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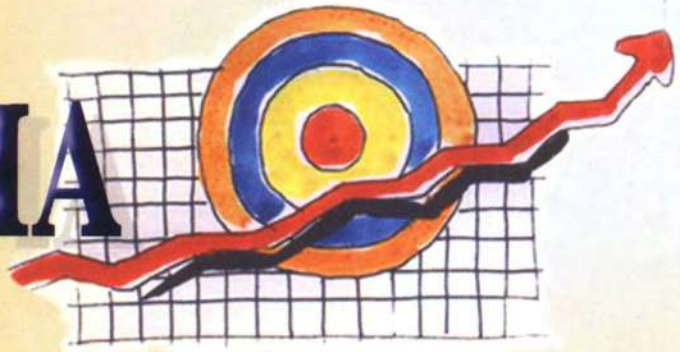
SAMEEKSHA



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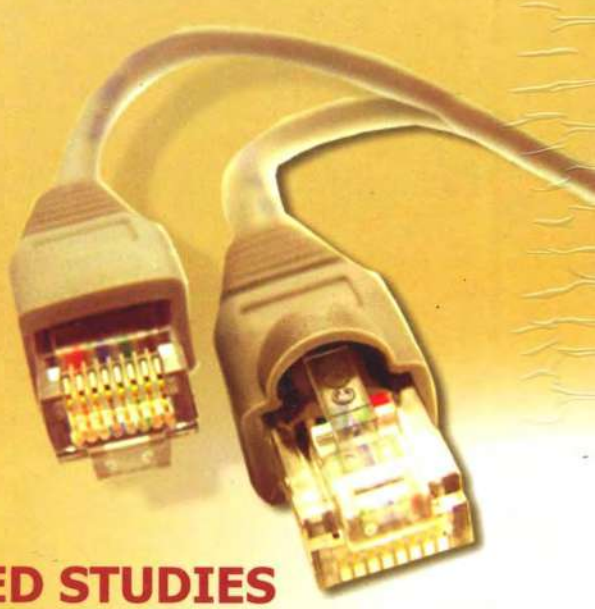

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It gives me pleasure in acknowledging the rich contribution made by the members of the Advisory Board in shaping the Journal. My sincere thanks to them for their earnest endeavor in making the Journal a professional one by providing their valuable guidance.

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My heartfelt thanks to the authors Dr. H.J. Ghosh Roy, Mr. Sanket Vij, Ms. Harpreet Kaur, Ms. Varsha Dixit, Dr. Ajay Kumar, Dr. Sanjeev Mittal, Ms. Nidhi Srivastava, Prof.S.K.Sarangi, Mr. Ajay Kumar Rathore, Dr. Mukesh Dhunna, Dr. A.S. Boora, Mr. Naresh Mann, Dr. Dharminder Kumar and Dr. A.K. Saini who have sent their manuscripts in time and extended their co-operation particularly in following the *American Psychological Association (APA) Style Manual* in the references. I am sure that their views on different areas of management studies will indeed enrich the knowledge in a constructive manner.

Dr. D. Antony
Editor

From The Editor's Desk

The phenomenon of globalization has brought in its wake the rapid integration of economies and sweeping technological changes world wide. Achieving global competitiveness is now of paramount importance for any nation that seeks milestones in economic development and prosperity in the coming decades.

In achieving the goal of global competitiveness it is obviously the corporate sector which has the pivotal role. While it is the government's responsibility to create the enabling environment to face the rigours of global competition, it is, the corporate sector in a country which has to face such competition head-on through appropriate marketing programmes and strategies. The corporate advantage that must be created by individual companies needs to be based on a judicious blend of diverse business strategies including creation of market niches, introducing state of the art technologies, restructuring the corporate portfolio and strengthening HRD. In essence the business strategy for the 21st century to face global competition should be designed so as to strengthen core competencies in the corporate sector.

India has a perceived advantage in exploiting business opportunities in the ensuing decade due to its expanding reservoir in skilled human resources and talents. The virtual explosion of knowledge based industries like software, electronics etc., has in particular opened up new avenues for India's entrepreneurial skills. Apart from imparting technological skills, it is also imperative to hone the managerial and business skills of the potential Indian entrepreneur to exploit such emerging opportunities.

Such far reaching changes in the Indian economic landscape have underlined the urgent need for rapid enhancement of human knowledge and skills set to counter an increasingly complex and competitive business environment. It is precisely in this context that the role of management institutions assumes paramount importance in spearheading a new era in Human Resource Development.

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TECNIA Institute of Advanced Studies, has accorded research a prominent place in its spectrum of activities. In its continued endeavour to foster and enrich research in Management education, TECNIA has taken initiative to publish this management journal entitled *Sameeksha*: *Tecnia Journal of Management Studies.*

The first issue of the journal, contains articles on:

- Business Process Outsourcing in Growing Economy : Issues and Challenges
- India, a Preferred Destination for Knowledge Process Outsourcing
- Managing Brand in the Hi-tech World
- How to Win Our Customers
- Planning & Decision Making Practices in Panchayat Raj System
- Trends in Internet Marketing
- E Governance Initiatives.

I am sure the issue will generate immense interest among corporate practitioners, policy-makers, academicians and students.

Dr. D. Antony
Editor

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Business Process Outsourcing In Growing Economy: Issues & Challenges

H. J. Ghosh Roy*
Sanket Vij**

Abstract: *In past decade or two, it has often been said that we live in a global village. This has increasingly become a reality with the advent and revolution in information technology. In the fast changing scenario, a great opportunity has emerged for India that we can be the back office for the developed world. Wages that are 80 per cent cheaper than anywhere in the world and with its vast pool of English speaking people, India has virtually emerged as the back office for the developed world. Currently a $1.4 billion business, the "Sunshine Sector" of the Indian economy is expected to grow to $24 billion within the next six years and will provide two million Indians with jobs. The work ranges from high-end services like risk analysis, drug discovery, structure-based drug design, data mining, remote maintenance of networks, medical transcription, billing, accounting and customer-services at the lower end. Indians operate out of offices in Indian cities but work during American & British business hours. India's fastest growing industry employs millions and earns billions.*

1. Introduction

The impact of competition can be seen and felt in many ways. For most of us, it leads to better and cheaper products, sometimes with better and more features. While new markets are discovered, older markets expand. Technologies, especially Information and Communication Technologies, enrich this scenario by building a faster link between the firm and its customers. *Business Process Outsourcing* is now the fastest growing industry in the country – it expanded at an explosive 70 per cent last year adding millions of dollars to the country's foreign exchange reserve. India is now emerging as the electronic housekeeper to the world, taking care of a host of routine activities for multinational giants. More than a quarter of the fortune 500 companies such as GE, American Express, British Airways, HSBC, Citibank and AT&T, are shifting their back-office operations to India. There is a global trend that has seen multinationals mercilessly slash costs to beat the recession and concentrate on their so-called "*Core Competencies*". This means back-office tasks such as accounts and administration if done cheaply over fiber-optic networks or satellite telephony could be outsourced to offshore locations. Increasing speed of change

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brought about by technology, rapidly improving telecom infrastructure, declining telecom costs and related developments and improving quality are the major growth drivers of the *BPO* industry. Various studies explain that 36 per cent of the companies that outsource do so primarily to take advantage of cost savings. In addition, outsourcing converts a fixed cost structure to a variable one and allows for more flexibility to handle the uncertainties of business. India has become a favorable destination for various reasons.

2. Scope

The reasons are quite simple:

- India churns out two million English-speaking graduates every year. It has the second largest English speaking population in the world (Talwar, 2001). It would not be difficult to train large numbers to speak accent-less English, imbibe new accents and attitudes appropriate to the target country of the customers and learn product knowledge by virtue of their English education. This may be difficult to emulate for our neighbors like China.
- The average Customer Services Representative (CSR) at US$ 4,000, in USA would cost about 10-12 times as much as the Indian CSR, at about US$ 300. This translates easily to enormous savings, considering that labor costs comprise almost two-thirds of Call Centers (CC) operational expenditure (Bhattacharya, 2000). A recent study has narrowed this gap, in terms of hourly rates, significantly: the Indian CSR costs US$ 8 against the US CSR US$ 28 (Nagaraj, 2001). Subramanyam (2001) finds that the average hourly ruling rate would range from US$ 6 to US$ 15 for non-voice support, and US$ 25 for voice support. Table 1 (Operating Expenditure of CSR) & Table 2 (Salary Structure in India) explain it more precisely.
- Most CC in India have private global leased circuits or use dedicated satellite transponders for communications. What is helping is a dramatic decrease in costs and also a marked improvement in the bandwidth availability. In just two years, it affected a 110 per cent drop in the international private lease lines rates with an equally dramatic fall in long-distance telephone charges.
- The average Indian is comfortable with high technology, especially in Information & Communication Technology (*ICT*). The Government thrust for Technologies Parks, its fiscal concessions, the direction of IT education, and its repeated policy statements provide the strong drive for the growth of *CC*. This has been seen in the fast pace of development of good infrastructure and in the growth of IT training in recent years.

Table 1: Operating Expenditure of a CSR

Expenses	USA	India	Philippines
Salary	42927	6179 (14)	7793 (18)
General & Adm. Exp.	8571	1000 (12)	1200 (14
Telephone	1500	2328 (155)	1862 (124)
Rent	2600	847 (33)	762 (29)
Depreciation	300	1500 (50)	1500 (50)
Total	58598	11854 (20)	13117 (22)

Figures in parentheses indicate percentage of expenses with respect to US Economy
Source: Nasscom-McKinsey report 2002, Dainik Bhaskar, 22 February 2004.

Table 2: Salary Structure in India

Designation	Salary
Training Heads	Rs.8 lakh-Rs.12 lakh per annum
Training Managers	Rs.5 lakh-Rs.8 lakh per annum
Trainers	Rs.2 lakh-Rs.5 lakh per annum
Operations Managers	Rs.3 lakh-Rs.5.5 lakh per annum
Team Leaders	Rs.2 lakh-Rs.3 lakh per annum
Customer care Specialists	Rs.1 lakh-Rs.1.5 lakh per annum

(Depending upon profile, background and experience)
Source: Nasscom-McKinsey report 2002.

- India is strategically situated in a near-perfect time zone. Its markets awaken even as the South East Asian and Australian market close for the evening. As the Middle East and European markets open to business, Indian CC are ready to span the gulf from the extreme East to the European and African continents. While the US markets sleep through the night, Indian IT Enabled Services (ITES) process their back office operations, and when the US opens for business, Indian CC work late shifts through the night and early morning for US customers.
- Real-estate costs for CC in India are barely 10 per cent of US location, which is a huge saving (Khanna, 2001). Although India suffers from implementation delays due to systemic problems, the cost differential has attracted many CC investments from the USA, such as the US$ 2.16 billion Converges Corp., the world's largest CC with 45,000 people in 50 facilities in more than six countries (Verma, 2001).
- Kill Time: A McKinsey study found that an operation that takes 20 seconds to process in a US facility is handled in just 8 seconds in India. Indians had a much higher rate of error-free transactions as compared to the UK.

The results have been spectacular. In five years, 336 call centers have sprung up across the country, employing over 1 lakh people and generating revenue of $1.4 billion (Rs. 6,790 crore). The numbers have already made India the world leader in the business, galloping ahead of Ireland and the Philippines, which had joined the race much earlier. The Table 3 (The Global Race) and Table 4 (Big Players in Business) explain it more precisely.

Table 3: The Global Race

Basis of Comparison	India	Ireland	Philippines
Employees Base	1,06,000	18,000	8,000-10,000
Companies	336	150	70
Revenue ($ million)	1,470	N.A.	240
Phone Charges	Very High	Lowest	Average
Labor Cost (Salary of Graduates)	2,400	19,500	2,900
Talent Pool	2,100,000	43,200	3,80,000

Source: Nasscom-Mckinsey report 2002.

Table 4: Big Players in Business

Company	Emp-loyees	Services	Revenue
GE	11,000	Network Support, Risk Management	$275 million[a]
Citibank	2,500	Trade Finance, Processing of Loans	$75 million[b]
British Airways	*2,400*	*Accounting* Error Handling, Miles Tracking	*$42 million*[c]
Prudential Plc.	1,000	Insurance	$7.5 million[d]
Converges	2,000	Customer Care	N.A.
Wipro	N.A.	S/W & Network Support	$83 million[e]
Infosys	120	S/W & Network Support	$50 million[e]
Daksh e-Services	2,300	Customer Care	$30 million[e]
Transworks	1,200	Trade Processing	$12 million[e]
Satyam Computers	200	Customer Care	N.A.

Source: India Today Report 2002.

3. Services

BPO could be in the relatively *Low Value Added* areas such as payroll processing or secretarial services. The more *High Value Added* services comprise of accounts receivable management, accounts payable, insurance claim processing, inventory and logistics information services.

(i) Customer Care Services

- Call Center
- *Remote Maintenance*
- Help Desk
- Sales Support

This is the country's major revenue spinner so far and constitutes the bulk of ITES activity. The sector will see a major shift from captive to third party and BPO majors.

The Growth	World Revenue in $ billion	India Revenue in $ billion
2008	33	8.5

Source: Nasscom-Mckinsey report 2002, Deutche Bank 2001, KPMG-CII Report 2002.

(ii) Finance and Administration

- Data Analysis
- Medical Transcription
- Insurance Claims
- Inventory Management

After a slowdown in the medical transcription business, this sector is again picking up. What is needed is very high quality but low-cost manpower. The scope is limited.

The Growth	World Revenue in $ billion	India Revenue in $ billion
2008	17	5

Source: Nasscom-Mckinsey report 2002, Deutche Bank 2001, KPMG-CII Report 2002.

(iii) HR and Payment Services

- Pay Rolls
- Credit-Card Services
- Cheque Processing
- Employee Leasing

Globally this is the best opportunity for India in ITES. As a service line, it is yet to take off. It would have to attract strong BPO majors to capture the market.

The Growth	World Revenue in $ billion	India Revenue in $ billion
2008	49	7.5

Source: Nasscom-Mckinsey report 2002, Deutche Bank 2001, KPMG-CII Report 2002.

(iv) Content Development

- Digital Content
- Research and Development
- LAN Networks
- Application Maintenance

This is a big sector that remains untapped by Indian companies. There is intensive competition from other hubs. There is tremendous scope for high-intellect, high-value services.

The Growth	World Revenue in $ billion	India Revenue in $ billion
2008	23	3

Source: Nasscom-Mckinsey report 2002, Deutche Bank 2001, KPMG-CII Report 2002.

(v) Training Requirement

- 4-8 weeks of in-house orientation for all new employees.
- Grooming, English-speaking in accents, etiquette etc.
- Exposure to TV shows like Friends, Ally McBeal to familiarize employees with western culture.
- Reading John Grisham thrillers to clear any linguistic obstacles.

Source: Nasscom-Mckinsey report 2002, Deutche Bank 2001, KPMG-CII Report 2002.

4. Challenges

While businesses have embraced outsourcing wholeheartedly, there has been a simultaneous increase in backlash against outsourcing in the USA and UK markets, especially among technical and allied workers.

- A recently introduced and passed bill in the New Jersey, USA indicates in this direction and may put the brakes on India's call centers. The proposed legislation states that any company awarded a state contract will be mandatory bound to employ only USA citizens or those authorized to work in US.
- UK's Financial Service Authority has also recently issued new rules and regulations on outsourcing. Several association and lobbies have sprung up to campaign against outsourcing.
- The city council of Scotland's capital Edinburg is going to setup a committee to estimate how much loss will be there because of work transfer to Indian CC.
- Poor infrastructure could act as deterrents. The lack of proper telecom infrastructure,

power and data backup and link redundancy have been some of the major issues identified by Frost and Sullivan (Anand, 2001). India's telecom rates are still double than those in the USA. China and the Philippines are likely to emerge as serious competitors for India, given their comparable size and cost of labor. The Philippines has also established a national council to woo investors with incentives like easy availability of land, income-tax holidays for six years and permanent resident status for international investors.

- Though its back-office operations are still small, China has been aggressively trying to increase its share in the market. Its biggest handicap is its lack of English-speaking talent. To address this, it is launching a massive drive to introduce English in schools and colleges with a pledge that every taxi driver would speak the language by the 2008 Olympics. China has set up 53 high quality technology parks to attract investors and has dramatically lowered its telecom rates.
- In terms of power, China now offers 99.889 per cent reliability. Efforts towards such an end are still sluggish in India. States like Karnataka and Andhra Pradesh have freed land and assured steady power supply but the bottlenecks persist. Possibility of an uninterrupted 24 X 7 X 52-power supply, in most cities is negligible. This means call centers have to establish huge back-up facilities that jack up costs.
- Other constraints include frequent *"POLITICAL/SOCIAL BANDHS"* and unreliable public transport because of which companies have arranged door-to-door pick-ups for their employees.
- Another problem has been the acute shortage of skilled CSR in an industry that suffers from a high rate of attrition (Chopra and Kulkarni, 2001a). Taking advantage of the CSR shortage, many institutes of doubtful ability for training CSR have sprouted. There is no creditable and independent institution for the formal training and certification of CSR competence.
- Pace of reforms has to be accelerated by providing Single-Window Clearance for new BPO ventures.
- The ability to deliver is the key to success (Chopra and Kulkarni, 2001b). Report specify that barely a handful Indian CC applied for the global quality certification of the Industry, COPC-2000 (Moore, 2001). The COPC-2000 standard is a management and improvement framework that facilitates CC to perform well on Service, Quality and Cost.

