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## New Direct Tax Code & Its Impact on Mutual Fund Investment

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### INTRODUCTION

Aimed at simplifying the country's direct tax laws, the government introduced Direct Tax Code (DTC) on 12<sup>th</sup> August 2009. This code was open for public discussion. After collecting the feedback from various sections of the society, the Government released a new simplified tax code in June 2010, which would now be applicable from April 1, 2012, instead of March 1, 2011.

Direct Tax Code Bill 2009 was introduced by our Finance Minister on 12<sup>th</sup> August 2009 with an intention to simplify the Direct Tax Law. The aim was to remove the technicalities prevailing in the earlier tax law. The Finance Minister made a claim that the New DTC is written from scratch, keeping in mind the vast experience gained over the period of 48 years. The result has been various changes that will have a direct bearing on the investment pattern and the existing portfolio of an individual. The New Direct Tax Code brought in some sweeping reforms, but if one has a closer look at it, it reveals that, it is a mixed bag for the individual tax payers. The government hopes that this will pave the way for better compliance and a substantial reduction in tax evasion. It would also result in higher disposable income in the hands of the tax payer.

### REFORMS IN THE NEW DIRECT TAX CODE & ITS IMPACT

#### GENERAL IMPACT

##### Increase in the Disposable Income

The DTC has come up with new income tax slabs and tax rates which will reduce the tax burden to a great extent and will lead to increase in the disposable income in the hands of individuals. Though, the tax rates remain the same, income slabs show a significant change.

Income Tax Slabs (suggested in the original Draft)

Income	Tax Rate
Up to Rs 1.60 lakh	Nil
Between Rs 1.60 lakh & Rs 10 lakh	10% of the amount by which total income exceeds Rs 1.60 lakh
Between Rs 10 lakh & Rs 25 lakh	Rs 84,000 + 20% of the amount by which total income exceeds Rs 10 lakh
Above Rs 25 lakh	Rs 3,84,000 + 30% of the amount by which total income exceeds Rs 25 lakh

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The above table shows the figures for individual. The tax exemption for women is up to Rs 1.90 lakh and for Senior Citizens is Rs 2.40 lakh.

Government is of the opinion that there will be more money left in the hands of the individuals which will lead to better compliance and collection of taxes.

When we analyse the impact of new direct tax code on the investments, the three main questions we should consider. These are:

- 1) Is there any tax benefit at the time of making investments?
- 2) Is the income earned from the investments is liable for tax?
- 3) Is the principal amount received at the time of maturity will be taxed?

The above three questions will give a clear picture with regards to the tax aspects related to the investments of an individual.

### **Introduction of Exempt - Exempt - Taxed (EET) Model**

One of the DTC proposals that has been most debated is Exempt-Exempt-Tax (EET) regime for taxation of insurance products and other savings instruments. The EET method allows exemption at the first two stages, but provides for a tax on withdrawals at the personal marginal rate. The concept of EET is primarily prominent in developed countries, which have comprehensive social security schemes, but in India, in the absence such schemes, EET, if implemented, would come as a big blow to the individual tax payer.

According to the revised discussion paper (June 2010), “ Investments made before the date of commencement of DTC, in instruments which enjoy exempt-exempt-exempt (EEE) method of taxation under the current law, would continue to be eligible for EEE method of tax treatment for the full duration of the financial instrument”.

The New Tax Code proposes EET model in addition to EEE (Exempt-Exempt-Exempt) Model. As per EEE Model, the initial investments made are tax free, the interest earned on the investments are tax free and even the amount received at the time of maturity is tax free. If we consider, Public Provident Fund (PPF) investments, EEE model exempts the investments made in PPF, the interest earned on investments as well as the maturity amount received.

While in case of EET model, the initial investments are tax free, interest earned are also tax free but any withdrawals (maturity amount received) is taxable as per the income tax slab rates.

EEE Model v/s EET Model

	<b>EEE Model</b>	<b>EET Model</b>
Investments	Not Taxable	Not Taxable
Interest Earned	Not Taxable	Not Taxable
Withdrawal (Maturity Amount Received)	Not Taxable	Taxed at Income Tax Slab Rates

Source: Value Research, Mutual Fund Insight, Vol. VII, Number 11

Investments for which EEE Model is applicable: Government Provident Fund (GPF), Public Provident Fund (PPF), Employees Provident Fund (EPF), Recognised Provident Fund (RPF), New Pension Scheme (NPS), Pure Life Insurance Policies, Annuity Schemes.

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Investments for which EET Model is applicable: Unit Linked Insurance Plans (ULIP), Traditional Endowment Insurance Policies, Traditional Money-back Insurance Policies, National Savings Certificates (NSC).

### **Home Loans**

The draft tax code proposed to do away with the tax deduction on the interest paid on home loans. Revised direct tax code proposes to follow the existing method of tax deduction on home loans. Interest payments on home loans get a deduction up to Rs 1.50 lakh under Section 24 whereas; Principal payments on home loans no longer get a deduction under Section 80C.

### **Section 80C Revamped**

Investments made under Section 80C are eligible for tax benefit. The original draft had proposed that, this Section will be renamed as Section 66 and the overall limit of Rs 1 lakh will be hiked to Rs 3 lakh. Certain new additions were made to the list under Section 66 are: education fees which will include play school and pre-school fees. Higher education will comprise of full-time studies graduation and post graduation studies. The New Pension Scheme will also be included under this Section. Payment towards the principal amount of a home loan, investment in ELSS and bank deposits of 5 yr tenure is scrapped from the list of approved tax saving investments.

The revised Direct Tax Code has continued with Rs 1 lakh limit on income tax deduction under Section 80C. However, there is a proposal to introduce a new limit of Rs 50,000 for individual tax payer over and above Rs 1 lakh permitted under Section 80C. The new limit is limited to investments in life insurance, health insurance and tuition fees.

As for the other investment avenues available under Section 80C viz., ULIP, ELSS, 5-year fixed deposits in banks and post offices and endowment plans of life insurance companies are no longer included in the list of tax saving instruments.

Principal payments on home loans will no longer get a tax deduction under Section 80C. Whereas, PPF continues to be under the EEE model, which is a good news for the individual investors.

### **IMPACT ON MUTUAL FUND INVESTMENTS & THE UNIT HOLDERS**

The Direct Taxes Code, 2010 ('DTC') has brought some unpleasant surprises for the mutual fund industry. The most important ones include doing away with all tax exemptions, exempt-exempt-exempt (EEE) treatment of long-term investment products, taxing of capital gains on equity and abolishing of securities transaction tax (STT). The following are the selective areas which would directly affect the retail investor. Some of the key proposals impacting the investments are summarised below:

#### **(i) Section 80C Loses Its Shine**

New DTC has shrunk the avenues available for tax saving under section 80C. Most of the instruments are removed from the list viz., ULIPs, ELSS, 5-yr fixed deposits in banks and post-offices and endowment plans of life insurance companies. Tax saving schemes of mutual funds have been pulled out from the list of 'permitted saving intermediaries' which leads to disappointment as it is the only channel through which money was mobilised into stock markets.

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**(ii) Good Bye ELSS**

An ELSS (Equity Linked Savings Scheme) is a mutual fund that has to invest a minimum of 80% in Equity Shares. The balance 20% can be in debt, money market instruments, cash or even more equity. There is a 3 year lock-in period for the ELSS mutual funds. Post the 36 months, the funds remain invested and work like any other open-ended mutual fund.

DTC proposes to deny tax benefits available to individuals and HUFs investing in ELSS. Equity Linked Saving Schemes of mutual funds have been removed from the list of approved tax-saving instruments. This is a blow to investors. As per the report of Association of Mutual Funds of India (AMFI) for the month July 2010, AUM under ELSS as on 31 July 2010 was Rs 25,257 crore and one of the key reasons that can be attributed for such a balance is the availability of tax benefits. This may have a substantial impact on mutual funds since the investors may shy away from investments in such schemes due to non-availability of the deduction. These schemes were the only tax saving instruments that combined tax saving with the higher return that is possible only through equity and the lowest lock-in period amongst all the other schemes. In fact, for many retail and young investors this was the route through which they could invest in stock markets and save tax simultaneously. It was actually, after exploring this avenue investors started began investing in mutual funds. Fund managers were also fond of these products. The 3-year lock-in period ensured that investors could not walk out anytime and so sudden or frequent redemptions were not the major concern here.

ELSS is part of the Section 80C instruments which are cumulatively eligible for a deduction from income up to Rs1 Lakh. The return (maturity and the dividend from the ELSS is also tax free under the present EEE (Exempt Exempt Exempt) regime. However, in the the DTC regime, tax benefits are likely to be phased out. The 3 year lock-in period makes sure one stays invested. The above logic is proved in the higher returns achieved by the ELSS funds when compared to the market returns. Wealth creation because of this is much better than most of the other mutual funds. Only some sector-based mutual funds have given better returns than the ELSS fund in the past 5 years.

Until now, ELSS has been one of the first-choice mutual funds for investors. Studies reveal that Rs 23,700 crores worth of ELSS schemes have been invested in May 2010 as compared to Rs 11,800 crores in May 2007. Between 60-120 lakh people regard ELSS as a tax-saving investment. But all this interest in ELSS is set to change very soon with the advent of the 2011-2012 Direct Tax Code (DTC). This is likely to hit the investors as well as the Mutual Funds industry hard.

**(iii) Dividend Tax**

Presently, the entire income of mutual funds is exempt from tax. All mutual funds (except equity-oriented funds) are liable to pay tax on income distributed to the unit holders at the prescribed rates (13.84% for individuals for debt funds and 27.68% for liquid/money market funds), i.e. dividend distribution tax (DDT). The income received by the unit holders in respect of the units of a mutual fund, is exempt from tax in their hands.

Under the DTC, it is proposed that the income of mutual funds would continue to be exempt from tax. Further, the mutual funds are also sought to be exempt from the payment of DDT, irrespective of the nature of their schemes. Also, the unit holders are also to be exempt from tax in respect of the income from units of a mutual fund.

