Kumar et al., 2010) too have been conducted using SERVPERF Model. They generally pertain to car retailing, travel and tourism, hospitality, banks, and medical services. SERVPERF was, therefore, considered to be an appropriate instrument for studying service quality in the context of patrons of rural banks for the present study.

The research instrument consisted of structured questionnaire and the respondents were required to indicate their level of involvement with the help of a seven-point rating scale where 1= Strongly Disagree and 7= Strongly Agree. Seven-point Likert scale was employed so that the findings could be compared with those of previous studies which have primarily relied on the use of such measurement tool. The research instrument consisted of two categories of questions. The first set of questions was related to demographics while the second set dealt with various items of standard SERVPERF scale used also by previous researchers (Gao et al., 2006; Vanniarijan et al., 2008;) for measuring service quality.

Initially, the research instrument was developed in English and given independently to three subject experts from the subject area to obtain feedback regarding the content, layout, wording and ease of understanding the measurement items. They were also asked to offer suggestions for improving and simplifying the language to enhance clarity, readability and content adequacy. In general, the comments were positive with some suggestions which were taken into account while revising the questionnaire to ensure content validity.

The English version of the research instrument was later translated into Hindi which is commonly spoken in villages of Western Uttar Pradesh (where Aligarh district is situated). As an additional precaution, the Hindi version was first pre-tested on a representative sample of 10 customers of rural banks; and
Further tested for originality by “back-translation” method (McGorry, 2000; Aulakh & Kotabe, 1993; Green & White, 1976), whereby the English original is translated into the foreign language (Hindi) and then back translated into English to check for questionnaire dissimilarities. No difficulties were detected with the understanding of the semantic meaning of each item or with the use of the seven-point scale. This was deemed necessary since the concern was not so much with a literal translation but with generating meaning which was as similar as possible to the original English version. It should be noted that translators were fluent in both written and spoken English & Hindi.

**Pilot Testing of the Research Instrument**

During pilot administration of the questionnaire it was observed that some of the respondents were randomly indicating their responses on the traditional ‘grid’ that is generally placed alongside the items of the scale. Thus to increase the reliability of the responses it was decided to request the respondents to indicate their level of agreement by writing the appropriate scale value (for literate respondents) in the research instrument or the same was entered by the researchers (for semi and illiterate respondents).

**The Sampling Plan**

The ‘population’ of interest for the present study comprised all the villagers of India i.e. 700,000,000 individuals residing in 6,27,000 villages. The entire country consists of 29 states in which about 1,073,000,000 individuals reside and it exhibits great diversity in terms of language, culture and climate (Census of India, 2001). As it was not feasible to cover all these states due to huge geographic spread, inaccessible terrain, diversity of spoken languages, cultural differences, as well as time and monetary constraints, it was decided to focus on the northern state of Uttar Pradesh (UP) which is the most populous state in the entire country, with a population of 166,197,921 individuals. According to last Census of India carried out in 2001, the total rural population of UP stands at 131,658,339 individuals.

The state of UP exhibits a rich diversity in terms of composition of its rural population vis-à-vis income, education, age, gender and occupation. Further, its inhabitants speak a language (Hindi) which was not alien to the researchers and also the cultural nuances which otherwise would have seriously hindered research. Interestingly, the literature review also revealed paucity of research focusing on rural India in general.

The state is divided into 70 districts and 300 sub-districts or blocks, which are basically administrative divisions consisting of 97,942 villages. It was decided to select Aligarh district consisting of 12 blocks comprising 334,714 rural households and a total rural population of 2,127,592 individuals (Census of India, 2001). Due care was taken while administering the questionnaire in order to prevent bias from the point of view of any particular demographic group as also a particular bank. The respondents were approached at different locations with the objective of having a representative sample as also minimize bias owing to proximity to the urban centre (Aligarh).

For survey research, probability sampling is preferred over non-probability sampling (Saunders et al. 2000). However according to Trochim (2006) there may be circumstances, as in the present case, where it is not feasible, practical or theoretically sensible to undertake probability sampling specially in situations where a reliable sample frame is non-existent. Here too, the lack of a reliable sampling frame necessitated the adoption of a non-probability based purposive sampling procedure.
Data Collection

For three months of 2011 (May-July), the authors of this study collected the required information on a one-to-one basis from “willing respondents”. A “willing respondent” in this research was defined as a bank customer who owns an account, maintains and operates himself, and the bank branch is located in rural areas around Aligarh.

The Hindi version of the questionnaire was personally administered on roughly 200 respondents having their bank accounts in designated rural bank branches located around Aligarh city residing in rural areas adjoining Aligarh city. The researchers made it a point to personally fill up the questionnaire in case of the illiterate respondents after explaining to them the contents of the questionnaire.

Table 1: Profile of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>70</td>
<td>53.8</td>
</tr>
<tr>
<td>Female</td>
<td>60</td>
<td>46.2</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14-19</td>
<td>14</td>
<td>10.8</td>
</tr>
<tr>
<td>20-25</td>
<td>57</td>
<td>43.8</td>
</tr>
<tr>
<td>26-30</td>
<td>28</td>
<td>21.5</td>
</tr>
<tr>
<td>31-40</td>
<td>23</td>
<td>17.7</td>
</tr>
<tr>
<td>41-60</td>
<td>8</td>
<td>6.2</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>73</td>
<td>56.2</td>
</tr>
<tr>
<td>Married</td>
<td>57</td>
<td>43.8</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>47</td>
<td>36.2</td>
</tr>
<tr>
<td>Business</td>
<td>13</td>
<td>10.0</td>
</tr>
<tr>
<td>Farming</td>
<td>21</td>
<td>16.2</td>
</tr>
<tr>
<td>Professional</td>
<td>12</td>
<td>09.2</td>
</tr>
<tr>
<td>Service</td>
<td>37</td>
<td>28.4</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

In all, 170 completed questionnaires were returned; of these 130 responses were found suitable for further analysis giving a satisfactory response rate of 65 per cent. The rest of the questionnaires had to be
discarded as they were incomplete in various respects such as missing information pertaining to critical questions etc.

**Scale Refinement and Validation**

A crucial aspect in the evolution of a fundamental body of knowledge in any management theory is the development of genuine measures to obtain valid and reliable estimates. Unless reliability and validity are established, it is difficult to know whether the scales actually measure what they are, suppose to measure. In present research, data was collected through a field survey. Then the instrument was subjected to tests of reliability and validity, thereby ensuring operationalization and standardization.

**Reliability**

Though the SERVPERF Scale is a standard measure, keeping in mind the respondents, it was decided to further check for reliability of the measurement instrument. Reliability is operationalized as internal consistency, which is degree of inter correlations among the items that constitute the scale (Nunnally, 1978). Among other measures, internal consistency can be estimated using reliability coefficient Cronbach’s alpha (Cronbach, 1951). Internal consistency refers to the ability of a scale item to correlate with other items in the scale that are intended to measure the same construct. Items measuring the same construct are expected to be positively correlated with each other. If the reliability is not acceptably high, the scale can be revised by altering or deleting items that have scores lower than a pre-determined cut-off point. If a scale used to measure a construct has an alpha value greater than 0.70, the scale is considered reliable in measuring the construct (Hair et al., 1998; Nunnally, 1978; Leedy, 1997). According to Schuessler (1971), a scale is considered to have good reliability if it has an alpha value greater than 0.60.

<table>
<thead>
<tr>
<th>S.Q. Dimensions</th>
<th>Original SERVPERF</th>
<th>Modified SERVPERF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cronbach Alpha</td>
<td>No. of Items</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.516</td>
<td>4</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.507</td>
<td>5</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.539</td>
<td>4</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.523</td>
<td>4</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.486</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22</td>
<td></td>
</tr>
</tbody>
</table>

Hair et al. (1998) suggest that reliability estimates between 0.6 and 0.7 represent the lower limit of acceptability for reliability estimates. The decision was made to use an alpha value greater than 0.7 for the reliability estimates for the whole as well as refined scales for each of the dimensions i.e. RATER.

**Validity**

The validity of a measurement instrument refers to how well it captures what it is designed to measure (Rosental & Rosnow, 1984). Validity is important in descriptive studies: if the validity of the main variables is poor, you may need thousands rather than hundreds of subjects.
Table 3: Results of Exploratory Factor Analysis

<table>
<thead>
<tr>
<th></th>
<th>Original SERVPERF</th>
<th>Modified SERVPEF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( KMO )</td>
<td>( AVE )</td>
</tr>
<tr>
<td><strong>TANGIBILITY</strong></td>
<td>0.599</td>
<td>1</td>
</tr>
<tr>
<td>Up-to-date equipment</td>
<td>0.361</td>
<td>0.506</td>
</tr>
<tr>
<td>Neat Employees</td>
<td>0.332</td>
<td>0.532</td>
</tr>
<tr>
<td>Physical Facilities</td>
<td>0.378</td>
<td>0.516</td>
</tr>
<tr>
<td>Visual Service</td>
<td>0.557</td>
<td>0.516</td>
</tr>
<tr>
<td><strong>RELIABILITY</strong></td>
<td>0.588</td>
<td>2</td>
</tr>
<tr>
<td>Provides services at promised time</td>
<td>0.476</td>
<td>0.504</td>
</tr>
<tr>
<td>Bank provides services as promised</td>
<td>0.600</td>
<td>0.504</td>
</tr>
<tr>
<td>Error free records</td>
<td>0.405</td>
<td>0.611</td>
</tr>
<tr>
<td>Service right at the first time</td>
<td>0.575</td>
<td>0.584</td>
</tr>
<tr>
<td>Solving customer’s problem</td>
<td>0.405</td>
<td>0.584</td>
</tr>
<tr>
<td><strong>ASSURANCE</strong></td>
<td>0.588</td>
<td>1</td>
</tr>
<tr>
<td>Trustworthy</td>
<td>0.395</td>
<td>0.521</td>
</tr>
<tr>
<td>Safe in Transaction</td>
<td>0.614</td>
<td>0.634</td>
</tr>
<tr>
<td>Courteous</td>
<td>0.253</td>
<td>0.506</td>
</tr>
<tr>
<td>Knowledgeable</td>
<td>0.373</td>
<td>0.506</td>
</tr>
<tr>
<td><strong>RESPONSIVENESS</strong></td>
<td>0.583</td>
<td>1</td>
</tr>
<tr>
<td>Prompt service</td>
<td>0.573</td>
<td>0.527</td>
</tr>
<tr>
<td>Customer request</td>
<td>0.285</td>
<td>0.571</td>
</tr>
<tr>
<td>Tells in advance</td>
<td>0.358</td>
<td>0.620</td>
</tr>
<tr>
<td>Willing to help</td>
<td>0.363</td>
<td>0.591</td>
</tr>
<tr>
<td><strong>EMPATHY</strong></td>
<td>0.442</td>
<td>3</td>
</tr>
<tr>
<td>Individual attention</td>
<td>0.809</td>
<td>0.591</td>
</tr>
<tr>
<td>Specific needs</td>
<td>0.405</td>
<td>0.591</td>
</tr>
<tr>
<td>Personal assistance</td>
<td>0.734</td>
<td></td>
</tr>
<tr>
<td>Operating hours</td>
<td>0.670</td>
<td></td>
</tr>
<tr>
<td>Best interest</td>
<td>0.783</td>
<td></td>
</tr>
</tbody>
</table>
The validity of a scale may be defined as the extent to which differences in observed scale scores reflect true differences among objects on the characteristic being measured rather than systematic or random error. In this research, as already explained, the content validity of the measurement instrument was assessed by asking three subject experts from the subject area to examine it and provide feedback so as to, in a way, localise the language of the research instrument. As already discussed, after they had reviewed the questionnaire, changes were made in line with the suggestions.

Results of Exploratory Factor Analysis and Discussion

Descriptive statistical techniques were used to assess bank customers’ perceptions. Pre-analysis testing for the suitability of the entire sample for factor analysis was computed as recommended by Comrey (1978). The Kaiser-Meyer – Olkin measure of sampling adequacy was 0.865 and the Bartlet tests of sphericity was significant at p, 0.001. The results of these tests indicate that the sample was suitable for factor analytic procedures. On the basis of Catell’s (1966) study criterion, factors with eigen values greater than 1.0 and factor loadings that are equal to or greater than 0.50 were retained. A factor analysis was conducted on perception scales using varimax rotation. In all 14 items loaded cleanly onto five dimensions of service quality.

Table 3: Psychometric Properties of Original and Modified Scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original SERVPERF</th>
<th>Modified SERVPERF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>S.D.</td>
</tr>
<tr>
<td>Overall</td>
<td>4.50</td>
<td>0.81</td>
</tr>
<tr>
<td>TANGIBILITY</td>
<td>4.66</td>
<td>1.24</td>
</tr>
<tr>
<td>RELIABILITY</td>
<td>4.58</td>
<td>1.40</td>
</tr>
<tr>
<td>ASSURANCE</td>
<td>4.52</td>
<td>1.20</td>
</tr>
<tr>
<td>RESPONSIVENESS</td>
<td>4.56</td>
<td>1.15</td>
</tr>
<tr>
<td>EMPATHY</td>
<td>4.28</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Psychometric properties of the scale depicted in the above table clearly show that differences do exist in the original and refined SERVPERF scale across all the five dimension of service quality. Further, it is to be noted that the reliability values for refined SERVPERF scale are better.

Data Analysis and Results of Hypotheses Testing

This study set out to understand and identify the dimensions of customer-perceived service quality in the context of a developing economy, the Indian rural retail banks. The current study reinforces the facts that service quality is a complex and multidimensional construct. The analysis of the 14 items comprising the various aspects of service quality in this study suggests that customers distinguish five dimensions of service quality in the case of the rural retail banking industry in India. These five dimensions of customer-perceived service quality are: tangibles, reliability, assurance, responsiveness and empathy. All the five dimensions have their own unique service quality characteristics inherent in the Indian retail banking environment.
Factor analysis revealed that the ‘responsiveness, assurance, reliability, empathy and tangibles’ dimensions were explanatory variables in predicting rural customer perception for bank. The identified variables/ sub-dimensions in the modified SERVPERF are up-to-date equipments, physical facilities, communication material, providing services at promised time, keeping records correctly, being sincere to solve problems, employees are trustworthy, feeling safe in bank transaction, knowledgeable employees, prompt services to customers, employee oblige the requests of customers, personal assistance and employees has customer’s best interest at heart. Tangibles and responsiveness in addition to reliability were also found to be significant predictors of customer satisfaction in a study conducted by Yavas et al. (1997) on bank customers in a developing country like India.

To determine whether or not any possible differences exist for customer of rural retail bank branches in the importance of various service quality dimensions- tangibility, reliability, assurance, responsiveness and empathy, two sets of analyses were performed. In the first step, Levene’s test for Equality of Variances was performed. It was found that except in reliability, no other dimension of service quality has sig 2 tailed t-test value less than 0.05. Hence it indicates that the data are close to normal distributed curve.

<table>
<thead>
<tr>
<th>Independent Samples Test</th>
<th>Levene’s Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td><strong>M_Tan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>1.304</td>
<td>.256</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M_Rel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>1.794</td>
<td>.183</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M_Assu</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.265</td>
<td>.607</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M_Res</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.016</td>
<td>.899</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: M_Tan: Modified tangibles, M_Rel: Modified reliability, M_Assu: Modified assurance, M_Res: Modified responsiveness, M_Emp: Modified empathy
In the second step, Group statistics was performed. The table reveals that rural customer pays more importance to reliability dimension than the rest.

Table 6: Group Statistics

<table>
<thead>
<tr>
<th>Bank_Comp</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>M_Tan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>64</td>
<td>4.6979</td>
<td>1.22686</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>4.5000</td>
<td>1.25439</td>
</tr>
<tr>
<td>M_Rel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>64</td>
<td>4.8125</td>
<td>1.15451</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>4.4091</td>
<td>1.03576</td>
</tr>
<tr>
<td>M_Assu</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>64</td>
<td>4.6875</td>
<td>1.19357</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>4.5152</td>
<td>1.21695</td>
</tr>
<tr>
<td>M_Res</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>64</td>
<td>4.5625</td>
<td>1.15298</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>4.4646</td>
<td>1.15895</td>
</tr>
<tr>
<td>M_Emp</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>64</td>
<td>4.0859</td>
<td>1.08947</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>4.3182</td>
<td>1.0764</td>
</tr>
</tbody>
</table>

Key: M_Tan: Modified tangibles, M_Rel: Modified reliability, M_Assu: Modified assurance, M_Res: Modified responsiveness, M_Emp: Modified empathy

To determine whether or not any possible differences exist between SBI and other banks on the service quality dimensions- tangibility, reliability, assurance, responsiveness and empathy. A close look at the above table reveals that barring reliability no other service quality dimensions had a significant difference between SBI and other banks. SBI performs better in Reliability dimension (Mean= 4.81) than its’ other counterparts (4.40). It is easy to see how other banks with a seller’s market mentality would be weak in these areas. Their organizational culture is just not attuned to looking at things from the rural customer’s perspective. Furthermore, emerging from a seller’s market era, they are not structured to deliver excellent service at promised time, individualized service quality, error free records. This situation may be depressing at first glance, but in reality offers excellent prospects for those banks willing to change and wish to be at par with SBI in their service offerings.

Table 7: Order of Importance of Service Quality Dimensions

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Mean</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>4.74</td>
<td>1</td>
</tr>
<tr>
<td>Tangibles</td>
<td>4.69</td>
<td>2</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4.60</td>
<td>3</td>
</tr>
<tr>
<td>Assurance</td>
<td>4.58</td>
<td>4</td>
</tr>
<tr>
<td>Empathy</td>
<td>4.35</td>
<td>5</td>
</tr>
</tbody>
</table>
The study also suggests that customers could distinguish five dimensions of service quality and attached varying importance to them. Reliability and tangibles emerged as the two most important service quality dimensions in the context of the Indian rural retail banking sector comprising of items such as competent service, error free records, employees taking interest in solving customer problems followed by appealing interior facilities, attractive visual service materials and the ability of the firm and its employees to inspire trust and confidence.

Table 7: Summary Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Interpretation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>Differences were found</td>
<td>Rejected</td>
</tr>
<tr>
<td>H₂</td>
<td>No difference</td>
<td>Not Rejected</td>
</tr>
<tr>
<td>H₃</td>
<td>Significant difference found</td>
<td>Rejected</td>
</tr>
<tr>
<td>H₄</td>
<td>No difference</td>
<td>Not Rejected</td>
</tr>
<tr>
<td>H₅</td>
<td>No difference</td>
<td>Not Rejected</td>
</tr>
<tr>
<td>H₆</td>
<td>No difference</td>
<td>Not Rejected</td>
</tr>
<tr>
<td>H₇</td>
<td>Rural customers give importance to Reliability</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Managerial Implications

The findings of this study can be of immense help to marketing practitioners in understanding of the service quality dimensions associated with customer satisfaction. Some of the major managerial implications based on the findings are listed below:

- **Banks operating in rural areas need to re-structuring and prioritizing service quality dimensions in the following order reliability→tangibles→responsiveness→assurance→empathy ranging from most important to least important.**
- **“First impressions count!” keeping the importance of this in mind, banks in the rural, need to go for a make over vis à vis atmospherics of their banks so that they portray a more contemporary up-market image similar to their urban counterparts.**
- **Promotional strategies need to be tweaked highlighting relevant aspects of service quality dimensions of importance to rural customers.**
- **Since it is more expensive to find and attract a new customer than it is to retain an existing one (Schlesinger and Heskett, 1991), banks in rural areas need to redefine their image to one that emphasizes reliable service quality by introducing standards for service excellence.**

Limitations

Though, a number of precautions have been taken to increase the reliability of the present study, yet the study suffers from certain limitations which may be given due consideration:

- **Limitations of time, funds and willingness of the respondents dictated that the sample could not be larger than the present one. Although this fact limits the generalizability of results, the researchers**
believe that it represents a necessary and economical first step in identifying relevant service quality dimension that can later be tested in larger, more representative samples in the Indian rural context.

- Purposive sampling procedure was employed to collect data from customers of rural banks and this may restrict the generalizability of findings.
- The limited sample and geographic extent of the study necessitates that findings be viewed with caution.
- The study does not examine the effect of a number of other variables such as price (service charges), customer satisfaction, customer trust, relationship strength and demographic characteristics which might have a role to play in differing perceptions of service quality.
- Analysis of customer’ switching behaviour, which otherwise might provide valuable insights, too has not been covered under the study.
- Since the results pertain to respondents from a particular geographic region, there exists a strong need for additional work.
- India being a multilingual and multi-regional country, the sample drawn may not be representative of the entire Indian population and therefore, generalisation has to be done with caution.
- There is a possibility of respondent’s bias as respondents might have given feedback desirable from the researcher’s point of view.
- There is a possibility of respondent’s bias from another angle. They may have given replies that were desirable from their point of view.

**Future Research Directions**

Based upon the insights gained and limitations of the present study, the following directions for future researchers are being suggested:

- As the geographical extent of this study was limited to the villages around Aligarh city, similar studies in other regions of the country would add both breadth and depth to our understanding of perceptions of rural customer towards banks service quality (Halan, 2004).
- Considering the fact that the rural respondents are sometimes semi-literate and illiterate, the researchers need to reorient their enquiry approaches to get a more insightful outcome for e.g. innovative research tools like pictorial scales can be deployed (Krishnamurthy, 2000, Krishnamacharyulu & Ramakrishnan, 2002).
- Alternative and complementary research approaches like observational studies, interactive interviewing and focus group interviews can also be adopted to supplement findings from purely quantitative studies as the present one.
- Given the heterogeneous ethnicity found within rural India, as well as different levels of economic development, additional replicative and extension efforts will be necessary to “paint” a more complete picture of service quality dimension relevant from the point view of rural bank customers.
- Future researcher need to study association between customer satisfaction and other variables such as price (service charges), customer trust, relationship strength and demographic characteristics.
- To conclude, exploratory researches as the present one are necessary to provide the impetus for future studies that can provide additional information about the subject matter of study.
References

ORGANIZED RETAIL MODEL FOR RURAL MARKETS IN INDIA: AN EMPIRICAL STUDY

Mohammad Faisal *
Asif Akhtar**
Dr. Asad Rehman***

Abstract

Retail is a buzz word in today’s changing business environment. Different industrial sectors are in the phase of transition from conventional business models to innovative, market driven and consumer centric models. In India retail is not a new word, however the emerging formats of retailing are changing the entire scenario and posing tough challenges in front of Indian retailers. They are now designing customized retail products and services and targeting the untapped segment of the market. Presently, nearly 60% of the population resides in rural India and their retail requirements are partially met by the unorganized retail stores. This study is an attempt to explore the potential of rural retail market of India, accessing their needs for products and brands. The study also aims at developing a business model for the rural retail market in India.

Keywords: Retail, Rural Retailing, Indian Rural Retail Market, Unorganized Rural Retail Market

Introduction

Today Indian consumers are becoming very unpredictable. The consumer today, is richer, younger, eager to accept changes and more aspirational in his/her needs than ever before. This Statement is not confined to urban India but also applicable to rural India.

A range of modern retailers are attempting to cater to the needs of the ‘new’ Indian consumer. The last few years have witnessed an explosion of organized retail formats like supermarkets and hypermarkets in an otherwise fragmented retail market in India. At present 85% of the organized retailing takes place in India’s urban areas. A very little part of rural market is covered by organised retailers like Hindustan Uni Lever’s Shakti, Indian Tobacco Company’s e-Choupal and DCM Shriram Consolidated Ltd.’s Haryali.

During the boom years, as the urban middle class was growing, marketers spared little thought for the rural consumers. Now, when the urban market is near saturation in the face of stiff competition from global players, the marketers are targeting the rural markets as this seems to be the only way to maintain their market share. Now the focus is at bottom of the pyramid, what Prof. C.K. Prahalad has called tier III of Indian society”the bottom”down, 600 million people living in 6 million odd villages comprising 12% of world’s population, which is now attracting not only Indian corporate houses but also global retail leaders. Overall, there is a huge market which is waiting to be served, ready to splurge, willing to explore new products, brands and services. Organised retailers can tap on their wallets given they do their homework well. According to India Retail Report 2009 by Images, - India’s rural markets offer a sea of opportunity for the retail sector. The urban-retail split in consumer spending stands at 9:11, with rural India accounting for 55 percent of private retail consumption.

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Now the questions arise, what is the model of retailing in rural India? Is the present model being used in rural India sufficient or do we need some different models? What are the preferences of rural customers? What are the factors affecting the purchase decisions of rural customers? What is the satisfaction level of rural customers with the existing retail market? In this paper we have attempted to explore the above mentioned issues.

**Literature Review**

For the world’s retailers, there is no doubt that India is the Promised Land (Fels, 2007). India’s retail sector is expected to grow to US$635 billion by 2015 (Fels, 2007). The modern retail formats are showing robust growth in the form of departmental stores, supermarkets and hypermarkets (Gill, 2007). Certainly, over the last 50 years, retail location decisions have been surpassed by models emphasizing the benefits of one stop shopping (Mandhachitara, 2007). Modern retail chains drive efficiencies in the process of distribution and invest in infrastructure that would otherwise be left to governments to build (Fels, 2007). Foreign investment in retailing promotes improved productivity and efficiency, enhanced sourcing, improved quality of employment (Mukherjee and Patel, 2005). Foreign retailers source the vast majority of their products locally. German chain METRO says it sources 95% of its products from India and Carrefour buys about 90% of its products locally for its hypermarkets in China (Fels, 2007). Cultural change might be unavoidable. Hawkins et al. (2004) suggest that culture is not static but evolves and changes slowly over time. Cultural change is an ongoing evolutionary process that involves changes in the priorities of values at both individual and societal levels (Egri & Ratlson 2004). With increasing globalization the retail industry is facing more and more competition which is making them struggle harder and harder to succeed through better performance (Koh, Kim, and Kim, 2006). The retail industry in India is largely unorganized and predominantly consists of small, independent, owner-managed shops that have dominated Indian retailing over the decades and are present in every village and local community or street corner stores, addressing the needs of the population in the area and being the point of contact with the consumer.

There are about 12 million retail outlets in the country; only about 4 per cent of them are larger than 500 sq. ft in size (Gill 2007). Culture as a key factor to influence consumers’ behavior has been intensively studied cross-culturally (e.g Levy 1959; Belk 1988; Belk et. al.1988; Gilly 1988; Belk et. al.1989; Jacobs et al. 1991). The organized retailing scenario is stabilized for some time now as players like Big Bazaar, Barista, Pizza Hut, Shoppers’ Stop, McDonald’s, Subway etc have become successful in establishing a national footprint. (Gill, 2007). Ordinary people are buying what the rich can afford, a surprising number of consumers have accepted private label brands in a country where small, individual stores selling no-name goods have been the rule for decades (Gill, 2007). Retail growth will continue in India, but an influx of foreign players, limited and expensive desirable real estate and foreign investment restrictions have pushed the country’s retail market closer to maturity (Global Retail development index 2010). China, India, Brazil and Russia remain the highest priority markets for retail expansion according to these executives, with nearly 80 percent of respondents citing one of these markets as part of their firms’ plans for short-term international growth. (Global Retail development index 2010). There are many approaches to understanding and defining retailing. It can be defined as “Any business that directs its marketing efforts towards satisfying the final consumer based upon, the organization of selling goods and services as a means of distribution”, (Gill, 2007). However, in supply-led economies such as the former centrally planned economics (CPES) of
eastern and central Europe, retailing has traditionally been viewed as an unnecessary and unproductive link in the channel of distribution (Myers and Alexander, 1997), Jack (2001). Experience of retailing in US shows that existing theories of retail development based on changing consumer needs are inadequate to explain new developments” (Gill, 2007). Knowing who the customers are and what they want become critically important for designing, advertising and promoting products, and developing the right pricing strategy to make customers feel that they are getting value for the price paid (Hauser, 2005). However, an emerging body of new literature assumes that preferences of consumers are constructed during the purchase process, based on the task and the context (Hoeffler & Ariely, 1999). The experience of China, Brazil and Thailand show that opening of retail sector to FDI has not only generated immense employment opportunities but also has given a big boost to their economy as a whole. Indian policy makers are also of the view that giving the retail sector a thrust will not only result in boosting the economy, but also that the retail sector has the potential to be leveraged in order to rejuvenate specific targeted sectors, including the rural economy - such as manufacturing, food processing, packaging and logistic services( Gill, 2007). Choice is dependent upon customer preferences, but other influences, such as availability and perceived price, also influence the products that customers choose (Hauser, 2005). Selecting a shop for patronage is a two-step process for many consumers. First, the selection of the shopping area is made; second comes the selection of stores within the area (Foxall, Goldsmith, 1994). In the initial stage, 49% FDI in multi-brand retail should be allowed, which could be raised to 100 per cent in three to five years depending on the sector’s growth.

**Rural Retailing in India**

India like most other countries has a very large network of local stores spread all across India. It is not really a network since each store is individual or family owned and has no connection with the other. It does however represent a network since large consumer product companies like Unilever, Procter & Gamble, Colgate-Palmolive, Cadbury, Coca-Cola, Pepsi and ITC uses them as their final point of retail to the consumer. These small stores are very personal and have built strong relationship with the local population. They are points of news and connection. They offer credit to the local population and help out in times of crisis. They also have a very good understanding of requirement of the local population and have very low overheads enabling them to offer the best price for their products. However, it is believed that the new retail chains will drive these small stores out of business (Gill 2007).