5. Opportunity

The economic theory for BPO business is that if the same work can be done by two sets of people in two different countries, either the people migrate to where they will get compensated more for that work or the work will move to where it can be done cheaper. In BPO business, it is almost exclusively all work movement to lower cost countries. A report prepared jointly by the National Association of Software & Service Companies (NASSCOM) and Management Consultant McKinsey & Company in June 2002, explains that the worldwide outsourcing market has been estimated at $190 billion, experts say hardly $35 billion has been exploited. McKinsey projects that utilization would balloon to $140 billion by 2008. If India maintains its current rate of growth, revenues could surge to:

- Two million (1.5 million people directly and another half a million indirectly) is the total number of jobs that outsourcing centers in India will provide in six years. Currently they employ 110,000 people.
- Rs. 1,15,200 crore or $24 billion is the revenue expected from this sector in 2008 which will be 3 per cent of India's GDP. Today its is $1.47 billion.
- Seventy one per cent was the rate of growth last year in this sector making it the fastest growing industry.
- Three Hundred Thirty Six are the number of call centers that have sprung up across the country in the past five years.
- In the past year alone, 50 major new ventures were set up.

- According to Confederation of British Industries (CBI) report of 2004, 43 per cent of British companies are going to transfer their head office work to India (Dainik Bhaskar).
- According to Gatter's report (2004) the BPO sector may have $ 543 billion business in 2005.
- The recently introduced and passed bill in the US may put the brakes on India's call centers, but Indian companies are not so worried, because of 70 per cent of revenue generated by Indian companies through software export are from private companies of US. Only 1 per cent of revenue is generated through BPO from US government. US company's expenditure in India on BPO is $7 billion and through this there is a saving of $26 billion.
- Recent studies indicate that the USA is likely to witness a labor shortfall of about 5.6 million knowledge workers by year 2010. This huge gap can be met only immigrants and outsourcing. Further, for every $100 of high-end work that gets outsourced, about $142 is reinvested in the USA economy.

It would have a ripple effect on a host of other sectors too. Technology parks, IT Enabled Services (ITES), Real Estate Business, High Value Bio-Tech industries are expected to trigger a boom.

6. Conclusion

In our borderless economies, Price and Products will no longer be the decision factors. The customer will seek out value that is defined in terms of convenience (saving in terms of time and distance), personalized variety (choice) and speed (of delivery). Established with customer-centric view, the Call Centers – funded by Techno-entrepreneurs, powered by technology, and managed under new work norms – have the potential to satisfy large volumes of customers at low cost to benefit both the organization and its customers. India commands a unique competitive edge in this sector and most important thing is that we are positive, but the country needs to quickly improve efficiencies all round – Vision, Employees, Process, Infrastructure and Industry. We should position ourselves as a high value, high intellect nation rather than focus on cheap labor and low cost operations. We are making a mistake by not recognizing the magnitude of the sector. If we do not shake off our complacency, China will takeover us. It is now for the Indian policymakers to take the call.

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INDIA A PREFERRED DESTINATION FOR KNOWLEDGE PROCESS OUTSOURCING

Harpreet Kaur*
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Ajay Kumar***

Abstract: *KPO is a firm that provides technical and functional services to global giants in areas like: Biotechnology, Health Sector, Pharmaceuticals, Data Analytics, Market Research etc. Being a nascent industry, the future prospects are very bright. The growth potential of this sector is immense and offers huge investment over the next ten years. India is all set to emerge as a knowledge process outsourcing destination as we have abundant skilled professionals who take less time to perform, resulting into cost effective efficient output.*

It shouldn't be surprising that the global need to service knowledge based functions is marching with well-deserved confidence towards India. Not only because of the cost differential but also because we have a huge bank of qualified and educated people in the world, which is the reason why Indians have done very well abroad. Now that the shackles have been dropped in India and technology has leapfrogged, we are witnessing the harnessing of the abundant energy that has been released. Many countries are now looking at India for highly technical and knowledge related tasks, giving birth to **KPO** (Knowledge Process Outsourcing), *which is a firm that provides technical and functional services to global giants.*

According to a recent study by Evalueserve, a global research and analytical services company in Gurgoan, the global KPO market is expected to grow at a Cumulative Annual Growth Rate (CAGR) of 46 per cent from $1.2 billion in 2003 to $17 billion in 2010. KPOs hire specialized professionals and compensation is much higher than regular clocking jobs. *Evalueserve has five service lines: Business Research, Market Research, Data Analytics, Investment Research, and Intellectual Property Services* and is growing at 4-5 per cent per month with respect to head count. Ashish Gupta, COO, Evalueserve explains, "It's not just a job but an interesting job. KPOs not only provide global exposure and diversity at work (variety of different projects) but being a nascent industry, a person joining now will have brilliant growth prospects in the near future".

Cost savings from off shoring is much more as compared to the work being done in the home country e.g. drafting and filing of patent applications in the US is quite expensive.

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A typical application costs about $10,000 to $15,000 to draft and file with the United States Patent and Trademark Office. Even an off shored portion of the patent drafting process can easily *save up to 50 per cent* of the cost for the end client, according to Alok Aggarwal, Chairman of Evalueserve.

There are many factors which clients review before they outsource to India. First, the nature of work done, then the various verticals that the organization specializes in, and not to forget the kind of specialized manpower available in the company.

Here, a key challenge for KPOs is to attract the required professionals and hone their skills to deliver. To move up the value chain, companies need to have deep knowledge of the business needs of the industry. To achieve this, it is necessary to nurture your talent pool, because technical skill will be rendered obsolete after every few years', but like good wine, business knowledge becomes more valuable with experience. It is therefore certain that KPOs will value their employees and treat them as important asset. Further, this would translate into frequent appraisals to meet industry standards for retaining potential employees, making it a win-win situation for those in the industry.

It is evident that the KPO industry is poised to be the next big employer in India besides being a massive revenue generator. It is already luring potential candidates with the promise of a world-class working environment and mouth-watering pay scales. And for a nation like ours, where students graduate out of professional courses almost everyday, KPOs could prove to be a boon.

As India possesses cost advantages over many countries, the growth potential of the sector is immense, and also offers huge potential for investments in the sector over the next ten years. The study by Conferderation of Indian Industry (CII) points out that the growth of service sector would be over 8 per cent and its contribution to India's GDP would be over 51 per cent. Areas with significant potential for 5 KPOs include Pharmaceuticals, Biotechnology and Information & Communication Technology (ICT) besides legal support, Intellectual Property, Research & Design & Development for automotive and aerospace industries (stated by CII).

India would soon become the most preferred destination for knowledge process outsourcing as it grows 46 per cent to touch a staggering $ 17 billion by 2010, as quoted by CII study. [New Delhi (ANTARA News)].

India has the opportunity to provide the best of Western and Eastern healthcare systems. More than 70 per cent *Americans prefer a natural approach to health* and spend around $25 billion on non-traditional medical therapies and products, thus *making India one of the most preferred destinations* because of its perennial edge in the field of ayurveda and yoga. The healthcare sector is projected to account for 7-8 per cent of GDP and provide employment to around 9 million people.

India has a proven healthcare system with over 60,000 cardiac surgeries done per year that matches international standards. Multi-organ transplants, such as renal, liver, heart & bone marrow transplants are successfully performed at one-tenth of the cost *and patients from over 55 countries come to India* for treatment. With India possessing cost advantage over many countries, the healthcare sector also offers a huge potential for investments over the next ten years. The CII paper states that the sector would require around $22 billion – $31 billion in the next ten years.

Another crucial factor that is in our favor is that since we have abundant skilled professionals, lead-time for performing the task is comparatively lesser resulting in efficient and quick delivery. And the basic fact that most countries lack highly skilled labor further emphasizes the need to outsource specialized tasks to India. The Knowledge Process

Outsourcing industry is expected to reach US $17 billion, out of which $12 billion (52,800 crore) would be outsourced to India in the next five years to assist the cause.

In the pharmaceuticals sector, it is said that with Indian companies offering custom synthesis services at a competitive price lower by as much as 30-50 per cent than global costs and with clinical trials for as low as $25 million as compared to $300-350 million elsewhere, *"India could become the most preferred destination for outsourcing"*. The country's biotechnology sector is expected to earn $5 billion annual revenue by 2010. Companies such as AstraZeneca and GlaxoSmithKline have recently set up drug discovery centers at low-cost destinations to offshore R&D activities.

The Indian IT sector too could strike it rich in a new breed of high-end knowledge-based outsourcing as global corporations are moving process like data and intellectual property researches to offshore locations and more specifically to India. Chip design and embedded systems is another critical area. A paper presented by Aggarwal says the reason why all major integrated design manufacturers such as Motorola, Intel, Analog Devices, National Semiconductor, IBM, Cisco, Cypress Semiconductor, Nokia and Philips have set up offshore design centers. *During 2000 to 2003, the US offshored 2,38,000 IT service jobs. Evalueserve predicts that this is likely to increase to 7,75,000 jobs by financial year 2010.*

The compensation for a chip design engineer with a master's degree and five years' experience is about $7,000 a month in the US. An engineer with the same qualification and experience in India gets about $1,200 a month.

Naturally, the cost savings in KPO is enormous. For example, data-mining service companies can save as much as 60 to 70 per cent on analytics and inventory management costs by off-shoring them. The cost differential between PhDs/Engineers in the US and India is almost $60,000 to $80,000.

India could emerge as a global KPO hub as the business requires specialized knowledge and the country's large number of engineering and technical institutes are geared to address the man power demand. It is common knowledge that India is riding the crest of the economic boom with considerable push from the BPO sector. But less known is the fact that foreign professionals are also making a beeline for jobs in the country.

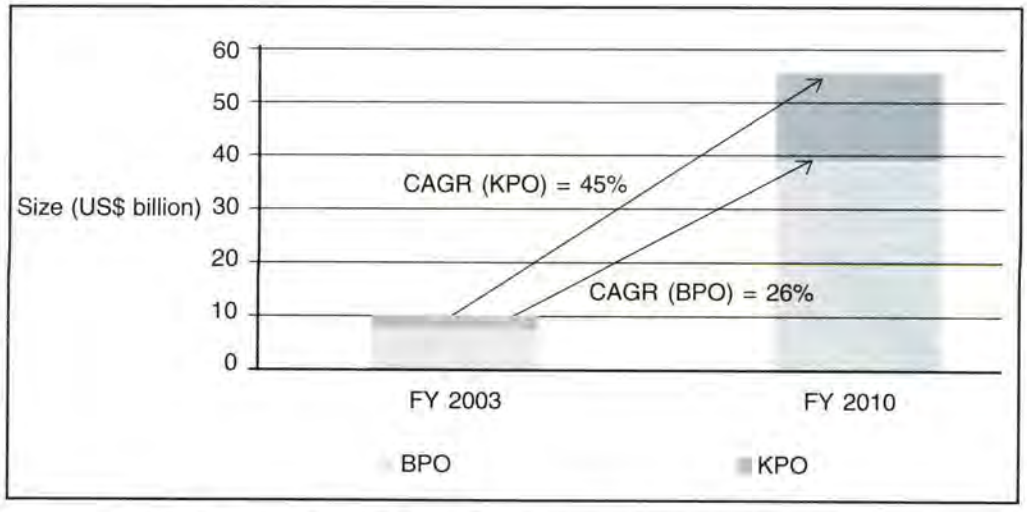

Figure: Expected Growth in Global BPO and KPO Markets (2003-2010)
Source: Evalueserve Analysis

India is all set to emerge as a knowledge process outsourcing (KPO) destination.

1. The future of KPO

According to a report by Global Sourcing, the Knowledge Process Outsourcing (KPO) industry is expected to reach US $17 billion by 2010, of which US $12 billion would be outsourced to India. In addition, the Indian KPO sector is also expected to employ more than 2,50,000 KPO professionals by 2010, compared with the current figure of 25,000 employees. A report by Evalueserve predicts that India will capture more than 70 per cent of the KPO sector by 2010. Apart from India, countries such as Russia, China, the Czech Republic, Ireland, and Israel are also expected to join the KPO industry.

2. Comparison of Opportunity in BPO and KPO Markets

Low-end outsourcing services have an expected Cumulative Annual Growth Rate (CAGR) of 26 per cent by 2010. In contrast, the global KPO market is poised for an expected CAGR of 46 per cent by 2010. The figure shown in the previous page, demonstrates the expected growth in the BPO and KPO markets over the next seven years.

3. The challenges in KPO

KPO delivers high value to organizations by providing domain-based processes and business expertise rather than just process expertise. These processes demand advanced analytical and specialized skill of knowledge workers that have domain experience to their credit. Therefore outsourcing of knowledge process faces more challenges than BPO (Business Process Outsourcing). Some of the challenges involved in KPO will be: Maintaining higher quality standards, investment in KPO infrastructure, the lack of talent pool, requirement of higher level of control, confidentiality and enhanced risk management.

Comparing these challenges with the Indian IT and ITES service providers, *it is not surprising that India has been ranked the most preferred KPO destination owing to the country's large talent pool, quality IT training, friendly government policies and low labor costs.*

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MANAGING BRANDS IN HI-TECH WORLD

Vijita S. Aggarwal*

Abstract: *Brands have to be nurtured and managed very carefully, with consistency and appropriateness being the most important elements. Any brand which is not managed well will never enjoy long term success. Managing the brand is vital in the world of technology, as the speed of change militates against consistency, which is the key ingredient in Brand Building. The purpose of this article is to determine how forces of technology are radically changing the branding, advertising and marketing environment. Consumer and employee are simultaneously shaped by the new knowledge economy. Today it is no longer the linear, process-oriented rational world of the industrial revolution and the traditional Procter & Gamble formulae for brand building are becoming increasingly obsolete.*

Introduction

The influx of technology has impacted marketing environment. To be successful in this environment companies must organize differently and as a result, the traditional companies are changing to suit contemporary world and the changes are:

- Sequential processes are changing to concurrent processes.
- Hierarchical organizations are becoming more collaborative organizations.
- Departmentalized work is more integrated work.
- Rational decision-making has given way to intuitive decision making.
- Work has changed from process driven to relatively fluid in nature.

Hence, for better Brand Management the overall environment along with all its stakeholders will have to be assessed and synergic relationships will have to be evolved. Towards the end of the article strategies have been proposed for better Brand Management in the hi-tech world. The emerging trends are as discussed hereunder:

Emerging Trends

1 Brand can be made or marred in a short time

With the advent of new communication technologies, it is now possible to spread the word, like a village drumbeat, to all corners of the world in days. The drumbeat is often carried by the users themselves – a more believable source of information in our networked society.

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Prior to the introduction of the SONY notebook, one of Sony's marketing people sent personalized e-mails to the Who's Who of technology influencers. He then gave them a chance to have a PC first, at a special price, all because they were in the know, and they were friends. These, "right people" – the digital influencers, flying around on airplanes with the cute little purple metal notebook – created a buzz everywhere they went. And so the brand awareness was created even before the launch.

Taking an example of another kind, Intel had to bow down when a small error with the floating point in its Pentium chip was found out by the consumers. Initially, Intel thought that such a small error did not matter, but the consumer discontent snowballed with more mailing and networking. Ultimately Andy Grove the CEO had to apologize personally but Intel brand equity was greatly diluted.

2 The Brand value chain is sometimes shortened

Disintermediation is often used in the context of e-commerce. While true disintermediation is not happening on a widespread basis, a shift in the type of intermediary is developing in the online branding business. Dell has no finished goods inventory. Dell learns directly from the market what the market wants. There are no middlemen, no intermediaries. If Dell detects that customers are beginning to request a specific configuration of a machine, it can plan ahead for more orders. Finally, because Dell gets paid by the people really using their machines, the company's receivables have a sterling credit rating. Customers pay just like traditional catalog shoppers and Dell has the credit before the machine is even made. Clearly, being able to configure machines to specific customers has its advantages and builds a two-way relationship alongwith shortening of distribution chains. This leads to better control on the market as well as cost savings.

3 Brand is expansive

The brand must be more expansive, not just in terms of time, but also in terms of stakeholders. It has to not only embrace a more splintered society; it must also accommodate the much more complicated group of stakeholder relationships caused by the virtual corporation. A little while ago the segmentation was demographic – e.g. the product was for women let's say 21-30 years of age. Then came the psychographic profiling e.g. "upwardly mobile trend-setters." Then came the concept of DINKS (double income no kids) and DINTS (double income no times).

But today's brands exist in a complex, fluid amalgam that encompasses the manufacturer, the distributor, the consumer, alliances, partnerships & joint ventures, employees, investors and analysts. The simple structure of "one brand, one brand audience" has been replaced by a constantly changing, flexible, sometimes multi-branded environment in which a brand must be broad enough to touch all its constituencies, yet simple enough to be understandable to all.

