

Positioning India In The Global Tourism Village: Strategies For Sustainable Tourism Development

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Problem of Non Performing Assets in Indian Public Sector Banks

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The Changing Management Styles in India

Mrs. Aparna Samudra



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From The Editor's Desk

At the outset, let me thank all contributors and readers for making *Tecnia Journal of Management Studies* an astounding success. The interest of authors in sending their research-based articles for publication and overwhelming response received from the readers is duly acknowledged. I owe my heartfelt gratitude to all the management institutes for sending us their journals on mutual exchange basis, and their support to serve you better.

We are happy to launch the third issue of our academic journal. The present issue incorporates the following articles:

- ❖ Positioning India In The Global Tourism Village: Strategy for sustainable Tourism Development.
- ❖ Managing Indian Global Organization: Strategy for Connecting Across Global Markets.
- ❖ The Changing Management Styles in India.
- ❖ Relationship Marketing Emergence, Drivers & the Bottlenecks.
- ❖ Microfinance: Challenges and Future Prospects.
- ❖ An Examination of The Environmentally Responsive Consumption Behaviour.
- ❖ Problem of Non Performing Assets in Indian Public Sector Banks.
- ❖ Job Satisfaction: An Empirical Study.

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

Dr. R. N. Agarwal
Editor

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POSITIONING INDIA IN THE GLOBAL TOURISM VILLAGE: STRATEGIES FOR SUSTAINABLE TOURISM DEVELOPMENT

Manoj P K*

Abstract: World over, particularly in the developing world, tourism is fast emerging as one of the potential means for economic development and employment generation. Though a late entrant in the arena, India is no exception to the above trend. While there has been significant growth in the Indian tourism industry during the last few years, particularly after Financial Year 2002, there growing apprehensions regarding the sustainability of tourism as a means of development. This is primarily because of the adverse effects on the environment. The paper suggests strategies for environment-friendly as well as sustainable tourism strategies for India in the emerging global scenario.

Genesis

Tourism is fast picking up as a tool for economic development and employment generation, the world over. This is more prominent among the developing nations. However, the question as to the long-term sustainability of tourism is increasingly being recognized as a challenge for all concerned, because of several adverse effects of tourism, most importantly those on the environment. As such, there is added significance for environment-friendly tourism initiatives for long-term sustainability. The case of tourism in the Asia-Pacific region, India in particular, may be looked into as a classic example in this regard. Notwithstanding the appreciable growth in different performance parameters of Indian tourism over the last few years, it may be stated that meticulously planned, carefully designed, and clearly articulated strategies are essential to maintain and further improve the performance of tourism in the days to come.

Analytical Significance

There exist excellent prospects for tourism development in many developing nations of the twenty-first century.

India and a few other countries in the Asia-Pacific region are no exception in this regard. While the

general pattern is that of a fast growing tourism initiatives the world over, the adverse impacts of tourism are drastic in many parts of the world, considering particularly environmental degradation, fast depletion of natural resources, adverse effect on biodiversity, ecological balance and the like. Accordingly, there is an enhanced significance for 'nature friendly' tourism development. For a developing nation like India, which has been late in recognizing the developmental potential of tourism, the need for environment-friendly tourism assumes added significance. It is in this context that an analysis as to the eco-friendly strategies for tourism development with special reference to India assumes high level of research significance, particularly because most of the existing studies have not given due importance to the sustainability aspect of tourism promotion.

Objectives

- (i) To make an overall review of the current status of global tourism and its trends and patterns over the years,
- (ii) To make a detailed analysis of Indian tourism, its development over the years, problems and prospects, and

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- (ii) To formulate strategies for sustainable tourism development in India, with focus on environment friendly tourism.

1. Global Tourism Scenario: an Overview

Tourism is inherently a highly social business that has carved a niche for itself internationally. This worldwide phenomenon is increasingly being recognized as an effective tool for economic development of nations by generating employment, earning revenue and foreign exchange, and acting as a means for upward social mobility through interaction with cultures from elsewhere in the world. The social nature of this business is reflected on the one hand in the presence of a large number of diverse stakeholders in the host-guest relations forming part of tourism, and on the other hand in the behaviour of individual tourists, which is often taking place publicly. The impact of tourism on the diverse facets of an individual's life, a society's customs and practices, and a government's policies and priorities have got far-reaching implications. Because of the above characteristic of tourism, socio-economic, environmental and ecological interests of individuals, and communities and governments are greatly influenced by the dynamics of tourism.

The implications of tourism on the society at large, from a social and ecological perspective, are generally studied based on the conceptual framework propounded by Brundtland (1987) viz., Ecologically Sustainable Development Framework. Internationally, this framework has been used for managing the key issues related to tourism development. World over, ecologically sustainable tourism (or 'eco-tourism' in short) is gaining momentum fast. According to Lane (1991), *'ecologically sustainable tourism should strive for providing satisfying jobs without dominating the local community. It must not abuse the natural environment and should be architecturally respectable. The benefits of tourism should be diffused through many communities and not concentrated on a narrow coastal strip or scenic valley'*. Globally it has been recognized that the heart of ecotourism lies in the preservation of the nature and the environment, that is, a tourism that seeks to maintain a harmonious co-existence with the nature. Exhibit 1.1 shows the global tourism trends.

Exhibit 1.1: Global Tourism Trends

- ❑ **Distribution:** Tourism is a significant sector in almost half of the low income countries and in virtually all the lower middle income countries.
- ❑ **Destinations:** The top 15 tourism destinations in the developing world (in terms of absolute numbers of arrivals or receipts) tend to be populous, low-middle income and upper-middle income countries. Five out of these 15 destinations have a population of over 10 million living below a Dollar a day.
- ❑ **Employment:** World-wide forecasts predicted a growth in tourism development of over 100 million jobs by 2007. Global tourism already accounts for over 250 million jobs.
- ❑ **Growth:** Tourism contributed to an aggregate economic growth of over 50 per cent between 1990 and 1997.
- ❑ **Pro-poor Tourism:** In most countries with high levels of poverty, tourism is a significant contributing factor, providing over 2 per cent of GDP or 5 per cent of exports. Some 12 countries account for 80 per cent of the world's poor (living on less than a Dollar a day). In 11 of these countries, each with over 10 million poor people, tourism is significant addition to the economy and this contribution is growing.

Source: UNEP 2002, WTTC 1998, Ashley et al. 2001, Roe et al. 1997, in Sinha 2006.

Apart from the immense potential of tourism to contribute positively to socio-economic, political, and cultural environment of a nation, tourism is increasingly being recognized as an effective means of economic development, particularly by the developing nations of the world. As is evident from Exhibit 1.2, there are excellent growth prospects for tourism in the Asia-Pacific region, which has been lagging behind the world so far, but of late growing at a fast pace. However, the growing challenges posed by tourism on the environment are as important as its ever-growing prospects.

Exhibit 1.2: Regional Trends in Tourism Asia-Pacific Region)

- ❑ **General Statistics:** Current growth rates in relative terms tend to be lower than world average. With a very large population, the scenario in absolute terms is different however. Domestic and regional tourism are significant and growing in importance. Both mass and alternative tourism have grown in past and despite economic downturns and currency fluctuations, continue to grow.
- ❑ **Economic contribution:** Some 21 million people are employed in tourism; its economic impact is expected to grow by 80 per cent in the next decade.
- ❑ **Coasts and Seas:** In coastal and marine areas, tourism pressures (along with increasing urbanization, industrialization etc.) have contributed to degradation of coastal areas, reduced water quality, and increased pressures on marine resources. Besides, tourism pressures, industrialization and urbanization are resulting in critical depletion of coastal resources.
- ❑ **Coral Reefs:** More than half the world's coral reefs are located in the Pacific Island countries and large areas are already degraded. Tourism and recreation activities are one factor that leads to this degradation (for example, unsafe diving activities, tourism development).
- ❑ **Ethical Tourism:** It is a growing sector. Tourists and tour companies are staying away from countries like Burma (Myanmar) where torture, human rights abuses, forced labour on tourism projects, and mass disruption from local communities for tourism development (that is unethical) occur.
- ❑ **Waste:** Litter and discarded waste in popular sites such as the Himalayas (Mount Everest) has been a major problem for a number of years. Parts of the Himalayas recently underwent a clean-up campaign which has been a major success for the area.

Source: *UNEP-2002, WTTC 1998, Ashley et al. 2001, Roe et al. 1997, in Sinha 2006.*

The magnitude of tourism industry the world over is evident from the World Travel and Tourism Council (WTTC) statistics. Accordingly:

- In the year 2002, travel and tourism related activities contributed approximately 10 per cent of the world's GDP. This is expected to reach 10.6 per cent by 2012.
- The tourism industry is estimated to help generate 1 in every 12.8 jobs, that is, 7.8 per cent of total employment. This will rise to 8.6 per cent by 2012.

In view of the foregoing discussions, it is worth noting that India is in an excellent position to exploit the opportunities in tourism for its development, as most of the leading tourism destinations in the world have their infrastructure (economic in general, or tourism in particular) that is much lower than that of India.

2. Problems and Prospects of Indian Tourism: An Analysis from a Global Perspective

2.1 Tourism in India: Location, Advantages, and other Favourable Features

Tourism is fast emerging as a sector which has got immense potential for bringing in rapid economic development of nations, particularly developing nations such as India. Certain unique features exist that make India specially suited for taking maximum advantage out of tourism promotion. It is well-known that India is the seventh largest, second most populous, tenth industrialized, and the sixth nation to have gone into outer space in the world. However, India's uniqueness in respect of attracting the world as one of the most sought after tourism destinations lies primarily in her very rich cultural heritage, presence of so many historical places including world wonders like the Taj Mahal, extensive coastal areas and mountain ranges that are exceedingly serene. Because of these reasons, from times immemorial, India has been a land of bounty and prosperity, a nation with vibrant colours, and with people who are joyous and tolerant. Further, geographically there are certain peculiarities that are favourable to India which make this country stand out distinctly from the rest of the world. India and its five neighbouring countries (viz.

Pakistan, Bangladesh, Bhutan, Nepal, and Sri Lanka) together form a self-contained mass of land, fit to be called as a major subcontinent within the continent of Asia. In fact, physical unity to this subcontinent is provided by the numerous ranges and mountains in the North and mighty water bodies in the South. Further, the mountain ranges comprising of Kirthar, Sulaiman, Hindukush, Karakoram, and the Himalayas cutoff the subcontinent from the remaining parts of Asia. Moreover, the peninsular region of this subcontinent is surrounded by water bodies such as Arabian Sea in the West, Indian Ocean in the South, and the Bay of Bengal in the East. Here it is worthwhile to point out that the third largest ocean in the world came to be known as Indian Ocean because the subcontinent is located at the head of this ocean.

India's extensive mass of land covers an area of 32, 80,483 sq. kms and is the seventh largest country in the world after Russia, China, Canada, USA, Brazil, and Australia. India is favourably situated in the world's highways of trade and commerce. The oceanic routes serving south-east Asia and Australia pass through the Indian Ocean. India is connected with Europe, North America, and South America through Suez Canal and the Cape of Good Hope. In short, India has got a strategic geographical location, substantial natural resources as well as historical and cultural backgrounds, which are quite conducive for development of tourism.

2.2 Huge Potential, not Fully Tapped; though High Growth since Financial Year 2003

India has got excellent potential for being developed as one of the best tourism destinations globally. However, statistics relating to the previous years reveal that by and large this potential is underutilized. For instance, in respect of foreign tourist arrivals, the growth trend has been rather poor till the Financial Year 2002, as evidenced by low single digit or even negative growth rates, in spite of a generally growing pattern of the absolute figures. But, since Financial Year 2003, there has been reasonably consistent double digit growth rate over the years, till Financial Year 2006. Table 2.1 is self-explanatory in this regard.

Table 2.1: Foreign Tourist Arrivals in India, FY 1996-2006

Year	Foreign Tourist Arrivals (in million)*	% Change over the previous year
1996	02.29	08.00
1997	02.37	03.50
1998	02.36	(-00.40)
1999	02.48	05.10
2000	02.65	06.90
2001	02.54	(-04.20)
2002	02.38	(-06.30)
2003	02.73	14.70
2004	03.46	26.70
2005	03.92	13.30
2006*	04.45	13.50

Source: Official statistics of Bureau of Immigration, Govt. of India, * Provisional

Table 2.2: Share of India in International Tourist Arrivals, 1996 -2006

Year	International Tourist Arrivals in the World (in million)	Foreign Tourist Arrivals in India (in million)	% Share of India
1996	573.50	02.30	00.40
1997	597.50	02.40	00.40
1998	616.00	02.40	00.39
1999	639.50	02.50	00.39
2000	686.70	02.60	00.38
2001	686.00	02.50	00.36
2002	706.40	02.40	00.34
2003	693.20	02.70	00.39
2004	761.00	03.50	00.46
2005	802.00	03.90	00.49
2006*	842.00	04.40	00.52

Source: *Tourism Market Trends*, 2005 Edition (WTO) for the years upto 2003, *WTO Barometer*, June 2007, for others, * Provisional.

In respect of India's share in international tourism also, the trend over the years has been quite similar to the one relating to foreign tourist arrivals in India (as shown in Table 2.1). That is, till Financial Year 2002, the share has been quite poor, so also the growth rates over the years. However, since Financial Year 2003, there has been a consistently high growth rate. In spite of this fact, it is worth noting that India's share in international tourist arrivals is just about 0.52 per cent (2006). This suggests that India has to leap forth several times, given its vast potential for tourism. Table 2.2 clearly depicts the above pattern of India's tourism growth vis-à-vis the entire world.

The share of India in respect of international tourism receipts shows a pattern similar to that of international tourist arrivals. But, it may be noted that the relative position (in per cent) of India is better than that of arrivals throughout the period. Further, as of Financial Year 2006, India's share of receipts is 0.89 per cent (as against 0.52 per cent for arrivals.) (see Table 2.3)

Table 2.3: Share of India in International Tourism Receipts in the World, 1996-2006

Year	International Tourism Receipt in World (in USD Billion)	Tourist Receipt in India (in USD Billion)	% share of India
1996	450.50	02.80	00.63
1997	454.20	02.90	00.64
1998	451.70	03.00	00.65
1999	465.70	03.00	00.65
2000	483.80	03.20	00.66
2001	472.30	03.00	00.64
2002	487.00	02.90	00.60
2003	533.10	03.50	00.66
2004	633.00	04.80	00.75
2005	678.00	05.70	00.85
2006*	735.00	06.60	00.89

Source: Tourism Market Trends, 2005 Edition (WTO) for the years up to 2003, WTO Barometer, June 2007, for others, * Provisional.

2.3 Tourist Arrivals: Comparison of India with top ten countries of the World

Table 2.4 depicts the top ten source countries for foreign tourist arrivals to India. It is worth noting that two advanced nations (viz. UK and USA) together account for more than 32 per cent of the total number of tourist arrivals to India in Financial Year 2006. Besides, the top ten countries together account for 56.7 per cent of the total foreign tourist arrivals during the above period.

Table 2.4: Top Ten Source Countries for Foreign Tourist Arrivals in India in Financial Year 2006.

S.No.	Source Country	Foreign Tourist Arrivals*	% Share
01.	UK	0.734	16.50
02.	USA	0.697	15.70
03.	Canada	0.177	04.00
04.	France	0.175	03.90
05.	Germany	0.157	03.50
06.	Sri Lanka	0.155	03.50
07.	Japan	0.119	02.70
08.	Australia	0.110	02.50
09.	Malaysia	0.107	02.40
10.	Nepal	0.092	02.10
Total of Top 10 Countries		2.523	56.70
Others		1.927	43.30
All countries		4.447	100.00

Source: Official statistics of Bureau of Immigration, Government of India, * Provisional.

India compares quite unfavourably with top ten countries of the world in respect of its relative share of international tourist arrivals. As of Financial Year 2006, India has got international tourist arrivals of just 4.4 million representing a meager 0.52 per cent of the total for the whole world. This is quite low compared to 79.10 million (7.39 per cent) for France and 20.20 million (2.4 per cent) for Russian Federation; representing respectively the first and last among the top ten countries (Table 2.5).

Table 2.5: International Tourist Arrivals: India Vs Top Ten Countries. (2006)

Rank	Country	International Tourist Arrivals *(in Million)	% Share
01	France	79.10	09.39
02	Spain	58.50	06.95
03	USA	51.10	06.07
04	China	49.60	05.89
05	Italy	41.10	04.88
06	UK	31.10	03.57
07	Germany	23.60	02.80
08	Mexico	21.40	02.54
09	Austria	20.30	02.41
10	Russian Federation	20.20	02.40
Total of Top 10 Countries		395.00	46.91
India	04.40	00.52	
Others	442.60	52.57	
Total	842.00	100.00	

[Source: *WTO Barometer*, June 2007.] [* Provisional] World figures shown above are drawn from World Tourism & Travel Council (WTTC).

2.4 Economic Benefits of Tourism, Appreciable Growth since Financial Year 2003

Tourism has got tremendous potential for economic development of a nation. Firstly, it contributes towards the national GDP. Secondly, it creates considerable level of employment opportunities. Table 2.6:

Contribution of Tourism

Indicators	Year	India	World
Contribution of Tourism to GDP*	FY 2003	05.83 %	10.00 % (2002)
	FY 2004	05.90 %	10.20 % (2003)
	FY 2005	06.11%	10.40 % (2004)
	FY 2006	NA	10.60 % (2005)
Employment in Tourism Sector*	FY 2003	38.6 million (8.27%)	198.098 million (7.8%) (2002)

Indicators	Year	India	World
	FY 2004	41.8 million (8.78%)	194.562 million (7.6 %) (2003)
	FY 2005	NA	214.697 million (8.1 %)
	FY 2006	NA	221.568 million (8.3 %)

Source: *Tourism Statistics 2006 at a Glance*, Ministry of Tourism, GOI, Sept. 2007.

Figures in bracket for employment show the percentage share in total employment.

As is evident from Table 2.6, in India tourism has got a somewhat high share in the overall GDP of the country, though the same is only about half of the international average. In respect of employment generation, the share of employment offered by Indian tourism is slightly higher than the world average. This fact points to the immense potential of Indian tourism to create more employment opportunities. Table 2.6 is self-explanatory in this regard. In fact, WTTC estimates that the top ten countries with the greatest expected relative growth in employment over the next ten years are all developing countries.

Foreign exchange earnings from tourism in India show a trend that is quite similar to that of the foreign tourist arrivals in India (see Table 2.1, discussed earlier). That is to say, till FY 2002, though there has been a general increasing trend in foreign exchange earnings, the growth rates of the same over the years have been quite poor, either low single digit growth rate or even negative rates. But since the 2003 fiscal, there has been high and consistent two-digit growth rates throughout till Financial Year 2006. Table 2.7 depicts the above trend very clearly.

Table 2.7 Foreign Exchange Earnings from Tourism in India, Financial Year 1996-2006

Year	Foreign Exchange Earnings		% Change over the previous year	
	(US D million)	(Rupees Crores)	(USD million)	(Rupees Crores)
1996	2832	10046	09.60	19.20
1997	2889	10511	02.00	04.60
1998	2948	12150	02.00	15.60
1999	3009	12951	02.10	06.60
2000	3168	14238	05.30	09.90
2001	3042	14344	(-04.00)	00.70
2002	2923	14195	(-03.90)	(-01.00)
2003	3533	16429	20.90	15.70
2004	4769	21603	35.00	31.50
2005	5731	25172	20.20	16.50
2006*	6569	29604	14.60	17.60

Source: Official statistics of Reserve Bank of India, * Provisional.

In view of the above, it is worth pointing out that for a developing nation like India, tourism promotion can help achieve fast economic development as well as high employment levels, apart from its potential for earning high level of foreign exchange.