According to new direct tax code, the long term equity holding of mutual funds will be taxed at the time of redemption and so also the dividends in the hands of the investors whether it is paid out or re-invested. This makes the investments less attractive. Current DTC will negatively impact the domestic inflow of rupees into equities.

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Now, the investor has to pay a 5% tax on dividend earned from all equity mutual funds. At present, dividends earned from equity funds are tax free. The investor will not have to pay the tax directly, but it will be charged to the fund house. It does have impact on the returns. This Dividend Distribution Tax will be paid by the fund house before the credits the dividend to the investor.

In case of debt funds, the dividend received would be added to the total income and taxed as per the income tax slab that the individual falls under. In such a case, the individual himself pays the tax, not the mutual fund. As regards distribution in respect of non-equity funds (for example, debt funds, balanced funds, etc.), the distribution will not be subject to DDT, but the investors will have to pay tax at the normal applicable rates.

Mutual Funds and Life Insurance companies have been called "pass through entities". Income in their hands will not be subject to Dividend Distribution Tax (DDT) nor will they pay tax on income they receive on behalf of their investors. However, the investors will be liable to tax on "any" income which accrues to them from investment with any of the pass through entities.

Dividends paid out on equity investments are fully tax exempt and will continue to be. Dividend distributed by a company will attract tax of 15% which will be payable by the company and such amount will be tax free in the hands of the investor.

#### **(iv) Treatment of Capital Gains**

Long term capital gains arise on capital assets held for a period of more than one year from the end of the financial year in which they were acquired. This prevents 'double indexation benefits'. Long term capital gains are divided into; listed equity shares or units of an equity oriented fund and; from 'other assets', which would include house property, debt instruments and units of debt oriented funds. Long term capital gains on equity shares and units of an equity oriented fund shall be computed after allowing a deduction at a specified percentage of capital gains 'without any indexation'. This adjusted amount will be included in the total income of the tax payer and taxed at the rate applicable. Losses can be carried forward.

The base for long term capital gains on 'other assets' will firstly be moved to 1st April 2000 (from 1<sup>st</sup> April 1981) and then subjected to indexation before being taxed at the applicable rate. The proposed Capital Gains Savings Scheme will not be introduced. Currently, long term capital gains on transfer of units of equity funds are exempt from tax and short term capital gains are taxable at 15%, subject to payment of securities transaction tax ('STT'). While, in principle, this policy is retained in the DTC, the benefit has moved from an exemption-based mechanism to a deduction-based mechanism. Thus, in case of transfer of units of equity funds, a deduction of 100% is proposed from long term capital gains and a deduction of 50% is proposed from short term capital gains. Tax at normal rates will be levied on such net income. Levy of STT on transfer of such units are proposed to be continued.

There is no Long Term Capital Gains (LTCG) Tax. Also, no indexation would be allowed in the calculation of LTCG. Equity investors will not be happy. Currently, sale of shares and equity mutual fund units after a holding period of one year attracts no tax at all. Now, it will be taxed without indexation. Short Term Capital Gains (STCG) Tax will be taxed at 50% of the applicable slab rates. It means that the effective tax rate on STCG will be 5%, 10% or 15% depending on the income tax slab of the individual. Currently, STCG is taxed at a uniform rate of 15%. The DTC has proposed to do away with the Securities Transaction Tax (STT).

#### **(v) Wealth Tax**

The direct tax code proposed a considerable hike in the wealth tax limit as well. At present, wealth tax is charged at over Rs 30 lakh. This was hiked to over Rs 50 crore and the wealth tax rate was pegged at 0.25% of the amount by which the net wealth exceeds Rs 50 crore. Wealth would also include mutual fund holdings and investment in equities.

**(vi) Deduction of Tax at Source**

Mutual funds will now be required to deduct taxes at source on income distributed on units of funds, other than equity funds at the rate of 10% in case of resident individuals and HUFs and 20% in case of other resident deductees. In case of non-resident deductees, mutual funds will have to deduct tax at the rate of 20% on income distributed on such units and at the rate of 30% on any other sum, if taxable. Such deduction is required in case of persons other than companies; if the aggregate payment exceeds Rs 10,000. Payment of consideration to FIIs for sale of securities listed on stock exchange is not subject to deduction of tax at source. However, it is unclear whether only sale of listed units on recognised stock exchange will not be subject to deduction of tax at source or even redemption of listed units directly by the mutual funds will also not be subject to such deduction. Similarly, payment of brokerage for purchase and sale of securities will also be subject to deduction of tax at source. The above will lead to a substantial increase in operational aspects for the mutual funds.

**(vii) Return of income distributed**

DTC also proposes filing of return by the mutual funds in relation to income distributed to the investors of the equity oriented funds.

**WHAT SHOULD THE INVESTORS DO?****(i) Shift to Growth Options**

A mutual fund scheme comes with two options – dividend and growth. Under the dividend option, the fund house pays dividend where there is sufficient appreciation in the assets. The Net Asset Value (NAV) of the fund comes down by a similar proportion post-dividend. In growth option, the investor gets the total amount only at the time of redemption. Besides, saving dividend tax, investors gain more from growth options due to the compounding effect.

Year	Units	NAV			Amount		
		Growth Plan	Dividend plan		Growth Plan	Dividend Plan	Dividend Payout
			Pre-Dividend	Post-Dividend			
0	1000	10.00	10.00	10.00	10,000	10,000	-
1	1000	11.00	11.00	10.50	11,000	10,500	500
2	1000	12.10	11.55	11.05	12,100	11,050	500
3	1000	13.31	12.16	11.66	13,310	11,655	500
4	1000	14.64	12.82	12.32	14,461	12,321	500
5	1000	16.11	13.55	13.05	16,105	13,053	500
<b>Total</b>					<b>16,105</b>	<b>15,553</b>	<b>2500</b>

Source: Value Research, Mutual Fund Insight, Vol.VIII

**(ii) Choose SWP on Equity Fund**

The investor should opt for Systematic Withdrawal Plan (SWP). This allows him to withdraw money from his fund according to a pre-decided schedule. Depending on his need for a monthly or quarterly income an investor can choose withdrawal pattern. Alternatively, one can even opt for withdrawal only on capital appreciation, thus protecting the capital amount. Opt for an SWP only after the first year of the investment, as most funds levy an exit load on redemptions before completion of a year. In the case of equity funds, it also saves on short term capital gains tax.

**(iii) Choose SWP on MIP**

Monthly Income Plans (MIPs) are a regular source of income for many investors, especially retired individuals who park a part of their retirement corpus in MIPs and receive dividend payouts. As MIPs come under the debt fund category, the dividend would now be taxed as per an individual's income-tax

slab. Investors in MIPs should also consider SWPs instead of dividends to save taxes on them. Again, opting for an SWP after a year of being invested helps in saving the exit load.

SWP v/s DIVIDEND

#### SWP

Month	NAV	Units Outstanding	Units Redeemed
March 2010	10.00	1000	-
April 2010	11.00	909	90.91
May 2010	12.10	826	82.64
June 2010	13.31	751	75.13
July 2010	14.64	683	68.30
August 2010	16.11	621	62.09
September 2010	17.72	564	56.45

Source: Value Research, Mutual Fund Insight, Vol. VIII

NAV appreciation/month	90.91
Gains adjusted for exit load of Rs 10/month	80.91
Total Income	6000
Exit Load @ 1%	60
Taxable Gain	485
Tax @ 30%	146
Net Income	5794
Investment	Rs 10,000
Monthly Withdrawal	Rs 1000

#### Monthly Dividend

Month	NAV		Dividend
	Pre-Dividend	Ex-Dividend	
March 2010	10.00	10.00	-
April 2010	11.00	10.00	1000
May 2010	12.10	11.10	1000
June 2010	13.31	12.31	1000
July 2010	14.64	13.64	1000
August 2010	16.11	15.11	1000
September 2010	17.72	16.72	1000

Source: Value Research, Mutual Fund Insight, Vol. VIII

Total Income	6000
Exit Load	0
Tax	1800
Net Income	4200

#### **CONCLUSION**

Finance Minister has remarked, it is wrong to read the new code by constantly referring to the Income Tax Act of 1961. In his opinion, it is not an amendment to the Act. It is radically a new reform. The Government hopes that this will pave the way for better compliance and a substantial reduction in tax evasion.

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## Women Empowerment and Entrepreneurship in India – An Overview

**\*Dr. Sudipti Banerjea**

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### Introduction

The term 'entrepreneur' stands for a person who, in the real sense, is a self-starter and doer of a business. The acid test of an entrepreneur's performance is his/her ability to organize and build his/her own enterprise. In fact, the key to much of economic development of a country is effective entrepreneurship and here comes the role of women entrepreneur in economic development in no uncertain terms. Today's women enter not only in selected professions but also in trade, commerce and industry. Women are increasingly found to be willing to take up business and contribute to the nation's growth. Their role is also increasingly being recognized and varied steps are being taken over the years to promote women entrepreneurship. Women entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. They need to explore the prospect of starting new enterprise, undertake risks, introduce innovations, administer, co-ordinate and control business and provide effective leadership.

Women entrepreneurial qualities need to be enhanced properly in terms of encouraging their entrepreneurial traits and upgrading their entrepreneurial skills with a view to equipping them to meet the emerging challenges and the changing trends both at the national and global levels. When starting a business, women often face different types of circumstances and barriers in comparison to the male members of the society. They may have to struggle more in terms of specific problems and find little or no opportunity to participate in or get the benefit of different types of support programmes to the extent that men are in a position to avail of and this is a reality despite the fact that many women are well educated and have innovative business ideas.

Though not at all comparable with the developed countries, women entrepreneurs of different categories are fast emerging in India in terms of number, particularly since the 1990s, registering quite a noticeable contribution to the national economy. It is estimated that presently women entrepreneurs constitute about 10% of the total entrepreneurs in India and the percentage is growing every year. It is not unlikely that in the near future, women will comprise 20% of the entrepreneurial force in India.