4 More hybrid techniques in communication

Public relations have also taken on a whole new role in brand building today. Technology companies have grown-up knowing that they are the masters of influencing the influencers. Again, this is a natural outcome of technology. MC, a well-read monthly about high-tech marketing, puts out an annual ranking of the hottest media, the top influencers, top journalists and the like. These are the kinds of people that technology companies work hard to court and to impress. It's all part of the influence-the-influencers approach.

Extending the logic to alter products, Hennessy, a brand of cognac, hired young good-looking people to sit at bars all over the country ordering a Hennessy martini drink, creating conversation about it – "the buzz". It made

the Hennessy brand cool-by creating a group of influencers.

Another vehicle for brand building in which technology companies excel is customer service. Their help lines are always busy. How customer is treated at each of these interactions is a vital part of the brand.

Intel reportedly spent $ 500 million a year in advertising to promote "ingredient branding program" called "Intel Inside". The brilliance of the strategy lay in the conceptualizing of "Intel Inside" program and its financing. If as a computer manufacturer you ordered enough Intel chips and put the "Intel Inside" logo on your advertisement, Intel would underwrite a significant portion of the media expense. The chip price stayed the same, keeping revenues and stock prices high, whereas an effective volume discount was applied to advertising.

Kaya Skin Care recently together with a resto-bar in Delhi 'F-BAR' and a leading fashion designer 'Malini Ramani' held a contest "dare to bare" in which the most bold dress plus a flawless back were to win. For this, minimal advertising was done (only some insertions in the page 3 of a newspaper) and the result was tremendous brand-building for resto-bar, alongwith the designer and skin care saloon.

Co-branding exercises of this kind are an interesting means for reducing the cost of building brands through advertising. If one can trade on an established brand name, the cost of creating one's own brand can be lesser.

5 Brand the bigger idea

Instead of branding a fleeting product, it makes more sense to brand the company, which would be around for a longer time, or perhaps a technology platform that could be carried for future products.

That's why more of the activity is being slanted toward "bigger ideas," such as "Intel Inside," "Powered by Cisco," Apple's "Think Different" Airtel's "Express Yourself" and Idea's "Stay Connected" communication programme.

The lesson to be learned now, when looking to build a brand, is that it is important to look beyond the tangible product, which is more than likely to change over time, and think about what can be the sustaining deep core of the brand, the essence, which is virtually unchanging.

6 Brand needs nurturing

Brands have moved ahead from the days when P&G first deputed the brand manager with strictly defined duties – a single person responsible for crafting the brand and managing it through distribution to meet required volume levels. In today's world of mergers, acquisitions and co-branding with at least three and may be four brands, each with their own strengths and weaknesses coming together to produce the service brand is a totally different concept.

The brand nurturer's primary role is to define the *core* of the brand, not its style or window dressing, which is likely to change with time, task, and geography. Then the brand nurturer must evangelize the brand strategy to all the constituents of the brand, all the stakeholders in the concept.

7 Brand loyalty is harder to get and maintain

Customer loyalty is increasingly becoming significant as people become more choosy and assert their right of choice. This is particularly true on the Internet where, if customers do not get instant gratification, a click will send them quickly to another site that could give them what they want. Customer Relationship Management (CRM) is becoming more important in the battle for brand loyalty, and technology is the catalyst for success in this field.

8 Brand is a financial concept

Brand equity (defined as the value of a corporation with its flagship brand names minus its value without them) is increasingly being viewed as a balance sheet item. In fact in Britain, accounting principles allow brand equity to be classified as an asset on the balance sheet. According to one opinion Marlboro cigarette brand alone represents about 40 per cent of the entire valuation of the Philip Morris Company. That is some 40 billion dollars of market capitalization attributed to the Marlboro brand itself! In the same way, when Lakme was sold, the assets went for Rs 165 crore and the brand for Rs 300 crore.

The New Brand Eco System Characteristics

1 A complex organism

Big stores like Shoppers Stop, West Side etc. rent out space to Nokia, Adidas, Reebok, Wills etc., so that the consumer experience is a blend of two or more brands. Similarly the car industry has been selling for years through a network of independent but licensed dealers.

2 An interactive system

In technology industry, a new product is often created as a result of alliances, partnerships, and various forms of technical dependencies in a very big way. Thus the brand has to reflect this interdependence. It is easy to see why, in a complicated environment like this there have to be strategic alliances, consortia and self-created regulating bodies to try to make everything work together. In a nutshell, it is the increasingly complex set of interrelationships of all of the stakeholders and brands involved in putting together a product or a service.

3 A dynamically changing organism

Just as we agreed that consumers impact brands by giving them a life of their own, so do all the stakeholders in the brand. As the brand becomes defined in much broader terms by suppliers, partners, customers, strategic allies, development partners, and investors; the way we think about the brand has to encompass a whole new structure, a 'Brand Ecosystem' that has a life of its own. Multiple constituencies complicate the brand definition.

Strategies to be followed

1 Identify all the stakeholders of the brand and begin charting the synergic relationships. One should consult not just the marketing department and product marketing people, but also sales organization to see if there is any cross-selling or informal product bundling going on, business development people who are out cutting various deals, finance people who may be involved in merger – and – acquisition discussions, manufacturing people who are likely to be putting together master vendor programs and making special arrangements to improve manufacturing cycle times, and research and development folks who may have joint development programs or licensing deals going on.

2 Appoint a nurturer to monitor changes in the composition of the system. If it is a fast-moving industry, whole landscape could change in a single quarter; it is important to appoint someone to be responsible for the process of reviewing changes to stay on top of the process.

3 Clearly articulate brand strategy – in writing. brand strategy, brand promise, brand essence, character and personality should be well thought out and articulated in writing, so that it can be passed on to all the stakeholders. That is the only way to keep brand from becoming diluted by the impact of all its other brand relationships. Brand will grow and change as it adapts to its environment, but job is to make sure that it continues to be strong and healthy.

4 Implement a brand strategy communi-

cation program for the entire Brand Ecosystem. This is to have a mechanism in place to inform all stakeholders who influence the brand going much beyond just the marketing people and the agencies. Also one needs to make sure that there is a mechanism in place to keep reinforcing the message. This should demand the same level of attention as promulgating the corporate objectives. Everyone involved in the system should be able to tell what the brand promises.

5 Make brand strategy part of all alliance contracts and agreements. Its essential to look at both the branding opportunities and problems that such alliances will generate, and take a tip from companies like Intel, whose clear vision of the Intel brand and where it was heading played a vital role in structuring the well-known and highly successful 'Intel Inside' program.

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How To Win Over Customer

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Abstract: *In this age of competition, which is further heating up because of the entry of MNCs in India, it is found that customers are becoming demanding. The companies are finding hard time in fulfilling the demand of the customers. Every company comes out with a new product or a better solution to the problem of the customers but still the loyalty of the customers towards the company is decreasing day by day. To address this problem that how and what needs to be done on the part of the company to win back the customer, various propositions are made in this article.*

In this present world, if we want to capitalize the customers, change in thinking is required called *Paradigm Shift.*

1. From a focus on gaining Market Share to a focus on building Customer Share

For example,

- A Bank wishing to increase its share of the Customer's Wallet;
- A Supermarket aiming to capture a larger share of Customer's Stomach.

In other words, Companies build customer share by offering a large variety of goods to its existing customers. They train their employees in Cross-Selling and Up-Selling.

2. From focusing on profitable transactions to focusing on Customer Life time value

There is a need now a days, to focus on most profitable customer and channels. What is needed is to estimate individual customer's lifetime value and define market offerings and prices to make a profit over the Customer's lifetime. Hence, more emphasis be placed on customer retention, keep customer in win-win situation and avoid confrontation with customer. "It is said that attracting a new customer may cost five times as much as doing a good job to retain existing customer."

Measuring Customer Lifetime Value (CLV)

Customer lifetime value describes the Net Present Value (NPV) of the stream of future profit expected over the Customer's Lifetime Purchases. It is important to make CLV estimate for different product/services.

How to do it – CLV estimate

A. Company analyze its new customer acquisition cost.

   a. Cost of Average Sales Call (including salary, commission, benefits and expenses) = Rs 3,000

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b. Average no. of Sales Call to convert an average prospect into a customer = 4.

c. Cost of attracting the new customer = Rs 3,000 X 4 = Rs 12,000.

B. Company's estimate of average customer's lifetime.

a. Average customer revenue = Rs 500 p.a.

b. Average no. of loyal years = 20

c. Company profit margin = 20%

d. Therefore Customer life time value = Rs 500 X 20 X 0.20 = Rs 2,000

This shows company is spending more to attract new customers than they are worth. Hence, company needs a way to estimate CLV for each individual customer to decide how much to invest in each customer.

So there is a need to design strategies for:

A. Creating Customers for Life.

B. Building Customers Loyalty.

C. Customer Retention.

D. Customer Repeat Purchase etc.

3. Connecting with customer

Understand how to best create value for its chosen target customer. There is a need to develop strong, profitable and long-term relationship with customer. Value reflects the perceived tangible and intangible benefits and cost to the customer. The value can be seen primarily as a combination of Quality, Services and Price (QSP) called customer value triad. "Value increases with quality and services and decreased prices." The need of the hour is to identify, create, communicate, deliver and monitor the customer value.

4. Shaping the market offering

The first market offering that is product, which is a tangible offering, must be shaped to offer good product quality, design features and improved packaging. Besides, support services like learning facility, easy finance, home delivery, repair and training etc. that can provide competitive advantage to the firm. Price asked should be made commensurate with the offer perceived value by allowing discounts, allowance, credit terms etc.

5. From focusing on the financial scorecard to focusing on the marketing scorecard

Companies of today should not only review sales revenue, rather examine the marketing/ customer performance scorecard as well, to interpret what is happening to market share, customer cross rate, customer satisfaction index, product quality and other measures. Such scorecard records how well the company is doing year after year on such customer based measures.

Norms should be set for each measure and management should take action when results get out of bounds.

Sample Customer Performance Scorecard Measures

i. Percentage of new customers to average no. of customers.

ii. Percentage of lost customers to average no. of customers.

iii. Percentage of win back customers to average no. of customers.

iv. Percentage of customers falling into very dissatisfied, dissatisfied, neutral, satisfied and very satisfied categories.

v. Percentage of customers who say they would purchase the product again.

vi. Percentage of customers who say they would recommend the product to others.

vii. Percentage of target market customers who have brand awareness or recall.

viii. Percentage of customers who say that the company's product is most preferred in its category.

ix. Percentage of customers who correctly identify brand's intended positioning and differentiation.

x. Average percentage of company's product quality related to chief competitor.

xi. Average perception of company's service quality related to chief competitor.

6. Changing the traditional organizational chart to modern customer oriented organizational chart

Such organization will have a manager at every level who will be personally involved in knowing, meeting and serving customer.

7. Conducting Customer Profitability Analysis (CPA)

Every company in this age of competition needs to understand the art of attracting and keeping profitable customer and firing its worst customer.

Pareto "Rule of 20:80" says that the top 20% of the customer may generate as much as 80% of company's profit. Therefore, it makes sense to identify these 20% of profitable customers. For this an accounting technique ABC (Activity Base Costing) can be used. In ABC the company estimates all revenue coming from the customer, less all the cost i.e. cost of making, distributing, telephone calls, travelling cost to visit the customer etc.

(Revenue – Cost) = Customer 1
(Revenue – Cost) = Customer 2
(Revenue – Cost) = Customer 3
. . .
. . .
(Revenue – Cost) = Customer N & so on

When this is done for each customer it is possible to classify customers into different profit tiers.

The company's job is to move Iron Customers into Gold Tier and Gold Customers into Platinum Tier and dropping the lead customer if it wishes to increase profitability. For these customers who bring profit to the company, best of the services should be offered with deepest discount possible. The most valuable customer can be treated in a special way like sending birthday greetings, small gifts or invitations to attend the special sports or arts event results a strong signal to the customer. To handle unprofitable customer either raise fees or reduce service support, for example, drop boxes concept is aimed to serve smaller customers and for bigger customers pick up facility is provided by the companies.

Approach to ENHANCING VALUE THROUGH Customers

I. Build a strong customer database

Derive information from this strong customer data base as regard to most profitable/ valuable customer and use them to cross sell and up sell company's products e.g. a customer of Citi Bank who has taken a loan against a car and paid the same on time with no frills attached is a valuable customer for Citi Bank. Citi Bank can cross sell their personal loan facility/credit cards etc. to such a customer.

II. Interact with individual customer to improve your knowledge about their individual need and to build stronger relationship

Give an opportunity to customer to express their problems/views relating to company's offerings. All this be done in a personalized way and this way they will become brand ambassadors of your product/services. Such brand ambassadors further add customer to your organization through referral; e.g. schools organizing parent teacher meet on last saturday on every month is an attempt in this direction.

III. Give a share of voice to customer

Invite suggestions from customers. Give an opportunity to customer to unleash their potential. This is also called *customer empowerment.* May be instead of suggestion, the customer may pinpoint deficiencies.

Their suggestion/criticism can provide an opportunity to capitalize or resulting in further growth of business. e.g. suggestion forms at McDonald restaurants.

IV. Practice the concept

Convert the stranger into friend and then friend into customer. This is possible by customizing product, services and messages to each customer. This makes customers feel satisfied and thereby increases the likelihood that any shopping question addressed to customer will be answered satisfactorily. This will help reduce the rate of customer defection.

V. Day in Life of Customer (DILC)

Ask your marketing people to spend at least 24 hours i.e. one full day in the life of customer to see what difficulty he/she faces at the time of using company's product/offering.

For example, LG asked its front line executive to spend one day with a customer and observe how many time in a day a refrigerator is opened, which portion of the refrigerator is opened, when it is opened, which portion is assessed. The results show that in a day a refrigerator is opened, for a maximum of 189 times and it is the water bottle or the vegetable section that is assessed the most. Such observation made the company to change the design of the refrigerator with vegetable section place on the top and deep freezer going at the bottom of the refrigerator.

VI. Focus on building relationship

Traditionally, companies have focused on pre-selling and selling rather than caring for customer afterwards.

Santro Hyundai says, "You drive home relationship", immediately the product is sold, customer care be started. Respond quickly and constructively to any customer complaint. Give reminder call to customer about service etc. This way the customer will do business again with the organization if their complaint is resolved.

Due to its such relationship, the company can convert the customer from repeat customer to being their partner where the customer's help can be sought in the design of new product or improving their customer services.

VII. Enhancing growth potential of each customer through share of wallets

Example 1, Rather than selling only cars through the Maruti Dealership, they also sell accessories like seat covers, stereo etc.

Example 2, At Bharat Petroleum, petrol outlets the "in and out stores" have provided answers to customer to spend their time at these outlets and personalize themselves.

VIII. Forming strong customer bonds

Also called retention-building approaches, by adding:

A. Financial benefit:

(i) Frequency Programs (FP) designed to promote reward to customer who buys frequently and in substantial amounts.

(ii) Club Membership Programs (CMP) is open to everyone who purchases a product or service and becoming a member of clubs grants some benefit like Point Redemption e.g. HP club.

(iii) Everyday Low Price (ELP) strategy is possible by increasing sales turnover.

B. Adding social benefits:

By providing 24 X 7 X 52 access facility, create customer contact point either in the form of toll free numbers or call center

where customer can personalize and discuss their problem and seek information they want. By creating a customer contact personnel, a company can add to social benefit of customer.

C. Adding structural ties:

Build structural relationship with customer. Use of strategy like:

(i) Charging less from consumer who buys large supply.

(ii) Providing free gift to customer patronizing the newspaper for 3 months and so on.

Conclusions

In the end, understand your customer well. For this the company's strengths can be:

1. The company is market focused and customer driven.
2. The company fully understands its target customers.
3. The company monitors its competitor systematically and takes steps to be ahead of competitor.
4. The company is open to looking for new opportunities through flow of idea coming from customer.
5. The company has system to track weak products and fixes them and improves processes for cross selling and up selling.
6. The company creates brand ambassador and loyal customer to use them for referrals.
7. The company makes maximum use of technology to provide a complete solution to customer like internet, websites, call center, toll free numbers etc.

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PLANNING AND DECISION MAKING: PRACTICES IN *PANCHAYAT RAJ* SYSTEM

Nidhi Srivastava*

Abstract: *The purpose of this article is to look at the planning and decision making process in the Panchayat Raj System as it is envisaged by the planners and to see if there are any distortions in the implementation stage of the envisaged model. Section I of this article describes the envisaged model of planning and decision making in Panchayat Raj System. Section II is devoted to the actual model and identification of distortions that occur in the implementation of envisaged model. The analysis was made on the basis of sample of managers chosen from government offices and people representatives at district, block and village level. The article identifies the educational background, perceived objectives and understanding of the issues and rules to these managers of rural administrative agencies like Panchayat Raj and it can be concluded that the planning and decision making in such organizations is not followed as it was envisaged at the time of inception of this system. It is also inferred by the study that people representative participation is negligible in planning and decision making process, which is an essential component of democratic structure of Panchayat Raj.*

Section 1. The Envisaged Model

The Indian planning process is considered to be guided by the democratic values. It is suggested to follow a process of synthesizing the area plans into one national plan, that is, the process of "planning from below". It suggests that National Development Council at the center should receive the plans from State Development Councils and the latter should receive the plans from the District Development Councils. Since in the context of area development the position of district level administration is crucial, it should take care of plans reaching from village through blocks. This process postulates a vertical hierarchy starting from the village *Panchayat* level or so to the National Development Council through the *Kshetra Panchayat, Zila Panchayat* and State-planning Department.