2.5 Low Share of India in the Global Tourism: High Growth Prospects

India's share in the global tourism market (foreign tourist arrivals) has been quite low over the years. As of the latest (2006) statistics also, the same is just a meagre to little 4.4 million tourists (that is, 0.52 per cent of the total), which is roughly one-fifth as that of the tenth largest country (Russian Federation) and just one-eighteenth as that of France. In view of the abundant potential of India as one of the most preferred tourism destinations, there is tremendous scope for improvement. Equally important, however, is the fact that along with rapid growth in tourism, adverse impact of the same on the environment is also on the rise. The case of Himalayas in India itself is sufficient to prove this fact. This clearly underlines the need for strategic ecofriendly tourism.

3. Strategies for Sustainable Tourism in India: an Eco-Friendly Approach

As already pointed out earlier in this paper, ecologically sustainable tourism (eco-tourism) is fast gaining momentum the world over. This in turn is because of a number of adverse impacts of tourism on the environment, which need urgent attention.

3.1: Adverse Impacts of Tourism on the Environment: Vital Need for Ecotourism

The adverse impacts of tourism on the environment include the following:

Pressure on Natural Resources: Tourism adversely affects land and landscape, marine resources, atmosphere, fresh water, etc. and also pressure on other local resources (such as energy, food, other raw materials etc).

Harm to wildlife and habitats, with associated loss of biodiversity: This mainly arises on-

(i) biological resources - in the form of disruption of wildlife habitats, clearance of vegetation for tourism development, increased pressure on endangered species etc.,

(ii) ecologically fragile areas such as rainforests, wetlands, mangroves, coral reefs etc.

Pollution and wastes: These cause contamination of land, fresh water, marine waters and coastal areas, air etc.including noise pollution.

Social and cultural pressures related to conservation and sustainable use of biodiversity: These include-

(i) social and cultural impacts - that is, disturbance to the local way of life and of social structures and

(ii) adverse impacts on livelihoods - lack of benefit sharing with those who bear tourism-related costs.

Environmental Threats to Tourism: These include, *inter alia*,

(i) global warming,

(ii) loss of biodiversity, water pollution, and local air pollution.

3.2 Ec-otourism: Concept and Main Features

The International Ecotourism Society defines ecotourism as 'responsible travel that conserves the environment and sustains the well being of the local people'. A tourism programme that is nature- based, ecologically sustainable, environmentally educative, locally beneficial, and generates tourist satisfaction can be called *eco-tourism*.

Ecotourism seeks to achieve the following broad goals:

- (i) To improve the material and non-material well-being of communities,
- (ii) To protect biological diversity and maintain ecological systems, and
- (iii) To ensure the cultural integrity and social cohesion of communities.

The key characteristics of ecologically viable tourism are as follows:

- (i) It has social equity and community involvement,
- (ii) Tourism, which maintains the full range of recreational, educational, and cultural opportunities within and across generations,
- (iii) It is based on activities or designs that reflect the character of a region, and
- (iv) It is well integrated into local, regional, and national plans.

The main features of eco-tourism are as follows:

1. Eco-tourism seeks to make tourists aware of the protective, productive, and regulatory functions of the forests,
2. Its principal aim is benefiting from nature, landscape or specific species (for example, watching lions, elephants, whales etc.),
3. It involves low visitor impact and should contribute to the well-being of the local population,
4. It involves a purposeful travel to natural areas to understand the cultural and natural history of the environment, taking care not to disturb or alter the integrity of the ecosystem, in terms of economic opportunities that make conservation of natural resources beneficial to local people,

5. It is a very powerful means to preserve and develop the biodiversity,
6. Eco-tourism involves sharing of the responsibility by both travelers and service providers,
7. It underlines the sustainability of tourism, that is, the current needs of tourists/visitors should not be met at the expense of future generations, and
8. It may involve travel to any area of nature for admiring and enjoying the bio-diversity, natural landscape, cultural, and social heritage of the area.

3.3 Eco-tourism: The Indian Scenario

The religious tradition of India is often quite conducive for preserving the nature, particularly in many rural and tribal settlements. As per Hindu religious scriptures, one is expected to follow certain rules ('*dharma*' in religious language) regarding the sanctity to be maintained in temples and other places of worship, hills, sanctuaries, holy rivers, other water bodies, and historical monuments etc. This is a feature that favours promotion of eco-tourism in India. Certain tourist destinations in India have already attracted global attention because of their extreme uniqueness. Floating accommodations in the Dal Lake (Kashmir) and the serene backwaters of Kerala (and also the boat race held therein) are two classic examples supporting this unique dimension of India as a potential tourist destination. These also tend to bring people close to the nature.

3.3.1 Facets of Indian Eco-tourism: Quite Diverse

Eco-tourism in India has got varied facets to it. These include, *inter alia*, the following:

- **Rural Tourism:** Indian society is characterized by enormous diversity and distinction between both urban and rural lifestyle. There is tremendous demand for the above mentioned tourist destination settings both domestic and foreign. Typically, such a setting could be a recreated village environment on the outskirts of an urban area. Some variants of the above model are already existing such as Chokhi Dhani on the outskirts of Jaipur in Rajasthan.

- **Religious Tourism:** With India being home to different world religions, its importance as a prominent destination for religious tourism need not be overemphasized. The most important religious tourism destinations include Bodh Gaya in Bihar (known for Buddhism), Haridwar / Rishikesh, Varanasi, Ujjain etc. (Hindus), Amritsar (Sikhs), Ajmer (Muslims), and Vellankanni (Christians) etc.
- **Nature Tourism:** Large number of virgin tourist spots still exist in India and this provides the country with good scope for nature tourism, particularly if adequate investment is made towards providing special infrastructure, thus contributing towards attracting relevant and special interest groups. The presence of the great Himalayas, deserts, extensive green plains, sea, lakes etc. is of advantage to India in this regard.
- **Ethnic Tourism:** This is another advantage of India to showcase the local culture, customs, and heritage. For instance, Surajkund Crafts Mela held at Surajkund (Haryana) in the month of February each year.
- **Health Tourism:** This dimension of tourism involves a wide range of services ranging from the 'The Art of Living' to the most authentic and original forms of Yoga, Meditation, and Ayurveda. This should ideally be conducted in the ambience of nature as its best, be it the oceans, rivers or the of serene lush forests. Of late, many affluent and health-conscious foreigners are increasingly being attracted to this type of tourism.
- **Wild Tourism:** This involves, as the name suggests, travel to destinations wherein wild animals, the interiors of thick forests etc. are involved. For instance, Thekkadi (Kerala) offers opportunities to closely observe elephants and other wild animals in their natural surroundings by boats along the river flowing across such forests.
- **Adventure Tourism:** This dimension of tourism is often targeted at special interest groups and it involves travel to remotely inhabited places, far away from urban settings. Accordingly, it is often clubbed with nature tourism. Because of the very nature of adventure tourism, it is essential to develop adequate travel and transportation infrastructure to develop this kind of tourism.
- **Medical Tourism:** This kind of tourism is fast picking up in India and its growth potential is huge, primarily because of the relatively low cost of medical facilities in India compared to international medical services. India has got a potential to attract one million tourists per annum which in turn would translate into USD 5 billion to the economy.

3.3.2 Eco-tourism in India: Emerging Concerns, Impediments and Hurdles

From the foregoing analysis, it may be noted that eco-tourism is an environment-friendly, sustainable, and nature-based form of tourism that is also meant to benefit indigenous people and local communities. For a country like India with abundant natural resources to support tourism, the scope of eco-tourism is tremendous. In spite of the favourable features as above, there are a number of disturbing facts as well. These adverse aspects for ecotourism have been pointed out by many writers, for instance, Deifee (1981). As considerations of such negative factors are necessary for formulation of meaningful ecofriendly strategies for sustainable tourism development, the most important of such negative effects are given below:

- The influx of tourists will increase the need for additional facilities such as roads, accommodation, power, water, waste disposal facilities etc. This in turn will adversely affect the natural systems and their ecosystem. Besides, such evil effects as development of rural slums, noise and air pollution, and disturbance of wild life may also follow. Often unhygienic environments arise due to such slums, stagnated water bodies, encroachments, and stray cattle etc., which in turn may alienate the tourists.
- Eco-tourism may be severely constrained by the physical and social carrying capacities of many areas. Havoc and destructions caused to the hill stations, vandalism of historical monuments, and degradation of beaches etc. are just a few examples.
- Reaction of community to tourism in general and eco-tourism in particular may not be that encouraging. Often eco-tourism is associated with unfavourable changes in local prices and employment generation.
- Lack of sufficient information and tourist guides relating to various tourism destinations,

accommodation facilities, modes of transport, sanitary, toilet and drainage facilities are some other factors that adversely affect this industry.

- Benefits to the local people are often not as expected. This is the case particularly in respect of developing countries. As such, local people have either resentment or hostility towards eco-tourism and their participation is quite poor. In some cases, they resist such initiatives as well.
- As against expectations, very little of the tourism money directly benefits the local people. It has been observed that outsiders dominate eco-tourism, resulting in outside flow of money. World Bank observes that 55 per cent of the dollar spent on tourism in developing countries leaks back to the developed countries.
- Rather difficult and procedural immigration and entry / exit formalities existing in India vis-à-vis other nations is another impediment. Going by international best practices, such formalities have to be fine-tuned and made easier.
- Of late there have been some improvements, and generally governmental support towards tourism development has been quite poor.
- Similarly, the governmental resources for tourism development are limited. This, in turn, underlines the need for ensuring active private sector participation. Besides, the high rate of taxation on tourism activities existing in India is another impediment which needs to be standardized.

3.4: Strategies for Eco-Tourism Development in India: An International Perspective

3.4.1: Private Sector Participation through PPP (Public-Private Partnership) Model

Participation of the private sector in tourism appears to be essential in the Indian scenario looking into the resource constraints of the Government. The government may play the roles of both an enabler and regulator. Firstly, it will function as an enabler / facilitator who provides the licenses to private agencies who fulfil the norms laid by the government and also agrees to comply with pre-fixed norms of service quality, use of natural resources, and pollution control

norms etc. Secondly, as a regulator, the government ensures strict adherence to pollution control, use of resources, service quality etc. by the private agencies and take remedial / corrective action in case of defaults.

3.4.2: Better Infrastructure and Capacity Building amongst the Local Community

Better infrastructure facilities such as roadlines, airports, accommodation facilities, and drainage and sanitation facilities etc. need to be created immediately for faster tourism development. India has to go a long way in this regard. Apart from infrastructure creation as above, a holistic and integrated approach would call for considerable amount of capacity building amongst the local community to successfully manage and operate the tourism sector.

3.4.3 Easier Entry/Immigration Facilities are Vital

Considering The norms prevailing in India being rather procedural, the same need to be overhauled based on international best practices. That is to say, either a (i) Visa-free situation, or (ii) Visa-on-arrival situation needs to be ensured, in order to attract potential foreign tourists.

3.4.4 Enhanced Level of Services and Utilities to the Tourists

Better services need to be provided to the international tourists, which include *inter alia*, readily accessible information kiosks, information guides / bulletins, clean public utilities (sanitation, drainage etc.), hassle-free arrivals, improved hygienic conditions in tourism sites and surroundings, and clean air-ports and railway stations, etc.

3.4.5 Complete Co-operation and Support from Local Populace

Last but the not the least, full cooperation and support from the local population needs to be ensured. For this, their representation in all policy making forums is absolutely essential. Needless to mention, tourism policies sans local support would not be sustainable in the long run. Moreover, resentment or hostility of the local population may alienate domestic and largely foreign tourists also.

Conclusion

Of late, there has been increased thrust on tourism development in India. While tourism has got excellent prospects for rapid economic development particularly in respect of the developing nations, as is evident from the experiences of many a developing nation, it may be stated that the sustainability aspect of tourism has not often been given adequate consideration in designing tourism policies of the government. This in turn results in excessive burden the nature beyond its carrying capacity adversely affecting its ecological balance. Besides, often there are instances wherein the interests of tourists alone are protected in a bid to garner maximum tourism earnings, unmindful of the consequences of the same on the local people. All these point to the growing relevance of the need for adoption of ecotourism in its true spirit rather than simply from the point of view of compliance with regulatory stipulations or norms. This in turn necessitates a concerted action from the part of all concerned, for the cause of sustainable tourism development. Above all, in view of the resource constraints of the government in respect of

developing countries like India where private sector participation seems imminent, underlining the need for a PPP approach towards a holistic, integrated, and sustainable tourism development.

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PROBLEM OF NON-PERFORMING ASSETS IN INDIAN PUBLIC SECTOR BANKS

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Abstract: Banking sector plays a very crucial role in the development of any economy; and a robust banking system is essential if the economy has to show impressive growth. This growth however, led to strains in the operational efficiency of banks. Lax project appraisal, political favour, mongering and incorrect projections of the future demand in the industrial sector, coupled with recession in the last few years, have resulted in the default of many loan accounts, resulting in non-performing assets. The problem of non-performing assets is not only limited to the developing or poor nations, but also prevails in the developed nations. But, the magnitude of this problem is really very high in developing countries like India. Among the Indian banks, the public sector is the worst affected and among banks in the private sector, the newer tech-savvy and the foreign banks are the least vulnerable to bad loans. The present paper provides a comprehensive overview of the problem of non-performing assets in the Indian public sector banks. It also highlights the various causes behind the growing non-performing assets in the Indian public sector banks.

Introduction

Profitability and viability of financial institutions are directly affected by the quality and performance of advances. Indian banks are weighed down by enormous amounts of bad loans that threaten the very health of the banking system. It is a fact that banks extended a large amount of loans to the priority sector at the behest of the government, but their recovery has not been satisfactory. The Reserve Bank of India (RBI) had been specifically commenting on the non-performing assets (NPA) in priority sector lending in its annual reports on trends in banking. Till the year 1998, Indian banks, particularly the public sector is the worst affected and among banks in the private sector, the newer tech-savvy and foreign banks are the least vulnerable to bad loans.

Concept of Non-Performing Assets in India

Non-Performing Asset (NPA) means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or lost asset, in accordance with the directions or

guidelines relating to asset classification issued by RBI. An amount due under any credit facility is Accordingly, as from that date, a non-performing asset shall be an advance where:

- i. interest and /or installment of principal remain overdue for a period of more than 180 days in respect of a Term Loan,
- ii. the account remains 'out of order' for a period of more than 180 days, in respect of an overdraft/cash credit(OD/CC),
- iii. the bill remains overdue for a period of more than 180 days in the case of bills purchased and discounted,
- iv. interest and/ or installment of principal remains overdue for two harvest seasons but for a period not exceeding two and a half years in the case of an advance granted for agricultural purpose, and
- v. any amount to be received remains overdue for a period of more than 180 days in respect of other accounts.

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With a view to move towards international best practices and to ensure greater transparency, it has been decided to adopt the '90 days overdue' norm for identification of NPAs, from the year ending March 31, 2004. Accordingly, with effect from this date, a non-performing asset shall be a loan or an advance where:

- i. interest and /or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan,
- ii. the account remains 'out of order'¹ for a period of more than 90 days, in respect of an overdraft/ cash credit(OD/CC),
- iii. the bill remains overdue² for a period of more than 90 days in the case of bills purchased and discounted, and
- iv. interest and/ or installment of principal remains overdue for two harvest seasons but for a period not exceeding two and a half years in the case of an advance granted for agricultural purpose, and any amount to be received remains overdue for a period more than 90 days in respect of other accounts.

Income Recognition and Asset Classification Income Recognition and Assets Classification (IRCA) norms were introduced in our country with a view to reflect a true picture of the financial position of banks on the basis of their booking the income on actual basis than the accrual basis and also to classify assets according to the level of risk attached to them.

Income Recognition: The policy for income recognition is based on the record of recovery. In the line with international best practices, income from NPA is not to be recognized on accrual basis but is booked on income policy only when it is actually received. Therefore, the banks should not charge and take to income account interest on any NPA³.

Reversal of Income: If advances including bills purchased and discounted become an NPA at the close

1. An account should be treated as out of order if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In case where the outstanding balance in the principal operating is less than sanctioned limit/limit power, but there are no credits continuously for six months as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, such account should be treated as 'out of order'.

of any year, the unrealized interest accrued and credited to income account in the previous year should be reversed or provided for. This will apply to government guaranteed accounts also. Similarly, uncollected fees, commissions, and other income sources that have accrued in NPAs during the past periods should be reversed or provided for.

Leased Assets: The unrealized finance charge component of finance income⁴ on the leased assets, accrued and credited to income account before the assets become non- performing, should be reversed or provided for in the current accounting period.

Appropriation of Recovery in NPAs: Interest realized on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh/additional credit facilities sanctioned to the borrower.

Assets Classification: Regarding asset classification and provisioning pertaining to the advances portfolio of banks, non-performing assets are classified as below:

Sub-standard Assets: With effect from 31st March 2005, a sub-standard asset is one which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

2. Any amount due to the bank under any credit facility is 'overdue' if it is not
3. Interest on advances against term deposits, NSCs, IVPs, KVPs and life policies may be taken to income account on the due date, provided adequate margin is available in the accounts. Fees and commissions earned by the banks as a result of renegotiation or rescheduling of outstanding debts should be recognized on the accrual basis over the period of time covered by the renegotiated or rescheduled extension of credit. If government guaranteed advances become NPAs, the interest on such advances should not be taken to income account unless the interest has been realized

Doubtful Assets: With effect from 31st March 2005, an asset is called as doubtful if it has remained in the substandard category for more than 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weakness makes collection or liquidation in full on the basis of currently known facts, conditions, and values which are highly questionable and improbable.

Loss Assets: These are assets on which losses have been identified by the bank, internal or external auditors or the Reserve Bank of India inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

Restructured Assets: The Apex Bank has separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling of principal repayments and/ or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of

interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to substandard assets. The substandard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, are eligible to be upgraded to the standard category only after the specified period, that is, a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. To put in place an institutional mechanism for the restructuring of corporate debt, the Apex Bank has devised a corporate debt restructuring system.

Magnitude of NPAs in Indian Banks

The problem of NPA is not limited to Indian banks. In fact, this is the problem of almost all countries of the world, no matter which country is developing, developed or poor. However, the level of NPAs varies from country to country. Generally it is found to be highest in the poor and developing countries and less in the developed countries. Table I indicates the level of NPAs in major countries of Latin America; Eastern Europe; Western Europe; Asia, and other countries.

**Table 1: Growth of NPAs in selected countries of the World
(Non- Performing Loans to Total Loans)**

Countries	1997	1998	1999	2000	2001	2002	2003	2004
Latin America								
Argentina	5.5	5.3	7.1	8.7	13.2	17.5	78.4	80.0
Brazil	6.3	10.2	8.7	8.4	5.7	5.3	165.9	183.2
Chile	1.0	1.5	1.7	1.7	1.6	1.8	130.9	147.5
Columbia	5.5	10.7	13.6	11.0	10.0	8.7	98.1	100.9
Ecuador	-	8.1	26.0	31.0	27.8	8.5	127.3	101.7
Mexico	11.1	11.3	8.9	5.8	5.1	4.6	167.1	197.1
Venezuela	2.8	5.5	7.8	6.6	7.1	9.2	10.7	113.1
Eastern Europe								
Bulgaria	24.4	16.4	13.9	8.2	7.0	5.5	52.8	49.1
Czech Republic	20.8	20.3	22.0	19.9	13.7	10.6	77.1	76.8
Hungary	6.8	4.9	4.2	3.0	2.2	2.0	47.7	-
Poland	10.5	10.5	13.3	15.0	17.9	21.1	47.3	58.0
Russia	-	17.3	13.4	7.7	6.3	6.5	118.0	35.3
Slovak Republic	27.2	31.6	23.7	15.3	15.4	11.2	88.3	89.1
Slovenia	5.5	5.4	5.2	6.5	7.0	7.0	101.5	-
Western Europe								
France	6.7	6.3	5.7	5.0	5.0	5.0	58.4	-

Countries	1997	1998	1999	2000	2001	2002	2003	2004
Germany	-	4.5	4.6	5.1	4.9	5.0	-	-
Italy	9.2	9.1	8.5	7.7	6.7	6.5	55.1	-
Portugal	4.5	3.3	2.4	2.2	2.1	2.3	72.6	-
Spain	2.9	2.0	1.5	1.2	1.2	1.1	209.7	266.2
UK	2.9	3.2	3.0	2.5	2.6	2.6	-	-
Asia								
India	15.7	14.4	14.7	12.7	11.4	10.4	-	-
Indonesia	-	48.6	32.9	18.8	11.9	5.8	43.4	42.9
Korea	5.8	7.4	8.3	6.6	2.9	1.9	-	-
Malaysia	4.1	18.6	16.6	15.4	17.8	15.9	38.9	39.4
Pakistan	20.1	23.1	25.9	23.5	23.3	23.7	64.7	70.2
Philippines	4.7	11.0	12.7	14.9	16.9	15.4	30.9	30.6
Thailand	-	42.9	38.6	17.7	23.7	15.8	72.8	69.0
Other								
US	1.0	1.0	0.9	1.1	1.4	1.6	140.4	165.4
Japan	5.4	5.4	5.8	6.1	6.6	8.9	43.6	43.9
Canada	1.1	1.1	1.2	1.2	1.5	1.6	43.5	49.9

Source: Global Finance Stability Report, IMF, 2005.