A good number of Indian women entrepreneurs are found to be making increased utilization of modern technology, increased investments, creating a niche in the export market, generating a sizable employment for others and setting the trend for other women entrepreneurs. But still their potential is far less than realised due to status barriers and certain types of constraints having their roots in a number of socio-cultural-economic reasons. Here lies the need for formulation of appropriate strategies to help them identify the opportunities and sustain their efforts in setting up and managing their ventures, particularly in the small-scale sector, in a more conducive and supportive socio-cultural-economic environment.

There is a definite need to take stock of the current position of women entrepreneurs, particularly in terms of the socio-cultural, educational and legal barriers to women entrepreneurship in India, as well as the efficacy of the existing support programmes in terms of institutional arrangements for need-based, tailor-made training on a regular basis, credit facilities, cost-effectiveness, and marketing support for women to establish their own enterprises. There is a need for creating and updating a meaningful data base on various women entrepreneurship and development programmes in India including profiles of most of the key agencies involved in promoting women's entrepreneurship and women-specific groups for providing greater visibility for women entrepreneurship and role models for potential women entrepreneurs, particularly for the young women entering the field for the first time. Such data base would prove to be really useful for the policy-makers, funding/ donor organisations, and, no doubt, for the women entrepreneurs.

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It appears that though the Government of India and the leading international agencies are rightly giving adequate emphasis on the programmes of poverty alleviation, employment generation, income generation and small enterprise development with a clear focus on women, there seems to be a general lack of awareness of some factors which have substantial impact particularly upon the small enterprise development process initiated by the women entrepreneurs. This is more so because the problems of running a small enterprise by women can be very different from those which inhibit the growth of women's enterprises in India in general.

*([http://www.ilo.org/public/english/region/asro/bangkok/paper/fac\\_ind.htm](http://www.ilo.org/public/english/region/asro/bangkok/paper/fac_ind.htm))*

### **Promotion of Women Entrepreneurship – the Key Issues**

The key issues in the promotion of women entrepreneurship have been briefly discussed below.

#### **Awareness**

Some of the major reasons why women do not or find it difficult to start their own business are lack of role models and difficulties in balancing family and work particularly in the traditional sectors. Even then some of them take the chance but very often most of them have to face new problems in form of lack of or inadequate networks, male-dominated support systems or sometimes real discrimination. Long-term solutions lie in the educational system. Role models, portraying women entrepreneurship, can encourage women to become self-employed in the true sense.

#### **Support**

Effective support programmes need to be initiated with a view to achieving the long-term goal of equal opportunities for women and men and to promoting a culture of women entrepreneurship. Meaningful social interactions and public relations, and projects in educational and training institutions for women entrepreneurs can contribute towards this goal. But women, at least a majority of them, still need help at the individual level while trying to give shape to their ideas, get financial support for their projects, and access to relevant networks.

#### **Networking**

Men are usually found to use their social connections to initiate business activities, create and renew business contacts and gather relevant information; women are very often found to be hesitant or shy about using such networks for the benefit of their enterprises. Effective networking requires vision, well-defined objectives, strategies, purposeful organisational structures, clear idea about target groups and open mind towards changes.

#### **Education and Training**

There is a broad consensus that entrepreneurial education should have a long-term orientation and must be made an input in the education process as early as possible. Educational system needs to be of relevance for entrepreneurial ideas and actions, promotion of personality development and reduction of gender bias and gender-related problems. At the initial stage of business promotion, women do require specific training based on an interdisciplinary approach, involving successful women entrepreneurs in related fields. Both conceptual understanding and hands-on experience remain important.

*(<http://prowomen.newcome.de/prowomen/english/index.php>)*

Women's polytechnics and ITIs throughout the country need to be upgraded and specialised institutions should be set up keeping in mind the imperative of women entrepreneurship development in India. The programmes designed and offered should be sensitive enough to the special needs of women, particularly handling the family-work conflict. The usual practice of selecting occupations for women, considering them only as supplementary income providers, should be reconsidered. The women entrepreneurship development programmes need not be confined to developing the low-tech skills only, traditionally believed to be appropriate for the Indian women in general. Rather, emphasis should be given on a

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number of hi-tech functions for them leading to substantial value addition and profitability which could also be undertaken without affecting their family commitments. Entrepreneurship training programmes for women should be continuously monitored and upgraded with a view to inculcating entrepreneurial qualities particularly among the young women.

Women trainees should be encouraged to play greater decision-making role in the family businesses, irrespective of the ownership pattern. Relevant education and training and encouragement from and sharing of experience by the successful women entrepreneurs will go a long way in making them more confident, independent, socially mobile and effective entrepreneurs over time.

### **The Social Mindset – The Challenges before the Indian Women Entrepreneurs**

Though the prevalent norms and values of the Indian society are still not conducive enough for the independent growth of the women in general, there have been rapid changes in the recent years in terms of the status and role of women. The typical 'domestic' women who could not think beyond their families until the recent past are now coming up with heightened awareness. It was already well accepted that women do contribute substantially, often in the form of unpaid efforts and varied skills, to the running of family businesses. The economic value of such efforts mostly goes unnoticed and is taken for granted by the family members, particularly the male members. It has been noticed that in many cases the enterprises, though formally owned by the women, are really being run by the male persons in terms of decision making and day to day operations. The increasing presence of Indian women in business is both due to their urge for independent decision-making *vis-à-vis* their life and career and family compulsion, economic in nature, and domestic responsibilities thrust upon them. This socio-cultural reality reduces the efficacy of the women entrepreneurial development programmes in terms of enhancing confidence, independence and social mobility of the women at least to some extent. In order to be effective, such programmes should not be taken up in isolation because entrepreneurship in the true sense demands independent functioning and reasonable control over one's life and activities which are still largely denied, directly or indirectly, to an average Indian woman. What is more important is gradual but definite change in social mindset *vis-à-vis* the existence, capability and role of Indian women rather than just creation and/or reservation of jobs for them here and there. Social and psychological support and educational and training facilities for them are intrinsically more important rather than just providing credit facilities and subsidies for them. (<http://www.123eng.com/forum/viewtopic.php?t=16348>)

Factors like women's education, industrialization, urbanization, legislative measures, technological progress, mobility, etc., have significantly contributed to the sea change in the traditional societies in a fast developing country like India *vis-à-vis* the status of women. It is now clearly evident that, given the opportunity, women in general are willing and capable enough to contribute economically and/ or otherwise. The Indian women have started moving in this direction obviously at their own speed and way given the changing Indian socio-cultural-economic-technological environment. They are increasingly becoming conscious about their existence, and rights and duties in their work situations. A good number of Indian women have already proved their worth even in the largely male dominated business world, a definite enhancement of their empowerment within a very short time. The entrepreneurial potential of Indian women, so far largely latent, is being increasingly realized in the context of growing social sensitivity to their role and economic status in the society. The women entrepreneurs today very much represent the section of women who are trying to explore and work out new areas for social and economic participation. They, with their knowledge, skills, and creative abilities, are increasingly found to develop and run businesses effectively. Changes are noticeable in their personality and living standards. For example, a good number of women students are no longer depending on the limited jobs available and they have started looking at entrepreneurship to improve their living standards and economic status.

There is a definite need to create a culture of enterprising women with a view to enhancing their and the country's quality of life by creating and providing jobs and generating revenue.

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(<http://www.womenentrepreneurship.org/>)

Women-owned businesses are increasing considerably in the economies of almost all countries. The hidden entrepreneurial potential of women is increasingly being enhanced and realised with the growing social sensitivity to the role and economic status of women.

(<http://www.articlesbase.com/entrepreneurship-articles/women-as-entrepreneurs-in-india-212759.html>);(<http://gautamghosh.net/2008/06/22/women-entrepreneurship-in-india/>)

In the developed countries like the USA, Canada and France, women own 25 per cent. of all businesses, and one-third and one-fifth of the small businesses respectively. In the UK, the strength of the self-employed women has increased to three times the strength of their male counterparts. Women in business are a recent phenomenon in India. By and large, they have to engage themselves in petty business and tiny cottage industries. In India, they account for only 5.2% of the self-employed persons and a majority of them are engaged in agriculture, handicrafts, handlooms and cottage- based industries.

([http://www.niir.org/books/book/zb,,1b\\_a\\_28\\_0\\_3e8/Opportunities+for+Women+Entrepreneurship+\(with+Project+Profiles\)+2nd+Edition/index.html](http://www.niir.org/books/book/zb,,1b_a_28_0_3e8/Opportunities+for+Women+Entrepreneurship+(with+Project+Profiles)+2nd+Edition/index.html))

Schools can play an effective role in developing entrepreneurial attitudes among the girl students from an early age, which gets reinforced in the minds of interested and enterprising women later on when they undergo some well-designed entrepreneurship development programmes.

### **Women Entrepreneurship – The Institutional Support**

In an attempt to respond to the problems faced by women entrepreneurs in India, the Government of India launched a scheme in 1998, i.e., *Trade Related Entrepreneurship Assistance and Development of Women (TREAD)*, focusing on the development of micro/tiny women enterprises both in the urban and rural areas, the main objective being empowering women by helping develop their entrepreneurial skills and reducing/eliminating the constraints faced by them in their fields of activities. The said scheme was revised in May, 2004. The scheme, to be implemented by the Small Industries Development Organisation (SIDO), intends to help in market development, provide for financial support for creation of entrepreneurship development training facility and financial loans through NGOs, and capacity-building grants for self-employment ventures by women in case of any kind of non-farm activity. Capacity building of the entrepreneurship development institutions like the National Institute for Small Industry Extension & Training (NISIET), Small Industries Service Institutes (SISI), State level EDIs, etc., by providing financial support in the form of Government of India grant, is also one of the major objectives of the said scheme. ([http://www.indianmba.com/Faculty\\_Column/FC515/fc515.html](http://www.indianmba.com/Faculty_Column/FC515/fc515.html))

In India, the Ministry of Industry has established the Small Industries' Institute that has facilities in all the major cities where women can get training on manufacturing agricultural products, jewellery, and other products. ([http://www.cipe.org/publications/ert/e24/E24\\_04.pdf](http://www.cipe.org/publications/ert/e24/E24_04.pdf))

Availability of finance and other facilities (e.g., industrial sheds and land) for women entrepreneurs is very often constrained by certain restrictions. Funding becomes a major problem for the activities in which the women entrepreneurs are mainly involved. Again, the benefits of some very positive schemes like Integrated Rural Development Programme (IRDP) and the Prime Minister's Rozgar Yojana (PMRY) can be availed of only by persons (including women) belonging to the very low income groups. That apart, the banks, through which these schemes are operated, are reluctant to extend trade-related finance to small entrepreneurs because of associated risks and operational costs. The SFCs and other financial institutions are also not in a position to provide purely trade- related finance not linked to asset creation. The role of women's development organisations is still not very much encouraging in this respect though there is a substantial presence of women in small trade. Therefore, in such situations, women are forced

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to go for very expensive informal channels. Any serious move to make banks and other financial institutions enter this area is likely to benefit women entrepreneurs.