**Demographic profile of rural Indian market**

- No. of Villages 638,691
- Rural Population 741 Million
- There are total 3,697,527 retail outlets in rural India
- Rural literacy rate( 7 year and above) is 45%
- The no of middle income and higher income household expected to grow up to 111 million
- Rural market is growing up to 5 times than urban market
- Investment in formal saving instruments: 6.6 million household in rural 6.7 million in urban
- 145,98 villages with population less than 200 and 13,113 Villages with population over 5000
- 7271 Villages with railway station
- 1,38,000 villages with post offices
- 15039 Villages with hospital
12 million rediff signup out of total 20 million are from rural area
FMCG segment with an estimated annual size of 50,000 cr.
32000 rural bank branches

# Sources census of India 2001
Global Retail development index 2010

Major Retailers in Rural India

Now we analyze the existing rural retail penetrations in India. There are many players which are directly or indirectly involved in rural markets. Some big ones are ITC, HUL, DSCL and Gillette. Almost all telecom companies have penetration and retailing in rural markets.

ITC e-Choupal & Chaupal Sagar

e-Choupal is termed as one of the most innovative concepts of independent INDIA. e-Choupal is an initiative of ITC Limited, a large multi business conglomerate in India, to link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products. Following the success of the e-Choupal, the Company launched Choupal Saagar, a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket that offers multiple services under one roof. This landmark infrastructure, which has set new benchmarks for rural consumers also incorporates farmer facilitation centres with services such as sourcing, training, soil testing, health clinic, cafeteria, banking, investment services, fuel station etc. 24 ‘Choupal Saagars’ have commenced operations in the states of Madhya Pradesh, Maharashtra and Uttar Pradesh. ITC is engaged in scaling up the rural retailing initiative to establish a chain of 100 Choupal Saagars in the near future.

Hindustan Unilever Limited (HUL) - Shakti

Shakti was initiated to reach the massive un-served and under-served markets that cannot be economically and effectively serviced through traditional methods. HUL identifies underprivileged women in villages and these women are trained to become Shakti Entrepreneurs (SEs) i.e. distributors of HUL products in villages to earn a sustainable income through this business.

HUL invests resources in training these village women to become entrepreneurs by helping them become confident and independent. They are also a source of inspiration for the other women in the community. Hence, besides being a sale, distribution and communication initiative, Shakti is a micro-enterprise initiative that creates livelihoods and improves the standard of life. The Shakti initiative also enables rural consumers to access world class products, thereby reducing the menace of spurious products. Today, it benefits business by significantly enhancing HUL’s direct rural reach and enabling communication of HUL’s brands effectively in media-dark regions. The products distributed through project Shakti are some of the country’s most trusted brands of consumer goods which are specifically relevant to rural consumers. From 17 SEs in 1 state in 2001 to more than 45,000 SEs in 2008, Shakti has indeed come a long way in impacting lives in rural India.

For HLL greater penetration in rural areas is also an imperative - presently over 50 per cent of its incomes for several of its product categories like soaps and detergents come from rural India. The challenge for HLL now is to take its products to towns with a smaller population - under 2,000 people. As Sehgal points out, HLL’s conventional hub-and-spoke distribution model which it uses to great effect in both urban and semi-urban markets wouldn’t be cost-effective in penetrating the smaller villages. Now, with this new distribution model, the smaller markets are now being referred to as ‘Shakti markets’.
DSCL-Hariyali Kisaan Bazaar

“Hariyali Kisaan Bazaar” - a rural business centre, is a pioneering micro level effort, which is creating a far-reaching positive impact in bringing a qualitative change and revolutionizing the farming sector in India. It is also an example of how well meaning corporate can contribute to development of agriculture by building sustainable business models.

Each “Hariyali Kisaan Bazaar” centre operates in a catchment of about 20 kms. A typical centre caters to agricultural land of about 50000-70000 acres and impacts the life of approx. 15000 farmers.

Methodology for the Study

For this study, data was collected through an exploratory sample survey of 100 respondents in the rural areas of eastern and central Uttar Pradesh by using a questionnaire containing both open ended and close ended questions. Some of these questions used five point Likert scale to capture data relating to 8 preference variables and 6 demographic parameters.

For this study hypothesis were developed and tested using chi-square, T test and ANOVA. Data analysis was carried out with the help of SPSS Version 17.

Since the objective of the study is to understand the purchasing behaviour of rural customers for organised retailing in rural India. We tried to understand the below mentioned points.

- The place of purchase for different categories of products
- Need fulfillment by the nearest market
- Influence of family, friends, advertisements and shopkeeper’s on purchase behaviour
- Level of Satisfaction with existing retail market.
- Demographic influences if any, affecting the preferences of different buyers

Results and discussion

1) Sample Descriptions: Demographic Variables

   a) Distribution of respondents on the basis of age

   Table 1: Age wise distribution

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>30-40</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>41-50</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Above 50</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

   b) Distribution of respondents on the basis of gender

   Table 2: Gender wise Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td>Female</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
c) Distribution of respondents on the basis of marital status

**Table 3: Marital status wise distribution**

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Married</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

d) Distribution of respondents on the basis of marital status family type

**Table 4: Family type**

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Joint</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

e) Distribution of respondents on the basis of profession

**Table 5: Profession wise distribution**

<table>
<thead>
<tr>
<th>Profession</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Business</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Student</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>House wife</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Farmer</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Teacher</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

f) Distribution of respondents on the basis of Educational Qualification

**Table 6: Educational Qualification wise distribution**

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>High School</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Senior Secondary</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Graduate</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
2) Distribution of customers on the basis of need fulfilment through different retail markets

Table 7: Descriptive Statistics

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Village</th>
<th>Weekly Hat</th>
<th>Tehseel</th>
<th>District</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Fruits</td>
<td>Frequency</td>
<td>50</td>
<td>24</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>50</td>
<td>24</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>Personal Care Products</td>
<td>Frequency</td>
<td>41</td>
<td>18</td>
<td>27</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>41</td>
<td>18</td>
<td>27</td>
<td>14</td>
</tr>
<tr>
<td>Tea</td>
<td>Frequency</td>
<td>47</td>
<td>11</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>47</td>
<td>11</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>Soft Drink</td>
<td>Frequency</td>
<td>89</td>
<td>4</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>89</td>
<td>4</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Packed Grocery items</td>
<td>Frequency</td>
<td>32</td>
<td>17</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>32</td>
<td>17</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Clothing</td>
<td>Frequency</td>
<td>7</td>
<td>10</td>
<td>15</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>7</td>
<td>10</td>
<td>15</td>
<td>68</td>
</tr>
<tr>
<td>Footwear</td>
<td>Frequency</td>
<td>4</td>
<td>10</td>
<td>22</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>4</td>
<td>10</td>
<td>22</td>
<td>64</td>
</tr>
<tr>
<td>Durables</td>
<td>Frequency</td>
<td>3</td>
<td>0</td>
<td>19</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>3</td>
<td>0</td>
<td>19</td>
<td>77</td>
</tr>
</tbody>
</table>

Following are the points that emerged from the table given above:

- For fresh fruits, 50% respondents buy it from their village market, 24% and 26% are the no. respondents buying the fresh fruits from weekly hats and tehseel respectively.
- For personal care products, maximum no of respondents i.e. 41% buying it from village market however few of the respondents, 8%, 27% and 14% fulfilling this requirement from weekly hat and tehseel and district centres.
- For purchasing tea most of the respondents (47%) going to village shops 11% are going to weekly hat, 23% and 19% are going to tehseel and district centres respectively.
- A very big no of respondents (89%) are purchasing soft drink from their villages only 4% and 7% are purchasing from weekly hat and tehseel respectively.
- Maximum no of respondents (32% and 28%) purchase packed grocery items from village market and tehseel only 17% and 23% respondents purchase from district centres and weekly hat.
- A very small (7%) respondents purchase their clothes from village maximum (68%) are purchasing from district centres and 10% and 15% are purchasing from weekly hat and tehseel respectively.
- 64% respondents are going to district centres for footwear purchase and 4%, 10% and 22% are purchasing from village, weekly hat and tehseel respectively.
- Durables are mainly purchased from district head quarter (78% respondents) and tehseel (19%) only 3% are purchasing from villages.
3) Availability of products in rural market

*Are all products you need is available in that store located in market place that you visit?*

Table 8: Product Availability

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>No</td>
<td>91</td>
<td>91</td>
</tr>
</tbody>
</table>

This has been observed that maximum no. of respondents (91%) say no for the availability desired products in village market that they needed at times.

Table 9: Purchase Willingness

<table>
<thead>
<tr>
<th>Do you have to unwillingly purchase substitutes in case your desired product/brand is not available?</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>48</td>
</tr>
<tr>
<td>No</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>91</td>
</tr>
</tbody>
</table>

This has also been observed that in case when the village market is unable to fulfil the desired need some of the customers are bound to go for to go for available substitutes. However, some of them explore the other markets. This conclusion is supported by the data collected and then represented in the table 9.

4) Factors influencing purchase decision in rural markets

Table 10: Mean values of the factors influencing the purchase decisions of the respondents

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>Mean Value</th>
<th>Std. dev</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>2.42</td>
<td>1.165</td>
<td>3</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>2.58</td>
<td>1.093</td>
<td>2</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>2.98</td>
<td>0.91</td>
<td>1</td>
</tr>
<tr>
<td>Advertisements</td>
<td>2.02</td>
<td>1.092</td>
<td>4</td>
</tr>
</tbody>
</table>

The above table shows the mean scores obtained by the factors influencing the purchase decision of rural customers. This has been observed that customers are most influence by friend’s suggestions. This obtained the highest mean value (2.98). Shopkeepers and family members also have a significant impact on the buying behaviour. However advertisements have least impact on buying behaviour of rural customers.

5) Satisfaction level of different factor of accessible retail market

Mean scores of satisfaction level of factors

Table 11: Mean scores of satisfaction level of factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean Value</th>
<th>Std.dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>3.38</td>
<td>.874</td>
</tr>
<tr>
<td>Accessibility</td>
<td>3.13</td>
<td>1.079</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>2.54</td>
<td>1.029</td>
</tr>
<tr>
<td>Quality</td>
<td>2.54</td>
<td>.968</td>
</tr>
</tbody>
</table>
Table 11 shows the mean scores of the satisfaction level of rural customers for accessible market. This has been observed that customers are quite satisfied with price and accessibility of retail market with a mean value of 3.38 and 3.13 on five point scales suggestions. However they are not satisfied with variety of brands and quality of products (mean value 2.54 each) in rural markets.

6) Influence of factors on purchase decisions and its variation with demographic distribution

a) Gender

Table 12: Influencing factor variation with gender

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>-4.317</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>4.912</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>.695</td>
<td>.489</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>-.764</td>
<td>.446</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of family member and shopkeeper’s recommendation on purchase decisions rural customers significantly varies with gender(T = -4.317 & sig. = .000 and T = 4.912 & sig. = .000 respectively, sig value less than .05 in both cases)
- Influence of suggestion from friends and advertisement on purchase decisions of rural customers are not significantly varies with gender(T = .695 & sig. = .489 and T = -.764 & sig. = .446 respectively, sig value greater than .05 in both cases)

b) Marital Status

Table 13: Influencing factor variation with marital status

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>-.255</td>
<td>.799</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>-6.782</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>1.763</td>
<td>.081</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>4.952</td>
<td>.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of shopkeeper’s recommendation and advertisement of purchase decisions on rural customers significantly varies with respondents marital status (T = -6.782 & sig. = .000 and T = 4.952 & sig. = .000 respectively, sig value less than .05 in both cases)
- Influence of family member and friends on purchase decisions of rural customers are not significantly varies with respondents marital status (T = -.255 & sig. = .799 and T = 1.763 & sig. = .081 respectively, sig value greater than .05 in both cases).
c) **Family Type**

Table 13 : Influencing factor variation with family type

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>-2.574</td>
<td>.012</td>
<td>Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>-.076</td>
<td>.939</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>2.004</td>
<td>.048</td>
<td>Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>1.104</td>
<td>.272</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of family member and friend’s suggestion on purchase decisions of rural customers significantly varies with their family type (T = -2.547 & sig. = .012 and T = -.076 & sig. = .048 respectively, sig value less than .05 in both cases)
- Influence of shopkeeper’s recommendation and advertisement on purchase decisions of rural customers are not significantly varies with their family type (T = .695 & sig. = .489 and T = -.764 & sig. = .446 respectively, sig value greater than .05 in both cases)

**d) Age Group**

Table 14 : Influencing factor variation with Age Group

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>F value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>2.347</td>
<td>.078</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>12.834</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>2.748</td>
<td>.047</td>
<td>Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>10.785</td>
<td>.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of shopkeeper’s recommendation, suggestion from friend and advertisement on purchase decisions of rural customers significantly varies with age group (F = 12.834 & sig. = .000, F = 2.748 & sig. = .047 and F = 10.785 & sig. = .000 respectively, sig value less than .05 in all three cases)
- Influence of suggestion from family member on purchase decisions of rural customers is not significantly varies with gender (F = 2.347 & sig. = .078, sig value greater than .05 )

**e) Profession**

Table 15 : Influencing factor variation with profession

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>F value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>2.559</td>
<td>.024</td>
<td>Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>25.709</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>3.579</td>
<td>.003</td>
<td>Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>9.240</td>
<td>.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of all four factors significantly varies with their profession (sig value less than .05 all cases)
f) Educational Qualification

Table 16: Influencing factor variation with educational qualification

<table>
<thead>
<tr>
<th>Influencing Factor</th>
<th>F value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestion from family member</td>
<td>.755</td>
<td>.557</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Shopkeeper’s recommendation</td>
<td>1.807</td>
<td>.134</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Suggestion from friends</td>
<td>2.770</td>
<td>.032</td>
<td>Significant</td>
</tr>
<tr>
<td>Advertisements</td>
<td>.812</td>
<td>.521</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the influence of suggestion from family member, shopkeeper’s recommendation and advertisements on purchase decisions of rural customers does not significantly vary with their qualification (F = .755 & sig = .557, F = 1.807 & sig = .134 and F = .812 & sig = .521 respectively, sig value greater than .05 in all three cases).
- Influence of suggestion from friend on purchase decisions of rural customers is significantly varies with educational qualification (F = 2.770 & sig = .521, sig value greater than .032).

7) Level of satisfaction of existing retail market and its variation with demographic distribution

a) Gender

Table 17: Variation in Level of satisfaction with gender

<table>
<thead>
<tr>
<th>Factors</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>2.704</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>2.012</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>2.674</td>
<td>.489</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>4.633</td>
<td>.446</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the satisfaction level of price and accessibility of retail market rural customers significantly varies with gender (T = 2.704 & sig = .000 and T = 2.012 & sig = .000 respectively, sig value less than .05 in both cases).
- Satisfaction Level with variety and quality of products not significantly varies with gender.

b) Marital Status

Table 18: Variation in Level of satisfaction with marital status

<table>
<thead>
<tr>
<th>Factor</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>-.625</td>
<td>.533</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>1.750</td>
<td>.083</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>-.148</td>
<td>.883</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>-.990</td>
<td>.325</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the satisfaction level with existing retail market of all four factors not significantly varies with their marital status of respondents (sig more than .05 in all cases).
c) **Family Type**

Table 20: Variation in Level of satisfaction with family type

<table>
<thead>
<tr>
<th>Factor</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>-0.828</td>
<td>0.410</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>3.889</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>-1.259</td>
<td>0.211</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>-1.983</td>
<td>0.050</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the satisfaction level of price and variety of brands and quality of products of retail market for rural customers does not significantly varies with their family type (sig value greater than .05 in all three cases)
- Satisfaction level with accessibility of retail market significantly varies with family type.


d) **Age Group**

Table 21: Variation in Level of satisfaction with age group

<table>
<thead>
<tr>
<th>Factors</th>
<th>F value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0.640</td>
<td>0.591</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>2.962</td>
<td>0.036</td>
<td>Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>0.320</td>
<td>0.811</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>1.464</td>
<td>0.229</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

- Satisfaction level with accessibility of retail market significantly varies with age group.
- This has been observed from the above table that the satisfaction level of price and variety of brands and quality of products of retail market for rural customers does not significantly varies with their age group (sig value greater than .05 in all three cases)


e) **Profession**

Table 22: Variation in Level of satisfaction with profession

<table>
<thead>
<tr>
<th>Factors</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>2.726</td>
<td>0.017</td>
<td>Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>5.583</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>1.719</td>
<td>0.125</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>4.178</td>
<td>0.001</td>
<td>Significant</td>
</tr>
</tbody>
</table>

- This has been observed from the above table that the satisfaction level of price, accessibility and quality of products of retail market for rural customers significantly varies with their age group (sig value greater than .05 in all three cases).
- Satisfaction level with variety of brands available at retail market significantly varies with profession.
f) Educational Qualification

Table 2: Variation in Level of satisfaction with educational qualification

<table>
<thead>
<tr>
<th>Factors</th>
<th>T value</th>
<th>Sign</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>1.081</td>
<td>.370</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Accessibility</td>
<td>.541</td>
<td>.706</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Variety of Brands</td>
<td>.661</td>
<td>.620</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Quality</td>
<td>.185</td>
<td>.946</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

This has been observed satisfaction level with of all four factors does not significantly varies with their profession (sig greater than .05 all cases)

Conclusions

As seen in the study, some of the retailers tried to understand and fulfill the requirement of the rural customers but as such no model is fool proof and hence not living up to the expectations of the customers. This study is an attempt to understand the needs of the rural India and available options to fulfill the needs. This has been observed that respondents are widely dispersed on the basis of product categories and the available retail market options. Most of them are buying personal care, fruits and grocery item from village and weekly haats. However, products like clothing, footwear and durables are mostly purchased from Tehsil and district centres.

On further exploration, this has been found that most of the respondents agreed that the products of their choice are not available in the existing retail options. Alternatively they have to go for available substitutes. This has been observed that factors affecting customer’s purchase decisions varies with demographic factors. Customers are satisfied with prices and accessibility of the market. But, comparatively they are not satisfied with Quality and Variety of brands.

It is observed from the above analysis that the influence of family member on purchase decisions significantly varies with gender, family type and profession and not varies with marital status, educational qualification and age. Most of respondents are not satisfied with the quality of products and variety of brands available at accessible retail market and responses merely varies with demographic factors.

Recommendations and Managerial Implications

Limitations of the Study:

The sample population of this study has been drawn from eastern and central Uttar Pradesh, which represents a different culture and high concentration of lower middle class. The findings of this study therefore need to be generalized with care. While it could be of use for understanding possible future trends in consumer preferences in other villages, it would be necessary carry out local studies using the model presented in this study for taking in to account the cultural and demographic differences.

This study also treats Indian consumers as part of a single cultural entity. While this could be so at the macro level of retailing, cultural differences among the rural consumers could become an important variable at the micro level. More research would be needed for generalizing the findings of the study at the micro level.
References


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3. Arpita Mukherjee and Nitisha Patel, “FDI in Retail Sector India” Indian Council for Research on International Economic Relations (ICRIER) New Delhi, 2005

4. Economic Times 18/6/07 “Is it the return of the License Raj?” The Ministry of Commerce, Urban Development and Labour is considering this policy


Websites

STUDY OF THE KEY SUCCESS FACTORS OF RURAL ENTREPRENEUR IN RAJSAMAND DISTRICT

Dr. Deepti Bhargava*

Abstract

Rural development is more than ever before linked to entrepreneurship. Entrepreneurship is one critical key to employment generation & creating economic & social value for our country. An effective formulation and implementation of strategies for entrepreneurial development is essential for all government schemes. There are different factors which affect the success of entrepreneur and the development of area.

This paper presents the determinants of small business success as perceived and experienced by rural entrepreneurs. Rajsamanad district of Rajasthan was taken as survey and structured questionnaire was distributed. This paper seeks and examines what factors exist among entrepreneur and what are the areas where improvement is required to promote business. This place is famous for different type of cottage industries and artisan product, but due to lack of entrepreneurial training and marketing of product they are not expanding their business in large scale. This paper tries to give some suggestion on basis of findings observed at the time of survey.

Keywords: Rural Entrepreneur, Success Factors, Entrepreneurial Training, Marketing.

Introduction

Rural entrepreneurship is that entrepreneurship which ensures value addition to rural resources in rural areas engaging largely rural human resources. Entrepreneurship in rural areas is finding a unique blend of resources, either inside or outside of agriculture. This can be achieved by widening the base of a farm business to include all the non-agricultural uses that available resources can be put to or through any major changes in land use or level of production other than those related solely to agriculture. Thus, a rural entrepreneur is someone who is prepared to stay in the rural area and contribute to the creation of local wealth. Thus the rural entrepreneurship is vital for rural economic development. There are several reasons for the increasing interest in entrepreneurship especially in rural regions and communities. The rural entrepreneurs play important role in driving local and national economies.

About Rajasthan

Rajasthan is the largest State in India. It is situated between the northern and western growth hubs of India, with 40% of the Delhi-Mumbai Industrial Corridor (DMIC) falling within the state; its location is truly strategic. Rajasthan besides being, a prime tourist destination, a remarkably peaceful and politically stable state, offers a set of unique advantages and opportunities for profitable investment in many sectors. The business environment of Rajasthan is nurtured by an enterprise-friendly government, rich mineral and agro resources, good infrastructure which is being continuously upgraded, a tradition of entrepreneurship and availability of skilled manpower. Important minerals of the state are limestone, phosphorite, copper ore, zinc, gypsum, clay, granite, marble, sandstone, dolomite, calcite etc. The state has also been taking increasingly progressive measures in public private partnership, especially in infrastructure and social sectors. Small scale industry plays a crucial role in industrial activity and employment generation in Rajasthan. The medium and large scale units are also making their presence felt in the industrial scenario.

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Rajasthan is an important manufacturing base for a wide range of products, ranging from Gems & Jewellery, handicrafts, synthetic and cotton textile yarn, wool, marble and granite slabs, edible oils, chemicals, rubber & plastic based items, fertilizers, electrical and electronic goods, ceramic and glass, etc. Information Technology (IT) and IT enabled services (ITes), oil & gas and power generations are the emerging sectors.

About Rajsamand

Rajsamand is situated 67 Km north of Udaipur and 352 KM south of state capital - Jaipur on N H W - 8. Rajsamand is located between latitudes 24° 46’ to 26 01’ N and Longitudes 73° 28’ to 74° 18’ E. Rajsamand district is surrounded by Ajmer in North, Pali in West, Udaipur in South and Bhilwara in East. Administratively Rajsamand is divided in to 7 Sub-divisions, 7 Tehsils and 7 blocks. There are 205 Gram Panchayats and 237 Patwar Circles. Kankroli, Rajnagar, Charbhuja, Nathdwara, Bhim, Railmagra, Kelwara, Amet and Deogarh are some of the major towns of the district.

Total population of the Rajsamand district is 9,87,024 of which 4,93,459 male and 4,93,565 female. This district has a male to female ratio of 1000:1000.

Rajsamand is renowned for its marble and has several prominent large and medium scale industries including Marble, Tyre and Zinc.

Cottage & Artisan units based on handloom, leather, terracotta & livestock are other major attractions. The items having export potential are terracotta, silver miniature, and decorative marble articles etc.

<table>
<thead>
<tr>
<th>Table-1 : Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male</strong></td>
</tr>
<tr>
<td>Rural</td>
</tr>
<tr>
<td>Urban</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source : www.rajsamand.nic.in

<table>
<thead>
<tr>
<th>Table-2 : Tehsil Wise Population ( Rural +Urban)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name Tehsil</strong></td>
</tr>
<tr>
<td>Amet</td>
</tr>
<tr>
<td>Bhim</td>
</tr>
<tr>
<td>Deogarh</td>
</tr>
<tr>
<td>Kumbhalgarh</td>
</tr>
<tr>
<td>Nathdwara</td>
</tr>
<tr>
<td>Railmagra</td>
</tr>
<tr>
<td>Rajsamand</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source : www.rajsamand.nic.in
Determinant Of Success Among Rural Entrepreneur

Rural entrepreneurs act as a social group and productivity of small scale industry affect the development of entrepreneur as well as region. The success of business depends upon some of the important factors, but the fundamental question is: which factors are important in the success of rural entrepreneurs. Levander and Raccuia (2001) believed that development is one of the indicators of success in financial and non-financial concepts. Some researchers such as Driessen et al. (2001) emphasize financial aspects more specifically. Others believed that personal traits of entrepreneurs have a large influence in their success (Levander and Raccuia, 2001) However, Lescevica (2002) stated that both internal and external factors are significant determinants of success among rural entrepreneurs. Internal factors consist of available resources, skills, motivations, and attitudes. External factors include access to counseling, economic support, governmental rules and policies, and access to different financial resources. Some of the important factors of success are:

1. Training and extension Programme:
   Training is viewed as a process by means of which the attitude, skill and capabilities of an individual employee to perform a specific job are enhanced. In rural areas training are provided through government institutions and NGOs. Training programmes for entrepreneurship development are:
   - Entrepreneurship Development Programmes (EDPs)
   - Entrepreneurial motivation
   - Entrepreneurship Development Centers being run in each State, and national level institute
   - Prime Minister’s Rozgar Yojana (PMRY) Launched on 2nd October 1993 to assist educated unemployed youth to set up self-employment ventures.
   - Swaranjayanti Gram Swarozgar Yojana (SGSY) Launched by Government of India in 1999 with a focus on providing effective self employment through self help group(SHG) approach and activity cluster approach for rural poor families below poverty line (BPL).

2. Entrepreneurial Quality:
   The successful entrepreneur must have following Traits:
   - Good management
   - Hardworking
   - Creative
   - Communication skill
   - Innovative
   - Self Confidence
   - Business Knowledge
   - Risk taking

3. External Environment:
   While starting a business in rural area, the studies of following issues are necessary:
   - Well Infrastructure Facilities
   - Easy accessibility of raw material
   - Good environment
   - Good government policy
4. Marketing:
The resources required for taking care of the marketing aspects are lacking with the small business with which they are not in a position to compete with large well-established business houses. Marketing of small business in rural areas require following issue:

- Branding
- Use of advertisement to promote the business
- Other promotional methods are used like hoarding etc.
- Network with tourist centers
- Network with wholesalers & retailers
- Export of product
- Government help in sales promotion by organizing mela and exhibition
- Government sponsored programme to disseminate in foreign market.

5. Financial Assistance:
The government builds up a network of specialized financial institutions with a fairly big capital base to provide financial assistance to all type of business. Banks and financial institutions provide the export finance needed by small business for letter of credit, issuance of guarantees and extension of pre shipment and post shipment credit facilities. One can get financial assistance from the following bodies:

- By business association
- By NGO
- SHG linkage with bank
- Bank Programme
- Government policies

6. Pricing, Delivery & Services:
In rural areas under this factor, following issues are required for success:

- Provide good customer service
- Customer also satisfied with product & service
- Customer satisfied with price
- Price is fixed and competitive

7. Human Resource:
In these days of specialization and competition, professional and skilled labour would have to be recruited and they are satisfied with the environment. The emphasis should be given on following issue under Human resource:

- Skilled & qualified employee
- Team environment
- Employees are satisfied with salary
- Employees are satisfied with workload & leave system
Research Design and Methodology

The Research & Methodology devised in the Research Work is being presented which has been designed keeping in mind focused objectives and with the aim of acquiring accurate and authentic Data. The Study was restricted to Rajsamand district. This is the well developed area for rural entrepreneur and so many small scale and cottage industries are organized. Some of the businesses are marble, silver minakari, terracotta, handicraft, painting and mukut shriring and rose production. The Research design chosen for this study was exploratory research design. The main objective was to explore current status of marketing and other business related problems of rural producers, suppliers and artisans. Data has been collected both from primary and secondary sources. 160 questionnaires were administrated to different rural entrepreneur of area undertaken for the study, out of which researchers could collect 95 useful filled questionnaires due to time and distance constraints as many of them were remotely located.

The questionnaire covers all aspect of successful entrepreneur. The first part cover the demographic profile of respondent and second part covers the internal and external factor affecting success of entrepreneur.

Objective

- To study the Demographic Profile of Rural entrepreneur of Rajsamand district.
- To examine and analyse the different factor of success among rural entrepreneurs of Rajsamand District.
- To give suggestion on the basis of study conducted in Rjasamand district.