India is an interesting case to study as the problem of NPAs is very stark in Indian banks especially in the public sector banks. It cannot be denied that mismanagement, wilful default, fund diversion, and siphoning off of funds have taken place in several cases of bad loans. In India today, there have been several cases where delay in project completion, changes in industrial policy, and the dropping interest rate regime have also contributed to rendering several assets sick. The World Bank has sounded warning bells for Indian banks and financial institutions on their high non-performing assets and the risks of suffering losses if interest rate starts rising. The problems assume

importance in the wake of rising public sector debt at 90 per cent of GDP, the World Bank said in its development policy review report titled 'India-Sustaining Reform, Reducing Poverty'. World Bank was alarmed at the gross NPA level of Indian banks at 10.4 per cent of advances and net NPAs at 5.5 per cent till March 2002. Questioning the net NPA figures of banks stated at 1.5 per cent of GDP, the report said, "While some analysts have suggested that NPAs are substantially understated by various 'ever-greening' methods, a doubling of the gross NPA figure would put the net NPA at less than 7 per cent of bank assets or about 4.5 per cent of GDP."

Table 2: Bank-wise Non-Performing Assets of Scheduled Commercial Banks - 2006 (Amt. in Rs. Lakh)

Bank Name	Gross NPA (As on March 31 st)	Gross Advances	Gross NPA Ratio
State Bank of India and its Associates			
State Bank of India	1037575	26745825	3.9
State Bank of Bikaner & Jaipur	38873	1609619	2.4
State Bank of Hyderabad	45306	2114089	2.1
State Bank of Indore	36293	1202210	3.0
State Bank of Mysore	39813	1206316	3.3
State Bank of Patiala	54295	2250261	2.4
State Bank of Saurashtra	16811	851307	2.0
State Bank of Travancore	60995	1919684	3.2

Bank Name	Gross NPA (As on March 31 st)	Gross Advances	Gross NPA Ratio
Nationalized Banks			
Allahabad Bank	118383	3006122	3.9
Andhra Bank	43691	2248143	1.9
Bank of Baroda	239014	6136043	3.9
Bank of India	247918	6666223	3.7
Bank of Maharashtra	94408	1707975	5.5
Canara Bank	179261	7966519	2.3
Central Bank of India	268417	3919541	6.8
Corporation Bank	62557	2442263	2.6
Dena Bank	94940	1474779	6.4
IDBI Ltd.	111552	5632228	2.0
Indian Bank	66898	2297697	2.9
Indian Overseas Bank	122755	3575943	3.4
Oriental Bank of Commerce	211631	3554856	6.0
Punjab and Sind Bank	94150	979992	9.6
Punjab National Bank	313829	7650114	4.1
Syndicate Bank	150636	3766006	4.0
UCO Bank	123474	3781688	3.3
Union Bank of India	209805	5464406	3.8
United Bank of India	74430	1596347	4.7
Vijaya Bank	54015	1706184	3.2
Foreign Banks			
ABM Amro Bank	5112	1524787	0.3
Abu-Dhabi Commercial Bank	6318	16285	38.8
American Express Bank	2044	202584	1.0
Antwerp Diamond Bank	-	42246	0.0
Arab Bangladesh Bank	-	3405	0.0
Bank International Indonesia	25	741	3.4
Bank of America	389	337296	0.1
Bank of Baharian and Kuwait	4500	21193	21.2
Bank of Ceylon	3279	6993	46.9
Bank of Nova Scotia	6990	248587	2.8
Bank of Tokyo-Mitsubishi UFJ	-	103351	0.0
Barclays Bank	-	433	0.0
BNP Paribas	4104	189487	2.2
Canyon Bank	1010	101348	1.0
China Trust Commercial Bank	353	10011	3.5
Cho Hung Bank	-	9108	0.0
Citi Bank	52823	2475004	2.1
Deutsche Bank	905	259083	0.3
DBS Bank	-	89166	0.0
Hong Kong & Shanghai Banking Corp.	31750	1703233	1.9
J P Morgan Bank	-	7565	0.0
Krung Thai Bank	-	1053	0.0
Mashreq Bank	1226	4259	28.5

Bank Name	Gross NPA (As on March 31 st)	Gross Advances	Gross NPA Ratio
Mizuho Corporation Bank	713	33463	2.1
Oman International Bank	14138	14597	96.9
Societe Generale	531	27617	1.9
Sonali Bank	92	390	23.6
Standard Chartered Bank	68381	2439997	2.8
State Bank of Mauritius	1061	23137	4.6
Other Scheduled Commercial Banks			
Bank of Rajasthan	13551	416030	3.3
Bharat Overseas Bank	6666	207976	3.2
Catholic Syrian Bank	15992	277555	5.8
Centurion Bank of Punjab	31495	677444	4.6
City Union Bank	11283	261167	4.3
Development Credit Bank	31492	209828	15.0
Dhanalakshmi Bank	11138	165983	6.7
Federal Bank	56305	1217982	4.6
HDFC Bank	49651	3540258	1.4
ICICI Bank	222258	14762531	1.5
Indus Ind Bank	26883	938432	2.9
ING Vysya Bank	18093	1023199	1.8
Jammu and Kashmir Bank	37019	1471942	2.5
Karnataka Bank	41513	809646	5.1
Karur Vysya Bank	22316	570089	3.9
Kotak Mahindra Bank	3991	637292	0.6
Lakshmi Vilas Bank	12476	301375	4.1
Lord Krishna Bank	7071	144729	4.9
Nanital Bank	1158	60738	1.9
Ratanakar Bank	3929	51733	7.6
SBI Comm. And Int. Bank	4374	28781	15.2
South Indian Bank	32782	657048	5.0
Tamilnadu Mercantile Bank	23058	328667	7.0
United Western Bank	49097	427866	11.5
UTI Bank	37428	2247089	1.7
Yes Bank	-	240709	0.0
All Scheduled Commercial Banks	5188488	155044924	3.3

Source: Department of Banking Supervision, RBI 2007

Improved industrial climate and new options available to banks for dealing with bad loans helped in recovering substantial amounts of NPAs in 2005-06. Such recoveries during this fiscal were more than fresh accruals. Gross NPAs of scheduled commercial banks (SCBs), which had declined by 5,414 crore in 2004-05, fell by a further amount of Rs. 7,558 crore in

2005-06. Aggregate amount recovered and written off increased to Rs. 28,717 crore during 2005-06 from Rs. 25,007 crore in the previous year. NPAs of SCBs were at 109 per cent to total assets in the end of March 2006. Table 3 indicates the present position of NPAs among the different bank categories.

Table 3: Position of NPAs among the Different Bank Categories.

Bank Group	Gross NPAs (Rs. Crore) in 2005-06	% to Gross Advances in 2005-06	% to Total Assets in 2005-06
Public Sector	42106	3.7	2.1
Private Sector	7782	2.4	1.4
Foreign Sector	1927	1.9	1.0
SCBs (1+2+3)	64787	3.3	1.9

Bank Group	Net NPAs (Rs. Crore) in 2005-06	% to Net Advances in 2005-06	% to Total Assets Advances in 2005-06
Public Sector	14561	1.3	0.7
Private Sector	3161	1.0	0.6
Foreign Sector	808	0.8	0.4
SCBs (1+2+3)	18530	1.2	0.7

Source: Money and Banking Development Reports, 2007; revealed by researcher.

The table reveals that the problem of NPAs is highest among the public sector banks. In fact, the difference with other bank groups is really very significant. Foreign banks have the lowest NPAs. Indian public sector banks have the highest NPAs, followed by private sector banks.

Composition of NPAs of Public Sector Banks

The composition of NPAs of public sector banks brings to light certain interesting aspects. It is observed

that in 1995 for the State Bank Group, the share of NPA was 52.5 per cent for the priority sector, and 41.4 per cent for the non-priority sector, and 6.1 per cent for the public sector. These percentages were 47.4 per cent, 51.5 per cent, and 1.1 per cent, respectively in 2005. Similarly, in the case of nationalized banks also, the NPA composition for the non priority has increased whereas, that for priority sector and public sector, there is a marginal reduction.

Table 4: Composition of NPAs of Public Sector Banks (per cent)

Year	SBI and Its Associates			Nationalized Banks		
	Priority Sector	Non-Priority Sector	Public Sector	Priority Sector	Non-Priority Sector	Public Sector
1995	52.5	41.4	6.1	48.7	49.2	2.0
2000	45.2	51.9	2.8	44.1	54.5	1.5
2001	55.2	49.8	6.0	46.2	52.3	1.5
2002	47.0	50.4	2.6	45.7	53.1	1.2
2003	47.5	49.4	3.1	47.1	51.3	1.6
2004	47.1	51.5	1.5	47.7	51.1	1.1
2005	47.4	51.5	1.1	48.4	50.7	0.9

Source: Statistical Tables relating to Banks in India, various.

This shows that not only advances to the priority sector are going non- performing, but more than that, non-priority sector lending is the area where the bankers need to cautiously examine the possibilities of loans becoming non-performing. Here the question of moral hazard, adverse selection, and credit rationing comes to the fore. These issues are to be addressed face on. This also goes to explode the commonly held myth that the problem of NPAs is caused mainly due to credit allocation to priority sector.

Difficulties with Non-Performing Assets

Non- performing assets of banks are one of the biggest hurdles in the way of socio-economic development in India. It can create many challenges. Some of the most important are:

1. Owners do not receive a market return on their capital. In the worst case, if the bank fails, owners lose their assets. In modern times, this may affect a broad pool of shareholders.
2. Depositors do not receive a market return on savings. In the worst case, if the bank fails, depositors lose their assets or uninsured balance. Banks also redistribute losses to other borrowers by charging higher interest rates. Lower deposit rates and Gross NPA Ratio higher lending rates repress savings and financial markets, which hampers economic growth.
3. Non-performing loans epitomize bad investment. They misallocate credit from good projects, which do not receive funding, to failed projects. Bad investment ends up in misallocation of capital and, by extension, labour and natural resources. The economy performs below its production potential.
4. Non- performing loans may spill over the banking system and contract the money stock, which may lead to economic contraction. This spillover effect can channelize through illiquidity or bank insolvency;
 - (a) when many borrowers fail to pay interest, and banks may experience liquidity shortages. These shortages can jam payments across the country,
 - (b) illiquidity constraints bank in paying depositors, for example, cashing their paychecks. Banking

panic follows. A run on banks by depositors as part of the national money stock become inoperative. The money stock contracts and economic contraction follows

- (c) Undercapitalized banks exceed the banks' capital base. Lending by banks has been highly politicized. It is common knowledge that loans are given to various industrial houses not on commercial considerations and project viability but on political considerations. Some politician would ask the bank to extend the loan to a particular corporate and the bank would oblige. In normal circumstances, banks before extending any loan, would make a thorough study of the actual need of the party concerned, the prospects of the business in which it is engaged, its track record, the quality of management, and so on. Since this is not looked into, many of the loans become NPAs. The loans for the weaker sections of the society and the waiving of the loans to farmers are another dimension of the politicization of bank lending. Most of the depositor's money has been frittered away by the banks at the instance of politicians, while the same depositors are being made to pay through taxes to cover the losses of the bank.

Causes of Problem of NPAs in Indian Public Sector Banks

The problem of NPA is not limited to only Indian public sector banks. In fact, this is the problem of almost all developing countries (see Table 1).). However, the level of NPAs and its causes varies from country to country. India is a unique case to study in this context as the problem of NPA is very high in the public sector banks. Major portion of bad debts in Indian banks arose out of lending to the priority sector, at the dictates of politicians and bureaucrats. If only banks had monitored their loans effectively, the bad debt problem could have been contained, if not eliminated. The top managements of the banks were forced by politicians and bureaucrats to throw good money after bad debts in the case of unscrupulous borrowers. Many big borrowers defaulted only due to the recession in the economy. The absence of proper bankruptcy laws and the dilatory legal procedures in

enforcing security rights are the root cause of bad debts in banks. Added to these, there are many other reasons why public sector banks have the highest level of NPAs. Some of the most important are given as under:

Table 5: Comparison of Causes of NPAs in Different Countries

Country	Causes of Problems
China	<ol style="list-style-type: none"> 1. Moral Hazard - SOE's belief that bailout will happen in a crisis situation 2. Bankruptcy laws favour borrowers 3. Inefficient legal enforcement mechanisms 4. Political and social implications compulsions force the government to keep them afloat.
Japan	<ol style="list-style-type: none"> 1. Real estate boom and bust 2. Time- consuming legal mechanisms 3. Crony capitalism 4. 'The no-bankruptcy doctrine
Korea	<ol style="list-style-type: none"> 1. Directed credit: Interest rate control 2. The 'compressed growth' policy 3. Lack of effective monitoring 4. Contagion Effects from south- east Asia
Thailand	<ol style="list-style-type: none"> 1. Legal system that favoured debtors 2. Liberalized capital and current account borrowing were made with inaccurate assessment of foreign exchange risk 3. Real estate speculation-Spike in prices and growth rate projections were wrong 4. Steep interest rate increase turned loans bad 5. Highly decentralized nature of problem

Source: Various sources.

First, at the outset, it has to be admitted that no bank can have zero NPA. Any business, and more so banking, does involve risks and one should learn proper lessons from the past. Incidentally, the Chettiar community of Tamil Nadu, who were pioneers in overseas trade and commerce, had recognized this basic principle long ago. When their young males were sent to do business abroad, there were losses in the initial years. Legend has it that the fathers in India will write the losses to an account called 'Budhi Kolmuthal, that is,' 'Intellectual Capital' or 'Capital for Experience'. Alas, the mandarins in the government expect the banks in the public sector to totally avoid NPAs and thereby engender counterproductive action among bankers.

Second, one of the primary reasons for NPAs could be that the lending decision was, *ab initio*, incorrect. Seasoned bankers would scoff at this as a preposterous statement, but the reality has to be faced. A major portion of bank lending is to industries and trade; this segment accounted for over 53 per cent of gross bank

credit, excluding loans to food procurement agencies of governments, as at the end of March 2002, vide RBI data. In lending to these borrowers, bankers have to relearn a lot. Till the early 1960s, bankers lent only to traditional companies owned by 'respected' business groups and relied primarily on the credentials of the group. The emergence of small scale industries and the gradual opening up of the economy changed the scenario with many new entrepreneurs on the scene and bankers had to learn newer ways of assessment and appraisal. Third, another factor that can contribute to the low level of expertise in many big public sector banks is the constant rotation of duties among officers and the apparent lack of training in lending principles for the loan officers. Being dictated to by the bureaucrats in the government, public sector banks are asked to frown upon specialization of officers in any particular branch of banking; this also makes it hard for developing a fully trained cadre of lending officers. Fourth, incorrect demand projection made at the beginning of the '90s enabled promoters to take huge project finance loans to initiate greenfield

projects. However, in the latter half of the decade, a changing macroeconomic climate with services emerging as the most important contributor to the country's GDP ahead of manufacturing, agriculture, stagnation in public investment, global overcapacity, coupled with a slump in international markets made all demand and prices projection go haywire. The huge projects (mostly in textile, steel, and chemical sector) faced overcapacity resulting in reduced margins and reduced cash flows. Financial institutions tried debt restructuring, pumped in more funds so that the projects weathered the business slump or took over the management of some ailing companies. But many of the mega projects have failed and financial institutions have been forced to book the investment involved as non- performing.

Last but not the least, any lending activities involve the following three stages where discretion needs to be exercised: evaluation and assessment of the proposal; continuing support during the loan period by additional loan or by non-fund-based activities; and exit decision and modality. Studies have shown that Indian financial institutions exhibit extremes of behaviour at each of the above stages. In many instances, loans have been sanctioned because of vested interests. Promoters-banker nexus or promoter-politician linkages have been exploited to siphon off funds from the banking systems. Post-loan disbursal, bankers are supposed to keep track of the key signals that indicate the health of the loan recipient and monitor project progress. In many cases, such monitoring has not been done. On the contrary, bankers have colluded with their clients to satisfy Banker's Health requirements or got projects classified as 'sick' under relevant laws. The Joint Parliament Committee (JPC) probing the stock market scam has hinted that UTI's present financial mess has been caused by 'directing its investment and lending decisions in the favour of dubious private sector promoters in the name of reviving the capital markets'. Former Finance Minister Jaswant Singh has described the NPAs of public sector banks as '*loot and not debts*'.

Managing NPAs through Securitization

With the growing volume of non performing assets, banks and financial institutions were experiencing considerable difficulties in recovering loans and enforcement of securities charged to them. A significant portion of the banks' funds were blocked in non-productive assets/litigation. Banks had to wait

in long queues for their turn for hearing of their recovery suits by the courts like any other private moneylenders. With advent of the Recovery of Debts Due To Banks and Financial Institutions Act, 1993, there was a great hope within the banking circle that most of the non- performing assets shall be easy to recover. The banks, under the conventional system of recovery of loans, had a considerable amount of money blocked in the form of unproductive assets. This Act intended to provide for expeditious adjudication and recovery of debts due to banks and financial institutions. But this effort of the government was not enough. To fight the menace of the NPAs, the Indian banks required more teeth. With an object to give the banks more powers and skills, the government decided to bring in the *Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002*. The Act changed India's entire law on the recovery of non-performing loans by banks and financial institutions. The Act confers powers on secured creditors to take possession and sell assets kept as security if a default is committed by the borrower in repaying secured debt. The 2002 Act also aims to regulate securitization, reconstruct financial assets, and enforce security interests. Prior to 2002 there was no provision for facilitating securitization of financial assets and the power to take possession of these assets and selling them off. This Act has come as a boon for the Indian banking industry and at a time when the industry was grappling with bad loans, which at that time accounted for 14 per cent of their advances in gross terms and net NPAs at around 7 per cent, which roughly amounted for upto Rs. 650 billion. IMF's Global Financial Stability Report 2006 revealed that public sector banks have settled about 30 per cent of their NPA (non-performing assets) cases for which they issued notices under the *Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002*. A total of 33,736 notices under the SARFAESI Act were issued by 20 nationalised banks and the subsidiaries of State Bank of India (SBI for recovery of Rs 12,147 crore after the enactment of the Act. These banks together have settled 9,946 cases, according to data compiled by CMIE. Though the percentage of dispute cases settled till June '03 amount to 29.5 per cent in terms of value, it amounts to a paltry Rs 499 crore only, accounting for just 4.1 per cent of the total outstanding amount for which notices were issued. State Bank of India and its subsidiaries together have recovered Rs. 83 crore out of Rs. 4,771 crore loan outstanding for which they

had issued notices till June '03. Similarly, Punjab National Bank and Canara Bank, which had sent 3,015 and 1,011 notices respectively for recovery of loans amounting to Rs. 711 crore and Rs. 350 crore, have recovered Rs. 39.3 crore and Rs. 34.5 crore respectively till June '03. While banks succeeded in getting their smaller clients to pay up on the strength of the new Act, a good number of companies with large amounts in outstanding against them continue to defy the banks' notices. With the recent ruling by Supreme Court (upholding the Act), banks are now confident of a faster recovery of dues. Securitization is expected to become more popular in the near future in the banking sector. Banks are expected to sell off a greater amount of NPAs to ARCIL by 2007, when they have to shift to Basel-II norms. Blocking too much capital in NPAs can reduce the capital adequacy of banks and can be a hindrance for banks to meet the Basel-II norms. Thus, banks will have two options - either to raise more capital or to free capital tied up in NPAs and other loans through securitization.