(<http://www.indiatogether.org/women/business/reuka.htm>)

In this connection, mention can be made about the role of the Small Industries development Bank of India (SIDBI) and state-level banks which require that the women entrepreneurs raise a small percentage of the capital (say just 10%) and can obtain financing for the remaining 90%. The only limitation is that this kind of credit can be given only to very small businesses. The commercial banks have failed to provide concessional interest rates to women-owned businesses. The Government of India has defined a women-owned business as an enterprise where women own at least 51% of the capital and at least 51% of the employment is generated in that enterprise for women. Again, the government has defined a small-scale enterprise as one having a capital of up to 10 million rupees which is definitely much more than the capital of most of the small enterprises, thus mostly depriving them of the credit facilities offered by the commercial banks in general. Therefore, though the women in medium and large enterprises do not have that much of problem in obtaining commercial credit, women in the cottage, micro and small-scale enterprises will continue to face financing problems.

([http://www.cipe.org/publications/ert/e24/E24\\_04.pdf](http://www.cipe.org/publications/ert/e24/E24_04.pdf))

### **Indian Women Entrepreneurs – The Problems Faced**

Some of the major problems faced by the Indian women entrepreneurs in general requiring serious long-term attention have been briefly touched upon below.

1. The greatest obstacle before them is that they are women in still a largely male- dominated society and their ventures in many cases are perceived by many male members of the society as risky and non-starter and looked upon with scepticism.
2. The banks, financial institutions and informal lending groups are still bit sceptical about their entrepreneurial abilities and consider them as the higher risk category in terms of their ability to repay loan and ask for unreasonable securities for giving loan to women entrepreneurs and many a times discriminate them despite the evidence that women's loan repayment rates are higher than that of men's.
3. Most of the actual and potential women entrepreneurs in the developing countries and LDCs have very little access to financial resources including working capital simply because they are concentrated in poor rural communities with little opportunities to borrow money from external sources coupled with their inability to provide tangible security.
4. Their pressing family obligations, in terms of their primary responsibility for children, home and older dependent family members, also come in a big way to become successful entrepreneurs by devoting all their time and energies to their business, particularly in the developing countries and LDCs. The formal and informal fund-providers largely discourage them, the assumption being that they can leave their business at any time and take up their household responsibilities fully again, thus forcing them to rely only on their own savings and loan from relatives and friends.
5. The fact remains that the average Indian women still consider, perhaps rightly so, that family ties and relationships as more important. Women, particularly married ones, need to make a delicate balance between family and business, the success of which also largely depends on the effective support from the family members. Most of the time, family interests come in direct conflict with their entrepreneurial role.
6. Sometimes, because of inadequate management skills of a majority of them, there is no other alternative before them but to depend on others for getting things done, particularly the marketing activities relating to business which require confidence and mobility in dealing with the external world and the women in general find that difficult given their social conditioning and their over-dependence on

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the male members of the family continues to be there even when they otherwise formally own and control an enterprise.

7. Though the women entrepreneurs are usually found to deliver service promptly, sometimes their inadequate organisational skills, as compared to their male counterparts, create constraints and make them less competitive. Some genuine problems relating to mobility with respect to time and place and related attitudinal barriers also make them less competitive as compared to the male counterparts.

8. Sometimes lack of adequate information regarding availability and alternative sources of the required inputs and price discounts and inadequate negotiation and bargaining skills affect their business ventures.

9. Low educational level (including literacy level), lack of or inadequate skills, know how and knowledge of and access to relevant technology(ies) and the changes therein, largely affect business performance of most of them as compared to their male counterparts.

10. Whereas risk-taking attitude to some extent is a must for any business venture, inadequate confidence and independence consequent upon low level of education and relevant training and social conditioning come in the way to becoming successful entrepreneurs in case of most of them and usually their level of achievement motivation is found to be low as compared to their male counterparts.

### **Developing Women Entrepreneurs – The Action Plan**

Women, right from the young age, should be encouraged to participate in decision-making in all spheres of life. Training for developing entrepreneurial attitudes in girls should start even at the school level through well-designed courses and confidence-building activities on a regular basis.

1. In all entrepreneurial developmental programmes, women should be made a specific target group.
2. Government should take greater initiative for creating meaningful educational and need-based, tailor-made training (including vocational training) facilities for acquiring different types of managerial (including leadership, negotiation, financial and marketing) skills in actual and potential women entrepreneurs, design more and specific developmental schemes to motivate them to engage in small/medium/ large-scale business ventures, and provide necessary marketing support to them.
3. Banks, SFCs and other financial institutions should provide purely trade-related finance (including working capital) to the women entrepreneurs, particularly in the small-scale sector. Provision should be made for micro credit and enterprise credit to the women entrepreneurs at the local level. Women's development corporations should have access to open-ended financing. Programmes should be organised for the financiers with a view to reducing deep-rooted gender bias in most of them and helping them learn to treat women with respect.
4. Women's polytechnics and ITIs throughout the country need to be upgraded and specialised institutions should be set up keeping in mind the imperative of women entrepreneurship development in India.
5. Sustained training and counselling through experts (including specialised NGOs) should be provided for positive behaviour modification given their deep-rooted social conditioning in a largely male-dominated society with a view to enhancing confidence, independence and social mobility.
6. State-run agencies should provide them with infrastructural facilities in the form of industrial plots/sheds for setting up industries and the industrial estates should provide marketing outlets for the display and sale of their products.
7. A state-level Women Entrepreneurs' Guidance Cell should be set up to counsel and handle the problems of functioning and potential women entrepreneurs. DICs and single-window agencies should be made use of for rendering assistance and providing trade-and business-related guidance to the women entrepreneurs on a regular basis.

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In order to effectively support the process of developing the functional and potential women entrepreneurs, academic and professional initiatives are necessary to:

- appreciate the gender differences in entrepreneurial characteristics
- identify the problems unique to women entrepreneurs in setting up and managing their enterprises
- construct state-level profiles of women entrepreneurs and their enterprises containing relevant information on investment, employment and income and their sector-wise distribution
- document the existing policies, programmes, institutional networks and support agencies *vis-à-vis* women entrepreneurship.

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## **Global Insurance**

### **(A study on select countries)**

**Dr. M. Muniraju**

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#### **INTRODUCTION**

World insurance premium volume fell 1.1% on an inflation adjusted basis and Life insurance premium fell 2% while non-life insurance stagnated. However, premium growth in the emerging markets slowed but remained positive. In the emerging markets, life insurance premium growth in Latin America and the Caribbean was progressive. Similarly, growth was strongest in South & East Asia at 10 % led by China and India. The Brazilian life insurance market performed extremely well due to rise in population. Insurance market weakness is low demand for the product. However, despite recession, catastrophes, inflation, insurance business is expected to reach break even. Therefore, five countries are selected to study robust of the insurance industry.

#### **OBJECTIVES OF THE STUDY**

1. To study the role of Insurance regulatory bodies in select countries.
2. To study the insurance density and penetration in select countries.
3. To find out the driving forces of global insurance.

#### **METHODOLOGY**

This paper has been prepared based on secondary data. The secondary data was collected from Swiss re publications, World Bank reports, and from other published information. Three (3) countries namely USA, Germany and Japan were selected as developed insurance countries and two (2) countries viz. China and India were chosen as emerging insurance market based on global insurance index. The period of the study is from 2001 to 2010. It is inferred that insurance industry will penetrate into unknown area due to global changes and it is an analytical study.

#### **GLOBAL INSURANCE**

The global insurance industry is one of the largest sectors of finance. The major insurance markets of the world are obviously the US, Europe, Japan, and South Korea. Emerging markets are found throughout Asia, specifically in India and China. The global economy is said to be growing as a whole with healthy growth rates hovering around 2% annually. Developing economies such as India and China are experiencing the fastest growth rates in GDP nearing almost 8%-10%. Inflation rates are also kept at manageable levels in these economies. Population has fallen over the year in most of the East European nations such as Russia in comparison to India where rise in population levels remains one of the highest at 1.4%. Population growth in China has been kept under control by the governments' one-child policy. But it should be noted that countries like China and Japan are facing a rapidly ageing population which is putting a pressure on the employable force of the country. The life insurance market is growing faster in the emerging markets due to rising incomes and a growing younger working population.

The insurance industry in America, particularly the life insurance industry, is considered a pillar of the economy with assets of \$3.3 trillion in 2009. China has been the fastest-growing nation for the past quarter of a century with an average annual GDP growth rate above 10%.

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Chinese economy is the 4th largest in the world after the US, Japan and Germany, with a nominal GDP of US\$3.42 trillion (2009) when measured in exchange-rate terms. China is the world's largest untapped insurance market. China has the potential to become one of the world's most significant insurance markets. Driven by a variety of demographic, economic and regulatory factors.

### **INSURANCE REGULATORY BODIES**

**INDIA:** INSURANCE REGULATORY DEVELOPMENT AUTHORITY (IRDA) is an apex body to monitor and protect the policy holder's interest and it specifies the creation and functioning of an Insurance Advisory Committee; It sets up strict guidelines on asset and liability management of the insurance companies along with solvency margin requirements. It creates required solvency margins based on mathematical reserves and sum at risk, and based upon value of assets. It monitors the details of insurance advertisement in physical and electronic media.