Demographic Distribution of Respondents

Table-3: Demographic distribution of respondents

<table>
<thead>
<tr>
<th>Education</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>Primary</td>
<td>28</td>
<td>29.47</td>
</tr>
<tr>
<td>Upto XII</td>
<td>38</td>
<td>40.00</td>
</tr>
<tr>
<td>Graduate or More</td>
<td>25</td>
<td>26.32</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 30 years</td>
<td>23</td>
<td>24.21</td>
</tr>
<tr>
<td>31-40 years</td>
<td>44</td>
<td>46.32</td>
</tr>
<tr>
<td>&gt;40 years</td>
<td>28</td>
<td>29.47</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Amount</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>≤ 1,00,000</td>
<td>31</td>
<td>32.63</td>
</tr>
<tr>
<td>1,00,000 - 2,00,000</td>
<td>18</td>
<td>18.95</td>
</tr>
<tr>
<td>2,00,001 - 3,00,000</td>
<td>14</td>
<td>14.74</td>
</tr>
<tr>
<td>3,00,001 - 4,00,000</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>4,00,001 - 5,00,000</td>
<td>9</td>
<td>9.47</td>
</tr>
<tr>
<td>&gt; 5,00,000</td>
<td>14</td>
<td>14.74</td>
</tr>
<tr>
<td>No Response</td>
<td>5</td>
<td>5.26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Income</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>≤ 50,000</td>
<td>15</td>
<td>15.79</td>
</tr>
<tr>
<td>50,001 - 1,00,000</td>
<td>4</td>
<td>44.21</td>
</tr>
<tr>
<td>1,00,001 - 1,50,000</td>
<td>16</td>
<td>16.84</td>
</tr>
<tr>
<td>1,50,001 - 2,00,000</td>
<td>5</td>
<td>5.26</td>
</tr>
<tr>
<td>2,00,001 - 2,50,000</td>
<td>5</td>
<td>5.26</td>
</tr>
<tr>
<td>2,50,001 - 3,00,000</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>No Response</td>
<td>8</td>
<td>8.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cast</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Caste</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Schedule Cast</td>
<td>14</td>
<td>14.74</td>
</tr>
<tr>
<td>Schedule Tribe</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>Other Backward Class</td>
<td>41</td>
<td>43.16</td>
</tr>
<tr>
<td>General</td>
<td>36</td>
<td>37.89</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expansion of business</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Local</td>
<td>44</td>
<td>46.32</td>
</tr>
<tr>
<td>State Level</td>
<td>26</td>
<td>27.37</td>
</tr>
<tr>
<td>National Level</td>
<td>23</td>
<td>24.21</td>
</tr>
<tr>
<td>International Level</td>
<td>1</td>
<td>1.05</td>
</tr>
<tr>
<td>No Response</td>
<td>1</td>
<td>1.05</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
Table 3 shows that most of the entrepreneur of Rajsamand district have got the education up to high school and belong to age group 31 to 40 yrs. Rural entrepreneur of Rajsamand district invest less than Rs1,00,000 to start business. Most of the respondents are running small scale business which required less amount to invest. 18.95% respondent invest in between 1,00,000 to 2,00,000.

In Rajsamand district entrepreneur are from general category because they belong to Shrinathji Temple and they extend their business in Local area only 46.32% expand their business local areas.

### Table-4: Average Investment

<table>
<thead>
<tr>
<th>Business</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicraft</td>
<td>Rs. 208,125.00</td>
</tr>
<tr>
<td>Marble</td>
<td>Rs. 573,055.00</td>
</tr>
<tr>
<td>Painting and Mukut Shringar</td>
<td>Rs. 175,000.00</td>
</tr>
<tr>
<td>Rose Production</td>
<td>Rs. 172,000.00</td>
</tr>
<tr>
<td>Silver Art</td>
<td>Rs. 271,000.00</td>
</tr>
<tr>
<td>Terracotta</td>
<td>Rs. 40,000.00</td>
</tr>
<tr>
<td>other</td>
<td>Rs. 310,375.00</td>
</tr>
</tbody>
</table>

### Table-5: Average Income

<table>
<thead>
<tr>
<th>Business</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicraft</td>
<td>Rs. 97,153.85</td>
</tr>
<tr>
<td>Marble</td>
<td>Rs. 131,000.00</td>
</tr>
<tr>
<td>Painting and Mukut Shringar</td>
<td>Rs. 102,000.00</td>
</tr>
<tr>
<td>Rose Production</td>
<td>Rs. 86,000.00</td>
</tr>
<tr>
<td>Silver Art</td>
<td>Rs. 138,800.00</td>
</tr>
<tr>
<td>Terracotta</td>
<td>Rs. 67,000.00</td>
</tr>
<tr>
<td>other</td>
<td>Rs. 77,409.00</td>
</tr>
</tbody>
</table>

Most of the respondent of rural area of Rajsamand district, engaged in cottage industries and artisan product like Handicraft, Marble, Painting and Mukut Shringar, Rose Production, Silver art, Terracota and other.

### Data Analysis of Different Factors

#### Training

<table>
<thead>
<tr>
<th>Do you have any knowledge of training program?</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>33</td>
<td>34.74</td>
</tr>
<tr>
<td>No</td>
<td>62</td>
<td>65.26</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>
**Did you get any training related to business?**

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>28.42</td>
</tr>
<tr>
<td>No</td>
<td>67</td>
<td>70.53</td>
</tr>
<tr>
<td>No Response</td>
<td>1</td>
<td>1.05</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Duration of Training**

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3 days</td>
<td>9</td>
<td>33.33</td>
</tr>
<tr>
<td>4-6 days</td>
<td>6</td>
<td>22.22</td>
</tr>
<tr>
<td>7-9 days</td>
<td>5</td>
<td>18.52</td>
</tr>
<tr>
<td>No Response</td>
<td>7</td>
<td>25.93</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**What type of training program?**

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Running Business</td>
<td>21</td>
<td>77.78</td>
</tr>
<tr>
<td>Techniques</td>
<td>3</td>
<td>11.11</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3.70</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
<td>7.41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Did you get benefit of training in your business?**

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Much</td>
<td>5</td>
<td>18.52</td>
</tr>
<tr>
<td>Much</td>
<td>14</td>
<td>51.85</td>
</tr>
<tr>
<td>To a certain extent</td>
<td>8</td>
<td>29.63</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Not at all</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Do you think that you can improve your business after getting training?**

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>100.00</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>To a certain extent</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>No Response</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Do you think training programs run by government encourages you?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>22</td>
<td>81.48</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>7.41</td>
</tr>
<tr>
<td>No Response</td>
<td>3</td>
<td>11.11</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The analysis shows that 65.26% of entrepreneurs have no knowledge of training programs and the reason is that 70.53% respondents have not got any type of training.

It shows that a small number of respondents are getting training and they feel that they get benefit from training programs. 51.85% of respondents benefit from training in business out of 27 respondents because other respondents have no idea of training programs. There is a lack of knowledge and awareness of training programs. Table shows that the respondents are getting training related to how to run business.

81.48% of respondents out of 27 say they are encouraged by the training programs run by the government.

Characteristics of successful entrepreneur

Table-7

<table>
<thead>
<tr>
<th>Response</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Manager</td>
<td>4</td>
</tr>
<tr>
<td>Hard Work</td>
<td>1</td>
</tr>
<tr>
<td>Language and Communication skill</td>
<td>2</td>
</tr>
<tr>
<td>Knowledge about Business</td>
<td>3</td>
</tr>
<tr>
<td>Innovations and new techniques</td>
<td>5</td>
</tr>
<tr>
<td>Initiative</td>
<td>6</td>
</tr>
</tbody>
</table>

Table-7 shows that respondents agree that hard work, language and communication skills, knowledge about business, good manager, innovation, and initiative are the traits of successful entrepreneurs. They gave higher order ranking to hard work and then communication skills according to the local region.

Business environment

Table-8

<table>
<thead>
<tr>
<th>Statement</th>
<th>No.</th>
<th>yes</th>
<th>%</th>
<th>no</th>
<th>%</th>
<th>To some extent</th>
<th>%</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think that things necessary for your business are available?</td>
<td>95</td>
<td>59</td>
<td>62.11</td>
<td>13</td>
<td>13.68</td>
<td>23</td>
<td>24.21</td>
<td>100%</td>
</tr>
<tr>
<td>Do you get raw material easily which is necessary for your business?</td>
<td>95</td>
<td>83</td>
<td>87.37</td>
<td>12</td>
<td>12.63</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Do you think area in which you are doing business is appropriate for your business?</td>
<td>95</td>
<td>84</td>
<td>88.42</td>
<td>11</td>
<td>11.58</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Do you get benefit from the programs run by government?</td>
<td>95</td>
<td>20</td>
<td>21.05</td>
<td>75</td>
<td>78.95</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Transportation facility available</td>
<td>95</td>
<td>90</td>
<td>94.74</td>
<td>5</td>
<td>5.26</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
</tbody>
</table>
Table shows that 62.11% respondent satisfied with the resource available for their business. 87.37% says that raw material required for business are easily available in local area. 94.74% are satisfied with transport facility. Due to lack of knowledge respondent have no information regarding programs run by the government for the development of rural entrepreneurs, so they are not getting any advantage of such programs.

Advertisement and Marketing

Table-9

<table>
<thead>
<tr>
<th>Do you advertise your product?</th>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td></td>
<td>47.37</td>
</tr>
<tr>
<td>No</td>
<td>50</td>
<td></td>
<td>52.63</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Which mediums are used for advertisements?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Newspaper</td>
<td>8</td>
<td>8.42</td>
</tr>
<tr>
<td>Hoardings</td>
<td>26</td>
<td>27.37</td>
</tr>
<tr>
<td>Agent</td>
<td>34</td>
<td>35.79</td>
</tr>
<tr>
<td>Pamphlets</td>
<td>5</td>
<td>5.26</td>
</tr>
</tbody>
</table>

How do you distribute your product?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct to showrooms</td>
<td>37</td>
<td>38.95</td>
</tr>
<tr>
<td>Self</td>
<td>65</td>
<td>68.42</td>
</tr>
<tr>
<td>Mediators</td>
<td>14</td>
<td>14.74</td>
</tr>
</tbody>
</table>

Do you take help of tourists circles like hotels etc to distribute products to customers

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23</td>
<td>24.21</td>
</tr>
<tr>
<td>No</td>
<td>72</td>
<td>75.79</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Do you export your product?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42</td>
<td>44.21</td>
</tr>
<tr>
<td>No</td>
<td>50</td>
<td>52.63</td>
</tr>
<tr>
<td>No Response</td>
<td>3</td>
<td>3.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
Do you sell your product out of your city?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>62</td>
<td>65.26</td>
</tr>
<tr>
<td>No</td>
<td>31</td>
<td>32.63</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
<td>2.11</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Do you think Fairs and exhibitions organized by the government help to sell your products?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41</td>
<td>43.16</td>
</tr>
<tr>
<td>No</td>
<td>52</td>
<td>54.74</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
<td>2.11</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Do government financially help to sell your product to customers

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>9</td>
<td>9.47</td>
</tr>
<tr>
<td>No</td>
<td>81</td>
<td>85.26</td>
</tr>
<tr>
<td>No Response</td>
<td>5</td>
<td>5.26</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The findings show that 52.63% are not doing any type of advertising for their product. Products are good but they are known only for local area because no promotion channels are used. They are distributed only through self contact i.e 68.42% are distributed their product directly. No medium of advertisement are using and not doing any type of export. They sell their product through agent and the positive side is that they sell the product out of the city. The products are not easily available to the customer and governments do not take any initiative to sell the product.

Financial assistance

Table-9

Are you associated with big businessmen or industry to get financial assistance?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28</td>
<td>29.47</td>
</tr>
<tr>
<td>No</td>
<td>64</td>
<td>67.37</td>
</tr>
<tr>
<td>No Response</td>
<td>3</td>
<td>3.16</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Did you get financial assistance?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>40</td>
<td>42.11</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>55.79</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
<td>2.11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

If yes then from where?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO</td>
<td>6</td>
<td>15.00</td>
</tr>
<tr>
<td>Self Help Group</td>
<td>9</td>
<td>22.50</td>
</tr>
<tr>
<td>Bank</td>
<td>23</td>
<td>57.50</td>
</tr>
<tr>
<td>Govt. Help</td>
<td>2</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Table shows that the respondents are not associated to any business group and 55.79% are saying that they are not getting any financial help. They are getting financial help only through Banks.

Price and other facilities

<table>
<thead>
<tr>
<th>Table-10</th>
</tr>
</thead>
</table>

How much customers are satisfied with your products?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Much</td>
<td>36</td>
<td>37.89</td>
</tr>
<tr>
<td>Much</td>
<td>32</td>
<td>33.68</td>
</tr>
<tr>
<td>To a certain extent</td>
<td>22</td>
<td>23.16</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Not at all</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>No Response</td>
<td>5</td>
<td>5.26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Do you get feedback from customers?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>85</td>
<td>89.47</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>10.53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Are you able to fulfill demand of your customers?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>77</td>
<td>81.05</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>3.16</td>
</tr>
<tr>
<td>Sometimes</td>
<td>15</td>
<td>15.79</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Are your customers permanent?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
<td>41.05</td>
</tr>
<tr>
<td>No</td>
<td>56</td>
<td>58.95</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Are you customers satisfied with price of the products?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>91</td>
<td>95.79</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Is price of your product if fixed?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>24</td>
<td>25.26</td>
</tr>
<tr>
<td>No</td>
<td>71</td>
<td>74.74</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Table shows that 37.89% says that customer satisfied with the product. They fulfill the demand as per customer requirement. 81.05 are saying they fulfill the demand of customer on time. Customers are also satisfied with the price of the product.

Human resource

Table-11

Average number of workers

<table>
<thead>
<tr>
<th>Business</th>
<th>No.</th>
<th>Avg. number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicraft</td>
<td>13</td>
<td>5.00</td>
</tr>
<tr>
<td>Marble</td>
<td>15</td>
<td>5.47</td>
</tr>
<tr>
<td>Painting and Mukut Shringar</td>
<td>14</td>
<td>18.86</td>
</tr>
<tr>
<td>Rose Production</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Silver Art</td>
<td>10</td>
<td>4.30</td>
</tr>
<tr>
<td>Terracotta</td>
<td>2</td>
<td>1.50</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>7.33</td>
</tr>
</tbody>
</table>
## Average number of permanent workers

<table>
<thead>
<tr>
<th>Business</th>
<th>No.</th>
<th>Avg. number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicraft</td>
<td>13</td>
<td>3.85</td>
</tr>
<tr>
<td>Marble</td>
<td>15</td>
<td>3.27</td>
</tr>
<tr>
<td>Painting and Mukut Shringar</td>
<td>12</td>
<td>15.83</td>
</tr>
<tr>
<td>Rose Production</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Silver Art</td>
<td>10</td>
<td>2.70</td>
</tr>
<tr>
<td>Terracotta</td>
<td>2</td>
<td>1.00</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>3.31</td>
</tr>
</tbody>
</table>

## Average monthly payment per worker

<table>
<thead>
<tr>
<th>Business</th>
<th>No.</th>
<th>Average monthly salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicraft</td>
<td>12</td>
<td>Rs. 4,375.00</td>
</tr>
<tr>
<td>Marble</td>
<td>18</td>
<td>Rs. 4,722.22</td>
</tr>
<tr>
<td>Painting and Mukut Shringar</td>
<td>14</td>
<td>Rs. 3,642.86</td>
</tr>
<tr>
<td>Rose Production</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Silver Art</td>
<td>10</td>
<td>Rs. 3,430.00</td>
</tr>
<tr>
<td>Terracotta</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>Rs. 4,064.71</td>
</tr>
</tbody>
</table>

## Are workers works as a team?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>67</td>
<td>70.53</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>4.21</td>
</tr>
<tr>
<td>No Response</td>
<td>24</td>
<td>25.26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

## How much workers are satisfied with workload on them?

<table>
<thead>
<tr>
<th>Response</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Much</td>
<td>25</td>
<td>26.32</td>
</tr>
<tr>
<td>Much</td>
<td>29</td>
<td>30.53</td>
</tr>
<tr>
<td>To a certain extent</td>
<td>15</td>
<td>15.79</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Not at all</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>No Response</td>
<td>26</td>
<td>27.37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
Generally in Rajsamand district the business categories for entrepreneur are Handicraft, marble, painting and mukut shringar, rose production, silver art, terracotta and others. They have sufficient workers and permanent in nature. The average monthly salaries of the workers are in between Rs 3000 to Rs 4500 per month. All the workers work as team, so the environment is good.

**Discussion**

We have seen that all factors are necessary for a successful rural entrepreneur. In Rajsamand district they have lot of small business but due to lack of some of the factors they are not getting benefit on the national level.

Above findings shows that the first factor training and extension programe, rural entrepreneur have no knowledge and they are not taking any type of training programme. Few respondent have joined some training programme like Entreprenuership Development Programme and they find benefit in their business. There are many government bodies, providing Training programme to the entrepreneur but due the lack of information, entrepreneurs are not taking any advantage of these programs. It is necessary for the governing bodies who are conducting such type of programme is that they must circulate the information related to the programmes through NGO’s (Non Govt.Organisation) and SHG (Self Help Group) and at their own level. Then they counsel them about the benefit of the programmes and provide financial assistance. For the rural entrepreneurs, access to such training and educational programme, government assistance is crucial for them to achieve advantage in business.

The second factor related to traits of entrepreneur, all respondent knows that what are the qualities required as successful entrepreneur. It shows that rural entrepreneur of Rajsamand district have entrepreneurial qualities.

The third factor - the external environment - signals that besides individual entrepreneurial initiatives the enabling environment supporting these efforts is of utmost importance. The infrastructure and facilities (transportation infrastructure, communications, buildings, water and power supply, access to capital), are necessary inputs to rural development that will create a favourable environment for rural small businesses to succeed. Such enabling environment can only be provided by the government which further implies the importance of government support for rural entrepreneurs to succeed. The study shows those respondents are satisfied with resources, raw material transportation and environment of local areas.

The fourth factor is related to marketing. Poor marketing has always been recognised as a problem faced by small businesses (Salleh, 1990). Although respondent have all qualities of successful entrepreneur but they are not using any promotion for their product. They still depend upon traditional method of selling the product and mostly entrepreneur depend upon agents. Due to lack of development programmes they have no knowledge of distribution channels and promotion strategy. They are not displaying their product in malls and outside the city. There must be role of government and training organisation to tell them how they can promote the product outside the local region.

The next factor is related to financial assistance which shows that they are taking financial help through banks and are satisfied with the procedure. Similarly, we have observed that products are good in quality and available in various features. They take the order from the showrooms and directly from the customer and fulfil the demand on time.
Conclusion

This paper has concluded that internal and external factors are crucial for the success of small business as perceived by rural entrepreneurs. The entrepreneurs of Rajsamand district are indulging in small scale, cottage and artisan industries. The entrepreneurs are doing well in their business. They have all positive traits, customers are satisfied with product and price, business environment is good for their businesses. Human resource is not the problem for the entrepreneur of Rajsamand district.

Apart from that their products are mostly known and available in local region only. The reasons are the lack of training among entrepreneur and marketing of product. The external factors (the external environment, market support, market accessibility and networking) are also point to the importance of the government’s role in promoting small rural business success. In terms of policy recommendations, the findings of this study suggest that the government should actively play its pivotal role in the following areas namely (i) skill training as most of the rural businesses are labour-intensive which involve skills and creativity; (ii) strengthening business competencies through more rigorous training; (iii) investment in infrastructure and facilities for a conducive local business environment; and (iv) effective market support services in terms of product promotion, market accessibility and networking.

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AN ANALYTICAL STUDY ON THE PERCEPTION OF EXAMINATION STRESS AMONG MANAGEMENT STUDENTS

Shiv Kumar Sharma*
Shweta Chaudhary**

Abstract

Professional education is the process of all round development of a person, which expresses his capabilities. In the ladder of education from nursery to university, the professional education is very important, the feeling of stress and anxiety increases with the importance of degree. As we all know that in today’s competitive world a degree of management holds an important place as it helps the student in getting good job or we can say it is the way of getting wonderful career that’s why students successfully wants to complete the education and also wants to get good marks in exams. Increasing rate of competition, tension of better performance and many more academic activities makes the life of the student quite difficult and he or she may feel stress, which is often create problems students get frustrated, depressed, irritated and some time they kill themselves. Keeping all these things in mind the researcher studied the level of examination stress among management students.

For the purpose of the study, the researcher has collected a sample of 100 male and female management students from four different management colleges of Uttar Pradesh Technical University in Agra. Colleges are selected on the basis of convenient sampling, 25 students are selected from each college on random basis out of them 60 are male and 40 are female students. a copy of questionnaire is given to all the students in college classroom. There are 30 questions in the questionnaire; after the collection of response, the researcher has calculated weighted average and applied Z test for the testing of hypothesis. The researcher has framed 2 objectives and one hypothesis for conducting this study.

Keywords - Anxiety, Examination stress, Professional education

Introduction

Tension before exams is a common condition noticed in students; students often get worried on the night before an examination day. Normal stress levels are natural for any student. But there are many students over the world who exhibit symptoms that are sometimes a bit more serious than normal examination tension. Psychiatrists and physicians get such complaints from a lot of students these days.

Examination is a method by which a teacher wants to evaluate the skills of students .In our Indian education system, examination is period of a specified time, during which a student is expected to perform in a skillful manner so that the examiner can assess his knowledge about the subject. From students’ point of view, when he is able to remember and reproduce the information or knowledge as in the examination within specified time he is considered as a successful student. It is not only having known the information, but it counts only when he is able to reproduce that knowledge at right time in right manner. Thus gaining success at examination needs two variables these are:-

Having the knowledge: This is the basic requirement for any education as well as for examination. For proficiency, good basic root work, hard work & clear understanding of the subject is required and there is

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no substitute to this the total process of memory calls for four ‘R’s viz; Registration of information, Restoration of information, Revision and Recall.

**Being able to remember & reproduce it at right time in right manner.** When the preparation part is okay, the stored information can be recalled at right time.

The problem begins from here. Surveys indicate that when a person remains tense for more than an hour, it starts affecting the process of memory negatively. Here we see some students being highly tensed about the exams not only for days but for weeks & months together. Naturally their capacity to reproduce the learned information becomes weaker and that sets a negative cycle. As the student remains tense, he does not remember the subject properly & experiences inadequacy in recalling consequently become tenser. We often see many intelligent students caught in this trap, for whom after experiencing one failure; it becomes repetitions of the negative experience and the feeling of examination stress begins in the mind of student.

**Symptoms of Examination stress**

Students face examination stress in many ways. Stress of this kind is mostly mental and emotional. However, sometimes exam stress can also manifest itself through some physical symptoms. Students often feel that their heart beats faster on the night before the examination day. Headaches, cramps etc. are other common occurrences that are noticed among pupils. Students who face excessive bouts of nervousness often face physical conditions that are worse.

According to mind.org.uk, “pre-exam nerves” are often in a very edgy condition. The extra stress that one experiences during this phase often leads to intense physical disorders. The site has identified the following as common physical symptoms noticed before an examination day:

- Lack of sleep
- Frequent headaches
- General tension and irritability
- Giddiness

The Concept introduced by Hens Salye in 1936 in life science. The concept is borrowed from Natural Science. Derived from Latin Word ‘Stringer’. Ryhal & Singh in 1996 stated that stress is the state of an organism where he perceived that his well being is endangered and that he must direct all his energies to his protection. According to Richard Lazarus, 1993: Stress is a state that occurs when we perceive events as straining our coping capacities & threatening our well being. According to Morris (1990) Stress is not limited to dangerous situations or even to unpleasant situation good things can also cause stress, because they “require change or adaptation if any individual is to meet his or her need.”

**Review of Literature**

Academic examination is one of the most frequently used term in stress The following studies are conducted by the various Researchers in the area of stress and anxiety. The focus of most of the studies is about the problems arises because of stress and challenges in stress management among students.

Jerrell C. Cassady, Ronald E. Johnson “Cognitive Test Anxiety and Academic Performance”, 2002. The Research provides a new measure that focused explicitly on the cognitive dimension of test anxiety was introduced and examined for psychometric quality as compared to existing measures of test anxiety. The new scale was found to be a reliable and valid measure of cognitive test anxiety. The impact of cognitive
test anxiety as well as emotionality and test procrastination were subsequently evaluated on three course exams and students’ self-reported performance on the Scholastic Aptitude Test for 168 undergraduate students. Higher levels of cognitive test anxiety were associated with significantly lower test scores on each of the three course examinations. High levels of cognitive test anxiety also were associated with significantly lower Scholastic Aptitude Test scores. Procrastination, in contrast, was related to performance only on the course final examination. Gender differences in cognitive test anxiety were documented, but those differences were not related to performance on the course exams. Examination of the relation between the emotionality component of test anxiety and performance revealed that moderate levels of physiological arousal generally were associated with higher exam performance. The results were consistent with cognitive appraisal and information processing models of test anxiety and support the conclusion that cognitive test anxiety exerts a significant stable and negative impact on academic performance measures.

Pamela L. Perrewea and Kelly L. Zellars “An examination of attributions and emotions in the transactional approach to the organizational stress process” (1999), Journal of Organizational Behavior. The purpose of this paper is to examine and highlight the importance of the cognitive and emotional components within the organizational stress process. Some of the recent research on job stress has focused on the importance of objective stressors (Bischo and Terborg, 1995; Ganster and Dufy, 1995; Melin et al., 1999). Objective stressors have been conceptualized as not being influenced by an individual’s cognitive or emotional processes (Frese and Zapf, 1988). Although the examination of objective work stressors may be useful to broadly predict employee strain, the focus is entirely too limiting. In order to truly understand the components of the stress process, the primary focus should be on how individuals interpret objective conditions rather than simply relating stressors to strains.

A comparative study of the examination stress (Sagar Sharma, Anup Sud Examination Stress and Test Anxiety: A Cross-Cultural Perspective, 1990) assessed either as test anxiety or in terms of its worry and emotionality components in 7,679 high school students (males and females) from four Asian (Indian, Jordanian, Chinese and Korean) and five Euro-American (Hungarian, Turkish, Indian, German and American) cultures. These comparisons have been made on the basis of data reported in the studies which used the English Test Anxiety Inventory (Spielberger, 1980), or its psychometrically equivalent versions in languages of the other eight cultures. The major conclusions are: (a) There are differences with respect to the levels and patterns of test anxiety in terms of its worry and emotionality components not only within Asian or Euro-American but also among Asian and Euro-American cultures. As such, higher test anxiety is a phenomenon not peculiar to the western cultures. Such findings can be explained not only in terms of the differences in the socio-cultural premises, but also in terms of the differences in material conditions; (b) Females, across nine cultures, have higher test anxiety, worry and emotionality than their male counterparts. Greater role expectation conflict in females seems to be the major factor for such a consistent gender difference. Methodological issues relevant to such a research across cultures have also been discussed.

Need of the Study

Professional education is the process of all round development of a person, which expresses his capabilities. In the ladder of education from nursery to university, the professional education is very important because this is the last phase of education and after it a person is going to face the practical world. The
problem begins from here, the feeling of stress and anxiety increases with the importance of degree. As we all know that in today’s competitive world a degree of management holds an important place as it helps the student in getting good job or we can say it is the way of getting wonderful career that’s why students successfully wants to complete the education and also wants to get good marks in exams. Increasing rate of competition, tension of better performance and many more academic activities makes the life of the student quite difficult and he or she may feel stress, which is often create problems students get frustrated, depressed, irritated and some time they kill themselves. Keeping all these things in mind the researcher wants to study the level of examination stress among management students

Research Methodology

For the purpose of the study, a copy of questionnaire is given to all the students in college classroom. There are 30 questions in the questionnaire; all are based on likert scale. A rating of 5 to 1 is assigned to every response, in which rating of 5 means strongly agree, 4 means somehow agree, 3 means somehow agree, 2 means disagree and 1 means strongly disagree. After the collection of response, the researcher has calculated weighted average and applied Z test for the testing of hypothesis. The researcher has framed 2 objectives and one hypothesis for conducting this study. A good sample is a true representative of the population; therefore for the purpose of current study the researcher has collected a sample of 100 male and female management students from four different management colleges of Uttar Pradesh Technical University in Agra. Colleges are selected on the basis of convenient sampling, 25 students are selected from each college on random basis out of them 60 are male and 40 are female students. Since the sample size is small and limited to Agra city only the findings cannot be considered to be exhaustive and representative of the national scenario.

Objectives of The Study:

- To study the level of examination stress among management students.
- To find the difference in the level of examination stress among male and female students.

Hypothesis

The research question for this study is to determine that whether male and female MBA students have similar or different stress orientations. It is expected that students will report an above average score on the stress overload orientation. The specific hypothesis for this study is as follows:

Ho1:- Male and female management students will report similar scores on examination stress orientation.

Ha1:- Male and female management students will report different scores on examination stress orientation.

Results And Analysis

On the basis of the following parameters researcher collected the response from the sample of 100 students. The average stress scores of the student for different questions are shown below in table 1. The total average score of the student is 3. It shows that all students are somehow agree that at the time of exams they face stress, though the level of stress is moderate. The stress orientation score of male and female students is 2.97 and 3.27 respectively which fall in between 2 to 3 in the case of male and it
is between 3 to 4 in the case of female students. It is good to be seen that MBA’s are able to manage their work and studies accordingly and the stress orientation are not very high it is in manageable limits though there is a point of worry for the female students that their stress orientation is very high, we can say it is just because females are more sensitive and they may suffer when they have to work under pressure and examination is such a tough time for them.