Conclusion

India has a bank-based financial system, where banks and financial institutions are the principal intermediaries for commercial sector credit. Lax project appraisal, political factor mongering, and incorrect projections of further demand in the industrial sector, coupled with recession in the last few years, have resulted in the default of many loan accounts, resulting in 'non-performing assets'. Though the NPAs of the Indian financial system are not as alarming as those of pre-crisis South Asia or China, they are still quite high. The problem of NPAs is really very alarming in the Indian public sector banks. The present paper revealed that during the certain years, it has increased both in terms of percentage as well as absolute term, while in certain other years it has decreased. But, on the whole, the situation is really alarming. Wilful default, improper processing of loan proposals and poor monitoring are major causes for accounts becoming NPAs at the first stage. They affect the accounts of a financial institution in several ways. Firstly, interest income cannot be booked on any assets that have become a NPA. In addition, provisioning needs to be done against NPAs, further affecting profits. Therefore, it is high time for the Indian banking sector to solve the problem of NPA. Indian government has already taken number of initiatives

in this direction. Two important initiatives have now come about which seek to bring about structural reforms to the Indian credit market by empowering financial institutions to recover NPAs. Among these two, Securitization Act 2002 is most significant to solve the problem of NPAs. As a result of these initiatives, the problem of NPAs is declining. But still it constitutes a major portion of funds and it should be managed properly.

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MICROFINANCE: CHALLENGES AND FUTURE PROSPECTS

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Abstract: *Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance products to the poor and low-income households for their microenterprises and small businesses, to enable them to raise their income levels and improve their living standards. Due to the sheer size of the population living in poverty, India is strategically significant in the global efforts to alleviate poverty and achieve the Millennium Development Goal of halving the world's poverty by 2015. Microfinance has been in practice in India in one form or another since the 1970s and is now widely accepted as an effective poverty alleviation strategy. Over the last five years, the microfinance industry has achieved significant growth in part due to the participation of commercial banks. Despite this growth, the poverty situation in India continues to be challenging. Microfinance as a developmental and economic tool has caught the imagination of banks, other financial institutions, and NGOs in India. This paper reviews the current scale of microfinance operation, some areas of recent innovations, and its future prospective.*

Introduction

It has been approximately 25 years since the birth of Microfinance with the founding of the Grameen Bank in Bangladesh by Professor Mohammad Yunus. The field has since expanded with the adaptation and evolution of Professor Yunus' ideas to various countries and contexts.

The single most important factor in the banking sector, which often came in the way of financing the poor, was the problem of creditworthiness followed by their capacity for 'credit absorption' and 'crisis of entrepreneurship', mainly while taking up productive activities. While the country is experiencing faster growth in its Gross Domestic Product (GDP), a major concern is the gap between the rich and the poor.

According to Reserve Bank of India (RBI), over 40 per cent of Indians do not have even the bank account. The National Sample Survey (NSS) 59th Round (2003) estimates reveal a disappointing fact, that of the total cultivator households, only 27 per cent have received credit from formal sources, and 22 per cent

from informal sources. The remaining 51 per cent, mostly marginal farmers, have virtually no access to credit.

It is in this context that one needs to appreciate the role of microfinance institutions (MFIs) in collaboration with the government, NGOs, social organizations etc., in poverty alleviation, employment generation, improvement of health and nutritional status, empowerment of women, and human development. Microfinance is seen as provision of financial service to mostly low-income people, especially the poor and very poor who are without any tangible assets.

There are 41 Microfinance programmes in operation in 17 countries, including Grameen Bank in Bangladesh. Independent studies have shown that these MFIs have been instrumental in reducing poverty. The first microfinance programme in India has been under implementation since 1993. However, concrete evidence of poverty alleviation has been

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debated. In the case of SEWA, participants in such programmes have reported higher income, and this is especially shown for women. The task of awareness on human development aspects needs to be undertaken including strategic evaluation of the existing microfinance programmes by independent researches. Panchayathi Raj Institutions (PRIs) shall be involved right from village to district levels to implement these programmes.

Genesis of Microfinance

Known alternately as 'micro credit' or in broader terms 'microfinance', this highly successful partnership of public and private interests began to gain momentum in the mid-1970s as a serious tool for development. Microfinance offers an alternative to the conventional strategies for bringing about development of the economy. Nowadays, the massive project-oriented development programmes have generated considerable concern amongst social activists, who ardently believe, and rightfully so, that more investments in smaller, local enterprises could bring substantial economic and social benefits at comparatively lesser cost. For quite some time now, many financial institutions have begun to demonstrate that for people facing economic difficulties, the need to meet their consumption expenditure is of primary importance. And once such basic needs are satisfied, they can be considered as very attractive lending propositions.

The first major demonstration of this kind of lending came from Bangladesh, a country which was virtually synonymous with poverty. During 1976, Muhammad Yunus, then Professor of Economics at Chittagong University, began an experiment aimed at helping impoverished villagers. Defying the usual rules, he lent them unsecured money to start small enterprises, such as rice-processing, rickshaw-driving, and weaving. Instead of collateral, the borrowers were to form small groups (called self-help groups) and agree to a pact of mutual liability. In other words, the liability of the members will be both joint and several viz. if one defaults, the others will have to pay. The participants in the pact knew each other, which created peer pressure for successful repayment and along with the compelling need for a source of income in a place with few other opportunities, and it produced surprising results. After the first two years, Prof. Yunus found that he was getting an astounding payback of 99 per cent! The experiment, by then officially known

as the 'Grameen Bank', was expanded and has become legendary in the world of development banking.

Boundaries of Microfinance

Theoretically microfinance encompasses any financial service used by poor people, including those they access in the informal economy, such as loans from a village moneylender. In practice however, the term is usually used to refer to institutions and enterprises whose goals include both profitability and reducing the poverty of their clients.

Microfinance services are needed everywhere, including the developed world. However, in developed economies intense competition within the financial sector, combined with a diverse mix of different types of financial institutions with different missions, ensures that most people have access to some financial services. Efforts to transfer microfinance innovations such as solidarity lending from developing countries to developed ones have met with little success.

Microfinance can also be distinguished from charity. It is better to provide grants to families who are destitute, or so poor that they are unlikely to be able to generate the cash flow required to repay a loan. This situation can occur, for example, in a war zone or after a natural disaster.

New Approaches to Delivering Finance to the Poor: Microfinance in India

Inadequacies in rural access to formal finance and the seemingly extortionary terms of informal finance for the poor provide a strong need and ample space for innovative approaches to serve the financial needs of India's rural poor. Over the last decade, efforts have been made by the government, financial institutions, and NGOs, often in partnership, to develop new financial delivery approaches. These microfinance approaches have been designed to combine the safety and reliability of formal finance with the convenience and flexibility typically associated with informal finance. They typically involve providing thrift, credit and other financial services, and products of very small amounts to the poor, with the aim to raise income levels and improve their living standards. But microfinance still plays a modest role in India. At the all-India level, less than five per cent of poor rural households have access to microfinance (as compared

to 65 per cent in Bangladesh) but significant variations exist across states.

1. SHG Bank Linkage: Linking Banks to Grassroots Borrowers

There has been growing excitement about SHG Bank Linkage, and many believe it is destined to become the country's dominant system of mass-outreach banking for the poor. The SHG model was started in the 1980s by social development NGOs, many of whom took up group formation (especially of women) as their main tool. Having made group members learn how to pool savings into loans, mostly small, short-term consumption loans, was seen as empowering disadvantaged women, socially, politically, and financially. By 1992 the NGOs had heroically persuaded the government to take the idea seriously. Legal obstacles were removed and subsidies made available so that SHGs could take bulk loans from banks that could be lent to group members who could use them to take up or expand microbusinesses. The model evolved so that SHG Bank Linkage today involves having the group save, and then linking it to a bank (usually not only the rural branch of a state-owned commercial bank, but also rural reserve banks (RRBs), cooperative banks, etc. Funds saved by SHGs are placed in a group deposit account in the bank. The group then borrows from the bank (at about 12 per cent per annum), using its saving and group guarantee as the collateral. To encourage banks to lend to SHGs, NABARD has provided subsidized refinancing support to banks, although the demand for such refinancing has declined as banks begin to discover that SHG lending is quite profitable, and characterized by default rates (less than 1 per cent) that are, in fact, much lower than the rate of default on their regular lending portfolios (11 to 12 per cent). Banks typically provide the group a loan amounting to four times the group's savings but, as the group matures and based on the group's track record, they are ready to lend more. Borrowed and saved funds are rotated through lending within the group using flexible repayment schedules (usually monthly repayment); SHGs thus save, borrow, and repay collectively. SHG funds may be distributed either to one or more members of the group, who are personally responsible for repayment to the group, or spent collectively by the group. The group is free to decide the interest rate charged to its members, but typically a member borrows from the

group at about 24 per cent per annum. After a loan from a bank is fully repaid, the group may borrow again, often a larger amount.

2. The Phenomenal Growth of SHG Bank Linkage: From a Small Experiment to a 'Movement'

Growth in the number of SHGs formed, and the scale of their interaction with banks, has been very fast in the last three or four years, and is still accelerating. What started as a pilot project has now become a 'movement'. The number of SHGs linked to banks has increased from just 500 in the early 1990s, to over 800,000 by 2004. NABARD chalked out plans to see a million SHGs serving 20 million households by 2008. The rapid rate at which the model has scaled up, particularly since the late 1990s, is truly remarkable. Between 1999 and 2003, the number of SHGs linked to banks increased cumulatively from 32,995 to 717,306 (Table 1). This is an increase of more than 2000 per cent, a staggering achievement in a short period of four years. During the same period, the amount of loans disbursed cumulatively increased by 3,487 per cent %. But with an outreach of about 12 million women and their households (in a country where 460 million people live on less than one \$/day), SHG Bank Linkage has a long way to go before it can really make a dent.

Table 1: Growth of Volumes of SHG-Bank Linkage

By Mar 31	Number of SHGs linked to banks, cumulative nos.	Cumulative bank loans (Rs.million)
1999	32995	571
2000	114775	1930
2001	263825	4809
2002	461478	10263
2003	717306	20487

Source: World Bank (2003)

3. 'Grameen Replicator-type' Micro-finance Institutions

Recent years have witnessed the emergence of other institutional structures for microfinance, notably independent, specialized microfinance institutions (MFIs) that are based on the Grameen model pioneered by Muhammad Yunus in Bangladesh. But with a few exceptions, most Indian MFIs are small in size, region-specific (with a concentration in the south) and the sector has a limited collective outreach. The Small

Industries Development Bank of India (SIDBI) has been the largest lender to the MFIs, though Friends of Women's World Banking India as well as the National Women's Fund (Rashtriya Mahila Kosh) have also played an important role. In March 2003, the Indian MFIs sector as a whole had a total outreach of less than one million borrowers. In comparison, larger MFIs in Bangladesh such as Grameen Bank, BRAC, Proshika, and ASA reach well over one million clients each. In March 2003, the Indian MFIs sector as a whole had loans outstanding to Rs.2.4 billion, with the two largest MFIs, SHARE Microfin Ltd and BASIX, having loans outstanding of about Rs.500 million and Rs.350 million, respectively. One estimate indicates that the average loans disbursed by the top 10 MFIs in India amounted to just Rs.160 million per MFI. Another estimate, based on 69 rated MFIs (which are among India's top 100 MFIs), shows that these MFIs had about 6,500 borrowers and Rs.23 million outstanding, per MFI. These numbers are modest in comparison to lending by the microfinance challenge. MFIs in Bangladesh Grameen Bank's loan portfolio alone exceeds that of the entire microfinance sector in India by a factor of five whereas BRAC's portfolio is more than three times that of all MFIs in India. Both ASA's and Proshika's portfolios are also larger than that of the entire microfinance sector in India.

Key Principles of Microfinance

Key principles of microfinance were developed in 2004 by Consultative Group to Assist the Poor (CGAP) and endorsed by the group of eight leaders at the G8 Summit on June 10th, 2004. Among the key principles, summarizing a century and a half of development practice, are the following:

- i. Poor people need a variety of financial services, not just loans,
- ii. Microfinance can pay for itself, and must do so if it is to reach very large number of poor people,
- iii. Microfinance is about building permanent local financial institutions,
- iv. The job of government is to enable financial services, not to provide them, and
- v. The key bottleneck is the shortage of strong institutions and managers.

More generally, the principles assert that 'microfinance means building financial systems that

serve the poor'. Financial systems include not only strong financial institutions but also more competitive financial markets, better government regulatory services, and better complementary services.

Current Scale of Microfinance Operations

No systematic effort to map the distribution of microfinance has yet been undertaken. A useful recent benchmark was established by an analysis of 'alternative financial institutions' in the developing world in 2004. The authors counted approximately 665 million client accounts at over 3,000 institutions identified as serving people who are poorer than those served by the commercial banks. Of these accounts, 120 million were with institutions normally understood to practice microfinance. Reflecting the diverse historical roots of the movement, however, they also included postal savings banks (318 million accounts), state agricultural and development banks (172 million accounts), financial cooperatives and credit unions (35 million accounts), and specialized rural banks (19 million accounts).

Regionally the highest concentration of these accounts was in India (188 million accounts representing 18 per cent of the total national population). The lowest concentrations were in Latin American and the Caribbean (14 million accounts representing 3 per cent of the total population) and Africa (27 million accounts representing 4 per cent of the total population). Considering that most bank clients in the developed world need several active accounts to keep their affairs in order, these figures indicate that the task the microfinance movement has set for itself is still very far from finished. By type of service "savings accounts in alternative finance institutions outnumber loans by about four to one. This is a world-wide pattern that does not vary much by region." An important source of detailed data on selected microfinance institutions is the Micro Banking Bulletin. At the end of 2006, it was tracking 704 organisations that were serving 52million borrowers (\$23.3 billion in outstanding loans) and 56 million savers (\$15.4 billion in deposits). Of these clients, 70 per cent were in Asia, 20 per cent in Latin America, and the balance in the rest of the world.

As yet there are no studies that indicate the scale or distribution of 'informal' microfinance organizations such as ROSCAs and informal associations that help people manage costs like

weddings, funerals, and sickness. Numerous case studies have been published however, indicating that these organizations, which are generally designed and managed by poor people themselves with little external help, operate in most developing countries.

Some Areas of Recent Innovation

Credit

- Targeted loans for health, education, and housing: some programmes including SEWA and Grameen Bank offer large longer term loans for specific types of consumption such as housing and education (including girls' education). In the case of Grameen Bank, it is a requirement that house sites be registered in women's names, both as security for the loan and to increase women's control over their assets.
- Loans for environmental improvement: SEWA and some other organizations have been working with waste recyclers such as paper pickers and garbage collectors to improve their efficiency and incomes.
- notes environmentally sustainable integrated agricultural and pastoralist production. Conservation International uses micro credit as a tool towards conservation and development around nature reserves through requiring loan recipients to farm according to certain sustainable agricultural standards.
- Flexible loan repayment schedules to enable borrowers to better integrate loan repayment with income availability patterns without increasing indebtedness.

Savings

- Safe-Save in Bangladesh has developed a methodology for completely flexible individual savings and loans for very poor women.

Insurance

- SEWA in India has had a health insurance programme since 1992.
- BRAC has started Grameen Kalyan (Welfare), an 11-site health programme based on an insurance premium of about \$3 per year per family, and co-payments made at the time of receiving treatment. It now recovers about 70 per cent of its costs, and is hoping to reach the break-even point over the next few years, and then go nation-wide.

- The ILO's Social Finance Unit, supported by the World Bank, works towards creating an experimental reinsurance scheme for community-based health insurance schemes.

Pensions

- Some Indian MFIs are in dialogue with Life Insurance Corporation (LIC) of India to adapt their pension products to suit the needs of poor women. Anna- Poorna Mahila Mandal in Bombay, for example, is running a savings and credit co-operative for urban poor women and has devised a scheme whereby women mobilize their small savings and once the amount reaches Rs. 5000 (about 105\$), the amount is invested in the LIC Pension Scheme. The amount is invested by LIC in sound securities and doubles every six years and after 20 years amounts to Rs.50,000. On this principle amount, a fixed amount of Rs. 500 per month is paid to the woman as old age pension. The principal amount of Rs. 50,000 can be paid to her nominee at the time of her death and the nominee is not eligible for the amount if her death is not natural. Thus, it ensures that the old person is looked after by the nominee in her old age.

Challenges of Microfinance

1. ScalingUp Microfinance

With significant achievements in recent years, SHG-Bank Linkage needs to be actively supported since, among alternatives in the microfinance sector, this is where there appears to be maximum potential for scalingup, while leveraging on India's vast network of rural banks. At the same time, in an economy as large and varied as India's, there is much scope for diversity and new approaches. Government has an important role to play in creating space for innovation and a flexible architecture for new, independent microfinance institutions. What are the critical issues in scalingup SHG Bank Linkage and various other models of microfinance in India? This section draws on lessons learned, on what to do and what not to do, based on the experience with SHG Bank Linkage and other microfinance approaches in India, and experience from around the world.

2. Enabling policy, Legal, and Regulatory Framework

An enabling policy, legal, and regulatory framework is critical to scaling up. Such a framework

is already in place for SHG Bank Linkage, and scaling up the model would require the government to simply ensure that the existing framework is maintained. This would require ensuring that the model continues to have a champion with a clear leadership role – a task which NABARD has assumed with exemplary diligence by introducing policies and measures to encourage banks to lend to SHGs. And it would require the authorities to maintain a ‘hands-off’ regulatory policy. Government could play an important role in establishing an enabling policy, legal, and regulatory framework for MFIs. While the success of individual MFIs is largely attributable to their visionary leaders, this is clearly not enough to mainstream the cause of MFIs. Advocates of MFIs argue that immediate measures needed include the following: (i) reducing minimum start-up capital requirements to facilitate the transformation of MFIs into NBFCs; (ii) encouraging multiple sources of equity for MFIs; (iii) facilitating MFIs to raise debt, including permitting them to mobilize savings, with safeguards; and (iv) developing a set of prudential norms that are more appropriate to institutions serving the poor, and set up supervision mechanisms around those norms. They argue that better policy coordination among the various government ministries/departments/agencies that cover MFI issues would also help greatly.

3. Attention to Quality and Importance of Financial Sustainability

Scaling up SHG Bank Linkage requires attention to the quality and sustainability of groups, their promoters and lenders (banks). A strong focus on the quality of SHGs by their NGO promoters was a key factor in the success of this model in its pilot phase. But in recent years, growing concerns have emerged about group quality as well as the ability of partner banks to properly assess, monitor, and manage risk on their SHG portfolios. Going forward, if SHG Bank Linkage is to be scaled up, NABARD and its partners face several challenges, 24 key factors among which include ensuring that high quality groups are created and maintained, and that concerns over numeric targets of group creation and linkage do not override attention to group quality and resilience. In particular, the success and sustainability of SHG Bank Linkage depends crucially upon greater clarity about who is to play the key role of maintaining quality, and how the costs of doing so are to be met. A clear strategy is required on how new groups will be promoted, and who will fund this. If NGOs remain involved as

promoters and ‘minders’ of the groups, they will need to be paid to do so. Yet in the long run, with their social-development perspective, NGOs are not ideal candidates for this role, and nor is it clear who are to be their long-term paymasters. But the banks themselves, whose business is financial services, are unlikely to want to do more than ensure that their loans are safe, and will not take on the time-consuming task of helping groups manage the bookkeeping of their internal savings and loan accounts.

4. Clear Targeting of Clients

Equally important is the need to ensure proper targeting of clients. The dual pursuit of social ends and financial profits is an ongoing tension for all in microfinance. While analysis of SHG Bank Linkage indicates that the model has so far successfully targeted the poorer segments, mission drift is a common fear as pressures mount to serve richer clients with larger loans (and thereby to earn higher profits per loan since transaction costs per rupee tend to fall with loan size). Keeping focused on its target population is thus critical to the success of microfinance in India, as elsewhere.