This process is based on information regarding the needs and resources flowing from below upwards and then operational plans emerging from top downwards. As per the contents of the Guidelines, the *Panchayat Raj* Institutions are supposed to be involved in the planning process at their respective levels in the entire course of formulating district level

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plans. They are supposed to frame the planning process with the interest and needs of the people.

The Guidelines envisage the assessment and evaluation of the existing situation at the first instance. Some sets of meetings are also laid down, such as, first meeting with Block Development Officers and District Level Officers for determining the *inter-se* priorities of different blocks and reviewing the performance of *Panchayat Raj* Institutions in matters of plan formulation, programme implementation and raising of local resources. The second set of meetings is related to selected farmers and entrepreneurs representing different classes and sub-regions. The third set of meetings would involve the representatives of cooperative banks, *Panchayat Raj* Institutions for discussing the institutional finance likely to be available for plan-projects. After this, the coordinating agencies, such as, the *Zila Panchayat/Collector* should appraise, revise and enlarge the "preliminary framework" in the light of these discussions.

Provisions relating to planning process in *Panchayat Raj* system in U.P. are incorporated in the *U.P. Kshetra Samiti and Zila Parishads Adhiniyam 1961*. It is provided that the *Gaon Panchayats* would formulate their respective development plans or a statement of their development needs. These plans or statements would pass on to the Block Development Officer (BDO) on his demand. Then the *Karyakarini* (Executive Committee) of *Kshetra Panchayat* would in assistance with *Utpadan Samiti* (Production Committee), *Kalyan Samiti* (Welfare Committee) and the BDO prepare the draft-plan for the respective development block. In doing so, however, the *Karyakarini* would keep in view the directives issued by *Zila Panchayat* and State Government in this regard. The *Kshetra Panchayat* would then consider the draft-plan and pass it with necessary modifications, as it deems expedient. Thereafter the plan is referred to *Zila Panchayat* where the *Niyojan Samiti* (Planning Committee) would consider it and may send back the same with some suggestions, if necessary. In case of any controversy between the *Kshetra Panchayat* and *Niyojan Samiti*, the opinion of the *Zila Panchayat* is to be sought which is the highest authority to finalize the plan document. The plan document at the district level would be prepared by the *Karya Samiti* of *Zila Panchayat* keeping in view the directives of the State Government. The document would be presented by the *Mukhya Adhikari* (Chief Executive Officer, CEO) of the *Zila Panchayat* before the *Niyojan Samiti*, which may effect modifications, if necessary. The plan document is to be placed on the table of *Zila Panchayat* by the *Adhyaksha* (Chairman) for the final approval.

The envisaged model of the planning and decision making process as it follows from the above descriptions is shown in Figure 1. The envisaged model as in Figure 1 appears to be a reasonable model. The real question is how far it remains as it is, when implemented in practice.

Section 2. Planning and Decision - Making process – IN practice

It follows from Section 1 that the main tenets of the envisaged model of the planning and decision-making process in the *Panchayat Raj* system are as follows:

1. The whole process is democratic in that people are involved at each stage from village upwards.
2. The weaker sections are actively involved in the planning and decision-making process.
3. It strives for rural development with a view to raise the standard of living of people.
4. It attempts to create awareness, initiative, community feeling and attitude as required for development with self-reliance.

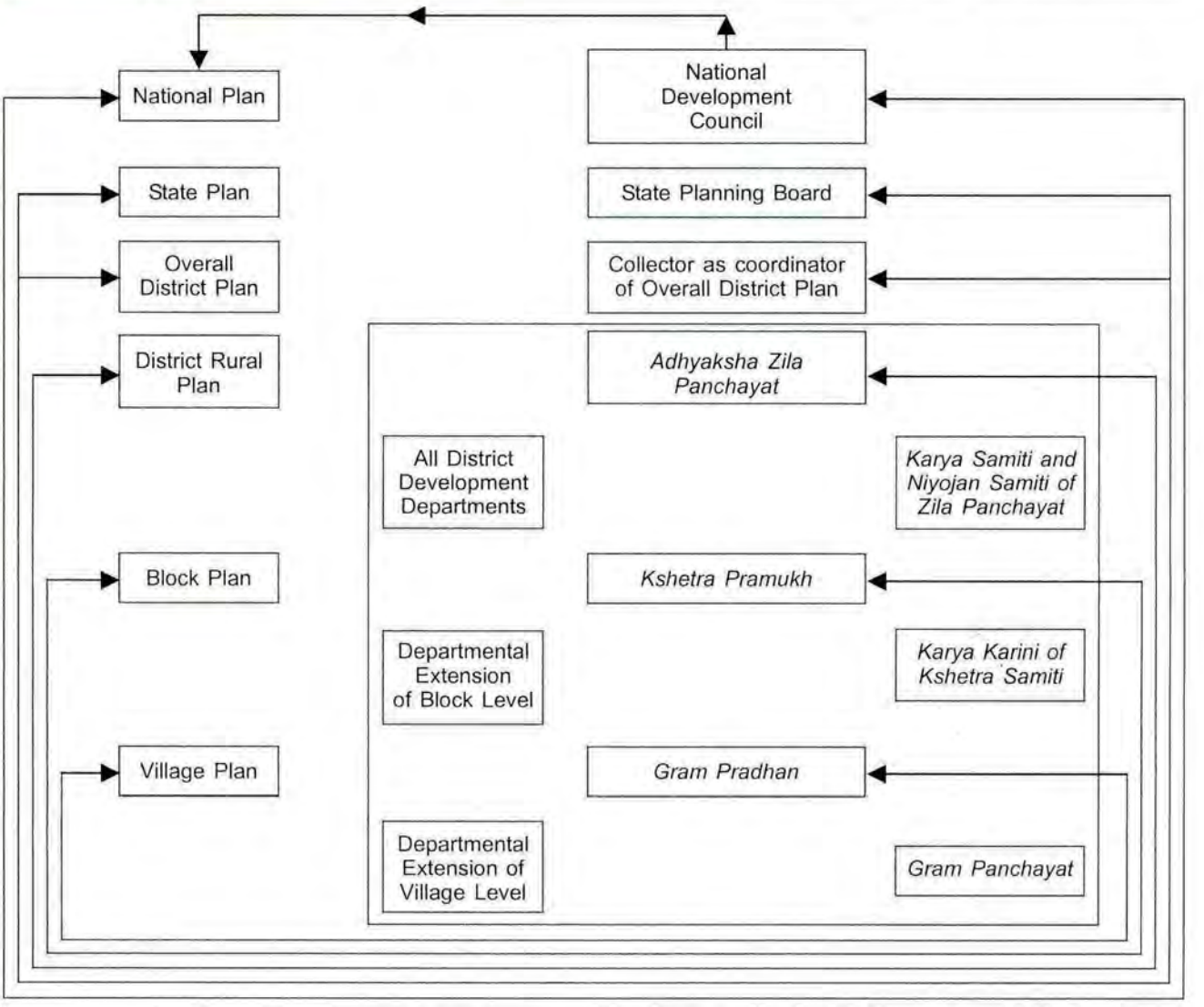

Figure 1: The Envisaged Model of the Planning and Decision Making Process in *Panchayati Raj* Institutions in U.P.

5. Proper utilization of the available manpower and other rural resources.

The first requirement of the success of planning and decision-making process is that the managers be aware of these tenets. In order to see whether the managers were really aware of these, we asked an open-ended question on how they perceived the objectives of *Panchayat Raj* system. These responses are classified in Table 1 indicating managers distributed by their perceived objective of *Panchayat Raj*.

Table 1 indicates that the managers (both elected representatives and government officers) were aware of the basic tenets of planning and decision-making process. The tenets of providing broad base to democracy and helping weaker sections of the community to participate in the management of rural affairs were covered in the objective as perceived by an overwhelming majority of both district and block level officers on the whole. However the people representative both at district and block level were not found aware of the tenet no. 2 of Table 1. With regard to proper utilization of available manpower and other available resources, the tenet was known to 100 per cent officers at both levels. With

Table 1: Managers distributed by their perceived objective

Tenets	Government Officers		People Representatives		Total	
	District Level	Block Level	District Level	Block Level	Govt. Officers	People Representatives
1. Providing broad-base to democracy	5 (50%)	35 (50%)	11 (100%)	22 (100%)	40 (50%)	33 (100%)
2. Helping the weaker section of community to participate in management of rural	6 (60%)	70 (100%)	– (–)	– (–)	76 (95%)	– (–)
3. Planning and overall balanced development of rural area and raising the standard of living	10 (100%)	70 (100%)	11 (100%)	22 (100%)	80 (100%)	33 (100%)
4. Creating plan awareness, initiative, community feeling and attitudes as required for development with self-reliance	2 (20%)	– (–)	– (–)	– (–)	2 (2.5%)	– (–)
5. Proper utilization of available manpower and other rural resources	10 (100%)	70 (100%)	5 (45.45%)	11 (50%)	80 (100%)	16 (48.48%)

Source: Primary data collected by filling up of questionnaires by the sample respondents from government officers and people representatives of sample district.

regard to tenet of planning and overall balanced development of rural area and raising standard of living 100 per cent of total respondents in the officers/people representatives showed their awareness.

A careful look at the tenets listed in the Table 1 helps classifying these in two groups. The first three, namely democracy, development and distributive justice, may be called ultimate tenets of *Panchayat Raj* system and the last two, namely appropriate attitude and resource management, may be called instrumental tenets. Now let us look at the responses in terms of these two groups. The observations were as follows:

1. Almost all the managers at both the levels and both the categories were aware of the ultimate tenets.
2. The degree of awareness with regard to instrumental tenets was low among the managers of both categories.

This gives us a clue to identity the fundamental weaknesses of the planning and decision-making process. The efficiency of planning process depends upon how well the instruments are matched with the ultimate tenets. The process that dreams of the "Ultimate Tenets" without relating these to the "Instruments" becomes sterile in practice. The lack of awareness of the instruments demonstrates the vulnerability of formulation of the planning process. Experts have expressed their opinion that in practice their occurred serious distortions in the envisaged model.

"Dubhashi" attributes distortion in the form of bureaucratic dominance. We take this issue in the present section. On the basis of information obtained from the sample we will test whether there is indeed distortions in the process and what kind of distortions are there, if at all.

Consistent with the first tenet of *Panchayat Raj* system-planning process which is democratic, most of the decisions were taken at meetings held at block and district level where the government officers and people representatives participated. But the real test of functioning is as to what happens in these meetings.

In an attempt to find out what actually happened regarding the decisions, which were supposed to be taken in the meetings, involving both categories of managers, four alternative possibilities were posed to the representatives. The representatives were asked to indicate the most frequent possibilities. The alternative possibilities and the frequency of responses are given in Table 2.

It is clear from the Table 2 that at the district level 81.81 per cent and at the block level 86.36 per cent people representatives agreed to the view that most of the decisions were predetermined and they are simply invited to attend the meeting for just a formality. A majority of district level representative was of the opinion that no discussions take place in the meeting and they are asked only for voting. If they wished to express their views it could not be possible under pressure of government officers.

Table 2: Representative distribution by their experiences of decision-making process

Type of Decision Making Situations	District Level	Block Level	Total
1. The decisions are mostly predetermined and meetings are convened for just a formality	9 (81.81%)	19 (86.36%)	28 (84.85%)
2. Decisions are arrived at through mutual discussions and voting	–	–	–
3. Decisions are at through voting but without discussions	8 (72.72%)	21 (95.45%)	29 (87.87%)
4. Most people remain ignorant of decision and ditto them without thinking over the matter	7 (63.64%)	22 (100%)	29 (87.87%)

Source: Primary data collected by filling up of questionnaire by the sample respondents from government officers and people representatives of sample district.

As for the ideal situation of decision making which envisages the process of mutual consultation and voting the response of all the respondents was negative.

More surprising was the situation where most of the respondents at the district level and 100 per cent at the block level were found ignorant of the decisions that were taken in the meetings. They confessed that their

Table 3: Managers distributed by intellectual resources

Resources	Government Offices		People Representatives		Total	
	District Level	Block Level	District Level	Block Level	Govt. Officers	People Representatives
1. Knowledge of Issues and Rules	10 (100%)	70 (100%)	4 (34.48%)	– (–)	80 (100%)	4 (12.12%)
2. Educational Achievement (Graduation & above)	10 (100%)	24 (34.29%)	7 (63.63%)	3 (14%)	34 (42.5%)	10 (30%)

Source: Primary data collected by filling up of questionnaires by the sample respondents from government officers and people representatives of sample district.

participation, in such meetings was confined to pleasing the officers by proving "Yes Man".

It is hypothesized that effectiveness of a participant in a decision-making process is a function of his/her intellectual resource possession.

We attempted to measure the possession of intellectual resources of the sample managers in terms of:

(a) Knowledge of issues & rules and

(b) Educational achievement.

The attribute-knowledge of issues was measured in terms of Yes/No categories. The attribute-educational achievement was measured in terms of categories of "Graduation and above" and "below Graduation". The information thus obtained is given in Table 3.

Table 3 reveals that the government officers were dominantly more resourceful at intellectual as compared to the people's representatives. All the sample government officers at district and block level were having knowledge of issue and rules. While on the whole only 12.12 per cent representatives had such knowledge. As regards higher educational level all the government officers at the district level were highly educated. The level of higher education at block level officers was of course as low as 34.29 per cent. Yet on the whole this second attribute of intellectual resources possession appeared more in the case of government officers (42.5 per cent) than people representatives (30 per cent). It is obvious that in the meeting where decisions were taken, the government officers dominated the elected representatives. The process was not in fact democratic in that one of the two components that is people representatives felt so as revealed by Table 2 the feeling of the representative appear to be justified in view of the officers being intellectually more resourceful and therefore being able to dominate the proceeding of the meeting.

It was then seen as to what this component of management like government officers, who tends to dominate the proceedings feels about the whole process. For this purpose the officers were asked as to what they considered most important while participating in the meeting. It was found that all the officials at district and block levels attached the highest importance to government directives. They held that they could accommodate the views of people representatives so long as these did not contradict government directives. As regards the use of own discretions, the officers expressed that they had no such option. The simple conclusion that emerges from the above discussion is that the first tenet of planning process was in fact distorted.

It was the complaint of the entire Block Development Officers (BDO) that whatever plan of action they prepare those were either substituted by other plans sponsored at higher level or if approved, the funds were so meagerly sanctioned that is was not possible to implement such plans. On being asked about the experience of respondents regarding the actual planning process adopted in their area there was a consensus among them that, "Planning from below is a thing of literature. while in practice, there is planning from above". The programmes like Adult-Literacy, *Gamodya*, Applied Nutrition, Food for Work etc. are all formulated at central level and the *Panchayat Raj* System is required to execute them. This process of planning from above has rendered this system a mere executive agency of the state government, instead of local-self-Government.