Table-1

<table>
<thead>
<tr>
<th>S.no</th>
<th>Parameters of examination stress</th>
<th>Weighted avg(Total)</th>
<th>Male</th>
<th>Female</th>
<th>z-cal</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nervousness</td>
<td>3.72</td>
<td>3.6</td>
<td>3.7</td>
<td>-0.742854</td>
<td>Not -significant</td>
</tr>
<tr>
<td>2.</td>
<td>Tension</td>
<td>3.40</td>
<td>3.2</td>
<td>3.7</td>
<td>-3.859748</td>
<td>Not -significant</td>
</tr>
<tr>
<td>3.</td>
<td>Sleeping disorder</td>
<td>3.88</td>
<td>4</td>
<td>3.3</td>
<td>4.1840175</td>
<td>Not -significant</td>
</tr>
<tr>
<td>4.</td>
<td>Fear of course completion</td>
<td>2.96</td>
<td>2.87</td>
<td>4.3</td>
<td>-7.65003</td>
<td>Not -significant</td>
</tr>
<tr>
<td>5.</td>
<td>Students are not able to take proper diet</td>
<td>2.88</td>
<td>3.1</td>
<td>3.3</td>
<td>-0.820717</td>
<td>Not -significant</td>
</tr>
<tr>
<td>6.</td>
<td>Often dream that exams are tough</td>
<td>2.84</td>
<td>2.67</td>
<td>3.1</td>
<td>-1.786964</td>
<td>Not -significant</td>
</tr>
<tr>
<td>7.</td>
<td>Unable to concentrate on studies during examination period</td>
<td>2.16</td>
<td>2.2</td>
<td>2.7</td>
<td>-2.351272</td>
<td>Significant</td>
</tr>
<tr>
<td>8.</td>
<td>Feel nervous when enter the examination hall</td>
<td>3.32</td>
<td>2.8</td>
<td>3.7</td>
<td>-3.941592</td>
<td>Significant</td>
</tr>
<tr>
<td>9.</td>
<td>Often check my pen, pencil and admit card again and again just before the exam.</td>
<td>4</td>
<td>4.2</td>
<td>4.1</td>
<td>0.5228979</td>
<td>Not -significant</td>
</tr>
<tr>
<td>10.</td>
<td>Thoughts of bad mark</td>
<td>3</td>
<td>3</td>
<td>2.7</td>
<td>1.0616872</td>
<td>Not -significant</td>
</tr>
<tr>
<td>11.</td>
<td>Feel unrest and start trembling during exam time</td>
<td>2.68</td>
<td>2.9</td>
<td>2.8</td>
<td>0.4744314</td>
<td>Not -significant</td>
</tr>
<tr>
<td>12.</td>
<td>Vision gets blurred while reading the question paper for the first time</td>
<td>2.48</td>
<td>2.6</td>
<td>4</td>
<td>-6.47329</td>
<td>Significant</td>
</tr>
<tr>
<td>13.</td>
<td>Feeling of forgetting</td>
<td>3.4</td>
<td>3</td>
<td>2.3</td>
<td>2.8534765</td>
<td>Significant</td>
</tr>
<tr>
<td>14.</td>
<td>Wrongly number the answers</td>
<td>2.72</td>
<td>1.9</td>
<td>2.8</td>
<td>-4.001424</td>
<td>Significant</td>
</tr>
<tr>
<td>15.</td>
<td>I feel that teacher will come to know about my weak points</td>
<td>2.52</td>
<td>2.8</td>
<td>2.4</td>
<td>1.8819244</td>
<td>Not -significant</td>
</tr>
<tr>
<td>16.</td>
<td>Feeling of extra pressure at time of exam</td>
<td>3.36</td>
<td>2.7</td>
<td>3.4</td>
<td>-3.173032</td>
<td>Significant</td>
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</tr>
<tr>
<td>17.</td>
<td>Keep on studying till last moment</td>
<td>3.6</td>
<td>3.8</td>
<td>3.5</td>
<td>1.2041</td>
<td>Not -significant</td>
</tr>
<tr>
<td>18.</td>
<td>When I enter in examination I feel I forget everything</td>
<td>2.84</td>
<td>2.6</td>
<td>3.5</td>
<td>-3.666896</td>
<td>Significant</td>
</tr>
<tr>
<td>19.</td>
<td>I feel I have chosen wrong question to answer</td>
<td>2.72</td>
<td>2.9</td>
<td>2.7</td>
<td>0.8083569</td>
<td>Not -significant</td>
</tr>
<tr>
<td>20.</td>
<td>During examination time, I forget well prepared answers also</td>
<td>2.56</td>
<td>2.8</td>
<td>3.1</td>
<td>1.288959</td>
<td>Not -significant</td>
</tr>
<tr>
<td>21.</td>
<td>Many a times, I dream that exam has got started and I become late</td>
<td>2.52</td>
<td>2.4</td>
<td>2.8</td>
<td>1.822679</td>
<td>Not-significant</td>
</tr>
<tr>
<td>22.</td>
<td>Often feel stomachache and headache during exams</td>
<td>2.36</td>
<td>2.8</td>
<td>3.5</td>
<td>-2.901457</td>
<td>Significant</td>
</tr>
<tr>
<td>23.</td>
<td>often suffer from fever during exams</td>
<td>1.96</td>
<td>2.5</td>
<td>3.2</td>
<td>-2.736839</td>
<td>Significant</td>
</tr>
<tr>
<td>24.</td>
<td>I am always in worry of getting good marks during exams</td>
<td>3.76</td>
<td>3.4</td>
<td>3.9</td>
<td>-2.320401</td>
<td>Significant</td>
</tr>
<tr>
<td>25.</td>
<td>I become angry very soon during examination</td>
<td>2.56</td>
<td>2.5</td>
<td>3.1</td>
<td>-2.753865</td>
<td>Significant</td>
</tr>
<tr>
<td>26.</td>
<td>After giving exam, I feel that I have not worked according to mycapabilities</td>
<td>3.4</td>
<td>3.3</td>
<td>3.2</td>
<td>0.3629633</td>
<td>Not -significant</td>
</tr>
<tr>
<td>27.</td>
<td>I often feel that evaluation will not be proper and I will get poor Marks</td>
<td>3.44</td>
<td>3.1</td>
<td>4</td>
<td>-4.059153</td>
<td>Significant</td>
</tr>
<tr>
<td>28.</td>
<td>I feel that my friends are less capable still they scored well.</td>
<td>2.48</td>
<td>2.7</td>
<td>2.1</td>
<td>2.7474179</td>
<td>Significant</td>
</tr>
<tr>
<td>29.</td>
<td>I feel that examiner will not be able to judge my actual capabilities</td>
<td>3.16</td>
<td>3.2</td>
<td>3.7</td>
<td>-2.528018</td>
<td>Significant</td>
</tr>
<tr>
<td>30.</td>
<td>I feel unrest and start trembling when result is about to come</td>
<td>3.4</td>
<td>3.7</td>
<td>3.7</td>
<td>0</td>
<td>Not -significant</td>
</tr>
<tr>
<td>Average Total Weighted Score</td>
<td>90.8/30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Shiv Kumar Sharma, Shweta Chaudhary
The above table shows that by using the Z-test for differences in two means at 0.05 level of significance, the 13 parameters of examination stress were found to be statistically insignificant because the calculated value is less than table value but the calculated value of 15 parameters is greater than the table value (1.96). Standard deviation from male and female mean is 1.129 and 1.020 respectively. Values on the basis of this null hypothesis (Male and female management students will report similar scores on examination stress orientation) is rejected as hence data we can accept alternative hypothesis that is there is significant difference in the examination stress orientation of male and female students and female students score more scores for examination stress.

**Conclusion**

After conducting this study we can better understand the behavior of management students and their perception for examination stress. The overall stress level of management students is moderate and studies revealed that this level of stress is positive and it also contributes in individual performance, consequently these MBA’s are successfully managing their stress in academic life. Educational demands are also light and therefore students do not feel overstressed.

The educational pattern is also helpful in managing stress that as a part of their course, the management students also learn some kind of stress management by which they can cope up in adverse situations. It can also be seen that female students report higher level of stress than male students though there is less job pressure on females in India still the examination stress orientation of females is comparatively high the reason is clear that male MBA’s are more emotionally intelligent than female MBA’s. Though the curriculum is supportive and students get appropriate environment, Female MBA’s needs special support from college like college can arrange some yoga classes for these students so they can also get rid of stress and keep their stress at moderate level, college should provide special counseling for these students instead of this they should arrange some seminars and conferences on examination stress. With all these efforts we are able to get better results from female students. If we focus on overall results then we can say that it is satisfactory and MBA’s are capable in managing their stress.

**References**

Shiv Kumar Sharma, Shweta Chaudhary

A DETAILED STUDY OF ENVIRONMENTAL CONSTRAINTS FACED BY PUBLIC PRIVATE PARTNERSHIP (PPP) IN INDIA AND THE ROAD TO A FRAMEWORK FOR SUCCESSFUL IMPLEMENTATION OF PPP PROJECTS

Anis ur Rehman*
Prof. (Dr.) Zeeshan Amir**

Abstract

Infrastructure development is the key to sustainable growth in India. It makes India globally competitive, raises standard of living, enhances profits for government, bridges rural-urban divide and increases level of employment. The most significant criteria for a continued growth rate of an economy rests on the provision of a quality infrastructure.

According to the Planning Commission, an approximation of 8 percent of the Gross Domestic Product needs to be invested in infrastructure in India. In order to meet such demands, various Public Private Partnerships or PPPs are being promoted for implementation of infrastructure projects. Upgradation of transport (roads, railways, airports, and ports), power, and urban infrastructure is therefore seen as critical for sustaining India’s economic growth, along with improved quality of life, increase in employment opportunities, and progress towards the elimination of poverty.

However, infrastructure projects are complex, capital intensive, long gestation projects that involve multiple and often unique risks to project financiers. Infrastructure projects are characterized by non-recourse or limited recourse financing, i.e., lenders can only be repaid from the revenues generated by the project. The scale and complexity of an infrastructure project makes financing a tough challenge. This challenge is further compounded by a combination of high capital costs and low operating costs which implies that initial financing costs are a very large proportion of the total costs. Infrastructure project financing calls for a complex and varied mix of financial and contractual arrangements amongst multiple parties including the project sponsors, commercial banks, domestic and international financial institutions (FIs), and government agencies. Infrastructure projects involve a variety of environmental constraints which includes financial, regulatory, institutional and fiscal constraints.

These constraints need to be addressed by the central and state governments through a proper regulatory framework, guidelines and policies and taking measures to overcome the various constraints faced by PPP’s at present if India has to become a developed country through consistent economic growth supported by robust infrastructure system.

Keywords: Public Private Partnership, Infrastructure projects, Contractual partnerships, Concession agreement, Environmental constraints, Regulatory framework

Introduction

India is a fast-growing economy with a dynamic and robust financial system. A stable policy environment is guaranteed by its democratic status and its independent institutions guarantee the rule of law. This highly diversified economy has shown rapid growth and remarkable resilience since 1991, when economic reforms

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were initiated with the progressive opening of the economy to international trade and investment. Presently, the country is targeting an annual GDP growth rate of 7-8%.

The most significant criteria for a continued growth rate of an economy depends on the provision of a quality infrastructure. According to the Planning Commission, an approximation of 8 percent of the Gross Domestic Product needs to be invested. This would help in acquiring a prospective economy as stated in the 11th Five Year Plan. Fund investment of over US $ 494 billion has been conceived of according to the 11th Five Year Plan with effect from 2007 to 2012. The investment sectors under consideration are inclusive of telecommunications, electric power, transport, road, rail, air, water supply as well as irrigation amounts to about Rs. 20,27,169 crore according to 2006-07 prices.

In order to meet such demands, various Public Private Partnerships or PPPs are being promoted for implementation of infrastructure projects. PPP is often described as a private business investment where two parties comprising government as well as a private sector undertaking form a partnership.

Governments embarking on PPP programs have often developed new policy, legal and institutional frameworks to provide the required organizational and individual capacities. These go beyond that needed to originate and financially close PPP deals, as they must also ensure that these deals are affordable to users and the public sector and provide ex-post evaluation of the success of PPPs in meeting their objectives. This framework needs to be in place in India to ensure a robust and successful PPPs program.

**Public Private Partnership**

**Definition:**

Public private partnership (PPP) broadly refers to long-term, contractual partnerships between the public and private sector agencies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector.

In Indian context, “Public Private Partnership (PPP) Project means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges”.

PPPs do not mean reduced responsibility and accountability of the government. They still remain public infrastructure projects committed to meeting the critical service needs of citizens. The government remains accountable for service quality, price certainty, and cost-effectiveness (value for money) of the partnership. Government remains actively involved throughout the project’s life cycle.

Under the PPP format, the government role gets redefined as one of facilitator and enabler, while the private partner plays the role of financier, builder, and operator of the service or facility. PPPs aim to combine the skills, expertise, and experience of both the public and private sectors to deliver higher standard of services to customers or citizens. The public sector contributes assurance in terms of stable governance, citizens’ support, financing, and also assumes social, environmental, and political risks. The private sector brings along operational efficiencies, innovative technologies, managerial effectiveness, access to additional finances, and construction and commercial risk sharing.

**Need for PPP:**

Globally, governments are increasingly constrained in mobilizing the required financial and technical resources and the executive capacity to cope with the rising demand for roads, electricity supply, water
supply, etc. Rapid economic growth, growing urban population, increasing rural–urban migration, and all-round social and economic development have compounded the pressure on the existing infrastructure, and increased the demand–supply gap in most of the developing world. Countries and governments, especially in the developing world, are experiencing increasing pressure from their citizens, civil society organizations, and the media to provide accessible and affordable infrastructure and basic services. While the infrastructure gap is rising, government budgetary resources are increasingly constrained in financing this deficit. Rising costs of maintaining and operating existing assets, inability to increase revenue and cut costs and waste, and rising constraints on budgets and borrowing, do not allow governments to make the required investments in upgrading or rehabilitating the existing infrastructure or creating new infrastructure.

The emergence of PPPs is seen as a sustainable financing and institutional mechanism with the potential of bridging the infrastructure gap. The foremost benefit of adopting the PPP route is the ability to access capital funding from the private sector. PPPs deliver efficiency gains and enhanced impact of the investments. The efficient use of resources, availability of modern technology, better project design and implementation, and improved operations combine to deliver efficiency and effectiveness gains which are not readily produced in a public sector project. PPP projects also lead to faster implementation, reduced lifecycle costs, and optimal risk allocation.

Objective

The core objective is to study the environmental constraints faced by Public Private Partnership (PPP) in India and to develop a framework for successful implementation of PPP projects.

Sub-objectives:
I. To study the role of Public Private Partnerships (PPP) in boosting Infrastructural development of India.
II. To study the various political, institutional, Government policies, legal, regulatory, fiscal and financial constraints of Public Private Partnership at present in India.
III. To develop a framework for successful implementation of PPP projects.

Research Methodology

The study is based on Secondary data which has been collected through the following sources:
(a) Books
(b) International and national journals
(c) Reports of World bank, Department of economic affairs, & Planning commission
(d) Magazines
(e) Internet.

I. Role of Public Private Partnerships (PPP) In Boosting Infrastructural Development of India

Rapidly growing economy, increased industrial activity, burgeoning population pressure, and all-round economic and social development have led to greater demand for better quality and coverage of roads, seaports, power supply, railways, airport, water and sanitation services. Increased demand has put the existing infrastructure under tremendous pressure and far outstripped its supply.
Upgradation of transport (roads, railways, airports, and ports), power, and urban infrastructure is therefore seen as critical for sustaining India’s economic growth, along with improved quality of life, increase in employment opportunities, and progress towards the elimination of poverty. India’s global competitiveness remains constrained and is adversely affected by lack of infrastructure, which is critical for improved productivity across all sectors of the economy. Poor infrastructure is also a major barrier to foreign direct investment (FDI).

Infrastructure is now seen as the necessary condition for growth and poverty alleviation. Studies by the Asian Development Bank and others have confirmed a strong linkage between infrastructure investments, economic growth, and reduction of poverty.

India had a few notable PPPs as early as the 19th century. The Great Indian Peninsular Railway Company operating between Bombay (now Mumbai) and Thana (now Thane) (1853), the Bombay Tramway Company running tramway services in Bombay (1874), and the power generation and distribution companies in Bombay and Calcutta (now Kolkata) in the early 20th century are some of the earliest examples of PPP in India.

Infrastructure development is the key to sustainable growth in India in the following ways:

(i) It makes India globally competitive
(ii) It raises standard of living
(iii) It means enhanced profits for government
(iv) It bridges rural-urban divide
(v) Increases level of Employment

India has had policies in favor of attracting private participation in the infrastructure sectors since economic reforms were introduced in 1991. These initiatives have met with varying degrees of success, but real progress has been made in some sectors, first in telecommunications, and now in ports and roads, and with individual projects in other sectors. The central government and the states are hoping to build on this progress, both in sectors where few private projects have been realized as well as scaling up their use in sectors where progress has already been made.

The public private partnerships (PPPs) can help meet the infrastructure gap in India, but are not a panacea. They represent a claim on public resources that needs to be understood and assessed. They are often complex transactions, needing a clear specification of the services to be provided and an understanding of the way risks are allocated between the public and private sector. Their long-term nature means that the government has to develop and manage a relationship with the private providers to overcome unexpected events that over time can disrupt even well designed contracts.

The significance of public private partnership (PPPs) projects in India is highlighted through reduced life-cycle costs, better risk allocation, faster implementation, improved service quality, additional revenue streams, reduced burden on government exchequer and emerging voter’s mandate of “Bijli-Sadak-Paani” from the erstwhile “Roti-Kapda-Makaan”.

India has, since the early 1990s, been looking to the private sector to fill investment gaps in infrastructure. Investment here did not initially grow as rapidly as in Latin America or East Asia, as policy reforms here were slower. However, with the increasing emphasis, over time, on public private partnerships in key sectors, such as telecom and transport, India has seen a trend increase in investment with none of the
corrections seen elsewhere. The years 2004 and 2005 saw the highest levels of investment to date. This success in attracting investment has meant that over the period 1990–2005, India attracted US$57.5 billion of investment in infrastructure projects with private participation. Since 2001, India has attracted approximately 9% of all investment in these projects for low and middle-income countries, and is second only to Brazil, and above China (Figure 1 below).

Figure 1: Investment trends in Brazil, China and India (2005 US$mn)

Source: World Bank/PPIAF Private Participation in Infrastructure (PPI) Project Database

The figure given below shows public and private investment in infrastructure in India:

Figure 2: Investment in infrastructure in India

Figure 3: Private Investment in infrastructure in India

Source: World Bank WDI Database

* In energy, transport, telecoms and water supply & sanitation
While India’s performance in increasing investment is encouraging, it is also worth noting that since 2001, about two thirds of this investment has gone into the telecommunications sector. Investment in energy has not picked up noticeably. This reflects differing success in reforming these two sectors, with the structural and competitive reforms introduced in telecommunications leading to a rapid market expansion and surge in investments. In the transport sector, thanks to successful PPPs in roads, airports and ports, India realized more investments in 2004 and 2005 than had been realized from 1990–2003.

II. Constraints Faced By Public Private Partnerships In India:

Infrastructure projects are complex, capital intensive, long gestation projects that involve multiple and often unique risks. Public Private Partnership is the emerging trend in infrastructure development in India. However, Public Private Partnership in India faces a number of environmental constraints. These are discussed below:

1. Approvals, Red tape and Inadequate Administrative Capacity in Government:

Almost all infrastructure projects in India suffer from unacceptable delays. These are caused due to inadequate regulatory frameworks. A major cause of this delay is inefficiency across virtually all approving agencies. Given below are some of these barriers.

(i) Multiple clearances:

Infrastructure projects require multiple clearances at centre, state and local levels. This is a time consuming process not only due to the large number of approvals but also because clearances are sequential, and not concurrent. For example, when Sify was setting up internet cafes in different states, it involved over 50 different clearances. According to most developers and financiers, the time taken to obtain all the requisite approvals for an infrastructure project can vary between a low of 18 months to as much as four to five years.

(ii) Lack of coordination between government ministries /departments

Most infrastructure projects involve dealing with multiple ministries. One of the key reasons for projects not taking off at the pre-financing stage is that the actions and policies of different ministries are not coordinated and are often at variance with each other.

(iii) Problems in contract negotiations and delays in the award of contracts:

This is pervasive across all infrastructure sectors. For instance, it took Kakinada port four years to achieve financial closure. In the power sector, four gas-based power projects, which had achieved financial closure in early 2004 with an investment of over Rs.50 billion, are today on the verge of closing down due to flawed fuel supply contracts. While the gas supplier Gas Authority of India Limited (GAIL) has said that it has no gas to offer to these plants, project sponsors find it impossible to penalize GAIL due to one-sided fuel supply contract that they were forced into.

2. Fiscal Barriers to Private Financing of Infrastructure:

A conducive fiscal environment is a pre-requisite for attracting private sector players to Public Private Partnerships. The Government of India has introduced tax concessions and Viability gap funding (VGF) for infrastructure projects. Tax concessions help increase returns and hence in certain situations can help stimulate private investment.
In this context, there are some fiscal issues that need to be worked on in order to give further boost to infrastructure sectors. Some of these are identified below:

(i) **High customs duties on infrastructure equipment:**

The import duty concessions available to imports used for infrastructure development are largely selective in nature. For instance, while equipment for mega-power projects can be imported against zero or low duties, the same facility is not available for capital goods used in roads.

(ii) **Section 10(23G) of the Income Tax Act:**

This clause exempts tax on income from dividends, interest and long term capital gains from any investment made in an enterprise engaged in the business of developing, maintaining and operating an infrastructure facility and has been of great help in facilitating infrastructure investments. However, three issues still cause problems.

- First, the borrowing infrastructure company needs to get annual approval and certification of its “infrastructure status” from the Central Board of Direct Taxes (CBDT). This process often takes considerable time which leads to delays in getting the concessions.
- Second, an enterprise qualifies for the benefits under section10 (23G) if it is wholly engaged in the business of developing, maintaining and operating any infrastructure facilities. The catch lies in the word “wholly”. This problem can be resolved by either eliminating the word “wholly” or substituting it with “substantially”.
- Third, the benefits of section 10(23G) do not flow down to retail investors. Had that been possible, the tax benefits of this provision could have been leveraged to create more dedicated infrastructure mutual funds where the retail investors would have been additionally attracted by the tax incentive.

(iii) **Poor state government finances:**

Nearly all states suffer from serious fiscal imbalances and are ridden with huge debt obligations. The debt to GDP ratio of states has increased by over 7 percent in the last five years to 29.1 percent (31 March 2004). In 2003-04 interest payments on debt accounted for over 25 percent of revenue receipts. Clearly, in such a situation, states are not the most bankable business partners for private sector participation in infrastructure.

3. **Financial, regulatory and institutional barriers:**

(i) **Constraints to equity and quasi-equity financing:**

Raising adequate equity finance tends to be the most challenging aspect of infrastructure project financing, as equity typically shoulders the greatest level of operational, financial and market risk. The infrastructure projects are operationally complex and also involve complexities in terms of contracts, legal structures, etc. Consequently, investors, especially retail investors, find it difficult to understand the true risks involved — and are wary of investing in such issues. However, at present, equity financing and quasi-financing by financial investors is constrained by the following factors:

**Limited exit options constrain equity participation:** The best route for financial investors to exit from an infrastructure project is to sell their stake to the sponsors, through a ‘put option’, which involves an upfront agreement between the financial investor and sponsor, including agreement on the minimum price at which the financial investor could sell the equity stake to the sponsor at a future date. However, in India, the regulations do not allow such agreements to be reached upfront between financial investors and sponsors of an unlisted company.
**Additional constraints**: Additional constraints to equity investment include a shallow capital market and corporate governance issues (primarily minority shareholder protection rights). For construction companies and equipment suppliers, revenues from these activities exceed the returns provided by equity. For a financial investor, the only return on equity is provided by the revenues generated by the project. Therefore, there is a severe conflict of interest between the project developer and the financial investor. The financial investor, who is in a minority position in such projects, loses out in such situations.

**Limited mezzanine financing**: In the developed world, many infrastructure projects are part-funded through ‘mezzanine finance’, which is a hybrid of debt and equity. Mezzanine finance is debt capital with fixed payment or repayment requirements, but with the right to convert to an equity interest in a company. It attracts investors by offering a rate of return which is higher than that of senior debt. Unfortunately, there is no infrastructure funding entity that has actively explored mezzanine financing in India in any sizeable amounts. There is lack of a sufficiently large and varied pool of infrastructure projects. So, there is a preference for funding institutions to opt for more straightforward loans than hybrids.

(ii) Restrictions on ECBs:

Given the risk aversion and/or relative inexperience of many financial intermediaries in India in the area of infrastructure financing, external financial resources (ECBs, mezzanine, equity, etc.) can potentially play an important role in meeting funding gaps. However, revised ECB guidelines do now allow (i) companies to access ECB for undertaking infrastructure investment activity in India, (ii) borrowings under the approval route by FIs dealing exclusively with infrastructure.

(iii) An underdeveloped corporate bond market and the lack of longer term financing:

Most infrastructure projects fructify into profit making entities 10 to 15 years after the initial investment and hence require longer tenor financing (with long drawn out repayments) to ensure financial viability of the project. The availability of a developed bond market is an important backbone to project financing for infrastructure. Unfortunately, India still does not have a wide or deep enough corporate bond market for such paper. The lack of size and depth in India’s corporate bond market may be attributed to three broad sets of issues viz., development of government securities market, lack of market infrastructure and innovations in the corporate debt market and regulatory issues.

(iv) Regulatory and institutional issues constraining higher participation of FIs and commercial banks:

It is widely accepted that insurance companies and pension funds are ideal candidates for supplying long tenor financing given the long tenor nature (15 years or more) of their liabilities. But with a few notable exceptions, in recent times, most insurance companies and pension funds have not focused on funding infrastructure.

Among the various term-lending institutions, LIC (the largest insurance company in India that is also state-owned) has emerged as the biggest player, with its disbursements for infrastructure projects exceeding the combined disbursements of IDBI, IFCI, IDFC, IIBI and SIDBI. However, most of the involvement of the state-owned insurance companies, including LIC, is in infrastructure projects of the central and state governments’ SOEs backed by government guarantees. These are often not based on credibility or the detailed economics of the project.
In fact, in the past, state governments have raised funds from the insurance SOEs ostensibly for financing infrastructure, which have then been diverted to the state’s consolidated finances. Commercial banks have only been marginal players in terms of their share of infrastructure financing in the recent past, though this segment has registered strong growth in the last two years.

(v) The role of regulatory uncertainty and risk in limiting FI participation:

A fundamental factor limiting the participation of all types of FIs in infrastructure financing relates to regulatory uncertainty, which raises the risk-profile of infrastructure sectors, and increases the risk-aversion of FIs towards infrastructure financing. Even in cases where projects are being ‘regulated through contracts’, the inability to enforce the contract conditions and threat (and actual experience) of reopening of these contracts by government, greatly increases the risk profile of the projects.

The risk-aversion of FIs in financing infrastructure projects further manifests itself in their reluctance to enter projects at the early stages, where project risks are concentrated. One of the main reasons cited for viable projects not reaching financial closure quickly enough has been the lack of financial support at the initial stage of a project’s life cycle. Commercial banks, of course, rarely take equity positions in infrastructure projects.

(vi) Restrictive government policies and regulatory guidelines:

Restrictive government policies and regulatory guidelines have further constrained the ability of insurance companies and pension funds to participate in infrastructure financing. For commercial banks, the flexibility of banks to become more active in infrastructure is constrained by RBI’s regulations that prevent banks from participating in the credit derivatives markets. This precludes banks from taking on higher credit risk with the option of hedging these risks to the extent needed through these products.

The investment guidelines of insurance companies specified by IRDA require them to invest not less than 15 percent of their investments in infrastructure and social sectors. It is understood that most of the investments by insurance companies in infrastructure are made to State-owned specialized FIs such as National Thermal Power Corporation (NTPC), Power Finance Corporation (PFC) (which have a AAA rating) as also to housing sector which qualifies under infrastructure investments. This clearly indicates the low risk-taking outlook of the insurance companies.

Pension and provident funds, both Employees Provident Fund (EPF) and PPF, are also repositories of large amount of long-term finance. However, as a legacy of government regulations, pension funds remain a notionally funded scheme. Under the existing stipulations, these funds cannot be drawn out for deployment in other avenues and, thus, remain a ‘black-hole’. The investment profile of pension funds are highly regulated with a massive bias towards government securities. This precludes the largest source of long-term funds from bridging the financing gap in infrastructure.

(vii) Insufficient knowledge and appraisal skills:

An insufficient knowledge and appraisal skill related to infrastructure projects is another constraint, increasing the risk perception of insurance and pension funds towards infrastructure projects. The banking sector, too, lacks the specialization and experience to appraise the risks and returns associated with large and complex infrastructure projects.
III. A framework for successful implementation of PPP:

The role of PPPs so far

In a survey conducted by World Bank in 2006 across states and central agencies, there were at least 86 PPP projects in our main sectors of focus where a contract had been awarded and projects were underway. Over 70% of these were in the roads sector. The other transport sectors have seen much fewer projects, with 8 ports (4 major and 4 minor ports), 2 airport and 2 rail projects underway. In the urban infrastructure sector, 11 PPP projects had been awarded, with 8 solid waste management, 2 water and sanitation and one bus terminal projects.

When looking at the total estimated project cost of PPPs, we see that road projects account only for 36 percent of the total because of the small average size of projects. Ports, with a much larger average size of project, account for 56 percent of the total. It is noteworthy that if ports and central road projects are excluded from the total, there is in fact a relatively small value of deal flow, at only Rs 30 bn in basic infrastructure PPPs to-date, suggesting a significant potential upside for PPP projects across sectors where states and municipalities have primary responsibility.

According to World Bank Report (2006), across states and central agencies, the leading users of PPPs by number of projects have been Madhya Pradesh and Maharashtra, with 21 and 14 awarded projects respectively, all in the roads sector, and the National Highways Authority of India (NHAI), with 16 projects. The other states or central agencies that have been important users of PPPs are Gujarat (9 projects) and Tamil Nadu (7), Karnataka (4) and Ministry of Shipping, Road Transport and Highways (MOSRTH) (4).