5. Appropriate Products and Services and Good Staffing are critical to ensuring Effectiveness

The stretching of rules is kept in check by other practices which have a strong bearing on who is attracted to microfinance and who is turned away. Those practices include how products are designed, how staffs are compensated, what messages are delivered from headquarters, and who is recruited onto the staff. Group promoters from local communities are generally better able to target poorer households. Product design is another means of targeting. Lending in groups and sending staff to villages has been credited with much of microfinance’s appeal in Bangladesh, as in India. A critical but less-heralded breakthrough for Grameen Bank was to create a loan product that allowed borrowers to repay in small, weekly installments. This suited poor households well, since they could repay out of the regular bits of income coming in daily or near-daily. Charging appropriate interest rates has also helped stem leakage of resources from target populations to those richer or politically-favoured. On the savings side, (BRI) has tried to encourage broad access by maintaining very low minimum balances (US\$0.57)

and low minimum deposits for opening accounts. New depositors can start an account with 10,000 *rupiah* (just over US\$1), and the new savings products have given BRI its most notable success in serving the poor. On the borrowing side, BRI requires borrowers to put up collateral to secure loans, but the bank has chosen to be very flexible in what it will accept, so that collateral is not a major constraint when seeking poor clients.

6. Inclusiveness and Competition in the Microfinance Sector can Generate High Pay-offs

The inclusiveness of SHG Bank Linkage, which has involved a partnership between the government, NGOs, and a range of rural banks (commercial banks, RRBs, cooperative banks) has already generated a strong pay-off. Further gains in terms of outreach and financial sustainability may be reaped through involving private sector banks and MFIs in SHG Banking. Indeed, recent experiments indicate good prospects for scaling up models that are variations of SHG Banking, and involve MFIs as intermediaries between SHGs and private sector banks (who want to enter the market, but don't have the branch network). Encouraged by early results, the new private sector banks, most notably ICICI Bank, including UTI Bank and HDFC Bank, are actively seeking exposure in the microfinance sector.

7. Overcoming Geographic Concentration in Microfinance

Another issue of concern is that microfinance in India continues to be skewed in its geographical distribution. The underlying causes for this include the general malaise in the economy of the central, eastern, and north eastern states, with very little resultant demand for credit among the subsistence poor, and the absence of good quality NGOs, which are willing to initiate microfinance programs in these states. Expanding the reach of microfinance to states in central, eastern, and north eastern India is not a challenge that can be met overnight. To begin with, overall economic growth has to pick up in these states. Investments are required in areas such as watershed development, small-scale irrigation, livestock upgradation and forest regeneration. Unfortunately, none of these are amenable to the 'small, short and unsecured' nature of micro credit loans. These require long-term, lumpy public investments. However, once

made, they unlock the potential for enhancing the livelihoods of millions of poor people, moving them up from subsistence production to surplus production, and thereby increasing the demand for credit. One simple example of this is the dramatic increase in the demand for credit once irrigation becomes available to erstwhile ruined farmers. A proposal for increasing the number of good NGOs in the lesser-served states was made by the Tenth Five Year Plan Working Group on Poverty Alleviation Programmes (Planning Commission 2002), which recommended that well-established NGOs be asked to set up branches in selected poor districts and that they be funded for this on an assured though declining basis for the first three to five years.

Future Prospective

SHG Bank Linkage has all the right ingredients for further scaleup. The success achieved so far under the SHG Bank Linkage is attributable to certain key factors indicated above. Going forward, if the SHG movement is to be scaled up to offer mass access to finance for the rural poor, all the partners involved face several challenges to make the programmed sustainable, yet successful, in the long run. At the same time, in an economy as diverse as India, there is considerable scope for new and diverse approaches to coexist. Improving access to finance for the rural poor will require multiple approaches to meet the diverse financial needs (savings, credit, insurance against unexpected events, etc.) of India's rural poor through flexible products and services at competitive prices. The government has a critical role to play in creating an enabling and flexible architecture for such innovations.

In particular, scaling up microfinance in India in an effective manner will require direction of efforts to address critical areas. To begin with, the SHG movement has now reached a critical mass and appropriate strategies are required to ensure maintenance of quality in the groups formed in the interest of their sustainability. Further, a well-defined client-perception is an emerging need...

While microfinance is an easy and efficient means to provide credit in the interim, the long-term effort should be to 'graduate' microfinance clients to formal finance institution where they can access standard 'individual' loans, possibly on a fully commercial basis. The concept of graduation of the group members

could be further enlarged for future adoption/ implementation by banks, as it is the natural outcome of development process. However, an immediate problem arises that there are few options for microfinance customers to graduate to options that can offer the flexibility, informality, and comfort to customers. Our wide network of banking infrastructure has the ability to tap this potential to an amazing degree, and one on which the country could capitalize in delivering finance for the poor. Over the longer term, therefore, efforts to promote microfinance should go hand-in-hand with efforts to make the formal sector better at 'banking with the poor' (World Bank Case Study).

There are more than 4 lakhs SHGs, which are more than three years old. Up scaling efforts for the future should involve measures to enthuse the members of these groups to take up higher economic and income-generating activities. Agreed is the fact that the task of finding viable microenterprises for millions of poor households in rural areas is stupendous. Microenterprises' promotion is a viable and effective strategy for achieving significant gains in incomes and assets of poor and marginalized people. As a step in this direction, it will be desirable if suitable Income Generating Activities (IGAs) are identified by the group members themselves and adequate assistance provided to them to pursue such activities. But in the absence of any specific handholding strategy to provide financial and non-financial services in an integrated manner, graduation of SHG members from microfinance to micro enterprises has not been smooth.

Suitable strategies are, therefore, required to enable members of matured SHGs to graduate to the stage of a micro enterprise. To begin with, the strategies could cover areas like imparting skill upgradation training; support for preparing project reports for setting up micro-enterprises; technical inputs for manufacturing; providing marketing avenues for the product manufactured, etc.

Conclusion

There is no gainsaying the fact that the microfinance programme has resulted in greater empowerment of the rural poor through a process of capacity building and conscientization. It has internalized time tested values of 'caring and sharing' amongst the rural women and facilitated access to institutional credit for 'the last, the lost, and the least'. Through this programme, banks have come to rediscover their role as 'Social Change Agents'. This process of social empowerment has enabled the disadvantaged people to work together to increase control over the events that determines their lives in the common social context. This has reinstated the belief that "the people who make a difference are not the ones with the credentials, but the ones with the concern". The future road map for this movement towards empowerment should, therefore, try to cover a still larger segment of the disadvantaged. "To translate vision into reality is an achievement, to let thousands of people share that vision and realize its manifold benefits is progress.

MANAGING INDIAN GLOBAL ORGANIZATIONS: STRATEGIES FOR CONNECTING ACROSS GLOBAL MARKETS

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Abstract: Today Brand India is a thing to be proud of and consumers across the world accept the products made in India. With globalization of markets as well as of organizations including manufacturing basis, the Indian companies need to evaluate its global marketing and production strategies. When it comes to global strategy, we need to make two assumptions: first, that the central challenge is to strike the right balance between economies of scale and responsiveness to local conditions and second, that the more emphasis the companies place on scale of economies in their world-wide operations, the more global their strategies should be. The main goal of any strategy must be to manage the differences between consumer perceptions and demands across global markets and various cultures. With this backdrop, we will discuss strategies for Indian global organizations for connecting across global markets

Introduction

Increasing globalization and technological revolution have produced a new competitive landscape in the 21st century. Globalization is the spread of economic innovations around the world and the cultural and technological adjustments that accompany this diffusion. It also increases the range of opportunities for firms competing in the 21st century. Success in this century requires specific set of capabilities, including the ability to:

- i. Constantly anticipate frequent changes in customer preferences,
- ii. Adapt rapidly to technological changes,
- iii. Use scarce resources wisely to maintain the lowest possible costs,
- iv. Identify, emphasize, and effectively manage what a firm does better than its competitors, and Successfully manage a culturally diverse workforce and motivate them to be committed to work hard for growth of the company.

Today, firms typically compete in global economy that is complex, highly uncertain, and unpredictable. Highly successful domestic companies are forced to restructure significantly to enhance their strategic competitiveness so that they can become leaders in the global arena. The development of emerging and transitional economies is also changing the global economic landscape and significantly increasing competition in global markets.

It becomes very important for organizations dealing in the global scenario to create their global strategic profiles. Secondly, companies operating in the global environment must have competitive advantage. Competitive advantage has become one of the key words for every aspect of business in global economy. Intense structural transit both in markets and in economic values is profoundly altering the nature of wealth and its owners. The concept of doing business everywhere is changing the dynamics of globalization. Though India has made steady progress towards merging into global markets and economy, it is yet to emerge as a potential global

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player. Shift in priorities needs to be emphasized for the global health of organizations as well as for defining policy framework to realize India's potential.

India has reached a critical juncture in determining whether it will shape or be shaped by globalization. It is now faced with the daunting challenge of moving towards becoming both a net producer and a consumer of high-value intellectual property. India has significant amount of untapped potential, and therefore, organizations here have the capacity to be globally competitive, but most of the Indian companies lack global experience and professionalism that foreign companies have. As global competition is shifting from infrastructure-intensive environment to knowledge-intensive environment, we need to know how to capitalize on our human capital and vast pool of knowledge.

The objective of the present study is to discuss strategies for Indian global organizations for connecting across global market

Indian businesses are aggressively looking for new ideas and strategies to put them in greater control of their own destiny and ensure the nation's rightful place in the world economy. The companies should follow a strategy that broadly involves focus on: -

- Global mindset,
- Leadership,
- Intellectual resources capitalization, and
- Innovate or die.

The main goal of any global strategy should be to manage the large differences that arise at the borders of markets. Indian companies must focus on building an effective globalization strategy tailored to suit their global needs and capabilities. This depends upon what a company can adopt a suitable globalization path that best suits its needs. The two very important dimensions of globalization strategy are:

- a. Strategic focus and
 - b. Utilization of resources (using global resources to compete globally).
- a. **Strategic Focus:** Two tools help firms identify and build core competencies. The first tool consists of four specific elements that firms use to determine

which of their resources and capabilities are core competencies. The competencies listed as *valuable, rare, distinctive, and non-substitutable* are strategic capabilities. They are also known as core competitive advantage for the firm over its rivals. The second tool is value-creating competencies that should be developed, upgraded and maintained, and those that should be outsourced. *For a capability to be a core competence, it must be valuable and non-substitutable, from a customer's point of view, and unique and strategically focused, from a competitor's point of view.* At the same time, a company should have a clear vision and evaluate its strategic focus and strategic capabilities correctly. Strategic thinking increases the possibility of helping the company achieve strategic success in the competitive landscape.

- b. **Utilization of Resources:** When developing a global strategy, the resource base of the company should be compared with the resources needed for its growth. This helps in deciding to exploit domestic resources in integrating global resources. The strategic focus of a company must be to either secure overseas resources or rely upon indigenous resources to reap the benefits of the global markets.

Another factor which global firms should keep in focus is that the 'customer is king'. Consumers these days are globally aware and demanding. If their expectations are not met, they will go for alternatives which they perceive to be better. Indian companies have to realize that the customer always comes first.

Simply put, in today's global economy, companies that do not view the entire world as their marketplace and do not have strategic capabilities like:

- effective promotion management through relationship marketing,
- ability to envision future needs/changes,
- empowering and retaining employees,
- innovation /creative ideas, and
- strategic alliance,

will not be able to grow and dominate the world trade. This modern day phenomenon gives a new meaning to the old adage "*act global, think local,*" which in specific terms means the need to think locally and in real time, so you can 'act globally.

The fundamental nature of competition in many of the world's industries is changing. The pace of this change is relentless and is increasing. Even determining the boundaries of an industry has become challenging. Global competition has increased performance standards in many dimensions including quality, cost, and productivity. In today's competitive world, only those capable of meeting, if not exceeding, global standards will earn strategic competitiveness. This challenge exists for all companies that develop joint relationships in order to capitalize on international growth opportunities.

Global markets are attractive strategic options for some companies, but they are not the only source of strategic competitiveness and firms are challenged to develop the optional level of globalization, a level that results in appropriate concentrations on a company's domestic and global operations.

1. **Global mindset:** Mindsets are the results of deeply held internal images, which organizations develop through a continuous process of learning from experience. Global mindset refers to as to how a company sees the world and how this affects its actions. Indicators of India's globalization do not lie about the presence its corporates are making on the world map. However, when it comes to competing in global markets, it is very important to have the ability to understand the diversity in global markets, the ability to deal with complexities of regulations, peoples' issue, communication, and knowledge sharing. Indian corporations need to inculcate a global mindset to move on. The main components of a global mindset are:

- Companies should have an open environment with the culture of transparency,
- Organizations should focus on the workforce as opposed to others which focus on system and structures, so that the vision required to redefine their business models should be able to inspire, motivate, and empower their people to fulfill that vision,
- Global organizations should have culture of corporate collaboration. They should be agile enough to react to rapidly changing business conditions and to collaborate in support of new business models,

- It is necessary for leaders in an environment defined by uncertainty and increased risks to take tough decisions to ensure that the needs of the competing stakeholders are being met, and
- The ability to come out of the comfort zone, seeking opportunity in the unfamiliar zones, worldwide pool of talent, and diversity in recruiting.

A judicious mix of management and mindset is needed to determine Indian companies' global success and whether they become great global companies of marketing tomorrow. Recently Indian business houses have been at the forefront of global marketing activities. The Tata Group has been recently expanding globally and shopping aggressively for both global brands as well as global companies. *Tata has become the fifth largest steel producer in the world* by buying Corus and Laxmi Mittal the largest steel producer by taking over Arcelor. Reliance also has chartered strategic global expansion by entering into exploration of oil fields as well as collaborating with other global companies to gain businesses in various countries. Ranbaxy Laboratories is an excellent example of how a family-controlled company can successfully expand globally.

2. **Innovate or die:** Winning in business today demands innovation. "*Companies that innovate reap all the benefits of a first mover*". Thus, innovation is intended to enhance a firm's strategic competitiveness and overall performance. It is innovation and focus on customers that enable companies to succeed globally. It does not happen through a sudden burst of creative inspiration. However, it is important that leaders are open to new ideas. Unfortunately, most corporate leaders do not give enough attention to innovations. The fact is that innovation is a risky process and it is a path filled with numerous failures but at the same time it is what drives many companies forward. Whenever a company has grown very fast; it usually has an innovative partner or innovative strategies. The onus for managing this balance lies with the top management.

As Innovation is the strategic driver of corporate growth, it should always be part of the global strategy. The learnings of Innovation are:

- It is not true that every innovative idea has to be a blockbuster. Sufficient number of small or incremental innovations can lead to huge profits,

- Do not just focus on new product development. Transformative ideas can come from any function like production, marketing, distribution, finance or research and development,
 - Innovations need connectors; people who know how to find partners in the mainstream business or outside world who flourish in cultures that encourage collaborations,
 - While loosening controls, companies should tighten interpersonal connections between innovation efforts and rest of the business, and
 - Innovation happens by tracking attitudes, desires, and aspirations of customers. If the needs of customers are understood better, innovation can be more appropriately executed. This includes interpreting the changing needs of customers in relation to carrying out innovation.
3. **Capitalizing on knowledge resource:** Knowledge (information, intelligence, and expertise) is the basis of technology and its application. Today, knowledge is a critical and valuable organizational resource of competitive advantage. Because many Indian companies strive to translate accumulated knowledge of employees into corporate asset, the probability of achieving strategic competitiveness gets enhanced for the firm which realizes that its survival depends on the ability to capture intelligence, transform it into usable knowledge from merely obtaining the information to exploiting it so as to gain advantage over rival firms.
- In the global context also, it is imperative that Indian organizations capture and synthesize what knowledge is all about, how it can be used to expand businesses and how will it help them to establish better long-term relationships with the customers. Knowledge is an essential tool in the successful implementation of best trade and business practices. India today has a highly educated, knowledgeable, and English speaking manpower. With relentless competition managing skills, knowledge is going to be a key driver if Indian organizations want to be leaders of the global economy. India must understand that education and human resource development are two important pillars, which foreign companies have understood in a big way and that is why more and more foreign companies are coming into India and buying both our businesses and expertise. One must maintain competitive edge to be a leader in the global market. The following challenges must be kept in mind for managing people:
 - How to reward performance?
 - How to improve productivity of knowledge workers? (appropriate performance appraisal measures)
 - How to utilize their potential for organizational strategy?
 - How to attract, develop and retain talent?

Leadership

Very often when people dream big, what gets in their way is that they do not know how to take first step. What makes great leaders different and what makes them realize their dreams is that they take that first step. For example, *Dhirubhai Ambani took that first step by setting up a corporation trading textiles, from where he went on to build one of the biggest petrochemical companies in the world.* Perseverance and persistence are at the core of ambitious leaders who achieve great things. The evolving nature of business conducted by global organizations will also call for fundamentally different kinds of leaders. Demonstrating flexibility and empathy, while remaining true to the core values of the organization and finding ways to circumvent unpredictable impediments, will be the characteristic of tomorrow's leaders. Three competencies of effective global leaders are:

- Personal mastery, a high degree of self awareness to monitor their own behaviour, build on their strengths and fill gaps in their competencies. The global leaders must be trustworthy and be driven by core personal and often spiritual values, possessing in high degree a good balance of emotional, intellectual, and business intelligence.
- Providing organizational leadership by creating internal and external networks of influence, including alliance and partnerships as well as formal acquisitions and mergers. Since no individual will be able to handle single handedly the high degree of complexity created by multiple networks, leadership must be shared.
- Building organizational and individual competence by seeking and using differences of thought, style, and culture around the globe.

Moreover, the key leadership competencies will include:

- Ability to develop and articulate a value proposition, maintaining it in a dynamic market, and energizing others to buy into it,
- Investing in the business model that guides employee's decision making at all levels, and
- Committing to a culture that values mentorship and learning while aligning individual and corporate goals and recognizing what it means to develop and manage truly transformational knowledge systems. The common characteristics of these new leaders are all related to the issues that are focused on intangible aspects of an organization.

Conclusions

Indian companies with their organizational capabilities must use wise strategies that focus on their strengths and evolve their weaknesses into stronger ones.

To dominate the world business and trade, Indian companies must keep in mind the above- mentioned elements of global strategy, namely, global mindset, innovation, leadership, and knowledge resource.

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AN EXAMINATION OF THE ENVIRONMENTALLY RESPONSIVE CONSUMPTION BEHAVIOUR

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Abstract: Concerns related to the environment are evident in the increasingly ecologically conscious market-place. Global industrialization and the subsequent dwindling of many natural resources have become elements for product differentiation in marketing. Environmental certification programmes are increasingly being recognized as significant market-based tools for linking manufacturing and consumer purchases. Despite environmental concerns gaining importance all over, very little research has been done in the Indian context. This paper is an attempt to fill this gap and examine the nature of environmentally responsive consumer behaviour in the Indian context and further develop a profile of what the authors call the eco conscious consumer. The paper also examines relationships between the values, variables, and purchase intentions for environment friendly products. Using various statistical analyses of data gathered from usable 136 questionnaires, the paper investigates the demographic, psychological and behavioural profiles of consumers who are willing to pay more for environment friendly products. This research suggests that measures of environmental consciousness are closely linked to environment-responsible purchasing behaviour although the strength of the relationships varies according to various demographic characters studied. Managerial implications for green marketers and suggestions for future research are discussed.

Introduction

1990s have been called the age of green consumers i.e. the consumers are concerned about the deteriorating environment and are willing to take action to save the environment, including sacrificing personal consumption. Sheth et al. (1999), have defined environmentally conscious consumption behavior as the act of consumers, showing some commitment to the market-place and actively seeking products perceived as having relatively minimal impact on the environment.