**USA:** National Association of Insurance Commissioners (NAIC): The main objective of the NAIC is supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. It monitors uniform financial reporting by insurance companies and serves the needs of consumers and the industry. It aims to have new levels of expertise in data collection and delivery, and a commitment to even greater technological usage in the insurance industry.

**GERMANY:** The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) Ba Fin: The BaFin has all the rights to discover a crime or even the suspicion of financial crimes. It supervises insurance companies (including pension and burial funds), holding companies, and security and pension funds. Its main task is the supervision of banks, insurance companies and the trading of securities. BaFin aim is to increase customer protection and the reputation of the financial system.

**JAPAN:** Financial Services Agency (FSA): FSA protects policyholders' interests and their needs. It focuses on continuous improvement in the insurance business practices. FSA strengthens the disclosure requirements for financial firms, including insurers, with respect to their exposure to the securitization market. FSA has established the international supervisory colleges for Japan's three megabanks and Nomura providing the capital injection scheme, which can be used by banks that wish to maintain a sufficient capital base in order to sustain their lending;

**CHINA:** China Insurance Regulatory Commission (CIRC): CIRC formulates policies for developing the insurance industry, scrutinizes and approves the insurance companies, subsidiaries, holding companies. It also regularizes pricing of insurance schemes and creates fair competition in the industry. It creates regulatory framework for insurance industry to control advertise information, risk, forecast, and the supervision of insurance sector.

It can be observed that the regulatory bodies aim is to protect the policy holder's interest and regulators are looking towards to penetrate insurance business into all the segments. The main role of the above regulatory bodies is to frame the guidelines to run the insurance business smoothly in their respective countries. Scrutinize and approval of insurance companies, subsidiaries, insurance holding companies etc, and supervise fair competition in industry. It was also observed that there is no international regulatory body existing till now. A new global apex body is to set up strict guidelines for assessment of asset and liability management of the insurance companies along with solvency margin requirements.

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**LEADING GLOBAL INSURANCE COMPANIES**

Select countries ten global leading insurance companies are presented in Table I.

CHART 1: LEADING GLOBAL INSURANCE COMPANIES					
S.no	INDIA	USA	GERMANY	JAPAN	CHINA
1	Corporation	MetLife	Allianz Vers.	Dai-ichi Insurance	China Life Insurance Company
2	Insurance	AIG	Axa-Colonia	Yasuda Insurance	Ping An Insurance (Group) Co
3	AVIVA Life	New York Life	DBV-Winterthur	Sumitomo	China Pacific Insurance
4	MetLife	TIAA-CREF	Munich Re	Family Insurance	New china life insurance Co.
5	ING Vysya	Mutual Life	Gerling Group	Mitsui Insurance	Taikang Life Insurance co.
6	Financial	Lincoln	Aachenmunchener	Taiyo Insurance	American International
7	MAX New	Gen worth	DT. Herold Leben	Nippon Life	Huatai insurance Co., Ltd
8	Reliance	AFLAC	Victoria Leben	Daido Life	Taiping Life Insurance Co., L
9	Bajaj	Northwestern	Debeka Leben	Sony Life	Generali China Life Insurance
10	Bharti AXA Life	Principal Financial	R+V Allgemeine Vers. Insurance	JAPAN POST INSURANCE Co	PICC Property and Casualty co

Source: Swiss re

Insurance Density (premium per capita) and Insurance Penetration (premium in percentage of GDP) which are important growth indicators are quite low in India. In the year 2009, Life Insurance Density in India was only US \$ 12.9 as against the World Density of US \$ 267.1. Similarly, Life Insurance Penetration in India was only 4 % (see table 1) as against World Penetration level of 4.59%. It has been observed that many of the smaller countries like Bahamas, Honking & South Africa etc achieved better growth rate in Life Insurance Density and penetration. Bahamas, a country with 0.3 million populations and US \$56 billion GDP registered a Density of US \$ 699.5 and Penetration of 4.38%. Further Australia and Switzerland have achieved high level of Density and Penetration. Insurance Density in Switzerland was US \$ 3431.8 which was highest in the world. It was even better than USA (US \$1657.5) with highest level of GDP in the World followed by Japan (US\$ 3002.9) and UK (US \$ 2617.7). Similarly Life Insurance penetration in Australia at 12.96% was the highest in the World followed by UK (8.62%), Japan (8.28%) and Taiwan (8.28%). The macroeconomic environment in 2009 across the globe was characterized by marginally slower economic growth and rising inflation driven by a steep increase in food and energy prices. Key interest rates diverged, but were generally low. In this backdrop worldwide insurance premium amounted to US Dollar 4061 billion in 2009 as against US Dollar 3723 billion in 2008. The growth in life insurance premium in 2009 was about 5.4 per cent. While the premium grew by 4.7 per cent in industrialized countries, it grew by 13.1 per cent in emerging market economies. In emerging markets, the growth in life insurance was 13.1 per cent during 2009 as against 21.1 per cent in 2008. The profitability of life business continued to improve in many countries as costs were cut. Guaranteed interest rates were reduced and profit participations was adjusted to reflect the low interest rate environment.

The Asia-pacific market is forecast to accelerate with an anticipated CAGR of 8.8% for the five-year period 2007-2012, which is expected to drive the market to a value of \$1,278.9 billion by the end of 2012. Comparatively, the Japanese and Chinese markets reached USD 71.7 premium per capita and 2.2 % penetration to the GDP, similarly USD 2869.5 and 7.6% by Japan respectively. It was also observed that premium per capita is USD 1346.5 and penetration is 3 % in Germany. It may reach respective values of \$578.2 billion and \$201.8 billion in 2012.

It is also observed that the insurance penetration has been increasing from 2.2 % in 2001 to 4% in 2008 in India. In USA, insurance penetration reached highest ever up to 4.3 % in 2003 and gradually fallen to 4.1 % in 2008 due to various economic reasons. Similar trend was observed in Germany and

Japan. In case of China, insurance density has surged from USD 12.2 in 2001 to USD 71.4 in 2008 and consistent steep was not noticed in terms of penetration.

The global life insurance market has posted consistent growth figures, with a slight deceleration in growth rate; this trend is expected to continue towards 2012. The global life insurance market generated total gross written premiums of \$2,190 billion in 2009, representing a compound annual growth rate (CAGR) of 7% for the period spanning 2003-2009. In comparison, the Americas and European markets grew with CAGRs of 5.2% and 8.5%, respectively, over the same period, to reach respective values of \$641 billion and \$919.8 billion in 2009. The life insurance segment was the market's most lucrative in 2009, generating total gross written premiums of \$1,166.7 billion, equivalent to 53.3% of the market's overall value. The pension/annuity segment contributed gross written premiums of \$1,023.3 billion in 2009, equating to 46.7% of the market's aggregate gross written premiums.

### GLOBAL LIFE INSURANCE BUSINESS VALUE

(millions)

	INDIA			USA			GERMANY			JAPAN			CHINA		
	Popu-lation	Densi-ty	Pene-tratio-n	Popul-a-tion	Densi-ty	Penetra-tion	Popu-lation	Dens-ity	Penetra-tion	Popu-lation	Densi-ty	Pene-tration	Popu-lation	Densi-ty	Pene-tratio
2001	1032	9.1	2.2	290	1602	4.4	78	674.3	3.00	102.	2806	8.85	1279.8	12.2	1.34
2002	1039	11.7	2.6	291	1662.	4.6	80	736.7	3.06	110.	2783	8.64	1289.1	19.2	2.03
2003	1042	12.9	2.3	292	1657.	4.38	81	930.	3.17	120.	3002	8.61	1290.4	25.1	2.30
2004	1075	15.7	2.5	293.0	1692.	4.22	82.4	1021.	3.11	127.5	3044	8.26	1298.8	27.3	2.21
2005	1093	18.3	2.5	295.7	1753.	4.14	82.4	1042.	3.06	127.5	2956.	8.32	1306.3	30.5	1.78
2006	1111	33.2	4.1	298.4	1789.	4	82.4	1136.	3.10	127.5	2829.	8.30	1314.0	34.1	1.70
2007	1129	40.4	4.0	301.1	1922	4.2	82.4	1234.	3.10	127.4	2583.	7.50	1321.9	44.2	1.80
2008	1148	41.2	4.0	303.8	1900.	4.1	82.4	1346.	3.00	127.3	2869.	7.60	1330.0	71.7	2.20
TOTA		182.5	24.2		1397	34.04		8121	24.60		2287	66.08		264.3	15.3

Source: World Bank reports

The performance of the market is forecast to decelerate, with an anticipated CAGR of 6.3% for the five-year period 2007-2012, which is expected to drive the market to a value of \$2966.2 billion by the end of 2012. Comparatively, the Americas and European markets will grow with CAGRs of 5.8% and 3.6%, respectively, over the same period, to reach respective values of \$849.8 billion and \$1,100.3 billion in 2012.

The impact of the financial crisis and economic downturn has severely affected the insurance sector. Premium declined by an unprecedented magnitude in 2008 and 2009. In some countries insurance sector started to recover along with the improvement in financial markets. Sales of Equity-linked returns have declined due to the poor returns and continuing high volatility in the world stock markets. Nonetheless, this industry outlook is still clouded. The reasons could be a) Low investment yield, b) Need to rebuild capital, c) No recovery of new business, d) No financial flexibility and e) Some problems from regulatory bodies.

#### Driving forces of Global Insurance:

INDIA: Nearly 80 per cent of Indian population is without life insurance coverage. The penetration of life insurance products was 19 percent of the total 400 million of the insurable population. To attract these uncovered segment, the major driving forces are strong economic growth combined with a population of over a billion makes it one of the potentially largest markets in the future.

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USA: The insurance industry in America, particularly the life insurance industry, is considered a pillar of the economy; there were 103 million people eligible for Social Security benefits at the end of 2015. Half of all full-time workers in commerce and industry in the United States are enrolled in retirement plans other than Social Security. Private pension plans are established by private agencies such as commercial, industrial, labor and service organizations, and nonprofit organizations. Although insurance companies may operate according to similar principles, the life insurance industry is hardly homogeneous.