However, looking at a breakdown by estimated project size, we see that MP becomes significantly less prominent due to the large number of relatively small-sized projects in its portfolio, falling to 3 percent of total project costs. Gujarat accounts for 48 percent of total project costs due to its four large port projects. NHAI (17%) and MOSRTH (12%) are the other significant players. Karnataka accounts for 7 percent of total project costs given that its one awarded PPP project, the Bangalore-Mysore road corridor (currently under construction) had a reported project cost of Rs 22.5 billion.
The data collected from various World Bank reports and other researchers suggests the following framework for successful implementation of PPP projects in India:

1. Streamlining Approvals, Cutting Down on Red Tape and Enhancing Infrastructure Regulation:
   Governments need to assure potential investors that there is an intention to lay out clear policy frameworks for each sector and reduce uncertainties arising out of policy implementations and arbitrary actions in contractual commitments of the governments. The following steps need due consideration:
   
   (i) All infrastructure projects involve multiple clearances from different Ministries and Departments - which contribute to significant delays. In order to mitigate this problem, the GoI needs to set up sufficiently high-level Inter-Ministerial Groups (IMG) for roads, power, telecom, ports and airports. It would be useful for these groups to be formed under the aegis of the Planning Commission, and for them to meet once every 45 or 60 days to discuss and resolve all outstanding Inter-Ministerial issues.

   (ii) Infrastructure is an urgent national priority. To give it the importance it deserves, there has to be a clear signal that the ownership lies at the highest level of government. Therefore, it would be advisable for the Prime Minister’s office (PMO) to have a dedicated infrastructure secretariat to monitor the status of projects in different sectors and to ensure consistency in policy formulation and implementation for various infrastructure sectors.

2. Stimulating Public Private Partnerships -Building Government Capacity:
   Developing domestic capabilities to manage, participate in and finance private infrastructure projects is important to broaden the constituency of PPPs, enlarge the pool of funding, and mitigate foreign exchange risk. To encourage PPPs, the Government of India has announced that it will provide viability gap financing for selected infrastructure projects which are socially and economically necessary. According to the policy, up to 40 percent of the financing needs of such projects could be met through VGFs. This is a step in the right direction and could help to hasten the financial closure of many infrastructure projects.

   Assuming that the viability gap funding policy is credible, its success will require, among other things, strengthening the institutional capacity of government to manage, participate in, and monitor PPPs. Capacities for identifying, procuring and managing PPPs could be strengthened in India so that they can make a larger contribution to meeting basic infrastructure needs. The steps that the Centre could take to achieve this are:

   (i) Issuing a policy statement on the use of PPPs, including rationale and benefits expected. A clear policy advocating the use of PPPs, as well as the rationale for their use, provides political commitment and support for the program. Policies can also provide clarity on other aspects, such as the approach towards risk transfer, procurement, financing, and the need for transparency;

   (ii) The creation of a national level PPP unit for information dissemination and guidance functions, plus transactions advisory support to central agencies and ministries in their PPP programs;

   (iii) At the state level, a dedicated PPP unit can both broaden the PPP program by transferring lessons and experiences across sectors, as well as improve the quality of PPPs by bringing to bear better transactions skills;

   (iv) At the state level, consideration should be given to the development of cross-cutting PPP legislation. One of the benefits of cross-cutting PPP legislation is that it allows the consolidation of relevant legal provisions into one law, and also allows the government to legislate the use of certain processes for the development, procurement and regulation of PPP projects.
3. Fiscal measures to support private financing of infrastructure and financial market innovation:

If there is to be an increased use of PPPs the center should work to strengthen oversight of their fiscal costs. PPPs can involve substantial contingent liabilities as well as long-term purchase obligations. Fiscal Responsibility Acts passed at the central level and by the states of Karnataka, Uttar Pradesh, Punjab and Kerala all include statements on fiscal prudence and treatment of contingent liabilities that are relevant to PPPs. Nonetheless, implementing this may not be straightforward. Although fiscal concessions are not necessarily desirable, per se, they might help increase returns and hence, investment. The following fiscal measures are needed:

(i) The Ministry of Finance could consider reducing the customs duty on capital goods and machinery that are critical for roads, ports, airports, power, railways, telecommunication, oil and gas pipelines and supply and distribution of water. This fiscal incentive would significantly reduce the cost of many infrastructure projects.

(ii) The fiscal benefits given under section 10(23G) should be approved at one shot for the stipulated 10-year period, instead of the present practice of the companies or SPVs getting annual approval from the CBDT. Also, the government ought to consider making the benefits of 10(23G) available to retail investors, who could then invest in dedicated infrastructure mutual funds which would use the finances so obtained to offer longer term credit facilities to infrastructure projects.

4. Facilitating equity financing:

In the longer-term, equity finance from financial investors – including private equity funds such as venture capital funds and other institutional investors, which include dedicated infrastructure funds sponsored by a consortium of insurance companies, pension funds, Government sponsored funds, commercial banks, development banks, private fund managers and other privately-held companies – is essential for increasing private investment in infrastructure.

The priorities are to:

(i) Improve exit policies to make it easier for investors to exit:

In this context, a key priority is for RBI to introduce enabling regulations for the use of put options as an exit mechanism for investors in unlisted (privately held) companies. At present, the regulations do not allow financial investors to reach an upfront agreement with sponsors on the terms of a put option, if the sponsor company is unlisted. This would broaden the investor base and with successful closing of projects it would increase investor confidence.

(ii) Other factors that would help increase equity investment in infrastructure projects include better corporate governance, with a particular focus on minority shareholder protection rights.

5. Encouraging the use of more innovative financing instruments like mezzanine and takeout financing:

(i) Removing interest rate caps on ECBs could encourage foreign investors to use instruments like mezzanine and take out financing for infrastructure investment.

(ii) Extending fiscal concessions, such as those under section 10(23G) to venture capital and private equity funds that invest in infrastructure, could also help encourage mezzanine financing.
(iii) Rationalization of stamp duties would facilitate the use of takeout financing and securitization in states where these duties remain high. High stamp duties levied at ad valorem rates are barriers to securitization as well as take-out financing. Given that stamp duties are state subjects, the Central Government can, at best, play a persuasive and demonstrative role.

6. Developing a longer term corporate bond market:
A well developed government bond market is a critical prerequisite to the development of the corporate bond market. Hence, there is an urgent need to increase the depth and the breadth of the government bond market, through the following measures:

(i) To improve the breadth of the government bond market, the government should consider recalling the existing illiquid, infrequently traded bonds and re-issue liquid bonds.

(ii) The existing regulation that requires institutional funds such as pension funds and insurance funds to hold till maturity all government securities should be removed and they should be allowed to actively trade in the market.

(iii) To bring in more retail investors to the government bond market there is a need to introduce an element of marketability and price discovery, which can only be brought in by making securities trading screen based and more transparent.

7. Encouraging participation by FIs in infrastructure financing:
The authorities should look at the existing investment norms prescribed for insurance, EPF and PPF with a view to relaxing them so that these institutions can commit significantly larger amounts of long-term funds for infrastructure. The main areas which need attention in this respect are as follows:

(i) The investment guidelines for insurance companies need to be modified to allow investment in instruments with a rating of less than AA. At present these investments are counted towards ‘unapproved’ investments. This, in conjunction with development of credit enhancement products should enable insurance companies to invest in infrastructure projects.

(ii) Investment guidelines for pension funds should be modified to allow them to invest in infrastructure projects, which have a guarantee from the central government or multilateral agencies. The cost of such funding will also be lower since these will not carry any currency risk.

(iii) There exists an urgent need for specialized infrastructure financing institutions such as IL&FS and IDFC to participate at the design stage of a project. The backing of such institutions at an early stage would carry at least two advantages. First, it would make it easier for project developers to obtain finance from other sources. Second, it would provide the developer with the opportunity to use the expertise of such institutions in project designing and financial structuring.

(iv) There is a need to create a debt recovery mechanism for pension and provident fund on the lines of the Debt Recovery Tribunal (DRT). While the need for such a tribunal is not felt at present due to the restricted investment profile, it will be critical if pension and provident funds are to have any significant exposure in the infrastructure sector.

(v) In order to provide an active incentive for banks to scale-up infrastructure financing, the RBI could consider classifying infrastructure as one of the priority sectors. Moreover, as far as banks are concerned, liabilities created by the sale of long term infrastructure bonds may be kept outside the purview of SLR and CRR.
8. Project development funds:

The use of PPPs for the delivery of basic services by state and municipal governments can be stimulated by the provision of central funds to support their payments under PPPs. Any additional funding of PPPs should be complemented by a more rapid development of capacities to monitor the fiscal costs of PPPs. A national PPP unit could oversee the project development fund. A substantial matching contribution from the state/municipal government contracting for the PPP would be important to provide commitment to the project and indicate that the project was a priority.

9. The Growing Pool of International Financial Investors:

Financial investors, from India as well as abroad, have welcomed the Indian government’s commitment to embrace PPPs, and see this as an exciting business opportunity. India can take advantage of the growth of the heightened global interest in infrastructure assets. In addition to investors from Canada and Australia, who are already active in this segment, investors from Europe, the Middle East and North America are increasingly looking for opportunities in infrastructure. However, in order to be able entice these investors, India’s PPP program should offer a sizeable pool of infrastructure concessions that are up and running, with a reliable stream of cash flows. To be able to do this, it has to first transition from the present state, which is characterized by contractor-led growth and the dominance of trade players. Also, it has to increase the role of financial investors in PPP projects.

Conclusion:

In India, rapid economic growth, growing urban population, increasing rural–urban migration, and all-round social and economic development have compounded the pressure on the existing infrastructure, and increased the demand–supply gap. While the infrastructure gap is rising, government budgetary resources are increasingly constrained in financing this deficit. The political economy of infrastructure shortages, constrained public resources, and rising pressure from citizens and civil society have combined to push governments and policymakers to explore new ways of financing and managing these services. Governments have been pushed to exploring new and innovative financing methods in which private sector investment can be attracted through a mutually beneficial arrangement. Since neither the public sector nor the private sector can meet the financial requirements for infrastructure in isolation, the PPP model has come to represent a logical, viable, and necessary option for them to work together.

Governments embarking on PPP programs have often developed new policy, legal and institutional frameworks to provide the required organizational and individual capacities. These go beyond that needed to originate and financially close PPP deals, as they must also ensure that these deals are affordable to users and the public sector and provide ex-post evaluation of the success of PPPs in meeting their objectives. This framework needs to be in place in India to ensure a robust and successful PPPs program.

PPPs often involve complex planning and sustained facilitation. Infrastructure projects such as roads and bridges, water supply, sewerage and drainage involve large investment, long gestation period, poor cost recovery, and construction, social, and environmental risks. When infrastructure is developed as PPPs the process is often characterized by detailed risk and cost appraisal, complex and long bidding procedures, difficult stakeholder management, and long-drawn negotiations to financial closure. This means that PPPs are critically dependent on sustained and explicit support of the sponsoring government. To deal with these procedural complexities and potential pitfalls of PPPs, governments need to be clear, committed, and technically capable to handle the legal, regulatory, policy, and governance issues.
References:


A Detailed Study of Environmental Constraints Faced by Public Private Partnership (PPP) In India
GROWING IMPORTANCE OF SOFT-SKILLS FOR ENTRY-LEVEL PROFESSIONALS IN INDIAN IT INDUSTRY

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Abstract

While technical skills are very important for success in business, there are other non-technical skills (known as soft-skills) which hold equal importance in the employability factor of an individual. Enterprise defines the entrants to be “Industry Ready” when they possess these soft skills. IT service industry is by nature ‘people-centric’ and is facing today critical need to bridge the soft skills gap i.e. the gaps in the skills required in the job and that possessed by the applicants. This has become a pre-requisite to gain an edge in the global competitive environment.

The booming software industry as a measure has taken various steps viz. established training centers, developing industry-academia collaborations, conducting innumerable soft skills workshops for the development of young IT professionals.

This paper defines “soft skills”, discusses the important soft skills required for entry level IT professionals like communication, team work, and corporate etiquettes e.t.c. and explores the various initiatives taken by the IT majors such as Infosys, Wipro, and TCS e.t.c. regarding the same.

Keywords: Soft-skill, Emotional Quotient (E.Q), Industry-ready

“The talent that comes out of colleges should be much better in terms of employability.”—Azim Premji, Chairman of Wipro

Introduction

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

These are Darwin’s words told in the context of evolution of organisms and survival of the fittest theory, during the early phase of the 19th century. Indeed his words are more relevant now, in the context of ever increasing competition. Modern information technology offers a great challenge to the youth. As a result, a very competitive global picture is emerging. In order to prosper and succeed in this era of technological advancements, individuals and organizations have to be ready to develop as well as adopt new skills and approaches.

It is well recognized by the industries that the repertoire of skills that the successful entry level employees required at the workplace has two categories: Hard skills (or technical skills) and non-technical skills (soft skills). Hard skills are the technical competencies an individual possesses, skills gained through educational learning, and practical hands-on application. Hard skills are quantitative in nature and can be measured. While technical skills are very important for success in business, soft skills hold equal importance in the employability factor of an individual. “Soft skills” are those that are crucial to an employee’s ability to work “smarter.” Though soft skills, by themselves, are intangible in nature and difficult to measure, they become apparent, valid, and even critical, in the way we interact with people be it in business, social or even domestic situations.

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We can trace the origin of the phrase ‘soft skills’ to U.S. Also known as attitudinal training, this gathered momentum in the early 1960s and 70s with many motivational gurus like Dale Carnegie and Zig Ziglar. A great believer of soft skills was Andrew Carnegie, the great steel magnate. Wide acceptance of soft skills in India is a fairly recent phenomenon particularly with the advent of the IT (information technology) and ITES (IT enabled services) sectors.

**IT industry and important “Soft Skills”**

The term “soft skills” refers to cluster of personality traits, social graces, facility with language (communication), personal health and optimism. **“Soft skills”** are essentially people skills — the non-technical, intangible, personality-specific skills that determine your strengths as a leader, listener, negotiator, and conflict mediator.

Few more definitions of soft skills are as follows:

- The informal term for non-IT related business skills. Examples include leadership, listening, negotiation, conflict management, etc.  
  www.conferzone.com/resource/glossaryst.html

- These are consumer focal skills that help an agent effectively communicate and interact with consumers. Some “soft skills” include adjusting to client knowledge levels, sincerity, dealing with irate or nervous clients, appreciating a client’s situation.  
  www.helpdesktalk.com/help-desk-glossary

- Personal management skills such as attitudes and behaviors that drive one’s potential for growth and team work skills.  
  www.northernopportunities.bc.ca/glossary.html

- Soft skills refer to the cluster of personality traits, social graces, facility with language, personal habits, friendliness, and optimism that mark people to varying degrees. Soft skills complement hard skills, which are the technical requirements of a job.  
  en.wikipedia.org/wiki/Soft_skills

Behavioral training experts say there are several soft skills required in business. Some of them include (Rukmini Iyer):

i. Interpersonal skills
ii. Team spirit
iii. Social grace
iv. Business etiquette
v. Negotiation skills
vi. Behavioral traits such as attitude, motivation and time management

Some of the most common soft skills employers are looking for and will be assessing you on include (F. John Reh):

**Strong Work Ethic**

Are you motivated and dedicated to getting the job done, no matter what? Will you be conscientious and do your best work.

**Positive Attitude**

Are you optimistic and upbeat? Will you generate good energy and good will?
Good Communication Skills
Are you both verbally articulate and a good listener? Can you make your case and express your needs in a way that builds bridges with colleagues, customers and vendors?

Time Management Abilities
Do you know how to prioritize tasks and work on a number of different projects at once? Will you use your time on the job wisely?

Problem-Solving Skills
Are you resourceful and able to creatively solve problems that will inevitably arise? Will you take ownership of problems or leave them for someone else?

Acting as a Team Player
Will you work well in groups and teams? Will you be cooperative and take a leadership role when appropriate?

Self-Confidence
Do you truly believe you can do the job? Will you project a sense of calm and inspire confidence in others? Will you have the courage to ask questions that need to be asked and to freely contribute your ideas?

Ability to Accept and Learn From Criticism
Will you be able to handle criticism? Are you coachable and open to learning and growing as a person and as a professional?

Flexibility/Adaptability
Are you able to adapt to new situations and challenges? Will you embrace change and be open to new ideas?

Working Well Under Pressure
Can you handle the stress that accompanies deadlines and crises? Will you be able to do your best work and come through in a pinch?

The Work force Profile defines about 60 soft skills, which employees seek. However IT organizations enlist important soft skills as follows:

TCS Life segment of the soft skills curriculum includes:
- Personal grooming,
- Global business etiquette,
- Table etiquette,
- Oral and written communication,
- Technical writing and presentation skills,
- Interpersonal and team-playing skills,
- Leadership skills.

HCL Go Pro training module include
- communication,
- etiquette,
- attitudinal and behavioural skills,
- innovation and creativity.
Infosys campus connect soft skills training programme modules cover:

- Communication,
- Role of body language in communication,
- Active listening,
- Assertiveness,
- Self confidence,
- Teamwork,
- Group discussions and presentations,
- Grooming and dressing,
- Business etiquette.

Communication is an art. One way communication does not elicit the best results. In good communication, the receiver only understands the sender but in effective communication the sender achieves the intended results from the receiver. Clarity and brevity are the essential ingredients of the communication. There is an English proverb which says, “The path of true love never runs smooth.” the same holds good for communication. Its path is mined with external and internal obstacles which hinder effective communication. Hence obstacles should be well judged and treated carefully while communicating.

Body language is also very important part of communication. The ancient Chinese proverb says, “The body never lies and the body never keeps quiet.”

There is a common misconception that communication is about talking to people. Listening is also an important part of communication. Active listening and paying undivided attention to the speaker indicates the maturity level of the speaker.

Emotions are also very important in communication. Every one is born with a certain, unique potential of emotional sensitivity, emotional memory, emotional processing and emotional learning ability. These four components decide an individual’s emotional intelligence (EI). In the corporate world, IQ gets you hired, but it is EQ that gets you promoted. (Daniel Goleman)

Many people finds it difficult to express their feelings honestly and openly because they lack assertiveness. ‘Assertiveness’ is the ability to express thoughts, feelings, opinions, beliefs, and needs directly, openly, honestly, and appropriately, while not violating the personal rights of others. By employing assertive behaviour a person will know how to refuse unreasonable requests from others, how to assert his rights in non aggressive manner, and how to negotiate to get what he wants from his relationships with others.

Business etiquette is getting more and more relevant, as businesses are spreading across the nations. Etiquette is the code of polite behaviour in a society (Oxford Dictionary) and is nothing but the way we present ourselves to others, so as to be taken seriously. The simple rule of law (of business etiquette) is to be courteous always, regardless of the people and the situations. Communication is a vital component of the business etiquette. Telephonic conversations are important, as the tone of speaker conveys his/her state of mind. You may sound helpful even if you cannot actually help. Checking and answering emails on a daily basis should be an essential part of managerial life and the tendency to ignore the mails of lesser mortals does not constitute civilized behaviour. The same rule applies to written communication, which must be replied or at least acknowledged.
Table manners play an important role in making a favorable impression. They are visible signals of the state of our manners and therefore are essential to professional success. Regardless of whether we are having lunch with a prospective employer or dinner with a business associate, our manner can speak volumes about us as professionals.

In these days of globalization, no one can forget the old adage, “be a Roman while in Rome”, i.e., to acquaint oneself with the culture of the country being visited. Many Indian software engineers are known to have been put on the return flight back to India for being ill-informed about the host culture. Special care should be taken while dealing with people of different cultures.

“The first impression is the best impression”, says an old proverb with regards to the appearance of an individual. Proper dress sense and personal hygiene are also the important features of corporate culture. Your dress speaks about you. It is important to understand the difference between “formal”, “informal” and “casual” dressing and adhere to the norms benefiting the occasion.

Concept of teamwork is reflected by the old English proverb, “Two or more heads are better than one.” In India, especially in the IT field, we find that as a collective we are far stronger than as an individual. Firstly, the very nature of our software, the modular structure, makes it necessary to have dependency on one another. Secondly, the speed at which the technology is changing is so rapid that it is difficult for any person to keep up-to-date even in his specialization. How can one expect to be a master of everything? So a person specializes in one area, and in a team concentrates on that specialization, and should allow others to concentrate on their areas. It is important to share the credit for a success with team members, while owning the responsibility for failures; it is important for the manager to remember that he/she is the helm of the affairs.

Growing Importance of Soft Skills in Indian IT Industry—Various initiatives taken by the IT majors.

The Indian IT industry has grown its revenues ten-fold in the past decade, to $47.8 billion in 2006-07, from $4.8 billion in 1997-98. Its contribution to the country’s GDP (gross domestic product) increased to 5.4 percent from 1.2 percent in the same period. “Annually, India contributes about ten lakh graduates and four lakh engineers to the talent pool but a big chunk of them are not employable right way”, the NASSCOM president, Kiran Karnik, has said.

According to a study by Merit Trac, a leading skill assessment company, of the four lakh engineers that pass out each year in the country, only 25 percent of one lakh engineers are industry ready. In fact, the experiences of some leading companies show that only 10 out of 100 engineers appearing for the first test are finally employable.”“There is a huge disconnect in terms of what they are taught and what the industry wants. Weak soft skills, particularly communication and articulation skills and lack of industry knowledge are a major drawback to our pool of engineers”, says Mukund Menon, global head, talent acquisition, Satyam computer services.

In fact the ‘employability gap’ that all the industry leaders keep talking about, refers essentially to the lack of ‘soft skills’. Enterprise define the entrants to be ‘Industry Ready’ when they possess the soft skills. IT service industry is by nature ‘people-centric’ and is facing today critical need to bridge the soft skills gap i.e. the gaps in the skills required in the job and that possessed by the applicants. This has become a prerequisite to gain an edge in the global competitive environments. “People speak of unemployment but there is an employability issue as most people do not have the skills required by the industry,” Gautam Sinha, CEO of TVA Infotech, a leading recruitment and placement consultancy.
The booming software industry, as a measure, to bridge this ‘soft skills’ gap has taken various steps viz. established training centers, developing industry-academia collaborations, conducting innumerable soft skills workshops for the development of young professionals. In the year only (2007-08), Infosys Technologies Ltd., Wipro Ltd, Tata Consultancy Services Ltd. (TCL), HCL Technologies Ltd. and Satyam computer services Ltd. spent nearly $438 million, according to estimates provided by the firms. In the case of most of the companies, up to 80% of the hires are made at the entry level, and up to 80% of the training budget is spent on them. Top IT firms are enhancing their interaction with colleges and universities to ensure that the graduates who pass out from these institutions match the industry requirements. TCS, Infosys, Satyam computers and HCL are collaborating with academia to churn out professionals with the right skills. Various initiatives taken by the IT majors are as follows:

**Infosys**

Infosys Technologies has launched an industry-academia partnership initiative termed “campus connect” in May 2004. The program aims to deepen the industry-academia relationship and create a strong foundation for the future needs of growing IT industry. The nation-wide program focuses on preparing ‘industry-ready IT professionals.’ Infosys chairman and chief Mentor NR Narayan Murthy said “platforms like campus connect would help interaction between academia and industry and enhance the availability of talent, which is the most important ingredient for our success.” The purpose of “soft skills program” under campus connect umbrella is to bridge the gap commonly noticed in engineering students in areas of communication, teamwork, corporate work culture and so on. This is a program delivered in collaboration with alliance partners at a cost.

Infosys puts all its entry-level engineers through a 16-week-long boot camp at its Mysore campus. The emphasis is largely on technical training. Later, employees are taken through specific training to equip them with the skills required by the units to which they are assigned.

Infosys BPO, has entered into a partnership with the Karnataka University, Dharwad, to train students in communication and domain specific skills, thereby increasing the employment opportunities across general education disciplines.

An MoU is part of Infosys’ Affirmative Action Program, which focuses on aligning the needs of general colleges, faculty and students with industry needs, thus preparing “industry ready” professionals. Infosys, which is already implementing the program in Karnataka, Rajasthan and Maharashtra, also plans to take it to Orissa, Tamil Nadu and West Bengal

**HCL**

HCL Technologies has signed a MoU with six colleges in Chennai, starting its first campus initiative. This initiative includes ‘GoPro’ - A career development program to develop the next generation of corporate community and tie-up’s with women’s colleges to encourage and widen the gender representation in the corporate world.

The ‘GoPro’ program aims at training in non-technical and soft skills in preparing a student to become a professional, to increase their ‘employability’ quotient. The training module would include soft skills, communication, etiquette and attitudinal and behavioral skills. The initiative is also structured to encourage ‘innovation and creativity’ among students. Varied competitions and campaigns on innovation and creativity would be rolled out.
Apart from tie-ups with Engineering colleges, this initiative includes tying up with women’s colleges from arts & science backgrounds to encourage gender representation and diversity in the professional workforce. HCL will also set up ‘Technology Labs’ to facilitate training and research work for students and introduce ‘Faculty Enablement Program’ for the faculty, to engage them to interact with experts in certain areas of technology.

The colleges that HCL is signing this MoU with are the Chennai based Ethiraj college for Women, MOP Vaishnav college for Women, Stella Maris, SSN College of Engineering, Sri Venkateswara College of Engineering and Thiagarajar College of Engineering from Madurai.

Ravi Shankar, Global Head - Talent Management Group said, “It is important for students to be developed in all aspects of a profession, apart from expertise in a particular field. This is a first step in our engagement with educational institutes to equip students to face the challenges of the corporate. Going forward HCL plans to associate with various other colleges across the country including in Delhi and Bangalore. Our training programme is designed essentially to help the young graduates to imbibe qualities as per the present industry requirement and learn to experiment and innovate for their future growth.”

**TCS**

Tata Consultancy Services (TCS) is taking pre and post employment initiatives for enhancing employability. The “On-Campus Initiatives” of TCS focus on curriculum development and faculty development programs, enhancing students’ language skills, providing experience through internships and projects. On the other hand “Post-employment Initiatives” include providing initial training (technology, process and soft skills) during induction, ongoing training throughout employee’s career and employee’s career development plan.

TCS has created a special foreign language learning centre at its Thiruvananthapuram facility where all newly recruited employees are sent for initial orientation and training before being inducted into the company. All the new employees are required to undertake a course in one language of their choice. The move is not limited to employees just learning a language but also making them conversant with the culture and etiquettes of at least one foreign country. According to TCS foreign language initiative head Indubala Ashok “Language skills are set to become as critical as technology skills for the selection of engineers for projects. It’s high time that Indian software companies understand that only technology skills will not be able to take them ahead and their people need to have soft skills too to compete in the global market.”

In a unique public-private partnership in the country, the state of Gujarat and Tata Consultancy Services, are launching ‘Suryodaya’, a technology-enabled learning program to develop IT talent in the state of Gujarat. Speaking about this initiative, Abid Ali Neemuchwala, General Manager and Head - Western Region, Tata Consultancy Services said, “As India continues to enhance its share in the global IT services business, increasing the talent pool for the industry is very important to sustain the growth of Indian IT. Together with the Government of Gujarat, TCS is undertaking a unique learning initiative to enhance skills of students and make them ‘industry ready’.

Tata Consultancy Services has been working with numerous academic institutions across the country as a part of its ‘Academic Interface Programme’ (AIP). The TCS academic interface programme is an effort to address issues pertaining to global IT needs and involves regular interactions with academia to help develop the right kind of manpower resource base that would meet the evolving demands of the global IT industry.
TCS has unveiled its latest initiative to enlarge and develop the suitable talent pool available to the IT industry. The TCS Talent Transformation (TCS T2) aims to transform science graduates into global software professionals and is the first scalable program undertaken to draw graduates from disciplines other than engineering into the global technology services industry. Explaining the significance of the initiative, S Ramadorai, CEO and managing director, said: “TCS’ ability to partner with engineering colleges has been successful in developing a good talent pool. I believe that this initiative is an innovative solution to broaden the future talent base in the country in a way that can be scaled up as required.” The program will be complemented by soft-skill development in presentation, communication, teamwork and leadership skills as well as work-life balance activities like musical appreciation to help develop professionals with a global mind-set at the end of the talent transformation programme.

The Confederation of Indian Industries (CII) along with Tata Consultancy Services, has launched a part-time communication development programme for technical education students belonging to the Scheduled Castes and Scheduled Tribes (SC/ST). The course would offer a comprehensive overview of business communication with different modules such as reading, writing, vocabulary, and etiquettes.

TCS also offers an ‘InsighT programme’ to school students, which focuses on IT and soft skills. The programme is aimed at providing an overview of the skills required in the IT industry.

**Satyam**

As a part of its global Industry-Academia initiative, Satyam Computer Services Ltd. has launched an initiative called ‘Campulse’. This initiative through its various programs aims to strengthen relationships between Satyam and the Academic institutes across the globe and works to train, groom and enhance the quality of young aspirants joining the IT industry.

Also Satyam Computers has taken up a project on an experimental basis to promote soft skills in five engineering colleges of the State, as most of the engineering graduates are lacking in communication skills, according to Mr Sudheer Mareddi, Vice-President (Operations).

The Satyam “Campus Link” program, which would be implemented in stages, would seek the support from IT faculty of public universities to create a ready pool of entry-level talent and will help company serve its global clients more effectively.

**Wipro**

Wipro Technologies has teamed up with academia to launch Mission10X, an initiative that aims to enhance employability of graduate engineers in India. The programme will promote systematic changes to current teaching-learning paradigms in engineering education.

Mission10X will use the Wipro Learning Model to help faculty make a student imbibe higher levels of understanding of a subject along with development of soft skills and analytical skills. The programme involves capability building workshops for faculty and will be rolled out across the country in a phased manner.