A system where government officers dominate and get pre-decided decisions approved, and the elected people feel alienated and where these dominating officers only try to follow what comes from the top as directives and do not feel to have an opportunity for their own discretion, can hardly create awareness, initiative, community feeling and attitude as

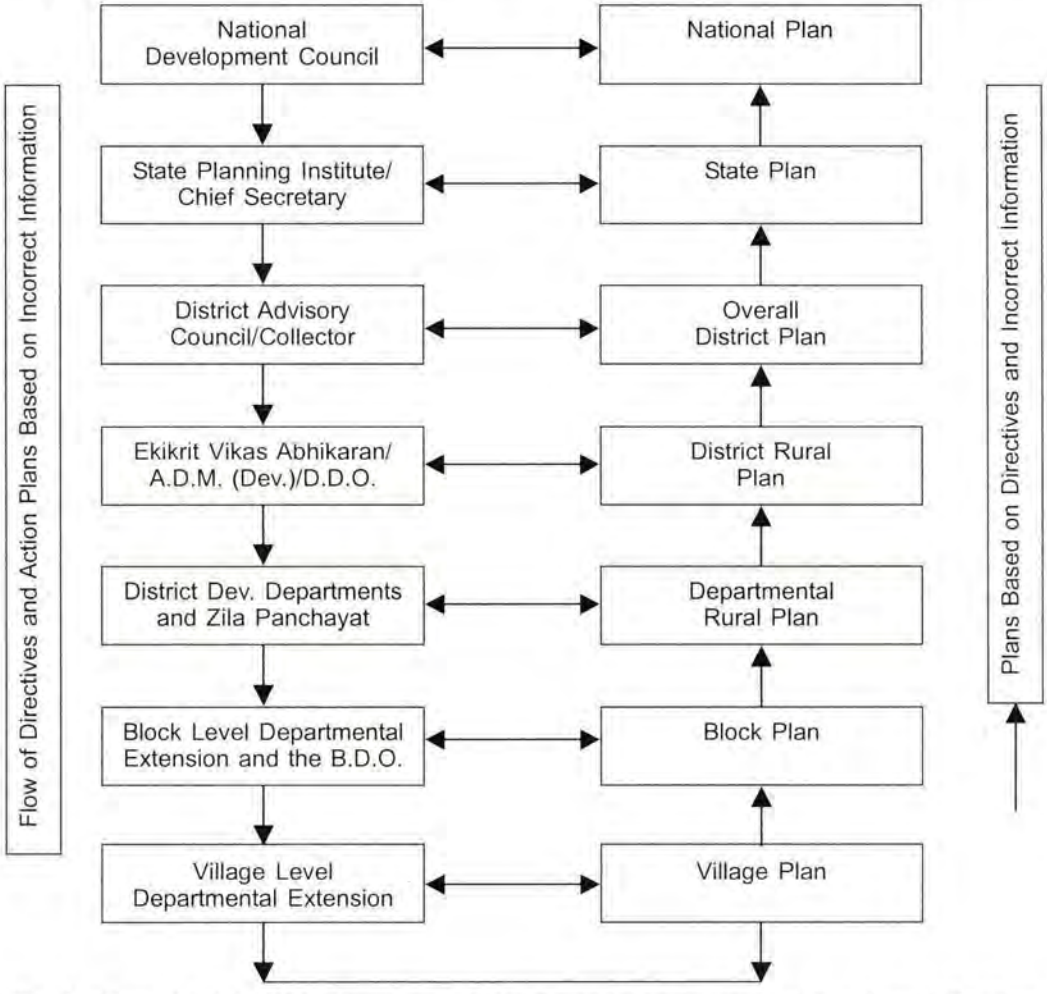

Figure 2: The De-Facto Model of the Planning and Decision Making Process in *Panchayati Raj* System in U.P.

required for development with self-reliance. The envisaged model appears to be seriously distorted on this account too. An enquiry in to actual planning & decision making procedure revealed that the Members of Parliament (MPs) and Members of Legislative Assembly (MLAs) rarely attended such meetings because they were often not present in the town (the annual reports of *Zila Panchayat* confirm this fact). The plans of action which were decided in these meetings were vehemently based on the directive issued by state government which were further passed on to the lower level officers in a meeting convened by Additional District Magistrate(Development)/District Development Officer. It can be concluded from the analysis of observations that *Panchayat Raj* System ceased to sustain democratic characteristic when it got actual planning and decision-making process. It fails to ensure people participation and is quite likely to fall in the trap of vested interests of the elite and ignore the interest of weaker sections.

The actual model that operates in the planning and decision-making process may be represented in Figure 2.

Conclusion

A comparison between the *Myth* and *Reality* models of planning and decision-making in *Panchayat Raj* System reveals several distortions in the implementation phase. While the envisaged process would imply the planning

from below and decision making based on local needs and resources, the actual process appears to have fostered the practice of planning from above. We can attribute this situation to the fundamental vulnerability in the planning process in *Panchayat Raj* System, which emanates from a very low magnitude of managers aware of the "Instrument" through which the ultimate tenets of *Panchayati Raj* could be attained. The factors which helped centralization of planning and decision making at the top were the poor participation of people's representatives particularly the weaker sections in the meetings at district and block level, the dominance of government officers over people's representative in matter of intellectual resources possession.

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TURNAROUND STRATEGIES FOR SME SECTOR IN INDIA

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Abstract: *Overall causes of Sickness in SME Sector in India as per the latest census are lack of demand, marketing problem, and obsolete technology & machinery etc. The surgical instrument cluster at Baruipur in West Bengal has been taken as a case study. The paper highlights suitable turnaround and modernization strategy to be adopted by entrepreneur.*

1. Present status of SME Sector in India

The first census for the SME Sector was conducted by the Government of India in 1972-73, the second census in 1987-88 and the latest third census in 2001-2002. According to the third census, there are 2.26 million registered units and 9.15 million unregistered units. Since registration brings benefits from the state, the government could perhaps explain why more than four times the number of registered units chose to stay unregistered. Presumably, the cost of registration outweighs the benefits.

There is a remarkable similarity in the census figure in respect of numbers of registered units working. According to the first, second and third census data there are approximately 60 per cent of registered units are working units and balance 40 per cent units are non-working.

Regarding the cause of sickness in SME Sector, the third census data indicate the following:

- Lack of demand
- Marketing problem
- Inadequate access to finance
- Non-availability of raw materials
- Obsolete process & Machinery etc.

2. Background

"Iron rusts from disuse; stagnant water loses its purity and cold weather becomes frozen; even so does inaction sap the vigor of the mind."

– Leonardo da Vinci

The new millennium has witnessed installation of a large number of Engineering and Management colleges throughout the country, producing sufficient number of professionals required by the growing national economy.

It is the high opportune time that a constructive and collaborative interface is built-up among these academic Institutes, Directorate of Industries (of states), Small Industries Service Institute (SISI) and National Small Industries Corporation (NSIC) of Government of India for working out remedies of industrial sickness, especially sickness in SME sector.

The surgical instruments cluster at Baruipur, 24 Pgs (S), West Bengal may be high

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lighted as a case example.

Late Dr. B.C. Roy, the first Chief Minister of West Bengal took interest in setting up a surgical instruments servicing center at Piyali Town, Baruipur in 1957 to render necessary services to the existing surgical instruments manufacturing units at Baruipur. Since then nearly 500 small and medium units have come up in an un-planned manner in and around Baruipur and are currently facing problems of obsolete technology, inferior raw material, poor quality products and improper marketing techniques including poor capacity utilization etc.

Against an all India market of Rs. 250 crore, the total annual turnover of all these units is less than Rs. 5 crore. Quality wise, these units are finding it difficult to compete with those from Jalandhar and Cochin and also from Sealkot in Pakistan.

Currently, the surgical instruments sector is growing at 20 per cent per annum in India due to enhanced emphasis on healthcare programs by the state governments including private entrepreneurs.

This paper highlights the problems being faced by the entrepreneurs of surgical instruments manufacturing and marketing at Baruipur, West Bengal including their deficiencies and shortcoming and suggests suitable "Turnaround and Modernization" strategies.

These strategies are discussed with NSIC and SISI authorities who would take due care in implementing them without any loss of time to provide the following benefits.

(i) Overall economical improvement for 500 entrepreneur families engaged in the surgical instrument cluster.

(ii) Improvement in the direct and indirect employment generation in and around Baruipur.

(iii) Saving of precious foreign exchange through import substitution.

(iv) Easy availability of surgical instruments for all hospitals, nursing homes and healthcare units for the eastern states of India including the reduction in inventory holding costs.

3. Recommended Strategies

Purposeful collaboration among surgical instruments manufactures

Collaboration has become the most important concept in business. Collaboration is more profound with companies understanding that to succeed in a competitive environment partnership with all related businesses increases profitability and growth, thanks to the synergy effect. Synergy is the concept that the whole is greater than the sum of its parts. Organizational units working together can accomplish more than those same units working alone. Such collaboration is to be built up after careful consideration of the SWOT Matrix concept.

4. Suitable strategies for the "Introduction Stage" of product life cycle

- Create product awareness through visits and pamphlets and use maximum efforts to entice trials as means of sales promotion.
- Price is to be initially cost-plus and progressively transform into value-based pricing strategy. Improve distribution system through dedicated retail outlets. If necessary, reduce price to attract price sensitive customers i.e. Govt. Hospitals and Health Centers and those belonging to Charitable/Non-profitable-Institutions including NGOs.
- Avoid credit sales, as far as possible.
- Assign marketing costs to different segments of marketing functions.

5. Others Strategies

(i) *Establish common manufacturing facilities such as Mechanized forging, Machining and Electroplating/Electro polishing* suitable to match the total requirements of all the present manufacturers considering an expansion and growth rate of 20 per cent a year for the next five years.

(ii) For some surgical instruments, it is possible *to eliminate some processes without affecting the product quality or reliability.* Savings in time and tooling are often great and can substantially improve the competitive advantage. In some applications, this approach may add value to the product through performance improvement of the part. Cost savings are not only achieved by the elimination of certain operations and associated machinery and tooling but also by the elimination of processing defects.

(iii) *Establish ITI type Training Center* for developing and up-grading the skills of existing manufacturers.

(iv) The importance of *performance management is to be stressed upon,* since that is needed for an improvement to occur. This is important since without an assessment and feedback about the present work, it would be difficult to focus on the areas of improvement for future.

(v) *Customer relationships count,* therefore the value of present and future customer relationships will determine the value of the company. Customer experience matters therefore the feelings customers have determine their loyalty.

(vi) *Logistics, transportation, inventory management and product delivery* are some of the important areas which should be carefully managed. Adding internet as one more channel to market products has definite advantage.

(vii) However, for any strategy to work, *commitment to the cause is important.* There should be a definite objective, specific goal, which can invoke a commitment. People will commit to a cause only if they believe that the goal is worth while and important and also there is appropriate leadership during the strategy implementation period.

(viii)A good turnaround strategy is built on *three aspects of physical, mental and moral forces.* The physical force is the physical strength or resource, the mental force is the knowledge and the moral force is the attitude. The combination of all these three acting as one force would yield results.

6. The balanced score card as a strategic management system

The balanced scorecard translates a business unit's mission and strategy into a set of performance measures that provides the frame work for implementing the strategy.

The objectives of the balanced score card are more than just an ad hoc collection of financial and non-financial measures; they are derived from a top-down process driven by the mission and strategy of the unit.

The measures incorporate a balance between outcome measures and the measures that drive the future performance.

Balanced scorecard is thus a set of measures that gives top management a fast but comprehensive view of the business unit. The four perspectives of the balanced scorecard are as follows:

- The Financial Perspectives i.e. survive through cash flow, succeed through quarterly sales growth and prosper through increased market share.
- The customer perspectives, i.e. how do customers see the business unit-quality goods and services, prompt after-sales service etc.

- Internal business perspectives i.e. technological capability and high productivity etc.
- The learning and growth perspectives i.e. continuous improvement and value creation. The organizations should highlight the major goals for each of the four perspectives and then translate these goals into specific performance measures.

7. Mc Kinsey's 7S Frame work CRITERIA FOR SUCCESS

McKinsey Inc. a world renowned Management Consultancy firm based in USA had developed 7S frame work to diagnose the causes of organizational problems and formulate programs.

According to the company, the problems of sickness of a business unit can be analysed and remedies can be recommended by studying the following:

- Structure: Organization structure is clearly defined without any ambiguity.
- Strategy: Strategy includes purposes, mission, objectives & goals including major plans and policies. Execution of strategies should be given higher priority than their development.
- Systems: These are procedures and methodologies to be followed by all functional areas personnel.
- Style: Even though organization style conforms to the personality and style of the Chief Executive, the key personnel should be warm, aggressive, friendly, open, innovative and loyal to the organization.
- Staff: Staffing involves selection and placement of right person for the right job. The job profile needs to be continuously updated. Hindustan Lever's marketing skill, P&G's product development skills and IBM's system development skills are well known world wide.
- Super-ordinate Goals: These are organizational objectives. McKinsey considers these as a set of values and aspirations that goes beyond the conventional and formal statement of corporate objectives.
- Skills: The organization needs to identify:

a) What it is best at doing.

b) The dominating attributes that makes the organization good.

c) The capabilities in relation to creating and delivering products and services efficiently.

McKinsey's 7S frame work are considered seven important levers which should be combined well directed for turning-around a sick organization.

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TRENDS IN INTERNET BANKING

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Abstract: *The Internet is transforming the banking and financial industry in terms of the nature of core products and services and hence the adoption of aggressive expansion in internet banking which has received significant attention of customers. On the other hand, perceived ease of use, perceived usefulness, perceived risk, trust, security & privacy concerns and cost structure are other determining factors affecting consumers' adoption of internet banking. The study focuses on issues such as security, site user-friendliness, online help and incentives to bank online. All banks under study offered a full line of internet services ± basic banking services, stock and bond trading, loan applications, consumption & student loan decisions, electronic bill presentment, international payments and electronic salary presentment etc. Descriptive statistics and analysis-of-variance techniques have been employed to gain insights into the extent electronic banking services, the potential of electronic banking, the potential of internet banks and the current level of internet transactions by customers. Research instrument gathers information about banking habits and Internet usage. Banks have to publicize their improvements in internet banking. Banks should conduct regular and accurate marketing research or they would have identified tertiary institution employees as a profitable niche market for online banking.*

1. Introduction

Many banks have moved from a bricks-and-mortar format to a clicks-and-mortar format, whilst others have adopted a more conservative approach and have both a physical and a virtual presence. There are virtual banks, such as Egg in Britain (*Business Report*, 2000), Security First Network Bank in America, and Enba in Europe (Goldfinger, 2001), which only exist on the Internet and there are banks which have a physical presence but offer most of their services online.

Till recently, customers physically had to go to a bank branch to deposit or withdraw money and get a bank statement book manually updated by a teller over the counter. After having cash dispensers and Automated Teller Machines (ATMs) that revolutionized withdrawals, deposits and even transfers

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providing mobility in much wider geographical areas, we now have phone banking, mobile banking and internet banking. These new opportunities and challenges have meant the rise of new competition in the global banking market (Suganthi, Balachandher and Balachandran, 2001). The Internet is transforming the banking and financial industry in terms of the nature of core products and services (Sathye, 1999) and hence the adoption of internet banking by the customers have received significant attention of the researchers (Bruene, 2001; Guru et al, 2000; Polatoglu and Ekin, 2001, Yoonhee, 2005; Singh, 2001; Shergill, 2005).

Though the annals lack studies on consumer behavior regarding technology adoption with regard to banking in Indian context, it is argued that due to customer inertia and risk aversion amongst internet users, is simply a pre-emptive action by banks.

Past adoption studies suggest that adopters of new technologies are more upscale, better educated, and younger than non-adopters (Atkin, 1993; Atkin & LaRose, 1994; Dutton et al., 1987; Garramone et al., 1986; James, et al., 1995; Rogers, 1995; Leung & Wei, 1999; Li & Yang, 2000; Lin, 1998). This is because (a) higher education enables people to be more aware of benefits of technology, (b) higher income allows people to afford new technologies, and (c) young people are adventuresome in trying new innovations (Atkin et al., 1998; Rogers, 1995, Garramone et al., 1986; Lin, 1998) have also reported in their studies that the adopters of computer bulletin services were younger and better educated than non-adopters. Leung & Wei (1998) obtained similar results in their study of iTV adoption in Hong Kong. Jeffres & Atkin (1996) found that income and education had an inversely weak relation with interest in adopting specific Internet utilities such as sending or receiving messages and ordering goods, even when the Internet was still in the early stages of diffusion. They argued that those applications may be less expensive substitutes for functions performed by traditional media, and that communication needs were more explanatory than social categories.

In their further study of Internet adoption, Atkin et al. (1994) found that a young, educated, and affluent adopter was typical in the early stage of diffusion. However, according to Rogers (1995) predictions, demographics tend to be less important when the innovations have reached critical mass on their diffusion curves (Atkin, 1993; Atkin & LaRose, 1994; Lin, 1998). For example, Atkin's (1993) study found that when cable TV had penetrated more than 60 per cent of US households, demographics had less predicting power than other variables in predicting subscription to cable TV. With differences in social, political, cultural and economic context from those in the West, the Internet in India became popular in the late 1990s and is presently still in the early stage of diffusion and hence the socioeconomic variables may be considered as the important indicators of internet use.

Adoption of innovation has a well-established research tradition. Rogers (1983) suggested five important characteristics of an innovation that influence its adoption. These are relative advantage, compatibility, complexity, observability and triailability. Davis (1989) on the other hand, considered perceived ease of use and perceived usefulness as determining factors for individual's acceptance of a technology. Taylor & Todd (1995) posited that intention to adopt and use a technology is affected by attitude, subjective norms and perceived behavioural control.

The studies thus have looked into the drivers and inhibitors of consumers' internet banking adoption and usage. Some studies have also introduced perceived risk, trust, security & privacy concerns and internet banking cost structure as additional variables affecting consumers' adoption of internet banking.

Many studies have postulated that Internet use is positively related to the users' assessments of the credibility of the Internet.

Researchers often tried to determine how internet users perceived characteristics of innovations. Lin (1998) found a set of four motivations: resources, complexity, advantages, and need for innovativeness. She concluded that along with the cost issue to resources, factors such as whether a person perceived the innovation as complex, useful, relatively advantageous and had strong novelty-seeking motives, may affect willingness to use or adopt the innovation. It can be seen that the perception of innovations exerts important influences on their adoption.

The aim of this study was to determine as to how internet services are being used in the banking so as to delineate the trends. Obviously, the study concentrated on who banked online, how often they banked online, why they banked online, and what online services they used. The study focused on issues such as security, site user-friendliness, online help and incentives to bank online.

2. Research Methodology

The sample of the customers of SBI, PNB, ICICI, HDFC belonged to all quarters of the metro city of Delhi. All banks offered a full line of internet services ± basic banking services, stock and bond trading, loan applications, consumption & student loan decisions, electronic bill presentment, international payments and electronic salary presentment. The data included for final analysis belonged to 200 customers collected by means of a questionnaire using the banking internet services in the state of Delhi.