Environmental and health protection issues have become popular in Europe since the mid-1980s (Greenan et al. 1997), while in USA such matters had been worrying consumers since 1960s (Klonsky and Tourte 1998). Davis et al. (1995) pointed out the 'sudden increase of the interest' in environmental

issues in Europe since 1986, when citizens started mentioning matters of environmental protection in various studies as priority issues for governmental policies. Environmentalism has been quoted as one of the biggest issues facing business and the public in the 1990s, a decade which has been called 'the decade of environment' (Pujari and Wright, 1996). Numerous well-documented surveys have found that the environmental challenge is sure to be one of the central issues of the twenty first century (Czinkota, Ronkainen 1995).

Environment and health address the question of "consumerism", its influence on human health and on the long-term maintenance of the planet resources. (Silverstone 1993). According to Browne et al. (2000),

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the growing interest in 'ethical' production has been both consumer-driven and trade-driven.

Willingness to pay (WTP) for environmental protection

Innate in consumer surveys is often a determination of consumers' WTP for features either intrinsic or extrinsic to an item. Price premiums, the excess prices paid over and above the 'fair' price that is justified by the 'true' value of the product (Vlosky *et al.* 1999), may be indicators of consumers' demand for that product (Tse 2001). Perhaps the most convincing evidence supporting the growth of ecologically favourable consumer behaviour is the increasing number of individuals who are willing to pay more for environment friendly products (Laroche *et al.* 2001). However, consumers are highly fragmented in terms of their level of environmental awareness and willingness to choose higher-priced environmentally oriented products (Vlosky *et al.* 1999). Laroche *et al.* (2001) argue that consumers' attitudes towards the environment are very good predictors of their WTP more for green products. On the other hand, Sriram and Forman (1993) and Teils *et al.* (1999) maintain that there is limited information as to how much consumers are willing to 'sacrifice' for such products. Blend and Van Ravenswaay (1999) assert that studies do not take into account economic factors such as prices and available income, which influence the demand for environmentally friendly products.

Review of literature: Environmentally responsive consumption

For marketers, environmentalism has become a criterion influencing consumer purchase behaviour. In North America, 60 per cent to 90 per cent of consumers are concerned about the environmental impact of their purchases (Klein, 1990). As a group, environmentally responsible products have obtained market share between 20 per cent and 30 per cent in a number of retail product categories (Kohl 1990).

Environmentally responsible consumption emanated from criticism that the marketing concept ignored the impact of individual consumption upon society as a whole (Kotler, 1972). Webster (1975) defined a socially conscious consumer as one who takes into account the public consequences of his or her private consumption or who attempts to use individual purchasing power to bring about social change. That is, consumers incorporate social issues

into their purchase decisions by evaluating the consequences of their consumption upon society. Consumers who consider the environment to be important will therefore evaluate the environmental consequences associated with the purchase of a product. For example, an individual concerned about the amount of garbage generated (an environmental issue) could consider the disposal of a product's packaging (an environmental consequence) to be important when shopping for products. If the environmental consequences are important enough to the consumer, the result may be the purchase of an environmentally responsible product. These products not only satisfy a consumer's immediate needs and wants, but also serve to benefit the environment in the long term.

Most of the research on environmental responsibility was conducted in the 1970s and 1980s when very few consumers seriously evaluated a product's impact upon the environment. During this time there were few environmentally responsible products available and so many studies of environmental responsibility focused on non-consumption behaviour, such as energy conservation and political activism. Consumption-based behaviour have received significant interest recently but most of these studies have focused on post-purchase behaviour, such as recycling and waste separation.

The difficulty with investigating environmentally responsible purchase behaviour has been with its measurement. First, many of the measures are normative in nature and can lead to socially desirable responses (Roozen and De Pelsmacker 1997). A scale composed of several statements all represent positive environmentally responsible actions can produce a halo effect that encourages respondents to over-report environmentally responsible behaviour. The result is an inflated level of environmentally responsible behaviour that does not correspond to actual market share data. Second, it is important for researchers to clearly delineate between environmentally responsible intention and behaviour. Environmentally responsible products in general tend to be viewed as the socially acceptable choice which can inflate intention relative to actual behaviour. Confusion between the measurements of these two concepts can be illustrated by the following example. Dahab *et al.* (1995) measured intent by asking respondents to indicate whether a recycling activity was something they are currently doing, something they definitely intend to do, may

not do, or something they probably will not do. One end of their intent scale (something they are currently doing) is a measure of behaviour. Finally, researchers often combine a wide range of environmental purchase behaviour into a single measure. Studies investigating product purchase behaviour have either used product categories, such as organic foods, or broad generic measures, such as groceries with recyclable packaging. Antil and Bennett (1979) argued that environmental responsibility is a behavioural pattern that is exhibited in degrees, and is not something that a consumer either has or does not have. Consumers often purchase both environmentally responsible and non-responsible products and exhibit compensating post-purchase behaviour.

Antecedents of environmentally responsible purchase behavior

Over the last five years, researchers investigating environmental responsibility have been interested in combining aspects of the Theory of Reasoned Action (Ajzen and Fishbein 1980 and Fishbein and Ajzen 1975) with personal values. A hierarchy of values-attitudes-intention-behaviour has served as the conceptual framework for a number of studies. However, it has never been tested in its entirety in the context of predicting the purchase of a specific environmentally responsible product.

The predominant variable used to explain environmental responsibility has been an attitudinal measure of environmental concern (Hines et al. 1987). In general, broad measures of environmental concern have not been found to be highly correlated with environmentally responsible behaviour especially at the individual level (Gill et al. 1986; Schwepker and Cornwell, 1991). Balderjahn (1988) developed a causal model to predict environmentally responsible purchase behaviour, measured by three indicators: buy less packaged products, use returnables, and use fewer detergents. He did not find a significant relationship between attitude towards pollution and purchase behaviour, but did find a weak positive relationship between attitude towards ecologically conscious living and behaviour. Diamantopoulos et al. (1994) found weak but significant relationships between a broad measure of environmental attitudes and the purchase of recycled paper products, products not tested on animals, and ozone-friendly aerosols.

A possible explanation for the low correlations between attitude and behaviour is the omission of

intentions. According to the Theory of Reasoned Action, the performance of a specific behaviour is determined by the intention to perform the behaviour (Ajzen and Fishbein 1980); (Warshaw 1980). In the six studies that examined the intention-behaviour relationship in the environmental context, Hines et al. (1987) found a correlation coefficient of 0.49 between the two concepts. Most of these studies used a broad measure of intention developed by Maloney et al. (1975). This scale was composed almost entirely of non-consumption behaviour, such as joining an environmental group or riding a bicycle as an alternative to driving a car. Two studies measured intention as the subjective probability to perform a specific behaviour and found significant relationships between intention and environmental voting behaviour (Gill et al. 1986) and tin recycling behaviour (Kok and Siero, 1985).

An environmentally responsible attitudinal measure is typically operationalized by statements reflecting concern for a variety of environmental issues (Antil and Bennett 1979, Antil 1984). They have defined socially responsive consumption behaviour (SRCB) as purchase decisions which are related to environmental and resource related problems and are motivated not only by a desire to satisfy personal needs but also by a concern for the welfare of society in general. The SRCB is composed of 40 Likert type items (agree – disagree) scored on a 6-point basis. Scores on these items are summed to form the overall SRCB index. Thus the scale is considered uni-dimensional and the possible range of scores is 40 to 240. The present study uses the SRCB scale developed by Antil and Bennett (1979) and Antil (1984).

One of the difficulties in this area of research has been that consumers often purchase both environmentally responsible and non-responsible products. An explanation for this range of behaviour may be the negative consequences of environmentally responsible behaviour that affect an individual's personal satisfaction. For example, the environmental consequences of using bulk products and refillable containers are reductions in the amount of raw materials used and garbage generated. However, there are individual consequences, such as the inconvenience of bringing a container to the store, which may be significant enough to override the importance placed on the environmental consequences.

Values

Attitudes are based on values, beliefs that transcend specific situations and are used to resolve conflicts or make decisions (Homer and Kahle 1988). Values are considered to be more stable and more abstract than attitudes, and act as standards upon which a large number of attitudes are based. Attitudes are composed of several beliefs concerning a specific object or act, whereas values are criteria used to evaluate behaviour and people (Schwartz 1992). Theoretically, values can influence behaviour (Carman 1977; Williams 1979). However, because values are the most abstract cognition, they should influence behaviour indirectly through attitudes. Schwartz and Bilsky (1990) provided a comprehensive conceptual definition of values: values are those concepts or beliefs, which pertain to desirable end states or behaviour, transcend specific situations, guide selection or evaluation of behaviour and events, and are ordered by relative importance (Schwartz and Bilsky 1990). Rokeach (1973) argued that once a value is learned, it becomes part of a value system, and it is this system that is used by the individual as a guide to behaviour. Marketing studies involving values have used three instruments. The first, Value Attitude Lifestyle Survey is used for segmentation studies, but its use has been limited in academic research due to its complexity and proprietary nature. The second, List of Values (LOV) (Kahle 1983) was developed to assess the values of Americans. These nine values have been used to investigate a range of concepts from segmentation to product ownership. Homer and Kahle (1988) used structural equation modeling to test the hierarchical relationships among values (LOV), attitude, and behaviour. Although the path coefficients from values to attitude (towards nutrition) to behaviour (natural food shopping) were significant, the chi square statistic indicated a poor fit between the model and the data.

The third type of value measure is Rokeach's (1973) value survey, where individuals rank order 36 values. Schwartz and Bilsky (1987) proposed that the impact of values upon attitudes and behaviour can be more effectively interpreted by using a person's value system as opposed to ranking single values, and so they developed a classification typology of Rokeach's instrumental and terminal values. This study uses the Rokeach's list of values.

Hypotheses

It is hypothesized that the values would positively affect environmental attitude. That is, a strong underlying concern for the welfare of others would lead to a higher level of importance placed on the environmental consequences of a product because a product that damages the environment would be detrimental to society. In addition, we expect these individuals to place less importance on the individual consequences because they will sacrifice personal concerns when the resulting behaviour benefits the common good.

The restrictive-conformity domain was re-named conservation to reflect a need to preserve the status quo and the certainty it provides in relationships with other, institutions and traditions. Conservation is comprised of two types of values, referred to as conformity and security. Conformity values reflect restraint of actions likely to upset others or violate social norms, that is, the sociality factor, and security values underlie the achievement of safe and stable social relationships. Thøgersen and Grunert-Beckmann (1997) found that conservation values were negatively related to beliefs about the beneficial consequences of recycling and positively related to the cost consequences of waste prevention. We propose that individuals who place a high level of importance on conservation values either do not want to complicate their lives through change or be involved with something that is not the norm. Even though the majority of people are concerned about the environment in general, the use of specific environmentally responsible products is not the norm. Therefore, we hypothesize that these respondents will place a low level of importance on how the product directly impacts the environment, and will place a high level of importance on how the product will directly affect them.

Hedonism, achievement, and power are all concerned with a self-centred orientation about one's physical needs and success. We propose that the goals of self-indulgence and personal gratification are consistent with positive attitudes towards the individual consequences and negative attitudes towards environmental consequences. That is, respondents who place a high importance on personal gratification values are not expected to be very concerned about how a product will affect the environment.

- H1:** There will be a positive relationship between instrumental values and environmentally responsible purchase intention.
- H2:** There will be a positive relationship between terminal values and environmentally responsible purchase intention.
- H3:** There will be a positive relationship between social harmony factor and environmentally responsible purchase intention.
- H4:** There will be a positive relationship between love and affection values and attitude towards the environmental consequences of a product.
- H5:** There will be a positive relationship between self-actualization aspect and environmentally responsible purchase intention.
- H6:** There will be a positive relationship between competence values and environmentally responsible purchase intention.
- H7:** There will be a positive relationship between compassion values and environmentally responsible purchase intention.
- H8:** There will be a negative relationship between personal gratification factors and environmentally responsible purchase intention.
- H9:** There will be a negative relationship between hedonism (fun and enjoyment) values and environmentally responsible purchase intention.
- H10:** There will be a negative relationship between sociality factor and environmentally responsible purchase intention.
- H11:** There will be a negative relationship between security values and environmentally responsible purchase intention.

Methodology

Data was collected through a questionnaire. It contained 36 values based on Rokeach value survey (Rokeach 1973) and 40 statements on socially and environmentally responsive consumption based on socially responsive consumption behavior (Antil and Bennett 1979). The values were divided into two groups Terminal and Instrumental. The Terminal values comprised of social harmony factor, personal gratification factor, and self-actualization factor, security factor, love and affection factor and personal contentment factor. The Instrumental values comprise of competence factor, compassion factor and, sociality factor and integrity factor. The responses on both set

of values and socially and environmentally responsive consumption were taken on a Likert type items from strongly disagree to strongly agree on a 6 point scale. In addition the questionnaire also sought the responses on social class indices (education, occupation and income) as well as some other bio social variables.

Sample

Two hundred questionnaires were distributed to a randomly selected sample of people who were residing in an urban locality. They were asked to indicate responses on the values and socially and environmentally responsive consumption. As many as 148 questionnaires were received out of which 12 were not fully complete, leaving 136 as the final sample. This amounted to 68% return rate.

Results

The average income of the sample is Rs. 29617.65/- per month. By and large the sample has 16.4 years of education which means that all respondents possess a bachelor's degree qualification. The sample's average age is 33.4 years with the oldest being 71 years of age. 58.1 per cent are in service working at various levels of seniority in organizations while 30.9 per cent are either self-employed or in business, the remaining 11 percent are unemployed. Finally, the sample is quite balanced in terms of male and female respondents being 52.2 per cent and 47.8 per cent respectively (see Table1).

Table 1: Sample Results

Characteristics	M	SD
Income (p/m)	29617.65	32778.281
Education	16.40	2.116
Age	33.4	10.102
Characteristics	Percentage	
Occupation		
Unemployed	11%	
Self employed	25%	
Business/ Industrialist	5.9%	
Junior executive	22.1%	
Middle- level executive	25.7%	
Senior executive	10.3%	
Gender		
Male	52.2%	
Female	47.8%	

Note: M= Average; SD= Standard deviation estimate

Discussion of Results

After testing the hypotheses using correlation analysis, it was found that environmentally responsive consumption behavior is significantly correlated with both terminal and instrumental values. Further, it shows a significant correlation with social harmony, self-actualization, security, love and affection, competence, and compassion. As hypothesized, there is a negative correlation between environmentally responsive consumption and personal gratification, hedonism, sociality, and security values.

The correlation values are represented in Table 2.

Table 2: Values x ECRB

Dimensions	Pearson coefficient
Terminal Values	.384*
Instrumental Values	.438*
Social harmony Factor	.336*
Personal gratification	.153
Self actualization	.402*
Security	.306
Love & affection	.321*
Competence	.328*
Compassion	.353*
Sociality	.308
Hedonism	.312

Note: ECRB: environmentally responsive consumption behaviour.

Age of an individual has a significant bearing on his environmentally responsive purchase intention and so does gender, marital status, years of experience, and the number of children. Education, occupation, and income have no bearing however on the eco-conscious purchase intention.

The correlation values are represented in Table 3.

Table 3: Demographic factors x ECRB

Dimensions	Pearson coefficient
Age	.196*
Gender	.206*
Education	.219*
Marital Status	-.187
No. of children	-.158
Years of experience	.240*
Occupation	.097
Income	.053

Note: *Correlation significant at .05 level

A significant correlation is found between gender and the set of values, both terminal and instrumental. With all other social class indices like education, age, number of children, experience, occupation, and income significant correlations do not exist with values, both terminal and instrumental. (see Table 4)

Table 4: Demographic factors x Value Orientations

Dimensions	Terminal Values	Instrumental Values
Age	.091	.294
Gender	.206*	.016
Education	-.005	.951
Marital Status	-.045	.600
No. of children	.064	.460
Years of experience	.051	.556
Occupation	.020	.818
Income	-.016	.854

Note: *Correlation significant at .05 level

Social harmony values were found to be positively related to environmentally responsive consumption behaviour (ERCB), thus supporting **H3**. The results indicate that motivation to promote and enhance the welfare of others underlies positive environmental attitudes, which can then lead to the purchase of an environmentally responsible product. The path between sociality and security values was not significant, thus **H10** and **H1** were supported. This supports the belief that individuals who place a high level of importance on these values prefer maintaining a status quo and do not want to complicate their lives through change or be involved with something that is not the norm. They do not consider changing their purchase behaviour for something that is not already being practiced by the society. A strong motivation to maintain social norms and personal stability in one's life reduces positive environmental attitudes.

Personal gratification and hedonism (fun and enjoyment) values were not found to be positively related to environmental consequences. Individuals who are highly concerned about their own personal needs and success are not willing to endure any negative individual consequences of using the environmentally responsible product alternative. A high level of concern for the individual consequences then leads to the purchase of the product with the lowest individual consequences, that is the environmentally non-responsible product.

As expected in H5, self-actualization values were positively related to environmental attitudes. Competence and compassion values were found to be positively correlated to ERCB, thereby supporting H6 and H7. The more an individual holds benevolence and universalism as important guiding principles, the more likely they are to hold positive environmental attitudes. That is, a concern for the welfare of others indirectly results in an intention to purchase an environmentally responsible product.

Age and gender were found to have a significant correlation with ECRB. However, marital status, number of children, occupation, income, and experience exhibited a negative correlation. This implies that as a person ages, the wisdom he acquires over a period of time helps him to exhibit ERCB. Education has an important influence on the actions of an individual and his/ her decision-making abilities. An educated person is likely to be aware and cognizant of the various environmental hazards being caused by various products used by us and the long-term impact of these actions, thereby making him more responsive to environmental concerns.

There is a significant difference between the value orientations of males and females. Women in general tend to exhibit higher value orientations in all the factors such as social harmony, love and affection, self-actualization, competence, and compassion, which are significantly correlated to ERCB. This could have an impact on purchase decisions of various products in the household if the women play a significant role in the purchase of various products used in the house. The *t*-test values are shown in Table 5.

Table 5: Difference in means of male & female sample for value orientations

Values Orientations	male	Female	<i>t</i> -value
Social Harmony	.56	14.32	4.83
Personal gratification	.41	18.25	4.66
Self actualization	.35	24.23	4.88
Security	.39	19.02	4.85
Love and affection	.52	13.83	4.78
Competence	.76	32.48	4.81
Compassion	.48	19.02	4.78
Sociality	.48	14.62	4.79
Hedonism	.17	22.80	4.78

Note: *df* = 134 *t* - value significant at .05 level.

Implications

There are several important implications of our work for marketing managers. First, in order to increase purchase intention of an environmentally responsible product, consumer promotion should address environmental consequences. To change environmental attitudes, communications must explain the positive environmental consequences of the product and the negative consequences of the non-responsible product alternative. Understanding the salient values consumers hold and then using these in their promotions will help raise ERCB and bring about attitudinal change. It is, therefore, important for managers to adopt a proactive stance in making customers develop a stand to buy products that can satisfy a consumer's personal needs as well as cater to the long-term welfare of society.

An implication for public policy makers concerned the importance society places on environmental consequences. In order to increase ECRB, the importance placed on the values needs enhancement. Furthermore, despite high levels of general environmental knowledge, there might not be to be strong normative pressure to use environmentally responsible products. Public policy makers and environmentalists interested in promoting environmentally responsible behaviour may wish to develop normative pressure. Advertisements could be used that portray individuals exhibiting environmentally responsible behaviour as valued members of society.

This study provides a methodology to investigate the purchase of an environmentally responsible product and provides a theoretical contribution to understanding the determinants of this type of purchase behaviour. The inter-relationships between the variables are important in terms of designing persuasive communications to influence purchase intention and behavior.

The final implication concerns the use of values to stimulate attitudinal change. As values are desired end states, environmentally responsible attitudes and intentions can be portrayed as means to achieve the values. That is, communications can promote an environmental consequence as being consistent with a particular value orientation. Consumers would then adopt ECRB to support their value orientation.

Limitations and Scope for further research

The data collected and analysed only portrays the intention of ERCB. The assumption is that intention will cause behaviour, but that may not always be the case. However, no improper solutions were found and the sample size is sufficient. So one can assume that the parameter estimates and their associated errors will be approximately multivariate normally distributed.