**Conclusion**

Soft skills represent one of the fundamental attributes that the IT majors are demanding from the employees. Soft skills enhance employability of the candidates and provide a solid ground to get adjusted and get along in the organizations more effectively and efficiently. The wide ‘employability gap’ between the talent supply and technical demand can be only narrowed down with the soft skills. IT organizations have taken and are in a continuous process of taking various initiatives to bridge this gap. In a nutshell, proper training in soft skills can create more opportunities for the fresh candidates in the IT industry.
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McDONALD’S FAST FOOD RETAILING - A GLOBAL APPROACH

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Abstract

Retailing by its very nature is a dynamic industry. Retail is the final stage of any economic activity. Retail industry is growing faster in the world. It is necessary to understand that in the modern world of trade today, retail would include not only goods but also services which may be provided to the customers. The emergence of the global marketplace and the rise of the 24/7 economy has fuelled the growth of retail across the world. The world of retail is a fastest changing one and calls for constant evolution on the part of the retailer. A retailer not only needs to keep up with ever changing expectations and demand’s of the customers but also needs to keep track of the competition and changes in technology and the socioeconomic environment. The world’s eighth most valuable brands, McDonald’s Corporation is today, a leading player in the global branded quick service restaurant segment in virtually every country in which it does business. The paper focuses on the McDonald’s Corporation’s strategies for internationalization. The paper reveals the management practices adopted by McDonald’s Corporation from its inception to its internationalization which will be the guiding path for Indian fast food retailers who want to adopt strategy of globalization.

Key Words: Fast food retailing, Globalization, Global brand.

Introduction

Retailing by its very nature, is a dynamic industry. The past decade has been one of turmoil & transition in the world. Retail is the final stage of any economic activity. By virtue of this fact retail occupies an important place in the world economy. It is necessary to understand that in the modern world of trade today, retail would include not only goods but also services. The emergence of the global market place & the rise of the 24/7 economy has fuelled the growth of retail across the world. The world of retail is a fast changing one & calls for constant evolution on the part of the retailer. A retailer not only needs to keep up with ever changing expectations & demands of the consumers but also needs to keep track of the competition & the changes in technology & socio-economic climate of the nation that he is operating in.

In developed economies retail sector is showing signs of maturity so the big retailers are looking towards the world market. Alexander (1997) has highlighted the varying conditions that international players operate in, suggesting that retail globalization is “the management of retail operations in markets which are different from each other in their regulation, economic development, social conditions, cultural environment, and retail structures.” Primarily there are pull and push factors responsible for international retailing. Push factors include saturation in the home country, economic recession, declining population etc. Pull factors include falling barrier to market entry in other country, possible economies of scale, market attractiveness.

Retail industry is growing at faster pace all-around the world. Many big retailers such as Wal-Mart, Carrefour, and Mcdonald's are included in Fortune 500 list. Basically these retailers operate in many countries. The world’s eighth most valuable brands, McDonald’s Corporation is today, a leading player in the global
branded quick service restaurant segment in virtually every country in which it does business. There are good opportunities for fast food retail chains in future. McDonald’s is one of the biggest companies having a number of fast food restaurants throughout the world.

**Objectives:**

1) To study the McDonald’s business growth.
2) To study the McDonald’s strategy for globalization.
3) To study whether their business model can be adopted by the Indian firms or not.

**Research Methodology:**

This paper focuses on the McDonald’s Corporation’s strategies for globalization by developing a global yet locally accepted offering while maintaining international standards and at the same time promoting entrepreneurship. The paper reveals the management practices adopted by McDonald’s Corporation from its inception to its internationalization which will be the guiding path for Indian fast food retailers who want to adopt strategy of globalization. The research method adopted is the case study method for which secondary data is used and it is collected from the various books and internet.

**McDonald’s History**

McDonald’s Corporation is the world’s largest chain of fast food restaurants, primarily offering hamburgers, Pizzas, French fries etc. The roots of McDonald’s go back to the early 1940s when the McDonald’s brothers Dick and Mac opened their first restaurant in San Bernardino, California. Their introduction of the speedy service system in 1948 established the principles of the modern fast food restaurant. McDonald’s Corporation was incorporated in 1955, when Ray Kroc opened his first restaurant in Des Plaines, Illinois. In 1965, McDonald’s went public with its first offering on the stock exchange. A 100 shares of stock costing $2, 250 dollars that day have multiplied into 74, 360 shares today, worth approximately $3.3 million on December 2006.

McDonald’s restaurants are found in 120 countries and territories around the world and serve merely 54 million customers each day. With successful expansion of McDonald’s into many international markets, the company has become a symbol of globalization. Worldwide McDonald’s Corporation is having more than 32,000 restaurants with revenue of approximately $22 billion. They are having more than 465,000 employees in all the restaurants. Their slogan is “I’am lovin’it.”

**Retail Globalization**

The process of a retailer transferring its retail operations, concept, management expertise, technology and/or buying function across national borders is termed as retail internationalization.

**Operations** – A literal interpretation of retail internationalization is the expansion of a retailer’s operation into a foreign market. The type of store it may or may not be similar to that in the home market. McDonald’s are going for internationalization with the help of Franchising so they can transfer an established domestic fascia with some change in taste of food, store design, services according to the socio-economic and cultural conditions.

**Concepts** – Retail concept includes innovations in the industry, such as the self service concept which first emerged in California in 1930. This concept is adopted by McDonald’s for many restaurants. Along with the self service concept they have made a successful entry in the foreign market and have made this concept...
popular in other countries. Also they are going for product innovations and development in different countries to suit the customer tastes and preferences.

**Management Expertise** – The transfer of concepts is related to the internationalization of management expertise. This includes the internationalization of skills and techniques used in the management and running of the company. Mcdonald's are in the restaurant business and it is a service industry. They provide fast food to the customers along with the best services which are intangible. They have transferred the equally qualitative services to all the restaurants scattered in different countries. They provide training in different areas such as System Management, Restaurant Management Program and Business Management Program to franchisees before they start the restaurant.

**Technology** – The scale and sophistication of retailers, especially those operating internationally, means that they require the use of technological advances to remain competitive. Internationalization may not always involve employing technology that is relatively advanced. Mcdonald's use the advanced technology for the production of food items so as to keep uniformity in quality, taste and cleanliness.

**Buying** – Finally, as in retail operations management expertise and technological know – how are being increasingly transferred across national borders, so is the function of buying – indeed it is sourcing that has had the greatest impact in terms of internationalization. Mcdonald's buy the raw materials from the regional producers who follows their standards. The relationship between Mcdonald's and its suppliers is mutually beneficial.

**Global Business Environment**

The environmental and cultural dynamics of the markets of different countries can be understood only by studying the respective people, their patterns of life, their tradition, their social interactions, their sensibilities, their faiths and fancies. In other words, the global marketer has to become a native in the foreign land. It is obvious that the difference between domestic and international market is essentially environmental and cultural in character. Understanding the cultural variances and responding to them in a manner and style that is appealing to the foreign customers becomes the crucial task. Mcdonald's have made changes in their restaurant design, type of the restaurant, tastes and ingredients of the food offerings, services provided to the customers and variants of products depending upon the socio- cultural environment existing in a particular country. Political environment also have an impact on the business operating in foreign markets. The country which is having a stable political environment is more preferred by Mcdonald's. If we take an example of Mcdonald's operating in India, their target customers are upper middle income or high income group families. Mcdonald's is the world’s biggest user of beef. Since its formulation in 1955, countless animals have died to produce Big Macs. In Indian culture, Cow is considered as a God, so how can a company whose fortunes are built upon beef enter a country where the consumption of beef is a grave sin? Mcdonald's responded to this cultural food dilemma by creating an Indian version of its Big Mac – the ‘Maharaja Mac’ – which is made from mutton and chicken. All foods are strictly segregated into vegetarian and non vegetarian lines to conform to preferences in a country where many people are vegetarian. Some Hindu nationalists have protested against McDonald’s restaurants and called on India’s Prime Minister to close Mcdonald's restaurants operating in the country. This issue was then settled by the Mcdonald's corporate office. However, the company continued to open the restaurants.
Types of restaurants
Most stand alone McDonald’s restaurants offer both counter- service and drive through service, with indoor and sometimes outdoor seating. Type of restaurant depends upon the location, in some countries ‘McDrive’ locations near highway offer no counter service or seating. In contrast, locations in high density city neighborhoods often omit drive-through service. There are also a few locations, located mostly in downtown districts that offer walk thru service. To accommodate the current trend for high quality coffee and the popularity coffee shops in general, Mcdonald's introduced McCafes. The first McCafe was started in 1993 in Melbourne. Today there are more than 600 McCafes worldwide. Some locations of restaurants are connected to convenience stores, shopping malls, bazaars etc.

Nature of Business
There are five market entry strategies viz. organic growth, acquisition, joint venture, shareholding and franchising. Organic growth means a company starting from scratch in a new market. Acquisition refers to taking over a retail company already established in the market. Joint venture refers to establishing a company with a partner, most usually one which is indigenous to the market or has experience of operating there. Shareholding includes acquiring shares of a retailer already operating in chosen market. Franchising refers to allowing entrepreneurs to open outlets under a single brand which are operated under certain controlled conditions.

McDonald's has always been a franchising company and has relied on its franchisees i.e. owner / operators, to play a major role in the system’s success. McDonald’s remains committed to franchising as a predominant way of doing business. Mcdonald's are having over 2400 owner / operator in the U. S. McDonald’s owner / operator share their perspective in the areas such as training, customer satisfaction, social responsibility and support. Most owner / operators enter the system by purchasing an existing restaurant either from Mcdonald's or from a McDonald’s owner / operator. A small number of new operators enter the system by purchasing a new restaurant.

Training to the Owner /Operators
McDonald's provide training to the owner / operators prior to the starting of business. McDonald’s offers the following training programs to their owner/operators –
1) System Management
2) Restaurant Management Program
3) Business Management Program
4) Preparing for ownership

The above training is targeted the management towards Prospective Franchisees and are minimum requirements, supplementing “Curriculum Road Map”. In addition to these minimum requirements, individual candidates may be asked to complete additional activities, i.e. Benchmark with an Owner-Operator on a specific system or initiative.

Financial Requirement
An initial down payment is required when owner / operator purchase a new restaurant (40% of the total cost). The down payment must come from non- borrowed personal resources, which include cash in hand, securities, bonds and debentures, vested profit sharing, real estate.
Ongoing fees –

During the term of franchise, McDonald’s charge following fees –

1) Service fee – A monthly fee based on restaurant’s sales performance. (Currently a service fee of 4.0% of monthly sales)
2) Rent – A monthly base rent or percentage rent that is a percentage of monthly sales.

Marketing Assistance

McDonald’s provide extensive support in marketing and Advertising. McDonald’s owner / operators are required to spend a minimum of 4% of total sales annually for advertising and promoting the business. Owner / operators work with local agencies to place advertisements and in some cases, produce their own creative material. In addition, a voluntary U.S co-operative of McDonald’s owner / operators known as the Operator’s National Advertising (OPNAD) Fund, the company and its owner / operators combine to purchase national television advertising.

McDonald’s Marketing Strategy

McDonald’s all over the world give importance to the customer orientation. They focus on product, people, place, price and promotion.

1) Product - The product development team works on innovations in products. These are based on consumer insights and feedback obtained through extensive research. McDonald’s conduct regular qualitative and quantitative research, tracking the target consumer lifestyle scattered in the different countries. The customers living in different countries have different tastes and preferences depending upon the socio-cultural environment they are living. So McDonald’s develops their business according to the requirements of the customers. All new products are test launched and follow customer approval and feedback, the product is taken forward after making the necessary changes. McDonald’s menu features the choice and variety of foods that consumers enjoy. The core focus of the McDonald’s is to deliver quality products, served in a friendly environment, in a clean place, at an affordable price.

2) People - Service is the key element of McDonald’s operations. Every employee strives to provide 100% customer satisfaction for every customer- ever visits. This includes fast, friendly and attentive service, accuracy in order taking and filling and anticipation of customer’s needs. Training plays a crucial role in enabling quality service being provided to the customer. At McDonald’s, training is the combination of on-floor and classroom training, provided by the learning and development department, with exposure to the various aspects of business. Induction training is conducted at the time of an employee’s joining the organization. This is done through one-on-one interactions as well as through exposure to the customer through operations training in the restaurants for a specified period of time. Service at McDonald’s also means making the restaurants more efficient by organizing the kitchen, the front counter and the drive-through areas. All restaurants of McDonald’s provide a warm and inviting environment and a variety of comfortable seating arrangements to accommodate anyone – from a single individual to a large family. The restaurants which are having self service system are standardized to provide ease of use.
3) **Price** – As providing value to the customer is the key, price sensitivity studies are conducted before determining the pricing. The rate of inflation is also reviewed. A penetrative pricing strategy has been adopted for most of the products to sustain long term growth in different markets. McDonald’s provide value to customers. Its definition of value is the sum of the total McDonald’s experience, quality of food, fast and friendly service, a clean and pleasant environment and product price. As providing value, the customer is key; price sensitivity studies are conducted before determining the pricing. It also does not sacrifice quality for value – rather, it leverages economies of scale to minimize costs while maximizing value to customers.

4) **Place** – Being located in the right place is always critical in retail. McDonald’s prefer to be located at a place convenient to the people. Various parameters termed as generators by the company are studied to gauge the kind of business that could be generated from the location. Some of the generators are residences, shopping areas, offices, entertainment, educational institutions, stations or bus depots. In terms of space, the company has a requirement of a minimum of 2500 to 3000 sq.ft. carpet area on the ground floor.

5) **Promotion** – Mcdonald's take much of the efforts to promote the brand. They provide assistance to the franchisees for marketing purpose. Mcdonald's owner/ operators have the association which may assist in making advertisements. Franchisees are required to spend 4% of the total sales on the advertisements. Mcdonald's had positioned its restaurant as a family restaurant all over the world. McDonald’s focused on creating a distinct image of the brand in the mind of the customer with “I’am lovin’it” campaign in all the countries. McDonald’s have also launched its home delivery service in countries like Brazil, Egypt, Indonesia, Singapore and India. McDonald’s are increasing the home delivery service instead of increasing number of restaurants. Mcdonald's have single toll free number in each country which customers call to place their order. The call centre determines as to which restaurant the order should be directed. Kiosks are a point of sales with a limited menu and have been introduced to offer a convenient option for customers who wish to purchase only desserts. The strategy is to build brand preference by increasing points of distribution and providing variety to the customers.

**Conclusion**

McDonald’s Corporation started with a single restaurant and now it is the biggest fast food retail chain in the world. Even fast food retail business can go for globalization and can do the business in various countries by adopting the environmental changes, primarily cultural and political environment to suit the particular target group of customers. For globalization they have adopted franchising system to enter into a new country with the standardization of all the processes. Their philosophy is customer oriented and they focus on product, people, price, place and promotion. The business model they have formed is useful for the Indian fast food retailers as Indian fast food retailers have the limited fast food restaurants or a single restaurant. Also in other countries Indian restaurants are in the unorganized form and the demand for the Indian food is increasing. So Indian firms have good opportunities in this business if they operate in an organized form.
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GROWTH AND DEVELOPMENT OF MICROFINANCE - A NEW PARADIGM FOR POVERTY ALLEVIATION

Dr. Rais Ahmad*, Mohammad Awais**
and Mohd Arshad Khan***

Abstract

Microfinance which has been proven as an effective tool for poverty reduction is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. On other hand microcredit which is a provision of credit services to poor clients is one of the aspects of microfinance and conflation of the two terms is endemic in public discourse. More broadly, one can say that, it is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” In India various microfinance models are in practice like; SHG model, Acceleration model, Partnership model, but in the present paper the researcher has given emphasis to the SHG model in order to study its sustainability, outreach, empowerment impact, and their feasibility within their respective environments to find out the contribution of microfinance in the improvement of resource allocation, promotion of markets, and adoption of better technology to promote economic growth and development.

Keywords: Micro Finance, Poverty, SHG, NABARD, Grameen Bank, NGO

Introduction

Today in most of the developing countries, national agenda is poverty alleviation by supporting rural folks through developing their skills to make them an entrepreneur, however, this can happen only by providing financial support to start their own cottage industries in their respective areas. World Bank grant or government subsidies may provide temporary solution to the problem and it may not succeed in removing the grass-roots level poverty. To solve this problem the most successful tool that has emerged is known as “Micro-finance” (Rastogi 2008). Micro-finance has become the buzz word all over the world to improve the access of credit to the unreached/under-served poor. (Agrawal, 2008). Microfinance has emerged word over as an effective tool for poverty alleviation, equitable and inclusive growth, and women empowerment. (Manoj, P. K., 2009). Microfinance in India has gathered momentum to become a major force. Microfinance does not directly address some structural problems facing Indian society and the economy, and it is not yet as efficient as it will be when economies of scale are realised and a more supportive policy environment is created (Pandey, Bharat et al, 2009). During last two decades India has achieved remarkable success under NABARD’s SHGs Bank Linkage Programme. NABARD started this programme in 1992 and today it is world largest programme and about 35 lakhs SHGs have linked with these banks and side by side MFIs also have achieved good results by disbursing loans to the poor women in urban and rural areas without any collateral. SHG members who had taken this programme seriously are enjoying to improve their economic and social status in the society but at the same time it is seen that non-serious people are not in position to improve their economic conditions and loan under this programme has become a burden for them.

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Conceptual Framework of Microfinance

The concept of Micro-finance has come into India very recently. Micro-finance is a human right and way to end poverty though socio-empowerment has been considered as best alternative for empowerment of rural poor and social change. Micro-finance movement is broadly defined on group based institution. In group lending programmes, the function of screening, monitoring, and enforcement of repayment are to a large extent transferred from the bank to the borrower- the group member themselves (Sharma et al 1995). These perceived advantages of collective actions during the time of screening of loan application and monitoring of borrowers. Even in the area of ‘social banking ‘banks were highly unapproachable for the rural poor. Due to world wide wave of economic reforms, the access to credit has fallen further. In this regard micro-finance explores new avenue of credit for the rural poor. In India the model of microfinance delivery can be broadly classified as the Self Help Groups (SHG) model which is actually a Grameen Bank replication model (Mukherjee and Kundu 2009). It has been observed that Microfinance often gets equated merely as credit for microenterprises while the poor also need savings, consumption loans, housings loans and insurance services. Microfinance is in fact a much broader topic and can be defined as the “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.(Sharma, Megna,2009). A good definition of micro-finance as provided by Robinson is “Microfinance refers to small-scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commission; gain income from renting out small amount of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas”(Robinson 1998).

Three different approaches could be identified in the evolution of microfinance in the world: the Latin American model, the Grameen Bank model and the SHG – based model. Latin American model is a commercial model. Emphasis on social and community development of poor women is totally missing in such a model. The Grameen model, on the other hand, is basically centered on women and poverty. The self –help group (SHG) – based model is the Indian variant of micro finance popularized and institutionalized by NABARD, largely through the commercial banking system (Oommen M.A.2008). The term microfinance sometimes is used interchangeably with the term microcredit. However while microcredit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well.

Objectives of Microfinance

The main objectives of micro finance can be summarised as under:

1. Providing credit to deprived and small scale groups and units.
2. Financing the expansion and diversification of such groups business.
3. Achieving a balanced geographical growth.
4. Promoting and encouraging self-employment for low-skilled and semi-skilled entrepreneurs, especially rural based and backward area groups.
5. Improving the quality of life in education, health sector and on overall basis of weaker sections of the society and eradication of poverty.
6. Enhancing the credit growth in the economy, removal of hurdles to growth in village industries and providing avenues of growth to low priority and general priority sectors.
Microfinance Movement in India

In India, institutional credit agencies (banks) made an entry in rural areas initially to provide an alternative to the rural money lenders who provided credit support, but not without exploiting the rural poor. The first of these pivotal events was India’s bank nationalization drive launched in 1969 which required commercial banks to open rural branches resulting in a 15.2% increase in rural bank branches in India between 1973 and 1985. (Wanchoo, Rajat2007). Today, India has over 33,000 rural branches of commercial banks, about 15000 branches of regional rural banks and about 100,000 branches of PACs (Primary Agricultural Credit Societies). On the basis a research study the NABARD found even after having multi-agency approach in spreading banking facility in rural areas the poorest of the poor is not in a position to access the banking facilities due to the meager requirement of loans. Therefore, in 1992 the NABARD introduced SHG Bank Linkage Programme to extend the banking facilities to the poorest of poor through informal banking system of SHGs.

Actually micro-finance system was initially started in Bangladesh by Prof. Muhammed Yunus in 1976. The experiment of Prof. M. Yunus delivered very successful results under micro-financing programme through SHGs. Soon the success stories of Bangladesh spread throughout the world and this has been recognised as an effective tool for eradication of poverty.

Poverty Alleviation

According to Adam Smith “Man is rich or poor according to degree in which he can afford to enjoy the necessities, the conveniences and the amusement of the human life”. Poverty indicates the condition in which a person is not able to access basic needs of minimum living standards adequate for his physical and mental development. According to the planning commission of India around 40,000 crores have been spent on poverty alleviation programme (PAPs). However, a large section of Indian population is still living below poverty line. The Indian economy has prospered rapidly in the last few decades. However, there has been a limited impact from the rising GDP on the 750 million people living in the rural areas of the country. In spite of major developments in the industrial and service sectors, most of the rural population is still occupied in agriculture, which is heavily dependent on seasonal monsoons. Today, about 300 million Indians live on less than $1/day. (Kalpana,2007). Alleviation of poverty, the core of all development efforts, has remained a very complex and critical concern among developing countries. Poverty is more deep rooted covering several interlocked aspects such as assetlessness, under-employment, uncertain and relatively unproductive employment, low remuneration, lack of bargaining power, economic vulnerability, literacy, proneness to disease, social disadvantage and political powerlessness. Also , poverty has its various manifestations like malnutrition, overcrowding, squalor, slum housing conditions, and infant mortality, drought , flood , and cyclone and resource- poor areas( Nair K and B Girija ,2005). The spread of micro-financing programme is contributing some successful results in improving economic and social status of women in Indian society.

A foremost impact discernible is the reduced dependence of SHG household on informal sources of credit. The members of the SHGs have been able to reduce their dependence on moneylender very significantly. A study on SHGs reported a decline in the share of moneylender’s loan from 66 to 15 percent for the members. In another study, nearly 51 percent of the members closed their old debt with the moneylenders using SHG loans. The members at the same time have been able to generate a substantial surplus for themselves due good performance of their business (Shylendra, HS, 2008).
Women Empowerment Paradigm

The term ‘empowerment’ is frequently used in general terms, often synonymous with a multi-dimensional definition of poverty alleviation, the term ‘women’s empowerment’ is often considered best avoided as being too controversial and political. The concept of empowerment has been the subject of much intellectual discourse and analysis. For the purpose of this discussion, the conceptual framework expounded by United Nations is a useful starting point (United Nation 2001). Empowerment is defined as the process by which women takes control and ownership of their lives through expansion of their choices. Thus, it is the process of acquiring the ability to make strategic life choices in a context where this ability has previously been denied. The core element of empowerment have been defined as agency (the ability to define one’s goals and act upon them), awareness of gendered power structures, self – esteem and self – confidence (Kabeer 2001). Empowerment can take place at a hierarchy of different levels- individual, household, community and societal – and is facilitated by providing encouraging factors (e.g. exposure to new activities, which can build capacities) and removing inhibiting factors (e.g. lack of resources and skills) (Chen 1996, and Johnson, 1997).

Here the underlying concerns are gender equality and women’s human rights. Women’s empowerment is seen as an integral and inseparable part of a wider process of social transformation. The main target group is poor women and women capable of providing alternative female role models for change. Increasing attention has also been paid to men’s role in challenging gender inequality.

Micro-finance is promoted as an entry point in the context of a wider strategy for women’s economic and sociopolitical empowerment which focuses on gender awareness and feminist organization. As developed by Chen in her proposals for a subsector approach to micro credit, based partly on SEWA’s strategy and promoted by UNIFEM, microfinance must be:

* Part of a sectoral strategy for change which identifies opportunities, constraints and bottlenecks within industries which if addressed can raise returns and prospects for large numbers of women. Possible strategies include linking women to existing services and infrastructure, developing new technology such as labour-saving food processing, building information networks, and shifting to new markets, policy level changes to overcome legislative barriers and unionization based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change (Chen, 1996).

Economic empowerment is however defined in more than individualist terms to include issues such as property rights, changes intra-household relations and transformation of the macro-economic context. Many organizations go further than interventions at the industry level to include gender-specific strategies for social and political empowerment. Some programmes have developed very effective means for integrating gender awareness into programmes and for organizing women and men to challenge and change gender discrimination. (Mayoux, Lindai, 2006). The gender inequality is recognized as an issue, the focus is on assistance to households and there is a tendency to see gender issues as cultural and hence not subject to outside intervention. The assumption is that increasing women’s access to micro-finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, will translate into improved well-being for women and enable women to bring about wider changes in gender inequality (Mayoux, Lindai 2006).

Women empowerment and poverty alleviation are two areas which attracted concern of the people worldwide from all the walks of the society like economists, statesmen, politician, saints, poets and who not. Albeit their efforts had brought a gradual change in eradication of poverty and improving the status of
women against male chauvinism, they could not contribute significantly on these lines. One proven concept that had universal acceptance in empowering women and eradication of poverty is Micro Credit. People, especially women, who were offered this facility, grabbed the opportunity since they were looking for a medicine that would cure the cancer of poverty and vulnerability (Palanichamy P and P.S. Velmurugan 2009). Microfinance programmes area currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women’s empowerment.(Ahirrao, — itendra, 2009):

- Increasing women’s income levels and control over income leading to greater levels of economic independence.
- Access to networks and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles.
- Enhancing perceptions of women’s contribution to household income and family welfare, increasing women’s participation in household decisions about expenditure and other issues and leading to greater expenditure on women’s welfare.
- More general improvement in attitudes to women’s role in the household and community.

It is found that micro-finance programmes have provided opportunities to poor women in urban and rural areas to improve their economic, social and political status in the society. If this programme is tailor made and adequate amount of loan is provided easily to the poor women in different region it can deliver remarkable results for empowering women.

**Growth And Development**

Microfinance is a form of financial development that has its primary aim poverty alleviation. The development paradigm, microfinance has evolved as a need based policy and programmes to cater to the so far neglected target groups such as women, poor, rural, deprived etc. Its evolution is based on the concern of all developing countries for empowerment of the poor and the alleviation of poverty. Development organizations and policy makers have included access to credit for poor people as a major aspect of many poverty alleviation programmes. Micro-finance programmes have, in the recent past, become one of the more promising ways to use scarce development funds to achieve the objectives of poverty alleviation. Furthermore, certain microfinance programmes have gained prominence in the development field and beyond. The basic idea of microfinance is simple: if poor people are provided access to financial services, including credit, they may very well be able to start or expand a micro – enterprise that will allow them to break out of poverty (Patra, 2009). The microfinance sector is characterised by a variety of microfinance service providers. These include various apex financial institutions like SIDBI, and NABARD, Government owned societies like Rashtriya Mahila Kosh, formal sector financial institutions, commercial banks, RRBs, in addition to member based institutions like co-operative mutually aided co-operative societies, SHG federations, private sector companies, like specialised NBFCs, societies, trusts etc. Besides the existence of such a large number of players in the organised/semi organised sector, the rural credit market in India was largely dominated by the all pervading network of indigenous moneylenders. There are a multitude of NGOs who can be virtually found in all villages and blocks in India. Most of these NGOs have similar origin in that they started off as social service and welfare organization with a focus on helping the poor and needy in times of disaster, famine or epidemic. The emphasis therefore was mainly on social and welfare activities like housing, health, education, safe drinking water, sanitation etc. However, with the
The growing popularity of microfinance in India, these NGOs have also taken up microfinance activity as a part of their overall service strategy. While some have adopted microfinance as their core activity, a large number of such institutions have adopted multiple operations with a limited investment in microfinance. These organisations include, from fully government to semi-government as well as private entities (Pandey P. 2009). Today, when the majority of world’s population is living below subsistence level, more than 3,000 organizations are providing microfinance services to the millions of the world’s poor. In India, the NABARD is playing an important role in alleviating poverty by increasing the SHGs – Bank linkage programme through its partner agencies. The promotion of SHGs in India began more formally in 1992 with the launch of the SHG- Bank Linkage Programme by National Bank for Agriculture and Rural Development (NABARD). The programme’s main aim was to improve rural poor’s access to formal credit system in a cost effective and sustainable manner by making use of SHGs (Shylendra H.S, 2008).

The present status of microfinance sector appears to be good and satisfactory with repayment rates as high as 98 percent. But this does not mean that all is smooth selling. The sub prime market collapse has made many microfinance institutions nervous. And rightly so: like banks in developed nations, microfinance organizations were incentivised to expand rapidly in recent years, transforming the sector from an industry dominated by NGOs, like Grameen Bank in Bangladesh, to one led by for-profit companies including Compartamos in Mexico and SKS Microfinance in India (Vassiliou and Oliver 2009).

The following table shows the name of different largest popular MFIs with number of borrowers:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Country</th>
<th>No. of Borrowers (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grameen Bank</td>
<td>Bangladesh</td>
<td>5.1</td>
</tr>
<tr>
<td>ASA</td>
<td>Bangladesh</td>
<td>4.2</td>
</tr>
<tr>
<td>Brac</td>
<td>Bangladesh</td>
<td>4.2</td>
</tr>
<tr>
<td>BRI</td>
<td>Indonesia</td>
<td>3.3</td>
</tr>
<tr>
<td>Proshika</td>
<td>Bangladesh</td>
<td>1.6</td>
</tr>
<tr>
<td>Share</td>
<td>India</td>
<td>0.8</td>
</tr>
<tr>
<td>Spandana</td>
<td>India</td>
<td>0.8</td>
</tr>
<tr>
<td>Caja Popular Maxiciana</td>
<td>Mexico</td>
<td>0.6</td>
</tr>
<tr>
<td>Compartamos</td>
<td>Mexico</td>
<td>0.5</td>
</tr>
<tr>
<td>Bantara</td>
<td>Peru</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Sources:** Microcapital Monitor, Microfinance Information Exchange
SHGs – Bank Linkage Programme

NABARD (2005) explains that the Self Help Group is a group with “an average size of about 15 people from a homogenous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond the individual capacities of any of them. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups’ own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.”