Descriptive statistics and analysis of variance techniques have been employed to gain insights into the extent of electronic banking services, the potential of electronic banking, the potential of internet banks and the current level of internet transactions by customers. The research itself is thus exploratory in nature.

The questionnaire consisted of three sections: Section 1 gathers information about banking habits and Internet usage. Section 2 consisted of two parts. The first obtains views on feelings about the Internet and the second asked respondents about their feelings towards the use of Internet banking. The third section gathers demographic information.

3. Findings

Table 1 summarizes the demographic differences between non-users and users of internet banking:

Table 1: Demographics of users and non-users of internet banking

Group	Characteristics
Non-users	Relatively old – 66% more than 45 years Moderately educated – 68% were mere graduates Low household income – 73% had annual income of less than Rs. 1 lakh.
Users	Relatively more educated, Possessed Post Graduation Degree, Blue Collar workers (34%) Annual income more than Rs 2.00 lakhs. Relatively young – 88% were less than thirty Married – 59%

The usage of internet banking services were relatively new amongst the users and most people used the services for inquiring the account statement, for making public utility payments, for seeking loans, for paying school fee, for checking debit/credit cards applications and so on. The frequency of internet access has been ranging from weekly to fortnightly.

Internet banking is still a relatively recent phenomenon, especially in India. A number of banks in India are considering going on-line. However, the wider diffusion of internet banking and its business value depends on

customers' internet banking acceptance. In this study, we have illustrated some of the factors that drive and inhibit internet banking adoption and that affect its usage.

Table 2 shows the length of internet banking use and the most frequently used internet banking services.

Table 2: Internet banking use

Length	Service	Percentage
Duration of Internet banking use	< 6 months	36%
	6 months to 1 year	48%
	> 1 year	16%
Frequently used internet banking service	Account statement enquiry	88%
	Pubic utility payments	76%
	Loan application	48%
	Paying school fee	40%
	Debit or credit card Application inquiries	40%
	Complains for non-receipt of cheque	32%
	Fund transfer	24%
	Bill payments	30%
	Cheque book order	12%
	Debit/credit card lost informing	8%
	Cheque stop order	8%
Frequency of internet banking use	Daily	4%
	Bi-weekly	12%
	Weekly	24%
	Fortnightly	36%
	Monthly	12%
	Once in a while	12%
Internet banking access	Home	48%
	Work place	36%
	Internet cafe	16%

The relatively short history of internet banking in India and the limited sample size of the study don't allow generalization of the results. Hence, the findings could only be considered as preliminary and should be explored further with a more rigours study.

A total of 63.5 per cent of the respondents had computers: 83 per cent at home and 41 per cent at the workplace as well (using for banking was a different issue). The proportion with Internet access was 57.8 per cent. Over 83 per cent of the Internet users used online banking services often or always. Only 10 per cent of those with Internet access used it for banking rarely or never and 7 per cent with Internet access had never tried internet banking.

The internet is not greatly used for investment transactions to date: 56 per cent

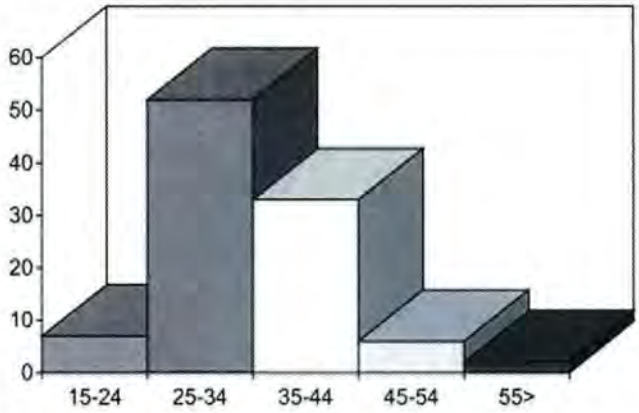

Figure 1: Age distribution of internet bankers

had never used investment services via the internet. These results suggest that there is a real need for internet-based financial service delivery.

4. Who is banking online?

Of the respondents who banked online, 59 per cent were male and 41 per cent were female. The age distribution, as shown in Figure 1, clearly shows that the 25-34 (52 per cent) group banks online more than any other age group. They are followed by the age groups 35-44 (33 per cent), 15-24 (7 per cent), 45-54 (6 per cent), and 55 and over (2 per cent).

5. Where and how often are customers banking?

The ATM is still the preferred means of banking for respondents, with 92 per cent indicating that they used ATMs for most of their banking. The frequency of ATM usage was 49 per cent monthly, 34 per cent weekly and 17 per cent daily. As mentioned earlier, 31 per cent use the internet for banking. The

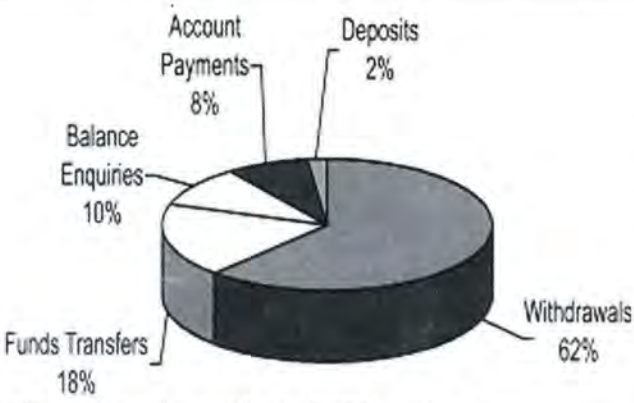

Figure 2: Average ranking of ATM services used

frequency of internet banking usage ranges from 59 per cent monthly to 29 per cent weekly and 12 per cent daily. It is clear that banking is a monthly activity, and would correspond with people's paydays. The reason for the extensive use of ATM is their ability to dispense money.

6. What banking services are customers using?

ATM services

ATM users used the technology mainly for withdrawals (62 per cent). The other uses included fund transfers (18 per cent), balance enquiries (10 per cent), account payments (8 per cent) and deposits (2 per cent) (see Figure 2).

Account payments are a major source of frustration for individuals because they have to stand in queues, or they have to post cheques, which are sometimes not credited to their accounts or are credited late and attract interest. However, only 8 per cent of respondents chose to pay accounts electronically via ATM. The reasons cited for not paying accounts by ATM included that customers did not know how to use the service (83 per cent) or did not know the service existed (10 per cent) or that beneficiaries did not have facilities (3 per cent) or other unspecified reasons (4 per cent).

Deposits only accounted for 2 per cent of ATM transactions because 100 per cent of the respondents received salaries electronically into their accounts. Those who made deposits into their accounts did so because they received payments other than salaries, by cheque or cash.

7. Internet services

Respondents who banked online, 39 per cent used the service for inter-account transfers, 27 per cent checked their balances or statements, 20 per cent paid accounts or beneficiaries, 14 per cent communicated with their banks and none invested online (Figure 3). These statistics are closely related to the Webchek (2002) survey, where it was found that customers used

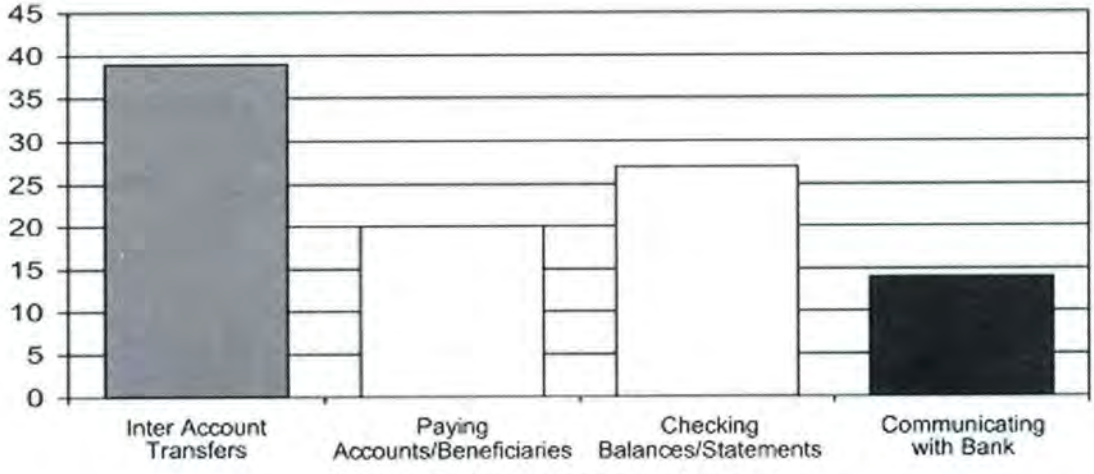

Figure 3: Internet banking services used

internet banking to view accounts, source information and make third-party payments.

Internet bankers used all the services available except investment services. The main reason given for not investing online was the need for personal information from a consultant (93 per cent). Other reasons included lack of knowledge and "my bank does not offer the facility". All respondents indicated that they were aware of all the internet banking facilities as they were well-communicated offline in brochures and online on the banking site. Those who communicated with their banks were dissatisfied with the time it took to get a tangible response. This is strongly related to the research by Outwater (2002).

Interestingly, the internet was the most popular mode of payment among the respondents. It was found that the importance of the different factors varied between customers. *Social contacts*, *ease-of-use*, *price*, *speed* and *security* seemed to be important for non-users.

Usually, visiting bank branches is considered time-consuming due to long queues. Therefore, electronic banking users are not

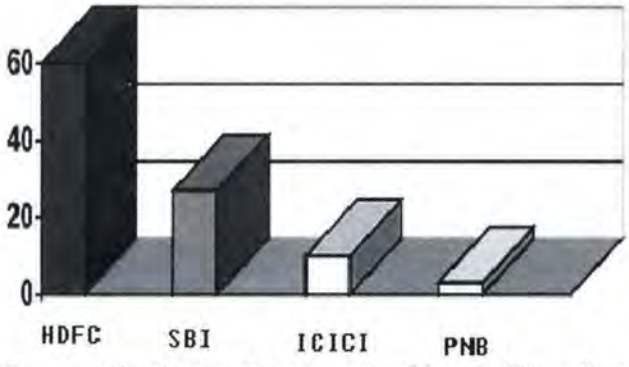

Figure 4: Institutions' Internet banking facilities that were most used

eager to queue at branches. The question of loyalty still remains. On the basis of these results, we might claim that non-users are more loyal to their bank than users, since non-users placed more weight on the bank's name and contacts with the banking personnel than users did. However, more evidence on this issue is needed.

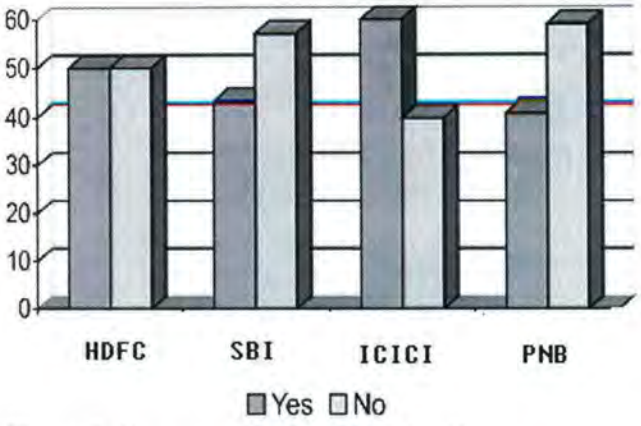

Figure 5: Customer rating of site friendliness

8. Which institutions internet banking facilities are used?

HDFC bank customers used their institution's Internet banking facilities most (60 per cent), followed by State Bank of India (27 per cent), ICICI Bank (10 per cent) and Panjab National Bank (3 per cent) (see Figure 4). HDFC bank and State Bank of India have been the most visible regarding Internet facilities. This would account for the higher usage of their facilities.

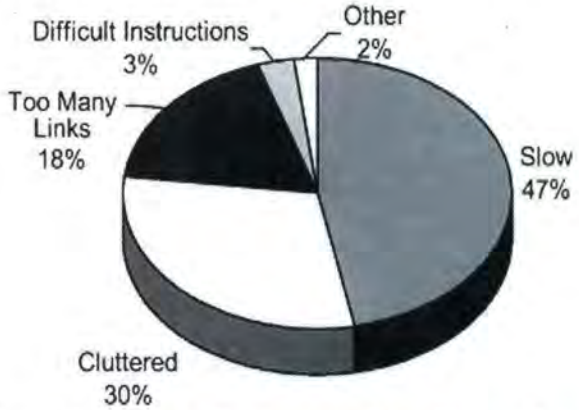

Figure 6: Factors affecting user friendliness of sites

9. User-friendliness of sites

Only ICICI Bank's customers were happy with their institution's site, with 60 per cent favoring the site for its user friendliness (see Figure 5). HDFC customers were split equally

on site friendliness. Of State Bank of India bank's customers, 57 per cent were unhappy with site friendliness, whilst 59 per cent of Panjab National Bank's customers were unhappy with their site.

Figure 6 illustrates the factors that annoyed the customers most about their bank's web sites, were slow loading time (47 per cent), cluttered sites (30 per cent), too many links (18 per cent), difficult instructions (3 per cent) and other unspecified reasons (2 per cent).

Slow sites are a major problem. Internet connectivity is dependent on media lines, which are relatively slow due to a mix of copper wire and fibre optic links. Dial-up connections add to the user's costs. Therefore, any savings achieved by banking online is used to cover telephone expenses. Furthermore, if customers are waiting too long they will simply leave a site.

Users with poor eyesight have difficulty in reading cluttered sites. As a result they may click off a site if it is difficult to find relevant content. Links to other pages or sites can be annoying and they also add to the cost due to the extra time needed to reach relevant information.

10. Why are customers not banking online?

The respondents who did not bank online offered the following reasons for not doing so:

- unsafe transactions (47 per cent);
- do not have the knowledge to bank online (33 per cent);
- time consuming (10 per cent); and
- more costly (10 per cent).

The fear of unsafe transactions is understandable based on the findings of Hickman (2000) that credit card fraud is growing. Goldfinger (2001) has highlighted the fact that security is a major obstacle to Internet banking. Webchek (2002) also reported that there is a perceived lack of safety of online transactions. To bank online requires one to have the knowledge of transacting online, what buttons to click and what to do when a transaction is in progress. Although most of the online bank sites have tutorials on how to use Internet banking, users wanted this

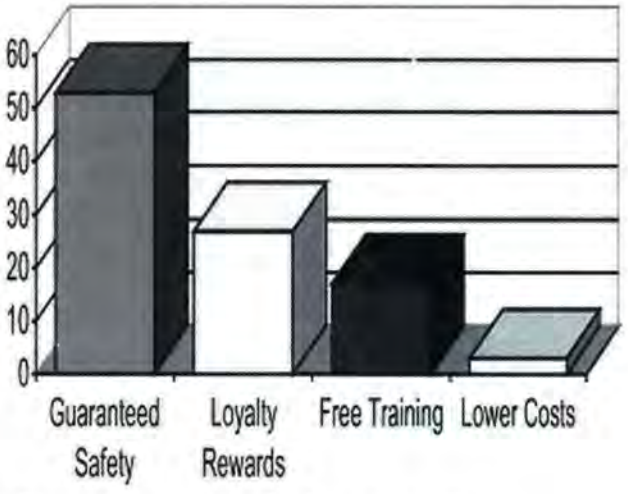

Figure 7: Incentives for banking online

knowledge in advance. Slow dial-up connections slow down online banking, especially when downloading secure Web pages. The cost of paying an Internet service provider adds to the cost of the online transaction. A positive note for online bankers is that the respondents who did not bank online were all willing to bank online if the criteria shown in Figure 7 were met.

Potential online bankers do not just want safety – they want guaranteed safety (53 per cent). Loyalty rewards (27 per cent) are high on the list of priorities, whilst free training (17 per cent) was not as important, even though a large number of respondents did not have the knowledge to bank online. It is clear that the cost implications (3 per cent) were not a major issue for Internet bankers, as it was not seen as something that banks could do to get them online. Based on the results of this study it is evident that the majority of Internet users are

not banking online. Their reasons are also valid. They have also shown a willingness to get online.

11. Results

Age, education, income and profession are the most influential demographic variables affecting Internet banking usage. Most of the differences between the groups were found in the importance rating of the categories social contacts, free from time & place and bank's name. The interpretation of the results is obvious while non-users seem to value social contacts, users tend to appreciate free from time and place and speed. In other words, users do not hunger for traditional branch banking.

The results also suggest that electronic banking users are price sensitive as non-users are. Cost of the mode of payment was most important for non-users.

Success or failure in Internet banking is greatly determined by the integration of technology infrastructure with the business processes. The Indian experience suggests that multi-channel strategy is most viable with different channels complementing each other and catering for different needs of the customers. A critical factor for changing customer behavior is a feeling of comfort and security.

Indians are generally not very technology prone and the small size of the market gives poor conditions to experiment with new solutions.

The Internet banks also serve as gateways offering identification and authorization services to a number of third party service providers. There are user-friendly opportunities for conducting business over the Internet with telephone companies, electricity distribution companies, tax board and other institutions. Demand for those services also influences the usage rates of internet banks. This increases the benefits of internet banks for the consumers and is a win-win situation for the banks and service providers.