GERMANY: Germany is home to some of the world's largest insurers, and a number of the key players in reinsurance. The German insurance market is the world's fifth largest market. . A distinctive feature of the German landscape is the high level of integration of insurance within the financial services industry.

JAPAN: All the financial institutions, banks, securities, and insurance companies have been segregated from each other. The entry of new firms was strictly regulated and leading to maintenance of the so-called '20 firms system'. The most remarkable change in the life insurance industry was brought about by the revision of the Insurance Industry Law in order to protect the policyholders of failed insurance companies.

CHINA: the variety of demographic, economic and regulatory factors and also demand from Commercial Property Segment, Guarantee rate reform and many others are driving forces and helping the local insurers. Chinese government has increased risk awareness among the people and in terms they are demanding for assured returns insurance products.

## CONCLUSION

Insurance penetration has been increasing from 2.2 % in 2001 to 4% in 2008 in India. In USA, insurance penetration reached highest ever up to 4.3 % in 2003 and gradually fallen to 4.1 % in 2008 due to various economic reasons, similar trend was observed in Germany and Japan. In case of China, insurance density has surged from USD 12.2 in 2001 to USD 71.4 in 2008 and consistent steep was not noticed in terms of penetration. The global life insurance market has posted consistent growth figures, with a slight deceleration in growth rate; this trend is expected to continue towards 2012. It is suggested that World Insurance Body should be established and Standard Insurance products for social sector is to be developed.

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## Motivational Forces of Women Entrepreneurship in Andhra Pradesh

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### Introduction

More and more women enter the field of entrepreneurship with the changing times, cultural norms, socio-economic needs and increase in literacy rates. Sociologists attempt to understand women entrepreneurship in terms of caste, social status, values, migrations, family socialization etc. Psychologists analyze the phenomenon of entrepreneurship in terms of need for achievement, risk taking propensity, independent orientation, recognition, rebelliousness, creativity, innovation, adaptability, assimilation, un-individualistic, goal orientation, nature of confidence etc. Economists consider from the view point of economic gains. Hence, the success of entrepreneurial activity depends on social, demographic, cultural, political, legal and economic forces. The other variables for the emergence of women entrepreneurship are government policy, programmes, assistance, existence of economic opportunity, functioning of financial system etc. What motivates women to become entrepreneurs is an interesting thing to explore and analyze. Therefore, there is a dire need to study the motivational forces. An attempt is made in this article to study the basic source of factors of motivation that influence women to undertake industrial activity.

### Methodology

For the present study, women entrepreneurs in AP form the universe. A multi-stage sampling technique has been adopted to gather relevant information from the sample respondents. In the first stage, the districts of AP were divided into three regions such as Andhra, Telangana and Rayalaseema. These are natural regions in the state. One district is selected at random from each region. Thus, Chittoor from Rayalaseema, Nellore from Coastal Andhra and Hyderabad from Telangana emerge as sample districts. In the second stage, in each chosen district, all the women entrepreneurs are divided into three vocations such as manufacturing, trade and service. In the final stage, from each activity, 34 women entrepreneurs are conveniently selected. Thus the sample for the study works out to 306 respondents; 102 respondents were selected from each district. The experimental research design

is used in the present study. The study has made use of primary sources of data primary information is collected from the sample women entrepreneurs through structured schedule specially designed for the purpose by personal interview method.

### Motivational factors

The factors that influence an individual woman to become an entrepreneur are examined here. Ambitions and aspirations motivate, activate and broaden one's own quality of life and ambitions direct the intentions and initiative of a person. Desire to be gainfully occupied, desire to gain social prestige, continue family business etc motivate a person to become an entrepreneur.

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### General factors

The common source of motivation for establishing the enterprise by the women respondents is presented in **Table 1**. Of the total women entrepreneurs, to attain economic independence is the predominant motive for 41.5 per cent of respondents. This shows that they want to be their own bosses and maintain their individual identity. The desire to earning supplementary income for the family has emerged as the second most important motive for 37.91 per cent of respondents. A strong desire to gain social status was the next important motive for 7.52 per cent of respondents. This shows their need for position in the society. Nearly, 7 per cent of respondents had the motive to utilize skill, talent and experience. Around 5 per cent of entrepreneurs have started the unit with the aim of just utilizing the leisure time. In the case of manufacturing, among the respondents, economic freedom ranked first (40.2%) followed by desire to gain supplementary income for the family (33.33%), attaining social status (11.76%), utilizing skill, talent, experience and knowledge(9.8%) and utilizing the leisure time (4.9%). In the case of service, the same motives rank first and second with a share of 48 per cent and 36.27 per cent sequentially. The ranks of the remaining motives just vary. The motive to acquire social status ranks third (5.58%) using leisure time and utilizing skill, talent, experience and knowledge each occupy fourth place with 4.9 per cent. In the case of trade, earning supplementary income for the family came first with a proportion of 44.12 per cent followed by economic independence (36.30%), using leisure time

**Table 1: Motivating Factors for Establishing the Business/Industry**

Motive	Nature of activity			Total
	Manufacturing	Trade	Service	
Economic independence	41 (40.2)	37 (36.30)	49 (48.0)	127 (41.5)
Gain supplementary income to family	34 (33.33)	45 (44.12)	37 (36.27)	116 (37.91)
Acquire social status	12 (11.76)	5 (4.90)	6 (5.88)	23 (7.52)
Utilize skill, talent, experience and knowledge	10 (9.8)	5 (4.90)	5 (4.9)	20 (6.5)
Utilize leisure time	5 (4.90)	10 (9.80)	5 (4.9)	14 (4.6)
Total	102 (100)	102 (100)	102 (100)	306 (100)

*Note* : Figures in brackets indicate the percentage to total

*Source* : Sample survey

(9.80%) , utilizing skill, talent, experience and knowledge and acquiring social status (each 4.90%). It may be concluded that economic factor is the main motive for more than 75 per cent of respondents to start the enterprise. This is in consonance with the views of existing studies available in the literature.

### Reasons to start present activity

The reasons for starting the industrial activity by the respondents are reported in **Table 2**. Of the entrepreneurs in manufacturing, 42.16 per cent started this line of activity due to simple technology followed by high profit margin (34.31%) and less competition (23.53%). In the case of trade, these have formed 46.08 per cent, 36.27 per cent and 17.65 per cent serially. A similar trend exists in the case of service. Simple technology was the reason for 49.02 per cent respondents to start the industrial activity. A little over 35.29 per cent started the present line due to high profit margin. Nearly, 16 per cent have entered the present field because of less competition in the market. When all the respondents are considered together, simple technology ranked first with a share of 45.75 per cent followed by high profit margin 35.29 per cent and

**Table 2: Reasons for Selecting Present Line of Activity**

Reason	Nature of activity			Total
	Manufacturing	Trade	Service	
Simple technology	43 (42.16)	47 (46.08)	50 (49.02)	140 (45.75)
Less competition	24 (23.53)	18 (17.65)	16 (15.69)	58 (18.95)
High profit margin	35 (34.31)	37 (36.27)	36 (35.29)	108 (35.29)
Total	102 (100)	102 (100)	102 (100)	306 (100)

*Note* : Figures in brackets indicate the percentage to total

*Source* : Sample survey

Less competition 18.95 per cent. It may be summed up that, around 46 per cent of respondents have selected the existing line of activity due to simple technology involved in the process of production/ rendering service.

### Suggestion to start existing activity

Women have to break the tradition and custom and accept the challenges of their male counterparts. Therefore, women have to be inspired. The motivators play an important role while motivating women to start the enterprise. The details of factors that have influenced the entrepreneurs to take up the present line of activity are furnished in **Table 3**. In the case of manufacturing, husband was instrumental in promoting the highest number of respondents (44.1%) followed by self-decision (26.5%), friends and relatives (12.7%), parents (8.8%) and DIC (7.8%). In respect of trade, a little over 47 per cent of entrepreneurs were motivated by husband, 38.2 per cent self motivated, 7.8 per cent by friends and relatives and the rest 6.9 per cent by parents. None of the DIC officials have suggested to the respondents under trade and service to take up the present vocation. With regard to service sector, 43.1 per cent were inspired by husband followed by self (33.3%), friends and relatives (12.7%) and

**Table 3: Advice to Start Existing Activity by Sample Respondents**

Inspiration	Nature of activity			Total
	Manufacturing	Trade	Service	
Husband	45 (44.1)	48 (47.1)	44 (43.1)	137 (44.8)
Parents	9 (8.8)	7 (6.9)	11 (10.8)	27 (8.8)
Friends and relatives	13 (12.7)	8 (7.8)	13 (12.7)	32 (10.5)
D.I.C	8 (7.8)	-		10 (3.3)
Self decision	27 (26.5)	39 (38.2)	34 (33.3)	100 (32.7)
Total	102 (100)	102 (100)	102 (100)	306 (100)

Note : Figures in brackets indicate the percentage to total

Source : Sample survey

Parents (10.8%). When all the sample respondents are considered together, 44.8 per cent were motivated or inspired by husband, 32.7 per cent at their own initiative, 10.5 per cent due to friends and relatives, 8.8 per cent on account of parents and 3.3 per cent, DIC officials. It may be concluded that majority of entrepreneurs have undertaken the present activity inspired by husbands.

### Psychological factors

The psychological factors motivate a person to become an entrepreneur. Therefore, an attempt is made to examine the extent of impact of psychological factors on women to take up entrepreneurship.