The model used value orientations as an antecedent of ERCB. Because a person's value orientation is relatively stable over time, it would be interesting to determine if values affect attitudes to some products more than others and if so, why? This study could be duplicated for specific products which have environmentally friendly alternatives. Many products now on the shelves can involve non-consumption post-purchase environmental behaviour such as recycling, sorting, and composting. Incorporating these behaviour into the model would allow the researcher to investigate the influence of compensatory behaviour on purchase behaviour.

The population sampled was primarily young married people. It is possible that there could be differences in the value orientation between the sample and the general population. Given the narrow demographic characteristics of the sample, one should be cautious when interpreting the results for the general population. Generalization could be increased by applying the model to products used by a broader range of consumers.

Conclusion

There seems to be considerable demand for products that not only satisfy a consumer's immediate needs but also benefit the environment in the long term. Marketing managers must realize that the criteria used by consumers to evaluate products have changed. Consumers now consider the environmental consequences of products before making their purchase decisions. A product that has negative environmental consequences can be at several disadvantages as consumers consider the impact of that product upon the environment. However, a product with positive environmental consequences can be discarded if the consequences to the individual are considered to be significant enough.

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JOB SATISFACTION: AN EMPIRICAL STUDY

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Abstract: *There is a lot of debate on what influences an employee towards satisfaction at the job. A lot of researchers cite organizational culture and other attributes which influence job satisfaction. To understand these dimensions, a study was carried out in Hyderabad where employees from four different sectors, that is, Marketing industry (N=20), Government (N=18), other sectors (N=4), and the T industry (N=38) were identified and the scale developed by Wood, Chonko, and Hunt was used to understand job satisfaction.*

Most of the results are in consonance with the scale dimensions except those related with pay, indicating variation due to geography and other reasons. The results indicate an association between job satisfaction and attribution for the experiences. Dissatisfied workers, more than their satisfied colleagues, tend to employ more external attributions in their causal analysis for low job satisfaction. This confirmed postulates from job models in which dissatisfied workers have a propensity to attribute to workplace and environmental factors as agents of their dissatisfaction. The findings thus have implications for the management policies.

Introduction

Job satisfaction describes the commitment of an individual towards his or her work. Many vital factors in an organization go hand in hand with job satisfaction such as growth of the organization, less turn over, smooth working environment (Gyekye and Salminen 2004), and less grievances and conflicts etc. We can say that increased job satisfaction produces improved job performance. Satisfied employees tend to be more productive, creative, and committed to their employers.

Job satisfaction represents an attitude rather than behaviour. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years. Employee's assessment of how satisfied or dissatisfied he or she is with his or her job is a complex summation of a number of discrete job elements. Organizations can have a

more satisfied bottom by adding positive effects and subtracting negative ones.

Studies on Job Satisfaction

Research findings state that job satisfaction is more among the individual if there is a match between an individual and the requirements of a specific job or there is a match between an individual and broader organizational attributes.

The two most widely used approaches to measure job satisfaction are a single global rating and a summation score. The single global rating method (Wanous 1997) is nothing more than asking individuals to respond to one question. On the other hand, summation score is more sophisticated. It identifies key elements in a job and asks for employee's feelings about each job. Typical factors that

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would be included are the nature of the working conditions (Dormann and Zapf 2001), job security (Kaur G and Singh 1944), supervision, present pay, promotion opportunities, and relation with co-workers.

Frederick Herzberg (1996) theorized that employee satisfaction depends on two sets of issues: related to hygiene and motivators. Once the hygiene issues have been addressed, the motivators create satisfaction among employees.

Job satisfaction is also a combination of intrinsic and extrinsic job satisfaction. Intrinsic and extrinsic work values do impact upon job satisfaction and, therefore, intention to leave employment (Desley, Plank, and Parker 2006).

Since the widely renowned Hawthorne studies of the 1920s and 1930s, the working hypothesis of the human relations movement in management has consistently proposed that the satisfied worker is a productive worker. Studies have shown that age, gender, race, and education have important effects on job satisfaction of employees (Rodreguez et al. 1992). Akerlof, Rose, and Yellen (1988) show that job changes lead to an increase in job satisfaction. Altonji and Paxson (1988) also present evidence that job mobility leads to more satisfactory working hours.

Research conducted by Herzberg and his colleagues discovered that job satisfaction dropped in the first few years of employment, to the lowest point being in the twenties, and then rose with age. Some researchers have investigated the relationship between factors of occupational stress and level of job satisfaction. They discovered that the respondent who suffered from role ambiguity and low job satisfaction.

The level of job satisfaction of employees has been a major area of concern for managers, academicians, and the community as a whole for many years. The present study gives a glimpse of job satisfaction, which has a very close relation with the success of an organization and its productivity. The study also provides information regarding the factors which influence job satisfaction and in turn increase organizational growth and productivity. It will help the managers in decision making and in maintaining job satisfaction among their employees.

Need for the Study

The study will provide information regarding the factors which influence job satisfaction and in turn

increase organizational growth and productivity. It will help the managers in decision making and in maintaining job satisfaction among the employees.

Objectives of the Study

1. To understand the influence of motivating variables on job satisfaction,
2. To understand how intrinsic and extrinsic motivators affect individual job satisfaction, and
3. To compare job satisfaction among different sectors, that is, marketing industry, government, other sectors, and the IT industry and draw reasonable inferences from the study.

Methodology Adopted

The Questionnaire is adopted from Wood, Chonko, and Hunt (1986). It contains 14 items of the job satisfaction scale having four constructs: variety, autonomy, task identity, and feedback. The study is descriptive in nature and the questionnaire method happened to be the best method to elicit employee responses. A random sampling was done and the respondents were taken from marketing industry (N=20), IT industry (N=38), government (N=18), and other sectors (N=4). The data was subjected to simple descriptive analysis, an independent samples *t*-test, and a confirmatory factor analysis.

Scope of the Study

The study is restricted to only 80 respondents. Organizations from four sectors namely IT, government, marketing industry, and others have been included in the study.

Hypotheses

- H1 Satisfaction with information across sectors is independent of the category to which they belong.
- H2 Satisfaction with variety in job and job satisfaction are independent of the sector to which they belong.
- H3 Satisfaction with opportunity the job provides is independent of the sector to which the respondent belongs.
- H4 Satisfaction with the freedom the job offers and the sector to which the respondent belongs to are independent.

- H5 Satisfaction with pay and the sector to which the respondent belongs to is independent .
- H6 The mean scores across constructs (satisfaction with information) are same for all the selected sectors

values, but does not identify a causal relationship between the values.

As a second step, Pearson’s Chi-square test is administered to test the hypothesis. This will reportedly establish a significance to the extent that the relationship is strong between the variables and to test the justification for rejecting the null hypothesis.

As a third step, in order to evaluate the internal or construct validity of the study, a factor analysis was performed. The idea behind this step was to understand the underlying dimensions and to compare these factors and their loadings with previous studies of Wood et al.

In the next section, an independent samples *t*- test is conducted to compare the means across different sectors and to test Hypothesis 6.

Limitations

The study contributes to the existing knowledge about the different variables that affect the relationship between job satisfaction and the different constructs that may have effect on original contribution in terms of Indian organizations. The study is limited to organizations in Hyderabad.

Analysis

The first step utilized cross tabs to establish an interdependent relationship between two tables of

Table 1: Univariate Descriptive Statistics

	Marketing Sector	Govt.Sector	IT Sector	Other Sector	Constructs
	Mean	Mean	Mean	Mean	
I am satisfied with information received from my superior about performance	2.90	2.44	2.11	2.50	Satisfaction with information
I receive enough information from my superior about my performance	2.60	2.89	1.74	2.50	
I receive enough feedback from my superior on how well I am doing	2.80	2.56	1.79	3.00	
There is enough opportunity in my job to find how I am doing	2.40	2.44	2.26	2.50	
I am satisfied with the variety of activities my job offers	2.80	2.56	1.95	2.00	Satisfaction with variety and freedom
I am and satisfied with the freedom I have for what I want on my job	2.50	2.89	2.16	2.00	
I am satisfied with opportunities my job provides to interact with others	2.70	3.00	2.37	3.00	
There is enough variety in job	2.50	2.56	1.84	2.50	
I have enough freedom to do what I want in my job	2.40	2.33	2.05	1.50	
My job has enough opportunity for independent thought and action	2.60	2.33	2.05	2.50	

	Marketing Sector	Govt.Sector	IT Sector	Other Sector	Constructs
	Mean	Mean	Mean	Mean	
I am satisfied with the opportunities my job gives me to complete tasks from beginning to end	2.50	2.56	2.21	2.50	Satisfaction with completion of task
My job has enough opportunity to complete the work I start	2.70	2.56	2.16	2.00	
I am satisfied with the pay I receive for my job	1.90	2.11	1.84	2.50	Satisfaction with pay and security
I am satisfied with the security my job provides me	2.20	2.44	2.16	2.00	
n =	0.44	0.47	0.35	0.41	

Results

It can be observed from Table 1 that the mean scores of the marketing sector regarding information received from the superior (2.90), feedback (2.80), and variety with the job (2.80) are high. In the government sector, enough information from the superior about performance (2.89), freedom (2.89), and opportunities in job (3.00) are high.

In other sectors, enough feedback from the superior (3.00) and satisfaction with opportunities (3.00) are rated high. Whereas in the IT sector information from superior (1.74), feedback (1.79), variety with the activities the job provide (1.95), enough variety in job (1.84) and satisfaction with pay (1.84) are rated low. Results of the Hypotheses Test can be seen in Tables 2 and 3.

Table 2: Hypotheses Testing

Hypotheses	Explanation
H1	Null Hypotheses is rejected. p-value = 0.00
H2	Null Hypotheses is rejected. p-value = 0.00
H3	Null Hypotheses is rejected. p-value = 0.00
H4	Null Hypotheses is rejected. p-value = 0.02
H5	Null Hypotheses is rejected. p-value = 0.42

Table 3: Reliability Estimates

Construct (in terms of satisfaction)	Reliability estimates in their study	Reliability estimates in the present study
With information	0.93	0.77
With variety and freedom	0.88	0.81
With completion of task	0.80	0.57
With pay and security	0.56	-0.06

Validating the findings with Wood, Chonko, and Hunt (1986) findings from Table 3, it was observed that satisfaction with information was 0.77 (0.93), satisfaction with variety and freedom 0.81(0.88), satisfaction with completion of task 0.57 (0.80), and

most of the construct estimates are in conformity with the past studies but it differs with pay and security - 0.06 (0.56). It might be because the study takes into account the IT industry employees who are satisfied with the pay structure but not with job security.

Factor analysis

Table 4: Rotated Component Matrix (a)

	Component				
	1	2	3	4	5
1. I am satisfied with opportunities my job provides to interact with others	.790				
2. There is enough variety in job	.765				
3. I am satisfied with the variety of activities my job offers	.676				
4. I am satisfied with the freedom I have for what I want on my job	.554		.478	.406	
5. I receive enough feedback from my superior on how well I am doing		.881			
6. I receive enough information from my superior about my performance		.825			
7. I am satisfied with information received from my superior about performance		.715			
8. My job has enough opportunity to complete the work I start			.816		
9. It has enough opportunity for independent thought and action			.722		
10. I am satisfied with the security my job provides me			.594		.578
11. I am satisfied with the pay I receive for my job				.849	
12. I have enough freedom to do what I want in my job	.472			.575	
13. there is enough opportunity in my job to find how I am doing					.851
14. I am satisfied with the opportunities my job gives me to complete tasks from beginning to end					.595

Note: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 22 iterations.

Table 4 results of the factor analysis prove that employees are looking for an:

- a) Open communication,
- b) An understanding boss,
- c) Climate of freedom on the job, and

d) Opportunities for personal and professional growth.

The above dimensions confirm the earlier findings regarding job satisfaction in the study conducted using the Wood, Chonko and Hunt scale

Table 5: Results of the test for equality of means (H6)

S.No		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference
1	I am satisfied with information received from my superior about performance	3.870	0.054	-5.886 -6.978	56 55.833	0.000 0.000	-0.79 -0.79
2	I receive enough information from my superior about my performance	0.667	0.418	-5.206 -5.623	56 47.749	0.000 0.000	-0.86 -0.86
3	I receive enough feedback from my superior on how well I am doing	3.889	0.054	-6.541 -7.409	56 52.963	0.000 0.000	-1.01 -1.01
4	there is enough opportunity in my job to find how I am doing	0.667	0.418	-0.825 -0.891	56 47.749	0.413 0.377	-0.14 -0.14
5	I am satisfied with the variety of activities my job offers	0.507	0.479	-5.586 -6.302	56 52.578	0.000 0.000	-0.85 -0.85
6	I am satisfied with the freedom I have for what I want on my job	4.305	0.043	-1.502 -1.625	56 47.895	0.139 0.111	-0.34 -0.34
7	I am satisfied with opportunities my job provides to interact with others	9.321	0.003	-1.795 -2.061	56 54.136	0.078 0.044	-0.33 -0.33
8	There is enough variety in job	7.275	0.009	-4.194 -3.791	56 29.611	0.000 0.001	-0.66 -0.66
9	I have enough freedom to do what I want in my job	0.786	0.379	-1.598 -1.704	56 46.225	0.116 0.095	-0.35 -0.35
10	My job has enough opportunity for independent thought and action	1.211	0.276	-2.870 -3.259	56 53.202	0.006 0.002	-0.55 -0.55
11	I am satisfied with the opportunities my job gives me to complete tasks from beginning to end	0.898	0.347	-1.624 -1.789	56 50.052	0.110 0.080	-0.29 -0.29
12	It has enough opportunity to complete the work I start	1.446	0.234	-2.715 -2.835	56 43.709	0.009 0.007	-0.54 -0.54
13	I am satisfied with the pay I receive for my job	0.005	0.945	-0.303 -0.297	56 36.884	0.763 0.768	-0.06 -0.06
14	I am satisfied with the security my job provides me	1.607	0.210	-0.215 -0.229	56 46.109	0.831 0.820	-0.04 -0.04

From Table 5, it can be seen that in variables 1,2,3,5,8,10 and 12, the mean scores differ, indicating that the sectors such as marketing and IT differ on those counts. Variety in the job, information flow, and opportunities for growth are the variables that differ amongst these sectors.

Discussion and Results

The above study, though largely descriptive in nature, brings some interesting results. The study was conducted across four distinct but mutually exclusive sectors such as IT, marketing, the private sector and the government have shown distinct differences when it comes to individuals assessing and arriving at the job satisfaction score. The behavioural measure of security of the job is not rated highly by the employees in the IT industry. This is a unique finding in this study. The finding that being socially secure is not correlated in the IT executive's minds with being honest, and acting ethically is counter-intuitive. Apparently, social security is a distinct dimension to IT professionals that needs further study. However, given that the study analysed a sample of 80 respondents across four different sectors and areas of job responsibility, and given the descriptive nature of this study, it is believed that the four-item measure of job satisfaction does provide some insights into this significant area of job of employees and does enable this study to provide a starting point for future research in the Indian context.

Conclusion

The research findings reported here bear relationship to the finding of the earlier study done by Wood, Chonko, and Hunt which is extended for testing the job satisfaction among employees working in various sectors in India. The scale used can be tested for its applicability in different organizations and environment. Such testing could further extend our knowledge with respect to specific job satisfaction and its causative factors.

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RELATIONSHIP MARKETING - EMERGENCE, DRIVERS AND THE BOTTLENECKS

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Abstract: *The article discusses the evolutionary background of relationship marketing and attempts to emphasize upon the significance of this approach in today's highly competitive world. The significant drivers of relationship marketing approach have been discussed, while the thoughts of various management thinkers on relationship marketing approach have been also incorporated along with its few definitions. In the present marketing scenario, the bottlenecks ahead of Relationship Marketing have paved out the path of strict vigilance to be walked by the modern marketers.*

The Emergence of Relationship Marketing (RM)

In today's increasingly competitive economy, the balance of power has shifted from organizations to customers. With more choices, better information and lower switching costs, customers have never had more clout. Meanwhile, the increasing commoditization of products and services has left organizations with fewer ways to deliver a differentiated value proposition. As a result, an increasing number of organizations are focusing on improving customer experience in a manner that will increase customer retention and revenue, while managing costs. So, it is not surprising that many companies are investing unprecedented amounts in Relationships. RM is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of the relationship is directly proportional to the resultant profitability. This contemporary interest in maintaining customers is reforming marketing with an emphasis on the creation of value and the building of relationships. This refocus on new marketing has been explored in consumer services marketing. The thrust has been to examine different aspects of customer satisfaction, relationship strength, its longevity and customer relationship profitability. The acceptance of relationship marketing

is based upon the emerging body of research, which indicates how customer retention leads to increased profitability. This has prompted companies to treat their customer base as individual assets in themselves (Hunt 1997). Moreover, if a company builds and maintains good relationship with its customers, it cannot be easily replaced by the competitors and, therefore, provides for a sustained competitive advantage.

After the post-industrial or service economy, most of the developed world is now entering a new, information economy. Perhaps it was natural, then, that the new developments first appeared in the maturing service industries of the 1970s and 1980s. Berry et al. (1983) surveyed the factors and developments in service marketing that later gave rise to relationship marketing. These factors include the combined impact of low growth rates and deregulation, resulting in 'everyone getting into everyone else's business'. This naturally meant increased competition. According to the writers, this forced companies to think more in terms of 'keeping customers' as opposed to only 'winning new customers'.

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According to Berry et al. (1983), a customer relationship is best established around a 'core service', which ideally attracts new customers through its 'need-meeting character'. However, creating customer loyalty among the old customers is one of the main goals of RM. The authors also mention 'frequent flyer' programmes and other incentive programmes intended to encourage customer loyalty by rewarding it. Finally, Berry et al. (1983) define internal marketing as a 'pivotal relationship marketing strategy', where employees are seen as customers inside the corporations.

At the same time, Gronroos (1990) developed several new concepts in service marketing, which were later incorporated as part of the so-called Nordic School of Services. Gronroos also shows how one of the central characteristics of service marketing gave rise to the notion of relationship marketing. In service marketing there is often no separation between production, delivery, and consumption, thus the buyer-seller interaction must be considered as part of marketing task, and this task can only be fulfilled in a relationship with the customer. Strangely enough, traditional marketing concepts omitted or ignored it.

Industrial marketing has traditionally been seen as different from consumer or service marketing. As Grönroos (1990) points out, tasks other than traditional marketing functions are important in industrial selling. These tasks may include repairs, servicing, maintenance, delivery, product development, installation, training, etc. Performing these tasks necessitates a close seller-buyer connection and often involves partners other than the seller and the buyer. Consequently, even if the term 'relationship marketing' was not used in industrial marketing; the nature of industrial marketing clearly demonstrates several of its core characteristics.

Few selected definitions

Relationship Marketing is to identify and establish, maintain and enhance, and when necessary, also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfilment of promises (Grönroos 1995; Mattsson 1997).

Relationship Marketing is not directly aimed at immediate transactions but is based on building,

supporting, and extending customer relationships (Buttle 1996).

Relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Morgan and Hunt 1994; Hunt 1997 and Mattsson, 1997).

It is the process whereby the seller and the buyer join in a strong personal, professional, and mutually profitable relationship over time (Pathmarajah 1991).

From Transaction Marketing to Relationship Marketing

Relationship marketing has often been contrasted to transaction marketing, which is about developing, selling, and delivering products by means of short-term, discrete economic transactions. Because the lifetime value of the customer is not taken into account, customer attraction but not customer retention is at the heart of transaction marketing exchanges. However, it is now proposed that closer attention is paid to the long-term financial benefits and other benefits of retained customers, the main reason being that competition in the marketplace has intensified (Crainer 1996; Newell, 1997). To achieve growth, it is argued, that organizations must change their paradigm to that of relationship marketing.