The reasons behind the success of electronic banking in general and more specifically Internet banking are complex. It is clear that banks activities alone may not be sufficient in achieving growth if general infrastructure, economic environment and government initiatives are not supportive. Although the usage levels of Indian Internet banks are remarkably less compared to the other economies and comparable to the adoption rates in the developed countries, it is clear that a potential for further growth still exists. One of the main reasons why the user base cannot grow is the limited access to Internet among some customer groups and the growing digital divide. This means that unless specific measures are employed on a state level, the activities taken by banks are not so significant. However, banks have also found possibilities to contribute to improving internet access and user skills by participating in training projects and supporting public internet access points. The other big group of non-users is those who use Internet but are not using Internet banking.

This is all indicative that across different populations, perceived relative advantage has a positive influence on the adoption of Internet banking and that internet users who feel that Internet banking is compatible with their values are more inclined to adopt.

Users who are more experienced at using the Internet are more likely to adopt than those who have not had much exposure to internet. There was no evidence to suggest that the more banking products a respondent was currently using the more likely he or she was to use Internet banking. The users who are confident of their abilities to use Internet banking are more likely to adopt such services.

The results of this study indicate that usage of Internet banking is strongly affected by subjective norms. In other words, opinions of friends, family or peers are highly regarded as an important factor when deciding whether to adopt Internet banking services.

It is clear that Internet users are hesitant to bank online unless they can rely on their bank's site. Banks have to constantly improve their online security. According to Singh (2001), improving online security is not enough: banks have to publicise their improvements through the media in order to increase consumer confidence. Some of the measures that are available to banks include secure socket layer encryption methods to protect data being transmitted from the bank to the customer and vice-versa, regular upgrades of firewall hardware and software and digital signatures. Banks use digital certificates to assure customers that the site they are visiting is a bona fide site and that the transactions are secure.

Similarly, banks need to be assured that the person on the other side is their customer. Therefore, customers should be able to append a digital signature as a measure over and above the use of a password. HDFC bank have taken great steps to ensure that they are transacting with a *bona fide* customer by introducing a "double lock" system that asks for a PIN, followed by a password. But are all online customers aware of this?

A major challenge for all web site designers is creating a balance between aesthetics and functionality. All designers want their sites to be vibrant and exciting and tend to load the site with colors, pictures, flash animations, sound and links to other sites. These features, although very exciting, hamper the functionality of the site. Rather than doing what was intended, i.e. conducting business, the aesthetics slow down the transaction and annoy the user, with the result that they will click away. A well-designed site will have simple pages that load quickly and contain only relevant information that is easily read. While using links, customers wait for the page to be loaded. When no action is detected, customers think that the site is not functioning and click away. Either links should be minimal or the customer should be informed of the progress of the loading of new pages. An alternative to balancing aesthetics with functionality is designing a site where the user can turn off all artistic features such as graphics, pictures, sounds and flash animations, making downloads faster and cheaper.

For those with an aptitude for computing, Internet usage is simple. However, for many users, the fear of the unknown and the exposure of their private data to the world would be most threatening. Therefore, banks wanting to grow their Internet service usage should train their customers to use their online facilities. Institutions such as universities have the infrastructure available, and sessions could be held for bank customers using either the banks' trainers or lecturers who have been trained as trainers. Fictitious accounts and "play" money could be used to simulate online banking.

Training should not be restricted to current customers. Banks need to educate the potential market. Once again, universities and training centers of the individual banks play a major role in supplying new customers to banks.

Unlike the foreign countries, the effectiveness of loyalty awards in Indian economy is debatable. However, 38 per cent of the respondents in this study wanted to be rewarded for using Internet banking. Banks could allocate a portion of the savings they enjoy from customers using Internet banking and award them as incentives. The rewards may be financial or even non-financial. Some ideas that could be to award points that could be redeemed for products/prizes, entry into a competition that carries a large financial prize.

Internet transaction costs are currently lower than in-branch or ATM transactions. Lowering charges any further, where it is considered to be a substantial saving, can only become a reality if Internet banking has the effect that the number of branches and branch staff can be reduced.

12. Conclusions and Recommendations

In light of above, we conclude that, in India, due to the small Internet population and the large population that relies on bricks-and-mortar banks, it may not be possible to reduce bricks-and-mortar overheads to a level where Internet savings are substantial for customers and banks alike. However, customers seem to feel that the cost that affects them is not the transaction cost, but the connection cost (and even the annual cost that the bank charges for inter bank transactions). Therefore, all banks should tie up with local service providers (as Reliance or Spice or Hutch) and should see that registered customers are not charged while they access the bank's site.

All banks should have online help in the form of Frequently Asked Questions (FAQ) pages or a call centre that could respond to e-mail queries from customers. The fact that someone is listening and holding the customer's hand through transactions at night, or any other time of the day, is very reassuring.

Banks were not conducting regular or accurate marketing research or they would have identified tertiary institution employees as a profitable niche market for online banking. Banks need to develop products and services that appeal to this niche market and communicate this to them using online and offline promotions, such as press advertising, advertising in institution brochures & magazines, pamphlet distribution, lunch-hour talks and billboard posters.

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E-Governance Initiatives: A Critical Analysis of State of Haryana

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Abstract: *Information and communication technology has become a major issue and opportunity for most countries and regional and local governments. Central government as well as state government have aken several initiatives to implement e-Governance projects. Central government has approved the National e-Governance Action Plan for implementation during the period 2003-07, for creating an institutional framework for the same and has also identified over 20 Mission Mode projects at central and state levels to be taken up under the plan. The study focused on various aspects such as: Opinion and attitude towards IT, Information available on government web-sites, Opinion about present way of governance, Opinion on e-Governance, Priorities of services to be implemented via e-Governance mode and opinion on various aspects of ICT and governance. The data was collected through wide cross stratum of people, astute and having different demographic profiles. Data has been analyzed with the help of a popularly used structural statistical package known as Statistical Package for Social Sciences (SPSS), for generating frequency tables and performing cross tabulation with count of cases, row and column percentages. Based on the above structural analysis, inferences have been drawn supported by quantitative data from the respondents. These inferences will help the government to reengineer their services to make them more effective, to achieve higher level of satisfaction among general public.*

1. Introduction

Haryana was selected for the purpose of conducting the present study because almost same system of governance is replicated in other states of India. So, Haryana may be considered as representative of all the states in India. The penetration of Information and Communication Technologies (ICT) in all facets of human existence is leading to changes in the way humans interact within the society and the way societies involve individuals in the evolution process. Societies are increasingly getting transformed to knowledge societies and its inhabitants into Knowledge Networks who are more informed of the events happening

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locally and globally. Their actions are based on strong foundation of knowledge, which is universal, objective, timely and triangulated from various sources. The people are becoming more aware of their rights and opportunities that lie ahead of them and are developing capabilities to make an informed choice in all areas, which influence them, including the sphere of governance.

During the last few years there have been major initiatives among different governments towards ushering in Information Technology and its tools in the functioning of government. The emphasis has been on providing better services to citizens and in improving the internal productivity. It has been widely accepted that IT implementation in government is the most difficult process and hence requires careful planning and formulation of strategies for effective implementation.

In developing countries like India, non-plan expenditure is increasing day by day. government is unable to provide prompt services to its citizens. Existing rules and procedures are lengthy and outdated so there is an urgent need for reengineering of existing procedures in government departments. IT can provide speedy information to its citizens, improve public services and improve administrative efficiency. The power of IT is being leveraged to act as an enabling tool for delivery of information and services. This capability has redefined the fundamentals and changed the institutions and mechanisms of delivery. This paradigm shift is characterized by Citizen and Business focus integration. This has, in turn affected the process of governance and caused a fundamental shift in the concept, manner and method by which the state has to deliver its services. This new practice of administration of people has developed into the concept of Electronic Governance or e-Governance.

e-Governance or Electronic Governance may be defined as delivery of government services and information to the public using electronic methods. Electronic Governance is the application of Information Technology to the processes of government functioning to bring about:

- Simple,
- Moral,
- Accessible and Accountable,
- Responsive, and
- Transparent Governance.

This is referred as SMART governance. The e-Governance is much more than mere computerization of the activities of the departments or operations having public or citizen interface. This extended scope demands change in the mindsets of the legislature, executive and citizens. e-Governance will allow citizens to communicate with government, participate in government's policy making and citizens to communicate with each other. e-Governance will truly allow citizens to participate in the government decision–making process, reflect their true needs and welfare by utilizing e-Government as a tool. e-Governance makes use of Internet as a driving tool for providing essential services to the users.

2. e-Governance Initiatives In Haryana

e-Governance in Haryana is to evolve concurrently with reengineering the state government processes on all developmental parameters, revenue collections, crime rate, key agricultural inputs, condition of irrigation facilities, status of power generation and distribution, social infrastructure, etc. Digitized maps of Haryana will be utilized for providing GIS based services. On-line Analytical Processing (OLAP) would be developed for planning and decision-making. GIS shall be extensively used in integrating, analyzing and visualizing different types of data for spatial planning, environmental protection, utility management, traffic regulation etc. Some of pilot projects that government of Haryana has

taken are as follows:

1. Haryana Registration Information System (HARIS)
2. Land Record Computerization Project
3. "*Sarkar Apke Dwar*" Program Monitoring System
4. Online Treasury Information System
5. House Tax Assessment and Collection System
6. Food Network
7. District Network (D-Net)
8. Computerization of Income Tax Department
9. New Agent of Information, District Level Integrated Service of Haryana For All (NAI DISHA)
10. Issuance of Driving License
11. Financing and Accounting Management System of Haryana Urban Development Authority (HUDA)

3. Research Design

Data Collection Tools

The Process of data collection is performed using three different methods:

1. *Questionnaire Method*: The objective of this is to collect data from respondents without any bias or fear. The questionnaire has been tested through pilot study to test its effectiveness. As a result of this, some new questions were added and some questions were modified to avoid ambiguity. Questionnaire was distributed among the people of different age groups, location, sex and educational qualification.
2. *Documents Study*: The purpose of this study is to understand what is presently being done and how it is structured. Some of the documents studied are: sample forms used, various registers, annual reports, audit reports etc.
3. *Interviews*: In the third and final phase of investigation process, use was made of the most critical and productive way of getting information i.e. the personal interviews. The above specified respondents were interviewed using a checklist of questions so as to fill up the gaps in the information provided in document study and interviews.

4. Sample Selection

Convenience sampling was used to select the respondents for the study. For this purpose the sampling elements comprised of people consisting of different age groups, sex, qualification, living area and employment status. These questionnaire were distributed to different location in Haryana – Hisar, Rohtak, Karnal, Gurgaon, Bhiwani, Panipat, Narnaul, Sirsa, Fathehabad, Jhajjar, Sonipat, Gohana, Jind, Ambala, Faridabad etc. A total number of questionnaires distributed were around 350 but only 200 were received back.

5. Data Analysis

A. General Awareness

A very high 94 per cent of respondents indicate that they are aware of the term 'IT' while a low 6 per cent of respondents have no idea about IT. This was a possible observation indicating that government has been able to spread IT awareness among people to great extent. The responses are summarized in Table 1.

Table 1: Awareness of people about information technology

		Frequency	%	Valid %	Cumulative %
Valid	Yes	188	94.0	94.0	94.0
	No	12	6.0	6.0	100.0
	Total	200	100.0	100.0	

A reasonably high 62 per cent of respondents have good/very good, 21 per cent of respondents have medium and 17 per cent of respondents have low understanding of IT. The responses are summarized in Table 2.

Table 5: Application areas where public have seen/experienced application of IT

		Frequency	%	Valid %	Cumulative %
Valid	Education	30	15.0	15.4	15.4
	Banking & financial services	58	29.0	29.7	45.1
	Public utility services	55	27.5	28.2	73.3
	Business	24	12.0	12.3	85.6
	Internet based applications	16	8.0	8.2	93.8
	Entertainment	10	5.0	5.1	99.0
	Intelligent systems based on embedded technology	2	1.0	1.0	100.0
	Total	195	97.5	100.0	
Missing	0	5	2.5		
Total		200	100.0		

Table 2: Level of understanding

		Frequency	%	Valid %	Cumulative %
Valid	Low	34	17.0	17.0	17.0
	Medium	41	20.5	20.5	37.5
	Good	77	38.5	38.5	76.0
	V. good	48	24.0	24.0	100.0
	Total	200	100.0	100.0	

A very high 94 per cent of respondents indicate that IT can be used in improving public utility services while a low 6 per cent of the respondents are of the opinion that IT can not be used to improve these services. The response are summarized in Table 3.

Table 3: Opinion of people whether IT can be used in improving various public utility services

		Frequency	%	Valid %	Cumulative %
Valid	Yes	188	94.0	94.0	94.0
	No	12	6.0	6.0	100.0
	Total	200	100.0	100.0	

Table 4: Opinion of people whether IT can solve all administrative problems

		Frequency	%	Valid %	Cumulative %
Valid	Yes	117	58.5	58.5	58.5
	No	83	41.5	41.5	100.0
	Total	200	100.0	100.0	

A reasonably high 59 per cent of respondents indicate that IT can solve all administrative problems while about 41 per cent of respondents are of the opinion that IT can not solve all administrative problems. This may be on account of incomplete understanding about the applicability or strength of technology in non traditional areas. The responses are summarized in Table 4.

A reasonably high 30 per cent of respondents indicate that they have seen/ experienced application of IT in banking and financial services – banks and LIC offices. About 28 per cent of respondents indicate public services – post offices, air reservation, rail reservation, airport, government offices and hospitals. About 16 per cent of respondents indicate educational institutes – schools, colleges and universities. This shows the popularity of IT in various government/public sectors. The responses are summarized in Table 5.

B. Opinion on Internet

A very high 94 per cent of respondents indicate that they are aware of Internet while a low 6 per cent of respondents feel otherwise. The responses are summarized in Table 6.

Table 6: Public awareness about Internet

		Frequency	%	Valid %	Cumulative %
Valid	Yes	188	94.0	94.0	94.0
	No	12	6.0	6.0	100.0
	Total	200	100.0	100.0	

A reasonably high 71 per cent of respondents indicate that they used Internet while a low 29 per cent of respondents have

not used it. The responses are summarized in Table 7.

Table 7: Number of people who have used Internet

		Frequency	%	Valid %	Cumulative %
Valid	Yes	134	67.0	71.3	71.3
	No	54	27.0	28.7	100.0
	Total	188	94.0	100.0	
Missing	0	12	6.0		
Total		200	100.0		

C. Opinion on Web Sites

About 54 per cent of respondents are of the opinion that they have used/visited government web sites. About 46 per cent of respondents have not used/visited government web sites. This shows that people are not aware of Internet based services offered by the government such as: online complaint monitoring system and grievance redressal system. The responses are summarized in Table 8.

Table 8: Percentage of people who use/visit government web site

		Frequency	%	Valid %	Cumulative %
Valid	Yes	106	53.0	53.8	53.8
	No	91	45.5	46.2	100.0
	Total	197	98.5	100.0	
Missing	0	3	1.5		
Total		200	100.0		

About 45 per cent of respondents indicate that information regarding citizen services is available on Internet. A reasonably high 55 per cent of respondents indicate that non availability of information regarding citizen services on Internet. This may be due to the reason that correct or updated information is not available on Internet. The responses are summarized in Table 9.

Table 9: Availability of information regarding citizen services on Internet

		Frequency	%	Valid %	Cumulative %
Valid	Yes	86	43.0	44.8	44.8
	No	106	53.0	55.2	100.0
	Total	192	96.0	100.0	
Missing	0	8	4.0		
Total		200	100.0		

D. Opinion on Governance System

A very low 4 per cent of respondents are of the opinion that governance system in Haryana is very good, about 16 per cent indicate good and about 81 per cent indicate satisfactory/poor. This may be on account of human based non transparent and slow system. The responses are summarized in Table 10.

Table 10: Public assessment of governance in Haryana

		Frequency	%	Valid %	Cumulative %
Valid	Poor	78	39.0	39.4	39.4
	Satis-factory	82	41.0	41.4	80.8
	Good	31	15.5	15.7	96.5
	V. good	7	3.5	3.5	100.0
	Total	198	99.0	100.0	
Missing	0	2	1.0		
Total		200	100.0		

E. Opinion On e-Governance

A reasonably high 57 per cent of respondents indicate that they are aware of the term "e-Governance" while about 43 per cent of respondents do not have any idea about it. The responses are summarized in Table 11.

Table 11: Percentage of people who are aware of term "e-Governance"

		Frequency	%	Valid %	Cumulative %
Valid	Yes	112	56.0	56.9	56.9
	No	85	42.5	43.1	100.0
	Total	197	98.5	100.0	
Missing	0	3	1.5		
Total		200	100.0		

Table 13: Name of states

		Frequency	%	Valid %	Cumulative %
Valid	Bihar	2	1.0	1.9	1.9
	Haryana	7	3.5	6.7	8.7
	Delhi	14	7.0	13.5	22.1
	Andhra Pradesh	37	18.5	35.6	57.7
	Kerala	3	1.5	2.9	60.6
	Maharashtra	8	4.0	7.7	68.3
	Karnataka	22	11.0	21.2	89.4
	Tamil Nadu	9	4.5	8.7	98.1
	Rajasthan	2	1.0	1.9	100.0
	Total	104	52.0	100.0	
Missing	0	96	48.0		
Total		200	100.0		

A reasonably high 54 per cent of respondents indicate that they know the name of some states which have implemented e-Governance projects. About 46 per cent of respondents do not know the name of any state that has implemented these projects. The responses are summarized in Table 12.