The SHG bank linkage programme links a SHG group to banks, where the banks provide a loan to a mature group. The group places its savings in the group deposit account in the bank (at about 12% per annum), using its group savings and group guarantee as a collateral. NABARD provides subsidized refinancing support to banks to encourage such lending. India has 37% of the world’s population earning less than $1 a day, of which 60% are women (Human Development Report, 2003). The Government of India, National Policy for the Empowerment of Women (2001), declared various measures aimed towards achieving greater equality between men and women.

In India, a number of self-help groups (SHGs) were created in the 1980s for providing credit facilities to the poor, especially women, in both urban and rural areas. A self-help group has been defined as a small and informal association of poor having preferably similar socio-economic background and who have come together to realise some common goals based on the principles of self help and collective responsibility. SHGs become relevant because of the following reasons. First, a SHG working on the principle of solidarity helps the poor their savings and access credit facilities. A SHGs by tapping social capital like trust and reciprocation helps in replacing physical collateral, a major hurdle faced by the poor in obtaining formal credit. Then, through the principles of joint liability and peer pressure, a SHG ensure prompt loan recovery from the members. In the process, a SHG helps the poor, especially women, to establish their creditworthiness (Shylendra H.S,2008 ). The SHGs-Bank linkage program in India is the largest micro finance programme in the world. NABARD has been playing supportive role by way of refinancing banks, organising training programmes for NGOs, bank officers and SHG members for upgrading skills for smooth operation of SHGs Bank linkage. The launching of Pilot Project initiating the SHG- bank Linkage in Feb.1992 is indeed a landmark in development banking with the poor as it has being covering poorest of the poor who were so far neglected by the formal financial sector (Lokhande A. and Murlidhar, 2009).
Table 2  
Showing the SHG-Bank Linkage Cumulative progress between (1992-2008)

<table>
<thead>
<tr>
<th>Upto End March</th>
<th>SHGs financed</th>
<th>Growth in %-age</th>
<th>Bank Loan (Rs. Million)</th>
<th>Growth in %-age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-99</td>
<td>32,995</td>
<td></td>
<td>571</td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td>114,775</td>
<td></td>
<td>1,930</td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td>263,825</td>
<td>129.95</td>
<td>4,809</td>
<td>149.17</td>
</tr>
<tr>
<td>2001-02</td>
<td>461,478</td>
<td>74.92</td>
<td>10,263</td>
<td>113.41</td>
</tr>
<tr>
<td>2002-03</td>
<td>717,360</td>
<td>55.44</td>
<td>20,487</td>
<td>99.62</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,079,091</td>
<td>50.42</td>
<td>39,042</td>
<td>90.56</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,618,456</td>
<td>49.98</td>
<td>68,985</td>
<td>76.69</td>
</tr>
<tr>
<td>2005-06</td>
<td>22,38,565</td>
<td>38.31</td>
<td>113,975</td>
<td>65.22</td>
</tr>
<tr>
<td>2006-07</td>
<td>29,24,973</td>
<td>30.66</td>
<td>180,407</td>
<td>58.29</td>
</tr>
<tr>
<td>2007-08</td>
<td>34,77,965</td>
<td>18.90</td>
<td>254 198</td>
<td>40.90</td>
</tr>
</tbody>
</table>

Source: NABARD, Mumbai.  (www.nabard.org)

The table-2 shows the growth of SHGs under the NABARD’s SHG Bank Linkage programme. The SHG-Bank Linkage Programme of NABARD has emerged as the primary model for providing Micro-Finance (MF) services in the country. It is a proven tool of extending to the unbanked rural clientele access to formal financial services. Encouraged by the success of the programme, NABARD promoted the linkage of Micro-Finance Institutions (MFIs) with the banking sector. The MFI–bank linkage model too has assumed importance on account of credit support extended by banks for lending to clients by MFIs. During the year (2008-09) 5,52,992 new SHGs (excluding SGSY) were credit linked with banks and bank loan of Rs.2,541.98 crore disbursed, taking the cumulative number of SHGs credit linked to 34,77,965 as on 31 March 2008. In addition 1, 86,883 existing SHGs were provided repeat loan of Rs.1,685.60 crore. The programme has covered more than 5.8 crore poor households, making it the largest MF programme in the world. During 2006-07, bank credit of Rs.6,570.39 crore and Rs.1,151.56 crore was disbursed to 11.05 lakh SHGs (including 1.88 lakh under SGSY) and 334 MFIs, respectively (NABARD, 2007-08).

Issus and Challenges

Important challenge facing the banking sector is to extend financial services to all sections of society. Like others, the poor need a range of financial services that are convenient, flexible, and affordable and not just loans. The concept of “financial inclusion” has come up at right time and it is beneficial for society as well as banking institutions. The micro-financing system and financial inclusion may work effectively for alleviation of poverty from the country and micro-financing system in India is playing a very significant role in providing credit through the informal banking system to the poorest of the poor who so far have been neglected.
The SHG Bank Linkage programme has shown a much skewed growth pattern in the country. The programme is largely concentrated in southern region of the country. It is necessary that the microfinance programme must spread more evenly so that the benefits are available equally to all sections of the society in all regions of the country. The challenge for NGOs and MFIs is to achieve their own financial self-sufficiency without transferring all the overhead costs to their poor clients. They need to ensure sufficient investment to provide diversified livelihood options and employment creation by optimizing existing resources through timely credit, technical inputs, skill training and knowledge transfer. It is crucial to arrive at the right trade off between the needs of the poor and the sustainability of the MFIs. Now the economy is facing a new challenge of financial inclusion with an inclusive growth. The banking sector can play a lead and proactive role in ensuring financial inclusion through SHG- Bank Linkage Programme. It is necessary that SHG quality must be improved, and all stakeholders should work together towards it.

A few impediments in efficient working of microfinance system are - the information gap, lack of use of KYC (know your client) data, illiterate populace, lack of infrastructure etc. Steps should be taken up to remove these impediments. It is necessary to develop an IT platform where knowledge can be shared with all the stakeholders. Government institutions like NABARD, SIDBI etc. should take necessary steps to allow the MFIs to raise funds by issuing bonds and debenture to the public. In this way adequate funds will be available and loans can be disbursed to the poor at lower rate of interest. Government should ensure that the rate of interest on micro-loans should not be more than the primary lending rate and this can be done by taking the micro-financing business by the banking sector under the category of prime lending.

Conclusion

The microfinance system has shown very fast growth across the country in terms of geographical coverage, increased clientele, portfolio, institutional involvement etc. since it was taken up by the NABARD in 1992 under its SHG Bank Linkage Programme. Increasingly more and more promoting organizations, financial institutions donors and clients are getting associated with this programme because it has the aim for alleviation of poverty and empowering women. It is said that this programme is quite useful in empowering women. This idea is based on the view that women are more likely to be credit constrained, have restricted access to wage labour market and have limited decision-making and bargaining power within the household. If women empowerment is to be pursued as a serious objective by SHG programmes in particular and the larger microfinance community in general, greater emphasis needs to be placed on training, education and creating awareness in order to achieve a larger and more lasting empowerment. Women should be encouraged to work in groups and produce goods of standard quality to achieve growing and sustainable business. An individual cannot produce goods of standard quality under the micro-financing system specially in rural areas. These women do not know the need and choice of the urban areas consumers. Therefore, they should work in focused manner by taking up one item for production and distribution and its business by converting SHG into a cooperative enterprise after reaching a certain level of business. In this way the membership of women and branches of cooperative enterprise will increase rapidly in different regions of the country. They should work on the pattern of SEWA and Lijjat Papad.
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Abstract

The article is focusing on the handicraft sector in reference to carpet industry. As we know that Bhadohi in U.P. is an important carpet belt which has faced an economic slowdown affecting the life of thousands who are basically dependent on this business. This industry has not only been a means of livelihood but also a source for valuable foreign exchange. The paper tries to pinpoint the factors responsible for decay of this business and also suggest constructive and feasible measures to revive this industry. The issue becomes more pertinent as even the geographical indicators under IPR have failed to presence one of our significant and flourishing business.

Keywords: Carpet Business, Handicraft Industry, Economic Slowdown Global Recession and Challenges

Introduction

Indian Carpet Industry: An Overview

The carpet industry in India has made significant strides in the recent past and exports of carpets from India touched a level of Rs. 3675 crores in 2006-07. This growth is significant in view of the sluggish market conditions, stiff competition from other major carpet producing countries with other societal constraints. The Indian hand-made carpet industry is a significant contributor to the country’s rural economy, which is an export-oriented industry and helps in providing employment.

During the '80s and '90s, India established its capacity to make first-rate carpets with excellent materials. Most are in Persian designs, with good synthetic dyes and machine-spun wool. They are very successful and in many cases they offer such bargains that they have become the staple fare of rug stores and department stores throughout India.

The growth of carpet industry in U.P has also contributed to the establishment of a number of ancillary industries like woolen yarn manufacturing and coloring & dyeing units in the state. As a result today about 30 woolen yarn manufacturing plants are operating in the state with full capacity.

Bhadohi Carpets

The Bhadohi district is biggest carpet manufacturing centers in India, mostly known for its hand-knotted carpet, Bhadohi is known as carpet city. While the Mirzapur-Bhadohi region is the largest handmade carpet weaving cluster, engaging around 3.2 million people in the industry, Bhadohi alone employs 22 lakh rural artisans in its 100 percent export-oriented industry, which accounts for about 75 per cent of the Rs 4,400 Creole total carpet exports from India, exporting carpets worth Rs 2,500 crore (approx) in 2010-11. Carpet weaving in the region date back to the 16th century, during the reign of Mughal Emperor, some Iranian master weavers stopped at Madhosingh village, near Khamaria, in Bhadohi while travelling in India, and subsequently set up looms here. In 2010, the carpets of the region received the Geographical Indication (GI) tag and were also declared as SEZ (Special economic Zone) for Carpet,
which means carpets manufactured in nine district of the region Bhadohi Mirzapur, Varanasi, Ghazipur, Sonebhadra, Kaushambi, Allahabad, Jaunpur and Chaudauli would be tagged with ‘handmade carpet of Bhadohi’. Most of the production is aimed at foreign countries. Well known carpet types from Bhadohi include Mir carpets, Loribaft carpet, Indo Gabbeh carpet but also Nepalese carpets and more recent shaggy type carpets, they are manufactured in various qualities.

Carpet industry in Bhadohi, predominantly makes use of woolen fibers. Generally, medium quality carpets are made here and on an average, about 60 knots per square inch is applied while knotting. The designs typically follow geometrical patterns. The weavers of the Mirzapur-Badohi region in UP are renowned for their versatility in weaving carpets of any designs especially the ancient Persian ones that are always in great demand.

The craftsmen who used to work for the royal families were skilled and professionals in their work, these craftsmen passed their skill from one generation to the other and hence the art stayed in the family. Many of their grandsons are owners of big silk houses in Bhadohi region but still prefer to weave sometimes.

Table:- 1 Export of carpets (from 1992-93 to 2010-2011) Rupees in Crores and percentage increase/decrease

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Years</th>
<th>Total Carpet Export</th>
<th>Percentage increase/ decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1992-93</td>
<td>1134.60</td>
<td>1%</td>
</tr>
<tr>
<td>2.</td>
<td>1993-94</td>
<td>1433.52</td>
<td>-26.57%</td>
</tr>
<tr>
<td>3.</td>
<td>1994-95</td>
<td>1357.90</td>
<td>-5.28%</td>
</tr>
<tr>
<td>4.</td>
<td>1995-96</td>
<td>1414.15</td>
<td>+4.14%</td>
</tr>
<tr>
<td>5.</td>
<td>1996-97</td>
<td>1779.59</td>
<td>+25.84%</td>
</tr>
<tr>
<td>6.</td>
<td>1997-98</td>
<td>1761.39</td>
<td>-1.02%</td>
</tr>
<tr>
<td>7.</td>
<td>1998-99</td>
<td>2013.94</td>
<td>+14.34%</td>
</tr>
<tr>
<td>8.</td>
<td>1999-00</td>
<td>2136.94</td>
<td>+6.06%</td>
</tr>
<tr>
<td>9.</td>
<td>2000-01</td>
<td>2315.15</td>
<td>+8.39%</td>
</tr>
<tr>
<td>10.</td>
<td>2001-02</td>
<td>2436.13</td>
<td>+5.23%</td>
</tr>
<tr>
<td>11.</td>
<td>2002-03</td>
<td>2590.26</td>
<td>+6.33%</td>
</tr>
<tr>
<td>12.</td>
<td>2003-04</td>
<td>2779.79</td>
<td>+7.32%</td>
</tr>
<tr>
<td>13.</td>
<td>2004-05</td>
<td>2583.62</td>
<td>-7.06%</td>
</tr>
<tr>
<td>14.</td>
<td>2005-06</td>
<td>3052.06</td>
<td>+19.29%</td>
</tr>
<tr>
<td>15.</td>
<td>2006-07</td>
<td>3674.86</td>
<td>+19.23%</td>
</tr>
<tr>
<td>16.</td>
<td>2007-08</td>
<td>3524.73</td>
<td>-4.09%</td>
</tr>
<tr>
<td>17.</td>
<td>2008-09</td>
<td>2708.73</td>
<td>-23.15%</td>
</tr>
<tr>
<td>18.</td>
<td>2009-10</td>
<td>2505.33</td>
<td>-7.62%</td>
</tr>
<tr>
<td>19.</td>
<td>2010-11</td>
<td>2808.25 (Uptill Dec.)</td>
<td>+12.23%</td>
</tr>
</tbody>
</table>

Basis of Percentage Increase/Decrease: Current Data compared with previous year data
Source: Ministry of Textile various annual reports
On the basis of above table, we conclude that carpet export steadily increased from 1992 – 93 to 2006 – 07 with a temporary decline in 2004-05, after 2006-07, the carpet export declined due to economic recession. The export again rose in 2010-11 probably due to announcement of GI registration for Bhadohi – Mirzapur region carpets in 2010.

Figure 1(A)

Figure 1(B)

On the basis of above data in figure A & B. We find that there is consistent growth in carpet export during the year 1992 to 2004 with a decline of 5% in 1994-95 and 1% in 1997-1998, slightly declined
during the year 2004-2005 and there is exponential growth during the time of 2005-2007. As per the graphical representation of carpet export, the economic slowdown impact on carpet business export started during the year 2007-2008 but severe negative effect was seen during the year 2008 to 2010. After 2010, the data up till December represents that the recovery phase for carpets. During the slowdown period Indian faces the economic problem with those involved in the carpet business, lost their job, economic identity and were compelled to shift their live hood.

The carpet industry witnessed a constant growth till 1994-95 and after 1994-95 the export declined due to competition with the other countries like China but during the year 1999-2000 the exports again grew to Rs. 2136 crores which is an increase of 6% over the previous year of 2005-2006. The export figures have increased steadily from Rs.2315 to Rs.2780 crores in the years 2000-01 to 2003-2004 successively, it is slightly declined in the year 2004-2005 due to export policy reform by the government of India and increased competition with China, after the formation of new policies the growth in carpet industry is steadily high by achieving the level of Rs.3052 crores & Rs.3675 crores (increased @19% per year) export in the year 2005-2006 and 2006-2007 respectively.

If we look at the U.P Carpet Industry there are three significant periods when growth rates moved drastically.

1. **Opportunity Phase:**
   The market for Indian carpet industries moved upward after 1991-92 to 2006 - 07 when export policies became liberal and global economy was growing. During this period there was overall increase in the market size.

2. **Decline Phase:**
   U.P Carpet Industry encountered the decline phase during the year of 1997 to 1998, 2004-2005 and tremendously declined during the 2007 - 10. This industry is highly quality sensitive. The designs were saturating and the productivity was declining. Hence other competitive clusters captured the export market and sales of the U.P carpet industry declined.

3. **Market Recapituring Phase:**
   During late 1998, U.P carpet industry realized the need for using modern computerized tools for widening the number of designs and for enhancing the skill sets of the weavers so as to enhance productivity. These initiatives helped the industry to recapture its share in exports. The main factor that contributed to the renewal of the carpet industry has been the use of information communication technology. The adoption of computer aided design helped in a high degree of flexibility. It facilitated rapid changes in design and enhanced customer acceptance. It also increased the productivity of the weavers.

**Causes and Effects of slowdown**

1. **Unfavorable condition of Exporters:**
   Many small exporters shifted to other business & the exporters are unable to pay the wages to the labour, and it’s quit hard to survive in same market. There is decline in demand for Indian carpets due to prevailing economic recession in USA and UK. Inflation has also increased the cost of raw material thereby increasing the cost of finished carpets. The recent devaluation of Indian rupee vis-a-via US dollar has also made Indian carpets less competitive. Therefore the manufactures are shifting to alternatives business.
2. **Raw Material Cost:**
The U.P Government has imposed four percent VAT on raw material for carpet manufacture. It’s refundable, but it blocks cash flow, already stuck because of delayed payments. Costs of importing raw material have increased with dollar appreciation.

3. **Lack of Orders During Slowdown Period:**
Once dubbed the dollar belt, go-downs of 2,000-odd units in Bhadohi-Mirzapur are full of carpets that should have been shipped abroad. Over 50 percent of the export orders have been cancelled or put on hold. No new orders are coming as of now. However, the recent rise in market is hampered by the unavailability of weavers in the field.

4. **Migration of Workers:**
Due to the economic slowdown many workers have shifted to other areas. The manufactures are unable to afford the expenses in slowdown and the government policies fail to manage the carpet business during slowdown. Many workers have shifted from Bhadohi to Surat, Punjab, Jaipur in different fields like agriculture labour, handmade product, furnishings, and garments etc. The main cause of labour leaving the carpet industry is low rate of realized wages of labour and exploitation by the middleman.

5. **MGNREGS:**
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is major reason for the lack of skilled weavers. Due to economic slowdown many workers shifted to MGNREGA project because they are getting 3 months job guarantee with wages around 150 per day including women also. In slowdown the carpets business is unable to provide the wages as per the worker’s requirement and MGNREGA does not require any job skills. So it’s hard to sustain the labour in carpet business during slowdown while old skilled workers are retiring and the young generation is not willing to enter the occupation became of its monotonous nature and lack of infrastructure.

6. **Child Labor in Carpet Industry:**
The carpets Industry is skilled based industry where the skill gets transferred from father to son, but due to the unhealthy practice and misuse of this trend the healthy spirit of sustaining and carrying this skill has been distorted. One or two instance got published globally and finally the Indian carpet lost its image. However, the industry is fighting it back but still the business is facing the backlash.

7. **Growth Downturn :**
The impact of the global crisis has been transmitted to the Indian economy through three distinct channels, viz., the financial sector, exports, and exchange rates. On the financial front, the Indian banking sector was exposed to the sub-prime crisis; this has severely affected the carpet sector also. While exports of both goods (including carpet) and services still account for only about 22 percent of the Indian GDP, their multiplier effect for economic activity is quite large as the import content is not as high if compared with Chinese exports. Therefore, an export slump will bring down GDP growth rate. The third transmission channel is the exchange rate, as the Indian Rupee has come under pressure against dollar.

**Role of Government of India**

According to Indian Carpet Export Promotion Council (CEPC), the share of exports of Indian carpets and floor coverings with the rest of the world including LAC (Legislative Audit Commission)
accounts for only 7.39%, which clearly shows that there may be many markets that are unexplored. The Government of India is paying special emphasis for the promotion of carpets export. The carpet floor coverings from India have huge potential for expansion.

The government of India should take the following steps to promote carpet industry of U.P:-

- It should lower down the tariff structure be taken up in bilateral trade agreement;
- Fashion oriented and less expensive products should be promoted i.e., Chain Stitched carpets, Woven Carpets, Tufted Carpets & Art Silk Carpets. The Indian carpet industry has immense potential for expansion since adequate skilled manpower & raw-material is available, if managed effectively with adequate infrastructure. The Carpet Export Promotion Council wants income tax relief, increased duty drawbacks, duty exemption and no VAT. These are vital steps to be taken by government to India revive the U.P carpet industry.

The government designated Bhadohi in U.P with Special Economic Regulations (2000) that are different from other areas in the same country. These regulations tend to contain measures that are conducive to foreign direct investment. Conducting carpets business in a SEZ usually means that a company will receive tax incentives and the opportunity to pay lower tariffs.

This project shall be developed on (State Highway-87) between Varanasi (13k.m.) & Bhadohi (11k.m.), connecting to SH-5 on west and main northern railway line on north and Babatpur Airport at 22 KM.

The government has proposed to develop sector specific SEZ for Handicraft products (including carpets) on 250 acres with all the requisite infrastructure facilities shown in figure. However, the proposal is still not able to take off to benefit the business stake holders. India will lose a precious craftsmanship turned business leaving the region economically starved.
Conclusion

It is noted that between 40 and 45 percent of India’s exports originates in the small-scale sector (handicraft). Initially, downsizing adversely affects those who are employed in unorganized enterprises. Those who are employed in organized enterprises, but their employment contracts are informal, are compelled to leave the job or switch over from the carpet industry.

The impact of the economic slowdown is beginning to be pervasive. However, its impact for the lower income segments of the population in India seems to be the largest for those employed in export oriented sectors like diamond polishing, garments, carpets and hosiery. It may be said that the carpet industry is going through major changes. Traditional markets are saturated while new market is having opportunities for growth through the adaptation of the changes. However, some following re-engineering measures through government interventions may be helpful in the efficient & effective growth of the Carpet Industry:-

1. Introduction of New Technology (CAD) in manufacturing process.
2. Product mapping with customer preference.
3. Production of best quality material at lowest cost (Innovative range of product).
4. Reduction in the trade tariffs.
5. Income tax relief.
7. VAT exemption.
8. Promotion through advertisement.
9. Promotion of Export of carpet at priority level.
10. Modification and Improvements in the Wages rates (attractive packages) of Carpet Industry workers.
11. Increase in the Governmental Shares in Carpet Industry (Needs of government units of carpet manufacturing)
12. Increment in Job security.
13. Control over cost of raw material through subsidy.
14. Proper Implementation of SEZ, (it remains on paper Uptill now, the plan of SEZ implementation is negligible at Bhadohi, UP)
15. Conversion of Carpet Sector from Unorganized to Organized.

The measures listed above offer an opportunity for consolidation of activities with reduction in cost, improvement in quality standards, better product development and delivery on time. These may be the solution for the problem and the Indian carpets business may again be capable to absorb the future economic shock against economic movements.

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THE ROLE OF THIRD PARTY LOGISTICS IN INTERNATIONAL TRADE WITH RESPECT TO INDIAN LOGISTICS MARKET

Dr. Ali Ghufran*

Abstract
With the increasing globalization of economic activity and rapid development of Information and Communication Technology, businesses are seeking to develop and organize strategic, efficient and world-wide networks. International business has been undergoing a period of rapid transformation and trends towards globalization are all reshaping the world’s trading patterns and consequently physical trade flows. Such restructuring is contributing to economic growth, better allocation of resources and more freedom of choice for consumers, as well as increased competition. In order to be internationally competitive, businesses are organizing strategic worldwide networks that can deliver an efficient and high-quality response to demand from any segment of the world market. Evidence from the 2007 and 2010 Logistics Performance Indicators (LPIs) indicates that, for countries at the same level of per capita income, those with the best logistics performance experience additional growth: 1 percent in gross domestic product and 2 percent in trade. These findings are especially relevant today, as developing countries need to invest in better trade logistics to boost recovery from the current economic crisis and emerge in a stronger and more competitive position. The purpose of the current paper is to provide the general framework of the emerging trends of Third Party Logistics (3PL) in India and to define and comprehend the basic views of logistics and its various applications and the relationships between logistics and transportation.

Keywords: Logistics, 3PL, LPI, INCO terms, Upstream and Downstream

Objective of the Study:
The objective of the present study is to –

a. Review the Indian logistics vis a vis global logistics market.
b. Deal with different terminology used during shipment procedure in order to avoid hassle or confrontation at the time of exporting / importing any shipment / consignment.
c. Assess the major modes of international transportation

Research Methodology
To achieve the above noted objectives, the researcher collected secondary data from published materials and the information available on various related websites.

Kaleidoscopic view of Third Party Logistics
The term, logistics, was initially developed in the context of military activities in the late 18th and early 19th centuries and it launched from the military logistics of World War II. The main background of the development of logistics is the recession of America in the 1950s which caused the industries to place importance on goods circulations without which the well developed transportation can never bring its advantages into full play. Logistics activities are often outsourced by manufacturers to 3PL operators. These operators have greater expertise, which enables increased flexibility of logistic operations to cover wider geographical areas, with lower operating costs and better quality of service. The concept of logistics outsourcing can be traced back as far as one goes down the history of mankind. In Europe, a number of logistics service providers can trace their origins back to the middle

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ages, we restrict ourselves to the recent decades, and trace below the evolution of 3PL from the 1950’s.

- **1950’s & 1960’s:** Logistics outsourcing was limited to transportation and warehousing. The transactions were mainly short-term in nature.
- **1970’s:** Emphasis was on improved productivity, cost reduction and long-term contracts.
- **1980’s:** Value-added services such as packaging, labeling, systems support and inventory management were on offer.
- **1990’s to present:** Outsourcing has picked up momentum, and more value-added services are being offered. Some of them are import/export management, customs clearance, freight forwarding, customer service, rate negotiation, order processing, assembly/installation, distribution, order fulfillment, reverse logistics, consulting services that include distribution network planning, site selection for facility location, fleet management, freight consolidation, logistics audit etc.

Business logistics was not an academic subject until the 1960s. A key element of logistics, the trade-off between transport and inventory costs, was formally recognized in economics at least as early as the mid 1880s (BTRE, 2001). Based on the American experience, the development of logistics could be divided into four periods (Chang, 1998), which are represented as Figure 1.

**Figure 1: Logistics Historical Development**

Generally people mix up logistics and supply chain management but in actual despite having similarity it is quite different and sometimes overlaps also. On the one hand, supply chain management is a process to efficiently integrate and build relationship between “Upstream” and “Downstream” partners, while logistics take into account process of warehouse and distribution centre only. The combined structure of both can better understand with the help of figure (2).

**Figure 2: Combined View of Logistics and Supply Chain Management**

Source: - http://www.export911.com
Logistics plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers’ requirements. Logistics activities typically include inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfilment, logistics network design, inventory management, supply/demand planning, and management of third-party logistics (3PLs) services providers. To varying degrees, the logistics function also includes sourcing and procurement, production planning and scheduling, packaging and assembly, and customer service. It is involved in all levels of planning and execution strategic, operational and tactical. The logistics value chain consists of three key functions or segments – Freight transportation, Warehousing and Value Added Services. Traditionally LSPs (Logistics Service Providers) concentrated mainly on transportation and logistics as they form a major share in logistics. However, in order to keep up with rising demands and customer expectations, companies now also concentrate on value added services like packaging, custom clearance, inventory management and labelling (Figure 3).

**Figure 3 Range of Logistics Service**

Source: Government websites of SMEs of respective Countries

The goals of any logistics system is to deliver services to a targeted level of customers at the least cost by emphasizing on team work, both inside the company and among all the marketing channel organizations, to maximize the performance of the entire distribution system involving Third Party Logistics. Third Party Logistics service provider organize the movements of goods and services on behalf of exporter and importers or other company or person internationally by all modes of transport, depending on the goods and the customers delivery requirements as to the most effective and economical method. Various typical activities of the 3PL service provider include:

- Researching and Planning the most appropriate route for a shipment, taking into account factors such as the perishable or hazardous nature of the goods, cost, transit time and security.
Obtain, checking and preparing documentation to meets customs requirements, packing specifications, insurance and compliance with all overseas countries, regulations and fiscal regimes.

Offering consolidation services by air, sea and road ensuring cost effective and secure solutions to small shippers with insufficient cargo to utilize their own dedicated units.

Liasoning between the third parties to move goods in accordance with the customer’s requirements.

Arranging insurance and assisting the client in the event of claim.

Arranging payment of freight and other charges or collection of payments on behalf of the client.

Transmitting data by internet, enabling real time tracking and tracing of goods.

Arranging air transport for urgent and high value freight and managing the risk – Door to Door.

Arranging charters for large volume, out of gauge or project movements by air and sea.

Handling special arrangements for transporting delicate cargoes such as livestock, foods, medical supplies and other fragile goods.

Arranging courier services and specialist hand carry movements.

Working closely with the customer, colleagues, and third parties to ensure smooth operation to deadlines.

Providing logistics and supply chain management solutions, maintaining visibility and control through all phases of the journey including the production of management reports, statistical and unit cost analysis.

Maintaining current knowledge or relevant legalization, political situation and other factors that could affect the movements of freight.

Terminology of International Commercial Terms

Mostly international business is done with the L/C’s (Letter of Credits) involving issuing bank/advising bank, procedure of which depicted in figure (4).