As Relationship Marketing is a term used in a broad manner, there is probably a need for the marketing practitioner to understand what it is, its impact on the organization (not just on the marketing aspects), its applicability to an organization, and its benefits to customers. There is a need to understand that RM is an overall strategy for the organization and not just a sales tool with a short-term orientation. It also requires a long-term plan, and anything long-term requires a strong organizational commitment and appropriate investment.

The Drivers

Drivers for the Revolution from the so-called 'transaction' marketing to relationship-orientated marketing were based on the following factors:

- Not all customers are the same in terms of their profitability to the organization,
- Retention of customers, rather than the acquisition of new customers could be more profitable,

- The importance of supply chain management systems, such as just-in-time (JIT) concept, leading towards greater openness between buyers and sellers, and
- The move from commodity-based transactions to specialty business and higher-value-added products. This in turn led towards closer relationships between the buyer and seller resulting from the need for more detailed product specifications.

Table 1 truly depicts the fundamental difference between transaction marketing approach and relationship marketing approach.

Table 1: Transaction Marketing vs Relationship Marketing

	Transaction marketing	Relationship marketing
Focus on	Obtaining new Customers	Customer retention
Orientation to	Service features	Customer benefits
Timescale	Short	Long
Customer service	Little emphasis	High emphasis
Customer commitment	Limited	High
Customer contact	Limited	High
Quality	Primarily an operations concern	The concern of all

Source:

Fruits of Relationship Marketing

There are several reasons why retaining customers is so profitable:

- Sales and marketing and set-up costs are amortized over a longer customer lifetime,
- Customer expenditure increases over time,
- Repeat customers often cost less to service,
- Satisfied customers provide referrals, and

- Satisfied customers may be prepared to pay a price premium.

The Bottlenecks

At present the promise of relationship marketing -the Holy Grail of 'one-to-one' remains just that, a promise. The concept is simple. We engage with the customer, discuss their problems, wants and needs, and create the product or service that satisfies those requirements precisely. For most firms in most markets, this is a long way off. So what are the main challenges facing business in the introduction of relationship marketing? And can we identify strategies and technologies that will allow us to meet those challenges and succeed?

A list of bottlenecks in this regard include:

- Changing attitudes of the customer,
- Organizational structures and servicing the "new task" of relationship building,
- Collecting, analyzing, and using market intelligence and customer data,
- Managing two-way interaction between the firm and the customer,
- Measuring customer satisfaction and service quality,
- Partnerships, positioning, and sales strategy, and
- Training, support, and implementation.

Over all these, there is a need to create the right environment for relationship marketing to exploit new media and technologies. Also, what follows reflects the type of strategies related to relationship marketing that are applicable in the business-to-business environment and especially one where promotional strategies are dominated by direct selling. In truth, the comparison between business-to-business marketing and consumer marketing will show that strategies, structures, and tactics in the former are more attuned to RM.

Conclusion

There is a tendency, when new ideas in management emerge to embrace them keenly for a while and to see them as the ultimate solution to whatever problems are currently perceived to exist.

Equally, there is a tendency to put them aside after the initial novelty has worn off and they are found to be not quite the panacea that we once thought. Marketing has been prone to this 'flavour of the season' syndrome. When the growth slows down gradually, companies try tactics that worked in the past, focusing their portfolio on the strongest products and services, cost cutting through process re-engineering or using alternate markets as a platform to try their luck. But when the conventional growth tactics reach the point of diminishing returns, there is a need to innovate the strategic mindset of the marketers.

When companies start down the road of relationship marketing, they attempt to gain loyalty by implementing business processes that focus on enhancing the relationship with their customers. Relationship marketing is not about problem solving function or implementing better technology; it is about building the process that fosters longer and more profitable customer relationships.

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THE CHANGING MANAGEMENT STYLES IN INDIA

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Abstract: *The future has never been so terrific for most of the Indian Industry. As aptly put by Thomas L. Friedman, "The world has become flat". The Indian companies are accessing new markets, new technology, and above all new ways of managing business. The Indian organizations have realized the need for change in the management style. The focus has shifted to essentials of business and hardheaded business realism; the ways of doing business have changed in the recent milieu. The organizations have realized that if they want to grow and flourish in global business world, they should better learn how to change and align themselves with it.*

Introduction

The management styles are defined by Brewster as a set of proposals and action which establishes the organization's approach to its employees and acts as a reference point for management.

The broad factors influencing management style of any organization can be enumerated as:

- Competition,
- Market activity,
- Organic growth or acquisition and merger,
- Financial markets,
- Leadership,
- Size, and
- Ownership.

Various theories have been propounded on management styles but no theory can hold true forever. International environments are also changing rapidly.

Nothing is permanent, and the cause of yesterday's success may be the cause of tomorrow's failure. Today's leaders must assume the responsibility for creating new models of management systems because

many of the assumptions on which management practices were based are now turning obsolete.

The dynamic business environment and convergence of a global economy has necessitated the need for adopting management strategies which suit the need of the hour.

The Past

Indian business history has been long and eventful. The Indians have been famous for their business styles since the 18th century. In fact, it was the Indian business riches which attracted the Britishers, French, and the Portuguese to do business in India. Having a closer look, the Indian government's stand on business has changed over a period of time and hence, a change in the management styles.

The period of study for this research study can be divided into pre- 1991 and post- 1991 framework. The first Prime Minister of our country, Pt. Jawahar Lal Nehru, had a socialist attitude and hence India saw a huge empire of the Public Sector emerging in India and a protected trade policy. Taking a look at

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the Indira Gandhi's declaration of a state of emergency in 1975, it can be argued that the government initially was hostile to business and sought to straightjacket it under the rubric of 'big is bad'. The laws of the land gave protection to the labour class and restrictive powers to business.

Another important feature of Indian business has been the family ownership of business. Large Indian business houses like Reliance, Birla Group, RPG, and SRF are owned by influential families. This family system strongly influenced the Indian management styles. As it is well known, the head of the family in India enjoys unquestioned obedience from all the family members. Also culturally, seniority in age is respected in India and the head of the family controls and supports the young generation in the family. There is very less participative decision making in the families.

The same value system is reflected in the way the business was managed in India. 'Paternalism' is a part of Indian management. Traits such as familiarity, sense of security, respect for seniority, forms of authoritarianism, and obedience of authority are all part of paternalism.

Such characteristics of business environment in India led to management styles which were more authoritative in nature. The participation of the employees was minimal and the decisions were taken by the managers. They used to tell people what to do, how to do it, and when the task is to be completed. Managers assigned roles and responsibilities, set standards, and defined expectations in their organizations. There was an authoritative style of management not only in the public sector but also in the private arena of business.

The year 1991 carries huge significance for the Indian economy. This was the year when reforms in the Indian economy were introduced. The reforms were mainly aimed at liberalization and globalization of the economy. As well quoted by Tarun Das, mentor of CII, '1991 was the year when our Berlin Wall fell'.

Trade controls were abolished and foreign investment was welcomed. The competition was introduced in the well-protected Indian industry. Apart from this the legislation was made more industry friendly.

The frog that was born in a well, lived most of its life in that well and had a worldview that consisted of

the same well, after 1991, was communicating with other frogs in the well.

For some Indian companies it was the time of crisis. Industry had to now refocus its attention to new ways of managing business and the autocratic attitude which they enjoyed during the socialist philosophy gave way to hardheaded business realism. Although painful, this crisis provided opportunity for developing efficiencies through establishing new benchmarks. The new work order today is dependent on the strategic vision and the edge it provides to the organization on a global platform.

Inadequacies of the Traditional Management Style

Indian management was and to a certain extent is still marred by a few weaknesses in their management styles. Some of the prominent weaknesses are:

- A. **Planning:** By and large, planning in Indian organizations is short-termed. This was largely due to a turbulent past, especially in the government and public sector organizations. Because of the instability in the political scenario, the concentration has been and continues to be on short-term goals. In case of family-owned organizations, there is stability within a generation but when the generation changes, there is a major upheaval and sometimes division of the organizations.

One instance is that of **Reliance Industries Ltd.**, which witnessed a bitter and unusually public falling out between the two Ambani brothers over control of the Reliance conglomerate built by their father, Late Dhirubhai Ambani. Other shareholders watched as the two finally broke up the business empire, which had previously been India's largest business group. All these factors influence planning, which is not independent from the personality of the leader.

- B. **Delegation:** Although as a policy matter, decision-making authority and responsibilities are delegated, but in reality everything remains centralized. Delegation is not based on formal structures to facilitate smoother functioning but more emphasis is put on control. In practice, it is the control that is actually exercised in the name of monitoring and coordination. As a result of frequent and constant interference in this form,

there is a reluctance to accept responsibility at lower levels.

- C. Manpower management:** This is the most interfered management process. Although there is a manpower policy, it is not followed because of interference from bureaucrats, politicians or other influential groups. The organizations, especially those under the government, do not have the freedom to hire and fire people. There is no planned approach to training of employees at all levels. Appraisal is very selectively used and at times very subjective. The policies regarding promotion are at times very ambiguous.
- D. Employee Participation:** Participation of employees is on paper but actually it is not implemented. The employees are seen as a necessity for production, but the need to involve them in decision making is ignored. Communication in the organizations is not democratic. Information is treated as a closely guarded resource, not to be shared or passed on. It is used as a tool to control and retain power. The Right to Information is not substantial in these organizations.

The Present

The success of an organization depends on the skills of the people associated with it. Crisis promotes learning and that is what India is going through. Established companies are learning to compete with start-ups both in old industries and in new, especially in technology-based sectors. This competition, combined with such forces as globalization, has created a need for continuous evolution in management strategy. Whereas large monopolistic companies ruled the old Indian economy, the new terrain is a more dynamic one, in which Indian companies are realizing the importance of efficiency and collaboration. There is an increased emphasis on efficiency and focus on global competitiveness. The old value system has been replaced by a productive work culture. In this context, the Indian company that needs a mention here as the best managed company is Infosys Technologies Limited. The credit goes to its management strategies such as people focus, addressing the challenge of inducting and orienting a large number of employees into the 'Infosys' way, and knowledge sharing.

The Changing Management Style

The flattening of the world has ushered in new stars in the sky for managing the business. Organizations today have different set of values, global in dimension, on which the business operates. The organizational structures have changed and they clearly define their vision for strategic operations to survive on the global business scenario. The change in the management style can be explained in the following points:

➤ A shift from representative democracy to participative democracy

The exercise of authority as a tool of management in business is increasingly becoming self-limiting. Organizations have now adopted a more participative management style, where stress is laid upon the discussing style of management rather than the directing style. In corporations, which follow a Japanese style of management, especially in manufacturing, there is a sense of unity, which has been fostered beyond the demarcation between employers and employees. This is 'participatory management', unifying the efforts of both employers and employees who share the same management ideals.

Techniques of Kaizen and Six sigma are a result of successful employee participation to improve the overall performance of a business unit. Managers using the discussion style take time to discuss relevant business issues. People present ideas, ask questions, listen and provide feedback, challenge assumptions and coach as needed. It is important to make sure that ideas are fully discussed and debated. Managers often perform the role of a facilitator, making sure the discussion stays on track and everyone has a chance to contribute. This style of management is most common in BPOs, where the team leaders discuss with their teams about the targets to be achieved and strategies of achieving them.

The practice of *Management by Walking around and Open Door Policy*, founded by Hewlett Packard, is one of the most relevant management policies in the globalized world. Managers should be aware of developments taking place in their area of operations. They need to substantial legwork within the company in terms of getting a 'feel' for its manpower and operations; to the extent of

talking and listening to its workforce. This ensures that the management is aware of the opinion of the people, which in the long run not only helps in improving organizations but also delivers a sense of belongingness among the employees. The open door policy gives the right to the employees to voice their opinion about issues or misunderstandings at various levels of organizations.

'*Management by Consensus*', as adopted long ago by JRD Tata, is still relevant in today's global world. He said, 'When a number of persons are involved, I am definitely a consensus man', adding further that 'but that does not mean that I do not disagree or that I do not express my views. Basically it is a question of having to deal with individual men heading different enterprises. You have to adapt yourself to their ways and deal accordingly and draw out the best in each man. If I have any merit it is getting on with individuals according to their ways and characteristics. In fifty years I have dealt with a hundred top directors and I have got on with all of them. At times it involves suppressing yourself. It is painful but necessary. To be a leader you have got to lead human beings with affection'.

This approach gives reference to listening to all the stakeholders involved and then taking the optimum solution to achieve the given goals and objectives by organizations. Apart from these direct management styles, many organizations are now adopting indirect ways of involving employees in the management and inculcating a sense of belongingness in the organization. ESOPS (Employee Stock Options) is one of the innovative and widely used tools to make the employees owners in the organizations. A share in the company motivates the employees to perform better and the spirit of teamwork is cultivated.

➤ **Core values and vision should be clearly defined**

In the global business scenario, the values and the vision on which the organization is operating should be clearly defined. A vision statement discusses the 'why' of an organization. Values are dimensions on which an organization is based. The power of a well-thought vision creates a competitive edge, looks to a desirable future, and sells this to stakeholders who will support the organization in its effort. The stakeholders are all

those with whom the organization deals with. The pride that declared values generate creates heroic perspectives for individual and group performance.

A byproduct of value and vision statements is the generation of corporate image, which carries significant weight in the current business world. Companies like Wal-Mart, while sourcing their raw materials from India, make sure that no child labour is used in the entire production process. A clearly defined vision and value statement not only gives greater acceptability in the society but also provides a foresight and direction to the employees as to what is expected from them. Vision creates stakeholding and is an essential tool for stakeholder support. Most of the organizations today define this vision as it provides a high degree of integrity to survive environmental changes and continue to inspire people within to extend effort.

A good example of core value statement can be as given by 3M. The vision statement of the company is as discussed below:

- Innovation: 'Thou shalt not kill a new product idea',
- Absolute integrity,
- Respect for individual initiative and personal growth,
- Tolerance for honest mistakes,
- Product reliability, and
- Our real business is solving problems.

The global business practice today requires the justification of operations of the business organization in the society.

➤ **Changing HR practices**

Changes in the contemporary global economy highlight many of the emerging challenges facing human resource management (HRM). Vast macro-societal changes increasingly bind countries into interdependent nations in which goods, capital, and people move freely. Between these communities, however, there remains a patchwork of cultural barriers. To remain successful in this new global age, organizations must commit themselves to transnationalism. They must also internalize and implement strategies that are likely

to succeed in global competition. Implementing successful global strategies requires careful attention to the paradoxes created in the management of human resources.

We must never forget that culture of any country plays an important role in success of HRM. *Culture refers to the collective programming of the mind, which distinguishes the members of one group or category of people from another.*

An Indian worker is perhaps looking at a system without ruthless management practices and inhuman work pressure even if the job security is a little less. Instead of this system (especially in PSUs) giving them near 100 per cent job security, it could give them some fear of job security, since Indians culturally like to take life easy and tend to become complacent. The human touch in management could be increased by making them feel that the company cares for them through regular training programmes, family welfare schemes etc., which involve them directly or indirectly into various decision making processes. In fact, professional studies could be made a part of on-the-job training.

The ability to cope with cultural relativity is the key requirement for global managers to succeed today and tomorrow. Familiar aspects of organizational life such as organizational structure, leadership styles, motivation patterns, training and development models, and the essential concept of human resources management are culturally relative and therefore, need to be considered when national boundaries are crossed. To facilitate such cross-cultural adaptation, what is required is more recruitment of managers from different areas, acculturation through carefully planned career moves, and cultural awareness training.

Companies like NIIT and General Electric (GE) are increasingly becoming aware of the needs of the employees. They give due importance to the personal life of the employees by celebrating their birthdays, providing crèches for the mother of young ones, and giving opportunities to the employees to study further.

➤ **Flattening of the Organizations**

In the organizational structure of the future we certainly see flatter organizations. Flattening in the typical brick-and-mortar company was driven by

cost whereas in the high-tech world, flattening is driven by the need for greater speed and mobility. We are seeing the CEO getting down, talking to people down at the shop floor because the people there are the ones who are creating the wealth for the company. They may be creating more wealth than the two layers of management that sit between them and the CEO. That creates a challenge for Indian organizations where career progress has been measured by hierarchical levels. These levels provide opportunities for career progression, but are concurrently the natural enemy of high-tech, fast-moving organizations.

Companies such as GE have spent the past 20 years looking at flattening and this is one of the reasons why it is so successful. It has been constantly reorganizing its work strategies and its way of thinking to get rid of the old, bureaucratic ways of doing things so what stays behind is the valuable work for which the marketplace will pay. Today, some of the old smokestack companies are doing it. For the high-tech companies this is absolutely necessary, otherwise they can't get the potential work force to come and work for them and maximize their personal earnings while they create value for their companies. Thus, companies have a mandate to create jobs that are both meaningful and scarce. That is a major challenge for all companies including those in India.

➤ **Designing meaningful jobs**

An essential part of an individual's sense of worth and consequently his/her commitment to the task he/she is expected to perform is the belief in meaningful work. The management in the current scenario should emphasize on skills variety, task identity, task significance, autonomy, and feedback. Relevant importance should be laid on the fact that people are multidimensional with varied skills and interests. It is no more the money, which attracts the employees but the challenges at the work-place along with adequate authority and responsibility that gives an impetus and zest to work more innovatively.

Organizations should stress on the fact that employees today want to pursue a job that gives them long-term earning potential. They are given work, which is more meaningful and productive, so that their contribution in the organization can be seen. The companies should put the workforce

in challenging environments and positions so that they can add value to the company.

➤ **Growing importance to Corporate Governance**

As global business interest in India keeps growing, so does the expectation that Indian companies must play and be seen to play by rules that are clear to international investors. Demands have long been heard for greater transparency in the way Indian companies do business.

Corporate Governance highlights on three main issues - namely transparency, accountability, and integrity. Indian companies need to develop a new focus on employee issues, corporate social responsibility and ethics, and meet or exceed acceptable standards to compete globally. The organizations are finding that a significant proportion of their efforts are being channeled in the direction of compliance and coordination with differing complex ethical and governance standards across the globe. In a nutshell, corporate governance is the key issue in today's global world.

The issue of corporate governance involves around greater transparency in ways of doing business. The compliance set by Securities Exchange Board of India (SEBI) to have independent directors on board and forming a code of conduct with corporate disclosures and setting up of audit committees is a step towards the issue of accountability and transparency in business. The independent directors will not only serve as link between the organization and its stakeholders but also act as a watchdog to see the ethical working of the organization. There is a kind of emergent world standard of governance. While there are national peculiarities, such as combining the chairman and CEO functions in one person in the US, there is a basic notion worldwide for good transparency, reliable reporting of finances and risks, and boards that have the independence and strength of purpose to be able to do all this. The Indian organizations particularly family- owned businesses need to have a closer look at the issue of corporate governance. The separation of ownership and management needs to be done, as their companies' share performance is dependent on their empowering the board. If not, their companies' value won't grow.

Companies like Godrej Industries and Infosys Technologies have adopted the concept of corporate governance long back which has helped them to create a good impression not only in India but globally also.. Developing strong governance standards means helping directors appreciate what board practices 'make for good governance and great performance'.

Conclusion

The Indian Manager in the 21st century has inculcated a natural instinct to give up staticism and choose dynamism. The management has to be proactive rather than reactive. It has to believe in a thinking based on a set of cultural and organizational values and not in transacting business based on impulses emanating instantaneously. The yardstick of measuring performance is not a bundle of rules and procedures but a combination of outputs, results, and performance. The context of business has to be global but work with those management styles that work locally. The Indian management has to learn that having a true global perspective means more than just having a physical presence in other countries. Indian CEOs must create and communicate a vision that is acknowledged and shared by all employees, not just by the CEO and the top management.

Globalization implies accepting that cultural diversity in management composition and management style that contributes to the competitive advantage of the global agency. To survive in the 21st century, agencies must adapt a global mindset and transform leadership to be globally competitive. Organizations and their leaders must learn to manage such transformations or they will inevitably lose their competitive edge. Global leaders, therefore, must have the capacity to turn threats or stumbling blocks into opportunities, motivate people to excel and not just survive, to accelerate innovations in competitions, and to operate globally through cross-cultural problem solving and team building.

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