Table 12: Percentage of people who have heard of any state that have implemented e-Governance projects

		Frequency	%	Valid %	Cumulative %
Valid	Yes	104	52.0	53.9	53.9
	No	89	44.5	46.1	100.0
	Total	193	96.5	100.0	
Missing	0	7	3.5		
Total		200	100.0		

Respondents were asked to name some states that have implemented e-Governance projects. About 36 per cent indicate Andhra Pradesh, about 21 per cent indicate Karnataka and about 14 per cent indicate Delhi. Reasons of non popularity of e-Governance initiatives in Haryana are as follows: government has not effectively popularized their e-Governance initiatives among the people of state and lack of private participation models – BOOT and BOO, of Andhra Pradesh and Karnataka. The responses are summarized in Table 13.

About 52 per cent of respondents indicate that general public should be invited in

Table 14: Role of public in designing governance solutions

		Frequency	%	Valid %	Cumulative %
Valid	Yes	93	46.5	52.0	52.0
	No	86	43.0	48.0	100.0
	Total	179	89.5	100.0	
Missing	0	21	10.5		
Total		200	100.0		

Table 15: Suggestions made by public in designing e-Governance solutions

		Frequency	%	Valid %	Cumulative %
Valid	Requirement specification phase	46	23.0	49.5	49.5
	Design phase	3	1.5	3.2	52.7
	Coding phase	4	2.0	4.3	57.0
	Testing phase	36	18.0	38.7	95.7
	Maintenance phase	4	2.0	4.3	100.0
	Total	93	46.5	100.0	
Missing	0	107	53.5		
Total		200	100.0		

designing e-Governance solutions. About 48 per cent indicate that government has sufficient and competent manpower to design above solutions. This shows that public participation is required for efficient solutions. The responses are summarized in Table 14.

A reasonably high 50 per cent of respondents indicate that general public can contribute in requirement specification by inviting people to suggest their needs, about 39 per cent indicate testing phase – public can provide exact feed back, about 4 per cent each indicate coding and maintenance phase and 3 per cent indicate design phase. This shows public can participate in requirement specification and testing phase because design, coding and maintenance phases requires technical expertise. The responses are summarized in Table 15.

Priority of Services to be implemented via e-Governance Mode are as follows:

Table 16: Priority of services to be implemented via e-Governance mode

S.No.	Name of public service	Weight Score Assigned
1.	Electricity	1073
2.	Water	955
3.	Hospitals	865
4.	Telephone	826
5.	Government forms	723
6.	Registration of documents	705
7.	Government schemes	697
8.	Employment exch. registration	696
9.	Public transport	670
10.	F.I.R. Registration	666
11.	Old age pension	514
12.	Arms renewal	350

Each respondent was requested to give priority order in which public services should be taken up for computerization. Highest priority service has been assigned weight of 12 and lowest priority service has been assigned weight of 1. Then a weight against each public service was added up.

Following is the priority order of public services that should be taken up for computerization: electricity, water, hospitals, telephone, government forms, registration of documents, government schemes, employment exchange registration, public transport, F.I.R. registration, old age pension and arms renewal.

In addition to public services, other services like education & training, online examination, results, forms status, on line filling of forms, and information about students scholarships, government planning and strategies, general administration like police, judiciary and law, government services-pension, P.F. etc., banking-payment transfer and LIC, corruption control and information about all types of business, have been demanded from Internet based governance system.

F. Opinion on Various Aspects of ICT and Governance

A very high 94 per cent of respondents indicate that government officials should be held responsible for delay in delivery of services to its users. A very low 6 per cent of respondents indicate that there is no need of fixing responsibility. This shows irresponsible behavior of government officials towards general public. The responses are summarized in Table 17.

Table 17: Public opinion regarding fixing Government Officials responsibility for delay in delivery of services to its users

		Frequency	%	Valid %	Cumulative %
Valid	Yes	181	90.5	94.3	94.3
	No	11	5.5	5.7	100.0
	Total	192	96.0	100.0	
Missing	0	8	4.0		
Total		200	100.0		

A reasonably high 78 per cent of respondents indicate that corruption can be controlled with the help of IT while a low 22 per cent indicate that human intervention is must for controlling corruption. The responses are summarized in Table 18.

Table 20: Age* Opinion of people whether IT can be used in improving various public utility services crosstabulation

		Opinion of people whether IT can be used in improving various public utility services		
		Yes	No	Total
Age Less than 40 years	Count % within opinion of people whether IT can be used in improving various public utility services	143 76.1%	7 58.3%	150 75.0%
40-50 years	Count % within opinion of people whether IT can be used in improving various public utility services	27 14.4%	1 8.3%	28 14.0%
50-60 years	Count % within opinion of people whether IT can be used in improving various public utility services	12 6.4%	1 8.3%	13 6.5%
Above 60 years	Count % within opinion of people whether IT can be used in improving various public utility services	6 3.2%	3 25.0%	9 4.5%
Total	Count % within opinion of people whether IT can be used in improving various public utility services	188 100.0%	12 100.0%	200 100.0%

Table 18: Public opinion regarding controlling corruption with the help of IT

	Frequency	%	Valid %	Cumulative %
Valid Yes	150	75.0	77.7	77.7
No	43	21.5	22.3	100.0
Total	193	96.5	100.0	
Missing 0	7	3.5		
Total	200	100.0		

A high 92 per cent of respondents indicate that IT can control corruption partially/ completely. A very low 8 per cent of respondents indicate that corruption can not be controlled with IT because human beings operate the system. Proper system design, is must, to eliminate corruption opportunities. The responses are summarized in Table 19.

Table 21: Chi-square tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	12.754*	3	.005
Likelihood Ratio	7.076	3	.070
Linear-by-Linear Association	7.016	1	.008
N of valid cases	200		

*3 cells (37.5 per cent) have expected count less than 5. The minimum expected count is .54.

Table 19: Extent to which IT can be helpful in controlling corruption

	Frequency	%	Valid %	Cumulative %
Valid Not at all	12	6.0	8.0	8.0
Partially	118	59.0	78.7	86.7
Completely	20	10.0	13.3	100.0
Total	150	75.0	100.0	
Missing 0	50	25.0		
Total	200	100.0		

Table 22: Age*Opinion of people whether IT can solve all administrative problems cross-tabulation

		Opinion of people whether IT can solve all administrative problems		
		Yes	**No**	**Total**
Age Less than 40 years	Count % within opinion of people whether IT can solve all administrative problems	96 82.1%	54 65.1%	150 75.0%
40-50 years	Count % within opinion of people whether IT can solve all administrative problems	12 10.3%	16 19.3%	28 14.0%
50-60 years	Count % within opinion of people whether IT can solve all administrative problems	4 3.4%	9 10.8%	13 6.5%
Above 60 years	Count % within opinion of people whether IT can solve all administrative problems	5 4.3%	4 4.8%	9 4.5%
Total	Count % within opinion of people whether IT can solve all administrative problems	117 100.0%	83 100.0%	200 100.0%

Table 23: Chi-square tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-square	8.841*	3	.031
Likelihood Ratio	8.769	3	.033
Linear-by-Linear Association	4.904	1	.027
N of valid cases	200		

*1 cell (12.5 per cent) have expected count less than 5. The minimum expected count is 3.74.

G. Cross Tabulation

Let us take the null hypothesis that age and opinion of people whether IT can be used for improving various public utility services are independent. Applying Pearson Chi – square test, the value of Asymp. Sig. (2-sided) came out to be 0.005, which is less than 0.01(99 per cent level of significance), so null hypothesis is false i.e. two attributes are dependent, see Table 21.

Respondents in the age group of (less than 40 years), about 76 per cent followed by respondents in the age group of (40-50 years), about 14 per cent and respondents in the age group of (50-60 years), about 6 per cent are of the opinion that IT can be used for improving public utility services. This shows that young people are optimistic about the advantages of ICT. The responses are summarized in Table 20.

Table 24: Descriptive Statistics: Problems in governance system

	N	**Sum**	**Mean**
Requires huge financial commitment and therefore is quiet expensive	189	350	1.85
Has no transparency in operations	183	310	1.69
Is not responsive to public needs	179	296	1.65
Complex	180	323	1.79
Lacks moral responsibility	183	333	1.82
Lot of bureaucratic hurdles	180	335	1.86
Highly affected by corruption	189	347	1.84
Slow	183	339	1.85
Valid N (listwise)	169		

Null hypothesis: Age and opinion of people whether IT can solve all administrative problems are independent.

Applying Pearson Chi-square test, the value of significance (2-sided) came out to be 0.031, which is greater than 0.01(at 99 per cent level of significance), so null hypothesis is accepted or true i.e. two attributes are independent, see Table 23.

Younger generatio n respondents in the age group of (less than 40 years), about 65 per cent, are of the strong opinion that IT can solve all administrative problems.The responses are summarized in Table 22.

H. Descriptive Statistics

Mean Comparisons: Problems and changes to be made in existing system of governance, desirable features of good governance system and advantages of introducing e-Governance have been analyzed on the basis of mean score comparisons. The opinion indicated as "Yes" has been assigned a weight of 2 and the opinion "No" has been assigned a weight of 1. Among the environmental factors that affect e-Governance initiatives and adaptation of e-services, the opinion indicated as 'High' has been assigned a weight of 3, the opinion indicated as "Medium" has been assigned a weight of 2 and the opinion indicated as "Low" has been assigned a weight of 1.

Among the problems that affect governance system in developing countries like India, the most important is bureaucratic hurdles as indicated by mean score of 1.86 followed by slow and expensive with a mean score of 1.85 and highly affected by corruption with a mean score of 1.84. The responses are summarized in Table 24.

Among the desirable features of good governance system, the most important is accountability as indicated by mean score of 1.95 followed by timely response with a mean score of 1.94 and moral with a mean score of 1.93. The responses are summarized in Table 25.

Table 25: Descriptive Statistics: Desirable features of good governance system

	N	Sum	Mean
Simple	182	345	1.90
Moral	182	352	1.93
Accountable	188	367	1.95
Responsive	189	367	1.94
Transparent	171	320	1.87
Valid N (list wise)	163		

Among the changes that government should undertake, the most important is to improve telecommunication infrastructure as indicated by mean score of 1.94 followed by to ensure easy Internet availability/accessibility and trained bureaucrats in IT with a mean score of 1.92 and reengineering to be done before computerization with a mean score of 1.90. The responses are summarized in Table 26.

Table 26: Descriptive Statistics: Recommended changes for effective implementation of e-Governance

	N	Sum	Mean
Reengineering must be done before computerization	154	293	1.90
Cyber laws should be changed	153	262	1.71
Reconstruct underlying data systems	145	257	1.77
Improve telecommunication infrastructure	152	295	1.94
Train the bureaucrats in IT	156	300	1.92
Ensure easy Internet availability/access	156	300	1.92
Valid N (list wise)	139		

Among the advantages of introducing e-Governance, the most important is fast decision making as indicated by mean score of 1.89 followed by cost-cutting with a mean score of 1.83 and improvement in quality of decision making with a mean score of 1.81. The responses are summarized in Table 27.

Table 27:Descriptive Statistics: Advantages of e-Governance

	N	Sum	Mean
Cut costs	179	328	1.83
Speed-up decision making	186	352	1.89
Improve quality of decision making	182	330	1.81
Enable innovative approach of e-Governance	177	324	1.83
Control corruption	182	310	1.70
Valid N (list wise)	174		

Among the purposes, for which general public visit government web sites, the most important is to see examination/interview results as indicated by the mean score of 1.35 followed by search employment opportunities with a mean score of 1.24 and to find out what services a government agency provide with a mean score of 1.16. The responses are summarized in Table 28.

Table 28: Descriptive Statistics: Purpose to visit government web sites

	N	Sum	Mean
To get tourism and recreational information	200	221	1.11
To do research work	200	219	1.10
To find out what services a Govt. agency provide	200	232	1.16
To get information about potential business	200	213	1.06
To search employment opportunities	200	249	1.24
To see results	200	269	1.35
Valid N (list wise)	200		

Among the environmental factors that affect e-governance initiatives, the most important is customer/citizen demanding good service as indicated by the mean score of 2.45 followed by investors from other countries (FDI) with a mean score of 2.34 and bureaucracy with a mean score of 2.28. (see Table 29).

Table 29: Descriptive Statistics: Environmental factors affecting e-Governance initiatives

	N	Sum	Mean
Customer/citizen demanding good service	192	471	2.45
Investors from other countries (FDI)	192	449	2.34
Bureaucracy	192	437	2.28
Valid N (list wise)	191		

Among the factors that affect e-Governance initiatives, the most important is lack of initiatives from government as indicated by the mean score of 2.58 followed by non-availability of finance with a mean score of 2.44 and non availability of trained man power with a mean score of 2.36. (see Table 30).

Table 30: Descriptive Statistics: Bottlenecks in implementing e-Governance projects

	N	Sum	Mean
Non-availability of finance	194	474	2.44
Non-availability of trained manpower	194	458	2.36
Non-availability of information in time	194	456	2.35
Complexity of operations	194	425	2.19
Resistance of employees	194	439	2.26
Lack of initiatives from Govt.	194	500	2.26
Valid N (list wise)	194		

Adaptation of e-services is highest among business organizations as indicated by the mean score of 2.73 followed by students with a mean score of 2.52 and poor and elderly with a mean score of 1.5.(see Table 31).

Table 31: Descriptive Statistics: Adaptation of e-services by different group of people

	N	Sum	Mean
Poor and elderly	194	291	1.50
Young and affluent	196	486	2.48
Business organizations	194	530	2.73
Students	194	488	2.52
Valid N (list wise)	192		

6. Findings

1. Majority of respondents are aware of information technology (IT) and they have good/very good level of understanding. Most of people are of the opinion that IT can be leveraged to improve public utility services.
2. Majority of young respondents, in the age group of (less than 40 years), strongly prefer to use IT enabled services and are of the opinion that all-administrative problems can be solved with the application of IT.
3. Majority of respondents are aware of the term "Internet" and they have seen/ experienced application of IT in their life. Majority of people have used Internet atleast once in their life and they have used/ visited government web sites. Purpose to visit government web sites is as follows: to see results, search employment opportunities and to find out what services a government agency provides.
4. Majority of respondents indicated that correct information regarding citizen services-government web sites and educational web sites, is not available on Internet.
5. Bottlenecks in governance system are as follows: bureaucratic hurdles, slow and expensive and highly affected by corruption.
6. Majority of respondents are aware of the term "e-Governance". Popularity of states where e-Governance initiatives have been implemented are as follows: Andhra Pradesh, Karnataka and Delhi. Government must take following steps to implement e-Governance initiatives: improve telecommunication infrastructure, ensure easy Internet availability/ accessibility and train bureaucrats in IT. Advantages of e-Governance implementation are as follows: fast decision making, improvement in quality of decision making and cut costs.
7. Majority of respondents indicated that general public should be invited in designing e-Governance solutions. Possible contributions could be in requirement specification and testing phase. Priority order of public services that should be taken up for computerization are as follows: electricity, water, hospitals and telephones.
8. Adaptation of e-services is highest among business organizations followed by students and poor/elderly people.
9. Reasons for slow pace of e-Governance initiatives are as follows: lack of initiatives from government, non-availability of finance and non-availability of trained manpower.
10. Most of respondents are of the opinion that corruption can be controlled partially with the help of IT.

7. Recommendations

1. Web sites should be developed according to latest guidelines – interactive websites, so that delivery of services and tracing status of complaints – file movement and action taken by concerned officers can be monitored via Internet mode. Concerned officers should be held responsible for delay in delivery of services. Alternative mode of communication-telephone, Automated Voice Response System (AVRS) should be incorporated so that dependency on computers can be minimized. Web sites should be developed in regional languages-Hindi. Trained and sufficient manpower should be provided to update information on these sites.
2. Government can set up touch screen Kiosks, Cyber Cafes and Citizen Centers in partnership with private sector, which provide certain services to general public. These centres should be accessible to general public via various modes of communication – telephone, mail and e-mail.

3. Government departments must take feed back from users of service so that these services can be improved. In order to have an impact of use of IT in government for citizen service, those services which have an direct interface with the public – electricity, water, hospitals etc., should be taken up for computerization on a priority bases.

4. Human intervention – in terms of proper planning, changing rules of governance system etc. is must for controlling corruption. Proper planning and implementation of e-Governance projects can minimize corruption.

5. As government has limited resources to invest in e-Governance initiatives, private sector participation should be encouraged (PPP models – BOOT, BOO) for developing ICT infrastructure-Hardware, Software and Human Resources. Revenue generated by these models should be shared between government and private partners.

8. Conclusion

Government must encourage e-Governance initiatives because adaptability of ICT is high among general public. Government must ensure availability of ICT infrastructure either by private partnership – on revenue sharing basis or by providing sufficient funds. e-Governance applications should be developed according to latest guidelines so that society may be benefited.

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