### Internal locus of control

Internal locus of control refers to the belief that outcome is the consequence of one's behavior. As entrepreneur, individual with internal control possesses greater ability to master and manipulate the environment. A high internal locus of control may facilitate the needed will power and initiative. They would be hard workers. But at the same time, how far they would delegate authority and obtain team work is yet to be established. To analyze the internal locus of control, three questions were put to the respondents. These include: (i) Do you feel that if you decide to do something, you'll do it and nothing can stop you? ; (ii) Even though it's scary to try something new, are you the kind of person who tries it; and (iii) Even though people tell you " it can be done" would you find it out for yourself? The answers to these questions and the scores are given in **Table. 4**. The internal locus of control of respondents can be examined from it. Yes refers to positive response while 'no' negative. Score one is

**Table 4: Internal Locus of Control of Respondents**

S. No	Q. No.	Yes frequency	Score	No. frequency	Score	Total
1	i	271	1	35	0	306
2	ii	181	1	125	0	306
3	iii	167	1	139	0	306
Total		619				
Average score						2.02

*Note* : Figures in brackets indicate the percentage to total

*Source* : Sample survey

Score level	0	1	2	3
	No	Low	Medium	High

Given for positive response and score zero is given for negative response and the average is calculated for positive response. Total positive score is 619 and the average 2.02. The levels are taken as low (1), medium (2) and high (3) Since the average score is 2.02, the internal locus of control of respondents is medium. It may be concluded that respondents do not have the required internal locus of control. It can be improved with proper counseling and specific psychological training. There is abundant scope for counseling of women entrepreneurs.

### Independence

Independence is a major factor which influences the success of an entrepreneur. For starting a new venture and control over it, the entrepreneur should have a sense of independence and strong determination. To assess the independence of sample women entrepreneurs, the researcher has asked two questions such as: (iv) I am afraid to be different; and (v) I want the approval of others. The results along with the scores are provided in **Table 5**. Yes means negative response whereas no means positive. Score 1 is given for positive answer and score zero for negative

**Table 5: Independency of Sample Women Entrepreneurs**

S. No	Q. No.	Yes frequency	Score	No. frequency	Score	Total
1	iv	79	0	227	1	306
2	v	56	0	250	1	306
Total				477		
Average score						1.56

*Note* : Figures in brackets indicate the percentage to total

*Source* : Sample survey

Score level	0	1	2	3
	No	Low	Medium	High

Answer. The average score is 1.56 and, therefore, the women entrepreneurs have medium level of independence. In other words, they are moderately dependent on environment. It may be concluded that in addition to counseling and training, family, society and government should extend support to further develop a spirit of independence among the women respondents.

### Risk taking

Entrepreneurship is the ability to take risks with the confidence to attain the stated objective. Establishing and managing any industrial unit requires enough courage to take risks. Generally, the socialization process clouds women with fear of failure and makes them reluctant to take risk. In the Indian society, boy is reared in an open system as compared to a girl. Hence, boy is subjected to risk facing while girl is not exposed to many risk facing situations. Girls seem to be driven to a kind of learned helplessness and a fear of failure reinforced by society, educational practices, sexist messages in the media and the text books. In the male dominated society, risk is higher for women entrepreneurs as socialization process is such. To test the risk taking ability of respondents, three questions were posed like: (vi) Can you take risks with money, that is, invest and not know the outcome? (vii) If you're frightened of something, will you try to conquer the fear; and (viii) Do you like to try new food, new places and totally new experiences? The responses for these questions are given scores as in the case of **Table 4** and the results are furnished in **Table 6**. It can be observed that the average score is 2.06. The score is moderately high. Therefore,

**Table 6: Risk taking Ability of Sample Women Entrepreneurs**

S. No	Q. No.	Yes frequency	Score	No. frequency	Score	Total
1	Vi	109	1	197	0	306
2	vii	252	1	54	0	306
3	viii	268	1	38	0	306
Total		629				
Average score						2.06

Note : Figures in brackets indicate the percentage to total

Source : Sample survey

Score level	0	1	2	3
	No	Low	Medium	High

It may be summed up that the willingness to take risk is between medium and high. The respondents are unwilling to take risk, which is one of the basic features of entrepreneurship. This is a major constraint for the growth of women entrepreneurs in the country.

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**Conclusion**

Economic independence is the main motive for more than 75 per cent of respondents followed by the desire to gain supplementary income, acquire social status, utilize skill, talent, experience and knowledge and utilize leisure time to start the enterprise. For 46 per cent of respondents, simple technology is the main reason to start the existing line of activity. Around 45 per cent of entrepreneurs have undertaken the present activity due to the inspiration of husbands. The respondents do not have internal locus of control. The women entrepreneurs have medium level of independence. The willingness of respondents to take risk is between medium and high. The internal locus of control and independence of women can be improved with proper counseling, Psychological training and support from family, society and government. The major constraint for the growth of women entrepreneurship in Andhra Pradesh is unwillingness of women to take risk. This should be removed by proper counseling.

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## **Influence of AIDA Models on Consumer Preference Towards Shopping Malls**

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### **Introduction**

Mall mania has hit Mumbai in recent years, with new malls popping up all over the city. It has brought about a dynamic change in shopping habits. Malls have changed the idea of old shopping. Most malls are more than just shopping destinations. They provide the right mix of shopping, eating joints, gaming and entertainment zones, offering fun for the whole family. With almost no malls in India in 1998, today we have around 220 malls in our country. Out of these, Mumbai has 55 malls representing 16.2 percent share in India (1). Moreover, with the entry of corporate like Tata's, Reliance, Birlas etc in this sector, competition has further intensified. Hence, it becomes necessary to find out consumer preference towards malls. An attempt has been made to study the impact of AIDA model on consumer preference to shopping malls. The acronym AIDA stands for Attention, Interest, Desire and Action.

### **2. Objectives:**

The major objectives of the study are:

- To study the consumer preference towards shopping malls in Mumbai
- To examine the influence of AIDA on preference to shopping malls in Mumbai

### **3. Assumption:**

It is assumed that AIDA influences the preference of consumers with respect to shopping malls.

### **4. Review of literature**

Bhatnagar (2) pointed out India is on the threshold of a revolution in retail industry. However, organized retailing is concentrated only in cities. With its creative and innovative nature, it has been attracting average middle class consumers and has been providing them a new shopping experience. Availability of everything under one roof has fueled the growth of organized retailing. The one stop shop has revolutionized the retailing sector.

Mishra and Dash (3) in their article have observed that organized retail has changed the Indian retailing structure and the consumption behavior. The results of the study reveal that for consumers the shopping malls or variants of organized retail formats are the preferred type of retail store due to the convenience and variety they offer. The hypermarkets/ malls/ supermarkets are the stores preferred by consumers, even though consumers buy from several retail outlets which indicates that there is no 'single loyalty' while in organized outlets, consumers buy essentially consumer goods with low level of risk. In traditional retail outlets, they essentially buy products of more involvement, which requires a more complex buying behavior. Their study also revealed that consumers cite price and convenience for not buying certain goods in traditional retail outlets, which reveals that the consumers intention to optimize their time and money.

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Dixit According to him, the key drivers for the growth of organized retailing are growth of consuming class, changes in consumer behavior, emergence of the super rich class, rising expectations of the younger generation, increase in use of debit and credit cards, entry of corporate sector and mall revolution.

The article by Ramanathan and Hari (5) focused on the structural changes in the Indian retail market, reasons for change and their impact over economy and social background. They have divided the journey of organized retail in India into four phases i.e. first phase up to 2000, second phase 2000-2005, third phase 2005-10 and the fourth phase from 2010 onwards.

Vaish and Sulaimani (6) in their article have focused on 'shoppertainment' which is the new buzzword in retail. Shoppertainment is the integration of entertainment and retail. With malls competing with each other to attract more customers, providing an enjoyable shopping experience has become extremely important. They have further said that India is the fifth largest emerging retail markets in the world and is growing at a rapid pace. Retailing is the largest private sector in India and second to agriculture in employment. It has approximately 15 million retail outlets. Retail trade contributes about 10-11% to India's GDP and is valued at an estimated Rs 930000 crores. This sector is growing at more than 30%.

Tatke and Choksi (7) tried to find out the reasons why Mumbai malls are getting bigger and coming outside city limits. They feel that quite a few appropriating titles like "Mumbai's biggest" and "Asia's biggest", the race to become bigger is well and truly on among Mumbai's malls. But the race to give Mumbai its biggest mall is being run not in Mumbai but just outside the city limits. The shift out of the city, most experts agree, could be motivated by the low land prices and the absence of octroi. These also make goods on display cheaper. If the goods are coming in from Thane, no octroi will have to be paid either by Orchid or Thakur mall as both are situated before the Dahisar Check Naka (city limit).

Ashok Kumar, Dayanand Kumar, Ranjan and Syed Imran Ali in their research paper (8) focused on the growth and working of malls in India. A survey was conducted and information was collected from 200 shoppers in Mumbai as per the objectives of the study.

The following were the objectives of the study-

- (i) To see the influence of mall experience on shoppers
- (ii) To study the buying behavior of shoppers and get an insight to find out the most preferred attributes of stores in shopping malls perceived by them
- (iii) To determine the preferred promotional strategies of malls ideal for shopping experience
- (iv) To check the security status at malls

The following observations were made-

- (i) The respondents belonging to the age group of 18-24 preferred to visit malls more frequently
- (ii) Graduates frequented the malls more as compared to post-graduates
- (iii) Customers with rising disposable income preferred to visit malls rather than ordinary shops
- (iv) Mall trips of shoppers were affected by their choice of companion
- (v) Price discounts, seasonal sales and membership discount were some of the most influential tools of malls.

For effective mall management, proper retail mix planning and tenant selection, provisions of adequate parking space, common amenities, innovative promotions and vigilant security at the mall were recommended by them.

Singh (9) on the first anniversary issue of 'Retailer' made a study of malls in India. The objective was to select the top 20 upcoming malls as editor's choice which holds better prospects as compared to others. The parameters used for selection were based on-

- (a) Location and size
- (b) Developers background and associates

## (c) Retail brands mix and other amenities for shoppers

He observed that most mall developers today lack knowledge of the core retail business. The rationale is quite simple. The developers are either property holders who directly, through joint venture or a tie up with a construction company, venture into mall development or large construction firms that envision malls as a great opportunity for best returns in terms of investment in real estate. Since mall development is still at its nascent stage, over a period of time certain degree of correction is expected.