**Figure 4: Export- Import Procedure**

Source: - http://www.export911.com
The most commonly used rules for the interpretations of trading terms in international trade are those defined by the International Chamber of Commerce (ICC). They are internationally recognized and are known as INCO (International Commercial) terms. Inco terms signify to the buyer what is, and more importantly what is not, included in the selling price. They also indicate where the exporter’s responsibility ends and the importer’s responsibility begins in respect of the goods exported. Which term will apply to a particular export transaction is a matter for negotiation between buyer and seller. However, inclusion of the appropriate term in export quotations is crucial in order to determine the responsibilities of both parties in the contract of sale. INCO terms are reviewed every 10 years and regularly updated to keep pace with the ever changing world of international trade. The INCO term utilized in a transaction will dictate which party is responsible for each transportation segment and its corresponding contract of carriage. The INCO term that is utilized can affect the title passage in foreign trade. As a general rule, Pre-Carriage, Main-Carriage and On-Carriage should be utilized in connection with the INCO terms.

**Pre-Carriage:** the transportation segment from the seller’s location to the point where the cargo would leave from the seller’s side. For example, to arrange for pre-carriage, you would contract with an inland carrier to make delivery to a port or airport.

**Main-Carriage:** the transportation segment from the seller’s side to the buyer’s side. Example, to arrange for main-carriage, you would contract for ocean or air carriage.

**On-Carriage:** the transportation segment from the point of arrival (on the buyer’s side), to the designated ultimate receiver. Example, to arrange for on-carriage, we would contract with an inland carrier to make delivery from the port/airport of arrival to the ultimate receiver.

Considering above, the 13 INCO terms related to International trade logistics can be explained as:

1. **EXW (Ex Works):** The seller’s obligation is fulfilled when the buyer has been notified, and the goods (suitably packed for export) are available to the buyer, at the named place within the time specified. The buyer is responsible for all costs and risks, including the loading of the goods from the named/specified point. The buyer is responsible to arrange the entire contract of carriage of the goods (pre-carriage, main-carriage, on-carriage). The buyer is responsible for the export clearance of the goods. This term should not be used when the buyer cannot carries out the export formalities directly or indirectly. The buyer is responsible for the import clearance of the goods.

2. **FCA (Free Carrier):** Seller’s obligation ends when they deliver the goods, cleared for export, to the carrier (any mode of transport) nominated by the buyer at the named place.

   The buyer must contract at his own expense the carriage of the goods from the named place. However, if it is requested by the buyer or if it is commercial practice and the buyer does not give instructions to the contrary in due time, the seller may contract for carriage at the buyer’s risk and expense. Buyer must clear the goods for import.

3. **FAS (Free Alongside Ship):** Seller’s obligation and risk to deliver the goods alongside the vessel at the named port of shipment. Seller must clear the goods for export. Term used for sea or inland waterway transport only. Buyer is responsible for all costs and risks to transport the goods to the destination once cargo is delivered alongside the vessel. Buyer bears all additional costs as a result of vessel delay or refusal of goods for loading. Buyer must clear the goods for import at final destination.
4. **FOB (Free On Board)**: The seller’s obligation is fulfilled when the buyer has been notified and the goods have passed over the ship’s rail on board the vessel, at the named port (technically, the seller would be responsible for terminal handling when using this term, so if the seller does not intend to deliver the goods across the ship’s rail, the FCA term should be used). The buyer is responsible for all costs and risks associated with the goods after they have passed over the ship’s rail and loaded on board the ship, at the named port. The buyer is responsible to arrange for the carriage of the goods from the named port of shipment (the main-carriage and on-carriage). The seller is required to arrange for the export clearance of the goods. The buyer is responsible to arrange for the import clearance of the goods.

5. **CFR (Cost and Freight)**: The seller’s obligation is fulfilled when the goods are delivered to a carrier, pass the ship’s rail, and the contract of carriage is arranged, freight prepaid, to the named port. The buyer is responsible for all risks associated with the goods after they have passed the ship’s rail to be loaded on board the vessel, as well as the costs and risks related to the goods (receipt of the goods from the carrier) in the importing country. The seller is responsible to arrange for the pre-carriage and main-carriage of the goods. The buyer is responsible for the import clearance of the goods.

6. **CIF (Cost, Insurance and Freight)**: The seller’s responsibility is fulfilled when the goods are delivered to a carrier, pass the ship’s rail, the contract of carriage is arranged, freight prepaid, to the named port, and insurance is obtained on the cargo. The buyer is responsible for all risks associated with the goods after they have passed the ship’s rail to be loaded on board the vessel, as well as the costs and risks related to the goods (receipt of the goods from the carrier) in the importing country. The seller is responsible to arrange for the pre-carriage and main-carriage of the goods. The buyer is responsible for the import clearance of the goods.

7. **CPT (Carriage Paid To)**: The seller’s responsibility is fulfilled when the goods are delivered to a carrier, pass the ship’s rail, the contract of carriage is arranged, freight prepaid, to the named place of destination. The buyer is responsible for all risks associated with the goods after they have been delivered to the named place of destination, as well as the costs and risks related to the goods (receipt of the goods from the carrier) in the importing country, including insurance. The seller is responsible to arrange for the pre-carriage and main-carriage of the goods. The buyer is responsible for the import clearance of the goods.

8. **CIP (Carriage and Insurance Paid To)**: The seller’s obligation is fulfilled when the goods are delivered to a carrier, and the contract of carriage is arranged, freight prepaid – the named place of destination, and insurance is obtained on the cargo. The buyer is responsible for all costs and risks associated with the goods after receipt by the carrier – prior to loading on board the vessel or aircraft, as well as the costs and risks related to the goods (receipt of the goods from the carrier) upon arrival in the importing country. The seller is responsible to arrange for the pre-carriage and main carriage of the goods. The buyer is responsible for the import clearance of the goods.

9. **DAF (Delivered At Frontier)**: The seller’s obligation ends when they have delivered the goods to the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import and the named point and place at the frontier but before the customs border of the adjoining country. The buyer is responsible for customs clearance, duties, taxes, and delivery to final destination at the country of import.

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**Dr. Ali Ghufran**
When delivery is to take place in the port of destination, on board a vessel, or on the quay (wharf), the DES or DEQ terms should be used.

10. DES (Delivered Ex Ship) : The seller’s obligation ends when they have delivered the goods to the disposal of the buyer on board the ship, cleared for export, but not cleared for import but delivered the named port of destination before discharging. The buyer is responsible for customs clearance at the country of import and all charges for discharging off the ship (Destination Unloading, Terminal Handling and/or Container Service Charges-CSC). If the seller is also to be responsible for discharging the goods off the ship, then the DEQ term should be used.

11. DEQ (Delivered Ex Quay) : The seller’s obligation ends when they have delivered the goods to the disposal of the buyer on board the ship, cleared for export, but not cleared for import but delivered the named port of destination after discharging goods off the vessel at the quay (wharf). The buyer is responsible to clear the goods for import and pay for all formalities, duties, taxes, and other charges upon import. If the seller is also to be responsible for delivering the goods past the quay to another place (warehouse, terminal, etc.) in or outside the port, the DDU or DDP terms should be used.

12. DDU (Delivered Duty Unpaid) : The seller’s obligation is fulfilled when the goods have been made available to the buyer at the named place of destination – unclear for importation. The buyer is responsible for all costs and risks associated with the goods upon importation at the named place of destination. The seller is required to arrange for the entire contract of carriage (pre-carriage, main-carriage, and on-carriage) to the named place of destination. The seller is required to arrange for the export clearance of the goods. The buyer is responsible for the import clearance of the goods, including the payment of any applicable duties, taxes and fees.

13. DDP (Delivered Duty Paid) : The seller’s obligation is fulfilled when the goods have been made available to the buyer at the named place of destination – cleared for importation. The buyer is responsible to take delivery of the goods from the named place of destination. The seller is required to arrange for the entire contract of carriage (pre-carriage, main-carriage, and on-carriage) to the named place of destination. The seller is required to arrange for the export clearance of the goods. The seller is required to arrange for the import clearance of the goods, including the payment of any applicable duties, taxes and fees.

Third Party Logistics Scenario in India

The various mode of third party logistics infrastructure are Rail, Road, Sea, Air, Pipelines and Inland Water transportation. Indian transport system has expanded manifold since independence, both in terms of spread and capacity. Prior independence, in India, the transportation system mainly comprise of rails and roads but due to global competitive environment special attention paid towards seaports and airports to support industrialization. As per report of CMIE (Centre of Monitoring Indian Economy), the major mode of transportation within India is Surface transport but when we talk about the international transportation, Sea and Air plays an imperative role, so in the present paper the author has thrown light on all the three.

(a) Sea or Ocean Freight Logistics: - Sea or Ocean logistics plays an important role in international freight. It can provide a cheap and high carrying capacity conveyance for consumers. Therefore, it has a vital position in the transportation of particular goods, such as crude oil and grains. Its disadvantage is that it needs longer transport time and its schedule is strongly affected by the weather factors. Indian shipping which holds sixth rank in the Asian shipping industry handling approximately
95% by volume and 70% by value of international trade through its 12 major ports. The Indian shipping industry having about 50 shipping companies at present which is divided into –

- **Liner and Transit services** - The business is based on the same ships, routes, price, and regular voyages.
- **Industrial services** – The main purpose of industry shipping is to ensure the supply of raw materials. This sometimes needs specialized containers, such as the high-pressure containers for natural gas.
- **Tramp shipping services** - The characters of this kind of shipping are irregular transport price, unsteady transport routes, and schedule. It usually delivers particular goods, such as Dry Bulk Cargo and crude oil.

(b) **Air Freight Logistics**: - The Freight logistics industry acts as an engine of growth for the economic development of India by handling about 5% by volume and about 25-30% by value of international trade through its operational airports which are expected to reach the figure of 500 by the end of year 2020. Air freight logistics is necessary for many industries and services to complete their supply chain and functions. As compared to other modes of transport, air transport is the most expensive one which is generally used for perishable items, human remains and items whose life is short and value is high. Air transport, which is handling about 5% of the international trade, is growing at the rate of 10-15% but still insignificant as compared to transportation by sea.

(c) **Surface or Land Freight Logistics**: - Mostly European countries handling international business by Rail/Road but Indian surface or land transportation comprise of Rail and Road transport operates mostly within the Indian territory only. The Indian Railways operates through a strong network and handle almost 2/3rd of the total land business by leaving small space for truck/trailers who sometimes export cargos to the neighboring countries. Share of transportation by Rail/Road in the overall international trade is very less but in case of congestion at the airport in the exporting country, we do prefer road over air for neighboring countries, graph of which is depicted in figure 5, showing the transportation and inventory cost involving road and air.

![Figure 5: Total Cost Curve for Road and Air](image-url)
The size of the logistics sector globally is around Rs. 1, 48, 50,000 crores, making it one of the largest sectors of the global economy. India with a GDP of about Rs 27, 64,000 crore spends 13% of its GDP on logistics creating an industry size of around Rs. 4, 00,000 crores. The Indian logistics structure is witnessing a paradigm shift and is expected to grow at 16% up to 2012. Being driven by rising export and import, government investment on infrastructure and the entry of private players, the industry is undoubtedly on a high growth path. With the market becoming more competitive especially for the manufacturing sector, outsourcing of logistics activities is the preferred option for most of the companies so that they can focus on their core competencies. A consistent good performance of the economy is the key force, driving the growth in the logistics sector and a sustained economic performance has catalysed the activities of this sector. India’s GDP is expected to grow at almost around 8% per year, the Indian logistics industry which is pegged at Rs 3, 60,000 crore as of 2007 is at an inflection point, and is expected to reach a cross over Rs 5, 00,000 crore in year 2012. The industry has generated employment for 4.5 crore people in the country as compared to IT sector which employs only approximately 0.43 crore people. The Indian logistics industry is currently much disorganised where the major players can be broadly categorised as pure transport providers, transporters providing certain value added services such as warehousing, and completely integrated players providing 3PL services.

India’s ascending fortunes in the manufacturing sector over the last few years has opened several windows of opportunities for the logistics market, and this trend is likely to gain pace as the wave of global economic slowdown is gradually receding and India emerging as one of the earliest major economies to recover from recession. New analysis from Frost & Sullivan (2008) finds that the market earned revenues of $75.19 billion in 2009, representing about 6.2 percent of the country’s GDP. The market is expected to reach $120.42 billion in 2014, witnessing a Compound Annual Growth Rate (CAGR) of 9.9 percent between 2009 and 2014 (Figure 6).

**Figure 6: Total Logistics Market in India (2009-2014)**

![Revenue Growth and Forecast (2009-2014) in US $ Billion](image)
Source: - Based on analysis of Frost and Sullivan (2008)

As foreign companies need to engage logistics service providers since they are not conversant with the culture, government policies, or distribution landscape of the country, where as Indian companies are still wary of outsourcing their logistics activities due to lack of trust and awareness, outsourcing their logistics activities to organized Third-Party Logistics (3PLs) to focus on their core competencies. The Indian firms As per KPMG Indiastat database 2010, as compared to the developed nations 3PL contributions to overall logistics activity in India is still at nascent stage being at 9%, while Japan is at the top by having figure of 80% followed by US and Europe with figures 57% and 40% respectively. The mostly used 3PL services are inbound and outbound transportation and customs clearing and forwarding. Outsourcing of other value added services such as warehousing, inventory management, distribution and order processing is yet to pick up to reach market faster, leverage economies of scale, and flexibility to the supply chain to reduce cost and to make supply chains more flexible and faster.

Conclusion and Policy Implications

The present paper covers broadly from logistics activities to 3PL through extensive review and the main contents of the research include a review of 3PL development in International Trade Logistics. Third-Party Logistics or 3PL is growing around the world as more and more corporations prefer to outsource their logistics operations to the 3PL or logistics service providers. The 3PL market in India is still in its infancy and is highly fragmented. However, there is a high potential for growth of the market i.e. about 15% - 20% per annum in the coming years which was evident from the survey of the Indian logistics service providers. India’s 3PL market is definitely set to grow in the next five to seven years. The increasing tendency to outsource logistics is expected to drive the market’s growth and the opening up of the Indian economy to foreign investments is expected to attract more companies but here too the Indian 3PL providers are facing tough competition from the multinational 3PL providers, as in international freight movements, they are not only into freight forwarding but also into domestic logistics where they have made little or no investment. Besides they are operating in many countries and able to offer better rates by having contract with the shipping companies and airlines. Most of the multinational 3PL companies having financial muscles, able to handle turnkey projects by having all the necessary requisites for this result of which many big Indian corporate giants forced to take their services as they have no other option left in this competitive environment. Not only this, they even provide credit facilities to their customers while Indian 3PL failed to provide such facilities in most of the cases. Despite the bottlenecks mentioned above, the Indian 3PL business is poised to grow at a rapid pace to shape Indian 3PL industry, and this needs some policy implications as; to develop policies to stimulate the trend of globalisation and logistics, to recognise negative impacts of globalisation and logistics, to develop policies based on full understanding of logistics, to develop transport policies in a wider context, to co-operate and collaborate to develop efficient global logistics networks, flexible and swift approach in developing policies, improvement in statistics and to recognise the diversity between countries, but this needs to be aided by the government of India by means such as providing suitable incentives and ensuring infrastructure development, simplifying policies and procedures to speed up the process of service delivery whose limitations limit the scope of logistics services package for 3PL service providers.
The Role of Third Party Logistics in International Trade with Respect to Indian Logistics Market

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SUCCESS THROUGH EFFICIENT SUPPLY CHAIN MANAGEMENT:
A CASE OF NOKIA’S INDIAN OPERATION

Dr. Salma Ahmed*

Abstract
Nokia started operations in Finland as a paper manufacturing company. Gradually it moved into manufacture of handset and today has emerged as a leading manufacturer of handsets. An organisation which deals in multiple products, manages multiple SKUs, sources components from various countries across the globe, operates and sells in multiple locations need to manage their supply chain efficiently. Supply chain management, therefore, was a critical issue for Nokia also. Nokia was able to achieve success and become a prominent player because of an efficient management of the supply chain. This case details Nokia’s Indian operations with a focus on modularization of components in manufacture, customized distribution for Indian market, and supplier relationship.

Keywords: Supply chain management, Modularization, Distribution, Supplier relationship.

Introduction
The basis of competition for winning companies in today’s economy is supply chain superiority,” says Kevin O’Marah, Vice President at AMR Research. “These companies understand that value chain performance translates to productivity and market share leadership. They also understand that supply chain leadership means more than just low cost and efficiency—it requires a superior ability to shape and respond to shifts in demand with innovative products and services”.

Nokia’s success in the handset industry could be attributed to the efficient management of its supply chain. It is quoted to be 6th in the list of top 25 companies in the global SCM. (AMR Research, 2009). This paper throws light on the major steps undertaken by the company to successfully manage its highly complex supply chain with special focus on the distribution system, manufacturing process and supplier management in India.

Nokia-The Company- Connecting People
Nokia, the Finland based firm, is the world’s leading manufacturer of handsets. It was founded in 1865 by Fredrik Idestam as a paper manufacturing company. In 1920, it set up Finnish Rubber Works and in 1922 it started a cable company called Finnish Cable Works. All these three merged in 1965 to form the Nokia Group. It ventured into power and electronics in 1970 and consumer electronics became its major business in 1986. In 1990 it provided GSM service to 90 operators all over the world and in the period 1992 to 1996 it exited from all rubber and cable business, that is, it wound up its other businesses and identified only two areas as its forte and that was mobile phones and telecommunication network. This was a part of its strategic decision to focus only on telecommunication business. And with increasing demand in mobile phone in 2000s, it re-organised itself into four groups-mobile phone, multimedia, enterprise solution and networks.

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Supply chain management is a critical issue for organisations whose supply (sourcing) network is large, which deals in multiple products and also sells in multiple locations. Also with increasing trend towards sourcing from low cost locations, outsourcing of component manufacture, customization for different market segments, and therefore managing many SKUs and all this in a globalised set up, the complexities of the supply increases.

Supply chain management is a critical issue also for Nokia. Nokia deals in 100 billions components, has 60 strategic suppliers and has 15 manufacturing plants spread all across the world. Its suppliers are spread across Austria, Belgium, Brazil, Canada, China, Czechoslovakia, Denmark, Finland, Switzerland, Singapore, Malaysia, Ukrain, USA and UK too. Its production plants are in nine countries, which include Brazil, China, Finland, Great Britain, Hungary, India, Mexico, Romanina, and South Korea. Sourcing from such distant lands to distribute to various mother depots across the globe is indeed a herculean task for the company. This demands an efficient management of the supply chain.

New product introduction and variation is also important for the handset industry and for Nokia one new product could represent 1<0 handset variations and 250 sales package changes customized to suit the packaging and labelling requirements of different countries. This further adds to the complexity of the supply chain.

Nokia adopted a strategy which was termed as “think global and act local,” that is, it adopted a strategy of localised decision making with global playing. It focussed on bringing changes in management of supply chain and thus emerged a winner. The major transformation was related to the distribution system, manufacturing system, and supplier management. Its re-organisation at the global level were adopted and also adapted to the specific countries in which it operated.

Nokia-Indian Operation

The world’s biggest handset maker Nokia with 38% share of global smartphone market (Canalys reports) started operation in India in the year 1994 by setting up its plant in Chennai, in Tamil Nadu. The Chennai plant at Sriperumbudur is the world’s largest handset manufacturing facility in terms of volume. It is the tenth in the global network of factories of Nokia. The plant produces both for domestic as well as international markets-fifty percent (50%) of volume of production is for domestic distribution and the remaining for Middle-East, Africa, Asia, Australia and New Zealand. The plant employs 11, 364 workers and has production of over 3,00,000 devises per day.

Chennai proved to be an ideal location for Nokia because of its hard and as well as soft infrastructure. The presence of international airport, serving two cargo flights (the largest in India), and having provision of three terminals-Kamraj Terminal (domestic), Anna Terminal (international), and Meenambakkam Terminal (cargo operations) is a part of the hard infrastructure. The Chennai port along with a satellite port-The Ennore Satellite port (to decongest Chennai port) is strategically located to connect India with other South East Asia countries The provision of qualified engineers (79,800 engineers, 63,000 technicians and 23,000 skilled workers graduating in a year), stable power, friendly government policies, low cost of living and conducive business environment form the soft infrastructure.

For Nokia India with its high population, high demand for handsets because of limited reach of landlines in several parts of the country, and low penetration level served as an ideal market to enter. It was seen as a major destination-major growth market (Table-1). According to Chairman and CEO of Nokia,
“80% of mobile growth will come from countries such as India, Russia, Brazil and Indonesia. Out of these India is the fastest growing market.” India was one of the five markets in which the company introduced low cost mobile targeted at the entry segment customer. (Refer table-2). In India it created a team called “Mobile Entry Business Unit” to develop products specifically for the Indian market- a thrust being the rural market.

Nokia customized its products in every way to suit the Indian market. It offered the price conscious consumers products that were value for money (VFM), (prices were lower than those charged in other markets), and localized product features- for instance, mobile phone with a torch was an offering focussed at rural consumers and also handy for towns where power cuts were incessant. The distribution setup was also customized.

**The Distribution set-up**

The distribution system can be said to be a five stage process. Products move from Nokia’s factory to Nokia’s warehouse, from the warehouses to the distributors, from distributors to re-distribution stockist-suppliers, and from these re-distribution stockists to retailers who could be Nokia propriety dealers, multi-brand dealers or individual dealers. (Refer diagram -1) The order cycle time for the distributors was a couple of hours; that is, supply was made within a day itself.

Distribution in India could be said to be through two channels: exclusive telecom retailers and general retailers as mobile phones were considered to be a durable. It established its presence in all the channels of distribution, including retailer of consumer durables and service providers. It primarily selected dealers who had experience in selling consumer durables and it modelled its distribution strategy on the lines of an FMCG business. Infact, many of its regional distributors are former FMCG middlemen who find the margins in the mobile phone business more attractive.

In India, all assembled products (50% is for domestic production and remaining for international market) are send from Chennai to its mother depot (which is in Gurgaon) and from there to the dealers. For distribution within India, it entered into a tie-up for distribution of its products with HCLI (HCL Infinit is a 100% subsidiary of HCL Infosystem Ltd, India’s premier information enabling company). It was a national distributor for Nokia’s GSM handsets in India. This was the localised strategy. This tie-up helped it to take benefit of the already established ten year long distribution set-up of HCLI. (Globally, also it follows a similar strategy. For instance, it has tie-up with established players like Brightstar Europe. In 2010, it entered into a tie-up with Brightstar Europe for distribution of its products in France).

Distribution is undertaken through RDSS. Re-Distribution Stockist supply handsets to outlets all across India. (Table-3) For instance, there are six RDSS in Delhi-NCR region to distribute to different territories within Delhi; the territories being in north, east, west, and south of Delhi, and one each for Noida and Gurgaon.

For distribution of Nokia’s products in India, it set up Nokia Professional Centres (NPCs), Nokia Priority Dealer (NPDs) and Re-Distribution Stockist. Nokia Professional Centres are one-stop-shop providing a complete range of products (phones), accessories, battery, charger, cover, hands free kit, and also providing after sale services.

Nokia Priority Dealers are multi-brand hand set shops which provide 60% space of space to Nokia products. Much credit for making Nokia the most preferred brand of mobile phones in India can be attributed to the
distribution set-up provided by HCLI. HCLI also provides complete customer care solution for mobile phone related problems through its Nokia Care Centres. It set up 174 centres in 80 cities with 18 Level III care centres (component level repair) and 17 Level II Professional Centre.

It also established a Nokia Concept Store in Bangalore to provide an ambience and shopping experience to the consumers. Such stores have the entire range of Nokia devices in all categories including latest range of mobile enhancements, exclusive Nokia merchandise apart from handsets. There are nine such stores in India.

India is predominantly a rural economy. The rural markets constitute 74% of the country’s population, 41% of the middle-class, 58% of its disposable income and a large consumer class. All major MNCs are targeting the potential rural markets in India. Nokia was no exception. To quote the eminent Professor in Marketing of Wharton School, “No consumer goods company today can afford to forget that the rural market is a very big part of Indian consumer market. You can’t build a presence for a brand in India unless you have a strategy for reaching the villages.”

Further, tele-density is close to 80% in metro cities, 70-75% in major urban centres, and only 30-40% in rural markets. Therefore, there are immense opportunities for telecom companies in the rural areas. Nokia identified a different strategy for distributing its products in rural India. It introduced sale through mobile vans focussed on semi-urban and rural areas, parked at convenient locations, to create awareness of the product amongst its consumers and also provide easy access to its handsets.

**Assisting Channel Partners**

Nokia takes interest in the working of its distributors with the help of its company-owned-representatives. It helps the dealers in selection of channel partners, extends financial help in store development at NPDs, and also trains sales force at every level. The company, through its representatives, explains the new product features, and the new schemes and offers are also shared and implemented with their co-operation. It also helps dealers in the store set-up and its design.

Nokia also provides POS system and software to these dealers to manage orders and also for account keeping using information technology.

Further, it also decides on the stock norms-that is, how many days stock that each channel member should keep.

In this way it maintains link with the lowest end of the supply chain.

**Manufacturing System**

Nokia views manufacturing as a core competence. Therefore, only a small part, approximately 15-20% of its manufacturing volume of mobile phones, is outsourced to vendors. It offers to the market a slew of innovative products with new features. However, the difference between different modes of its handsets is largely cosmetic. It has adopted modularization of product as a strategy to enable it to bring about rapid innovation and introduction of new product. It also uses a common platform in its manufacturing plant. Also it has established a close co-operation between design, process engineering and manufacturing which has resulted in strong productivity improvement.

In India, the assembly is undertaken at its plant in Chennai while components are sourced from different countries and also from vendors based in India.
Supplier Relationship

Managing suppliers involve multiple issues. It starts with selection of suppliers, their assessment and certification, and also maintaining a co-operative relationship with them. A critical activity involving suppliers is the selection of suppliers. It involves selecting the best suppliers from among the many who can supply. Nokia selects suppliers based on their financial strength to increase production capacity, management system, general technological skills, and also specific skills in quality systems, and manufacturing systems. Apart from these 'hard factors', it also considers soft issues like attitude of the supplier, their value, vision and goal.

Supplier assessment is undertaken by manufacturers and these programs certify that these suppliers are qualified to provide the goods or services demanded by the buying firm. Assessment and certification involves site visits from the buying firms who conduct an in-depth evaluation of the supplier capability to meet cost, quality, delivery, and flexibility targets. They may analyse the performance on ethical and also environmental issues. This is undertaken on a regular basis. Assessors trained at Nokia specifically for this purpose visit Nokia’s plants in different countries to certify whether the plant fulfils the criteria laid down by Nokia. Thus Nokia is able to maintain direct link with its suppliers and suppliers in turn ensure that they adhere to the standards laid down by Nokia.

Nokia in managing its suppliers has advocated a principle of Nokia Supplier Requirement (NSR) which specifies environmental and social requirements based on International Standards ISO 14001, SA 8000, OHSAS 18001, PCMM and ILO UN conventions.

The new suppliers are trained to understand the concept of NSR, environmental requirements for Nokia’s products, while the existing suppliers understand and also implement them and incorporate the new requirements if any. Environmental conditions also pertain to labour conditions and health and safety conditions at the plant. For instance, wages paid to labour at Nokia plant is in line with the legal requirements and also in line with the cost of living of the state.

It has direct link with its Tier-I suppliers and works with them to help them manage their supply chain. However, they also ensure that their Tier-I suppliers see that their suppliers also adhere to NSR. At times, it also goes beyond Tier-I to ensure compliance.

To keep suppliers on their toe, it sets performance metrics and targets for the suppliers, undertakes development programs for them, trains them and also undertakes supplier focussed events.

Conclusions

In India the mobile handset industry is in a state of evolution and currently it is in the growth stage. Supply chain transformation played a critical role for driving business results for Nokia. The transformation at Nokia started in the year 1995 and concentrated on a few but strategic steps:

- Modularization at manufacturing plant
- Collaboration and co-operation with suppliers
- Customized Distribution system

Such changes were able to bring about many benefits. Some of them were: replace inventory with information, move from push to pull system, end-to-end integration linking suppliers with factories and all members of the channel and above all, bring about visibility all across the supply chain.
Learnings

Efficiently managing the supply chain could go a long way to improve performance and prosper. Nokia has been to build a dominant position in the industry by bringing efficiency in supply chain, adopting modularization, and customization of products and also customized distribution set up for different markets, and thereby rendering better customer service.

Table-1 Mobile Subscription (Expected Scenerio)

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<th>Year</th>
<th>Penetration</th>
<th>Mobile Subscription</th>
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<td>FY 2005</td>
<td>05.0%</td>
<td>054.00 (million)</td>
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<td>FY 2006</td>
<td>07.5%</td>
<td>83.00</td>
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<tr>
<td>FY 2007</td>
<td>09.7%</td>
<td>109.00</td>
</tr>
<tr>
<td>FY 2008</td>
<td>11.7%</td>
<td>134.00</td>
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<tr>
<td>Mar 09</td>
<td>18.2%0</td>
<td>148.77</td>
</tr>
</tbody>
</table>

Source: morgan Stanley,www.hclinfinit.com

Table-2 Ten Major Markets (in million of Euros)

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<thead>
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<th>Country</th>
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<th>2004</th>
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<td>4665</td>
<td>4475</td>
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<td>Russia</td>
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<tr>
<td>Spain</td>
<td>531</td>
<td>748</td>
<td>768</td>
</tr>
</tbody>
</table>

Source: www.nokia.com

Table-3

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<th>Distribution Center</th>
<th>2001</th>
<th>2004</th>
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<tr>
<td>Nokia Professional Center</td>
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<td>---</td>
</tr>
<tr>
<td>Nokia Priority Dealer</td>
<td>40</td>
<td>450</td>
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<tr>
<td>Re-distribution Center</td>
<td>800</td>
<td>35000</td>
</tr>
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Diagram-1

Distribution Structure of Nokia

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