Parasuram et. al. (10) conducted an exploratory investigation. The results showed that regardless of the type of service, consumers used basically the similar criteria in evaluating service quality (Parasuraman et al., 1985). They labeled those 10 criteria as “service quality determinants”. Since then, service quality was defined through 10 dimensions: Communication, Competence, Courtesy, Credibility, Reliability, Responsiveness, Security, Tangibles and Understanding/knowing the customer. Later, they were simplified into five dimensions including Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Agarwal (11) concluded that among the factors important for customer satisfaction, ‘quality’, ‘convenient location’ and ‘availability’ got the highest rating in terms of their importance to the customer on a 5-point scale. Customers were not very price sensitive and they did not pay more attention to the display and ambience of the store.

Ashokan and Hariharan (12) conducted a study to understand the behavior of consumers visiting the new generation retail outlets in small towns like Palakkad. It made an attempt to find out the profile, perception and satisfaction level of the shoppers. The study found out that visiting retail outlets has become a group activity. Most of the shoppers are influenced by as well as accompanied by colleagues, friends and relatives. Further, it was observed that majority of the people who visit does not shop at all. They hang around, meet friends, do window shopping and spend time leisurely. The preferred time slot was evening as majority were salaried people shopping after their office hours. Price expectations were reported to be satisfactory. Majority customers were satisfied towards service quality, lighting arrangement and mall atmosphere.

Pathak and Tripathi (13) conducted a survey in Delhi and NCR on customer shopping behavior among modern retail formats. The objectives of the survey were:

- (i) To find out the factors that affect the buyer’s decision among the modern retail formats.
- (ii) To evaluate the comparative strength of these factors in buying decision of the buyer.

Das and Kumar (14) observed that store amenities play a major role in attracting the customer to the retail environment. Hence, the retailers have to take care of their store amenities in order to get more number of customers.

The observations made by them are as under –

- (i) Given the right environment and a correct emotional connect with customers, Anything is possible. For e.g. Big Bazaar celebrated Sabse Sasta Din, on 26<sup>th</sup> January 2007 and attracted the unexpected crowd.
- (ii) Customers are apprehensive to buy fruits and vegetables from air-conditioned supermarkets. They still prefer to buy these kinds of products either from the local mobile vegetable sellers or from the nearest sabji market.
- (iii) Customers look into Price-Value equation. Most of the retailers reported that customers were very much conscious for the value and they usually compared the value sacrificed and received. It played a key role in their buying decision process.

Retailers often overlook the schemes and offerings expected by the customers and tried to impose their own offerings upon customers which ultimately cause dissatisfaction.

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## 5. Research Methodology

10 shopping malls from the city of Mumbai were selected for study purpose. Primary data was collected from 400 respondents. The structured closed ended questionnaire was administered to the shopping malls consumer respondents. The survey was conducted in Lower Parel, Worli, Dadar, Mumbai Central, Andheri, Mulund, Malad, Goregaon, Ghatkopar and Borivali shopping mall areas. The shopping malls selected for the survey include High Street Phoenix, Atria Millenium Mall, Nakshtra Mall, Orchid City Centre, Infinity Mall, Nirmal Lifestyle, Inorbit Mall, Oberoi Mall, R-City Mall and Moksh Plaza. Further, additional information was also gathered by way of personal interviews with concerned officers, managers and CEO's of shopping malls. Formal discussions were held with owners and CEO's of shopping malls. The collected data has been interpreted and analyzed with the help of average, frequency and percentage tables, graphs, charts and comparative approach. Preference index is calculated to identify the shopping mall preference of the consumers.

## 6. Discussion and Data interpretation

### 6.1 Profile of respondents

The profile of the respondents with respect to demographics like age, gender, marital status, occupation, qualification, and monthly income, number of members in family, life cycle stage, residential status, and vehicle owned and club membership has been discussed in this section in detail. The information regarding the demographic characteristics of the respondents has been tabulated in the below given section.

Table 1 shows that out of 400 respondents, 23 percent were below 20 years age group, 49 percent belong to 21-40 age groups, 26 percent are between the age group of 41-60 years and 2 percent belong to above 60 years age group. Thus, a majority of the respondents belong to 21-40 age groups. A majority of the respondents (64 percent) were females while 36 percent male respondents had visited shopping malls. Out of the sample respondents, a majority (58 percent respondents) were married whereas 42 percent were unmarried. 13 percent respondents belong to business class, 38 percent belong to service class, 21 percent are housewives and 28 percent are students. Out of the sample, 4 percent are upto matriculation, 31 percent are under graduates, 36 percent are graduates and 29 percent are post graduates. 29 percent respondents have income less than Rs.10000, 34 percent between 10001 – 35000, 18 percent between 35001 – 50000 and 10 percent above 50001. A majority of respondents (44 percent) have a family of four, 26 percent live in a family of less than three, and 30 percent have a family of five and above five. 42 percent are single, 6 percent are newly married, 8 percent are married but have no children and 44 percent are married having children. A majority of the sample respondents (82 percent) stay in an ownership house. 16 percent stay in a rented house while 2 percent fall in the category of others. 43 percent respondents have 4 wheeler vehicle, 36 percent respondents have 2 wheeler vehicle and 12 percent have both types of vehicles. A large majority of sample respondents (77 percent) do not have club membership while 23 percent have taken club membership.

**Table 1**  
**Profile of sample respondents**

Characteristic	Type/Option	Frequency	Percent
Age	Below 20	92	23.00
	21 to 40	198	49.00
	41 to 60	103	26.00
	Above 60	07	02.00
Gender	Male	146	36.00
	Female	254	64.00
Marital status	Married	232	58.00
	Unmarried	168	42.00
Occupation	Housewife	85	21.00
	Service	151	38.00
	Business	50	13.00
	Student	114	28.00
Qualification	Upto matriculation	17	4.00
	Upto Graduation	122	31.00
	Upto Post Graduation	143	36.00
	Professional	118	29.00
Monthly income	Less than Rs.10,000	115	29.00
	Rs.10,001 to 35,000	137	34.00
	Rs.35,001 to 50,000	70	18.00
	Above Rs.50,000	78	19
Number of members in family	Less than three	105	26.00
	Four	177	44.00
	Five and more than five	118	30.00
Life cycle stage	Single	168	42.00
	Newly Married	23	06.00

	Married having no children	33	08.00
	Married and having children	176	44.00
Residential Status	Ownership house	328	82.00
	Rented House	65	16.00
	Others	07	02.00
Vehicle owned	4 wheeler	172	43.00
	2 Wheeler	144	36.00
	Both	48	12.00
	None	36	9.00
Club membership	Yes	93	23.00
	No	307	77.00

**6.2  
Con  
sum**

### er preference to shopping malls in Mumbai.

Table 2 depicts the number of respondents who prefer different shopping malls in Mumbai. Higher the frequency, higher is the preference. The principle adopted here is to identify to the most preferred shopping malls. Ranking is done accordingly. This is called popularity index or localization index. This is calculated as under.

$$PI/LI = a/b \times 100$$

Where,

- PI = Preference Index  
 LI = Localization index  
 a = number of respondents visited to shopping mall  
 b = Total number of respondents in sample

After calculating index it is arranged in an ascending order and is depicted in Table 5.9

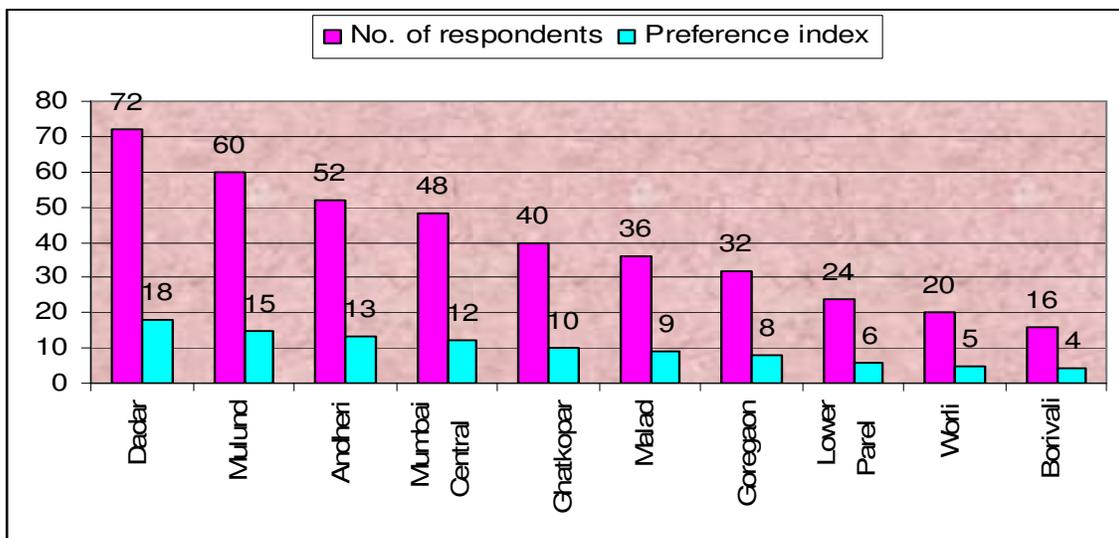
**Table 2**  
**Respondent's preference towards shopping malls in Mumbai**

	Preferences in number and %		Ranking
	No. of respondents	Preference index	

1. Dadar	72	18	01
2. Mulund	60	15	02
3. Andheri	52	13	03
4. Mumbai Central	48	12	04
5. Ghatkopar	40	10	05
6. Malad	36	09	06
7. Goregaon	32	08	07
8. Lower Parel	24	06	08
9. Worli	20	05	09
10. Borivali	16	04	10
Total	400	100	-

Graph 1

## Relationship between respondent's preferences towards shopping malls in Mumbai



Study on hypermarkets in Bangalore city shows that the preferences of respondents in favor of supermarkets is higher than Kirana shops and the preferences have undergone a change after liberalization of the Indian economy. Now hypermarkets are visited and the predominant reasons for such preferences are good quality of merchandise (50.2 percent) and price discounts (46.8 percent). Our study shows that malls are becoming popular in Mumbai City also. Table 2 shows that Dadar mall is most preferred as compared to other malls. The highest and lowest shopping mall in Mumbai preferred by consumer is Dadar and Borivali respectively. It is preferred to the extent of 18 percent and 10 percent respectively. Dadar mall is at top preference and Borivali shopping mall is the least preferred one.

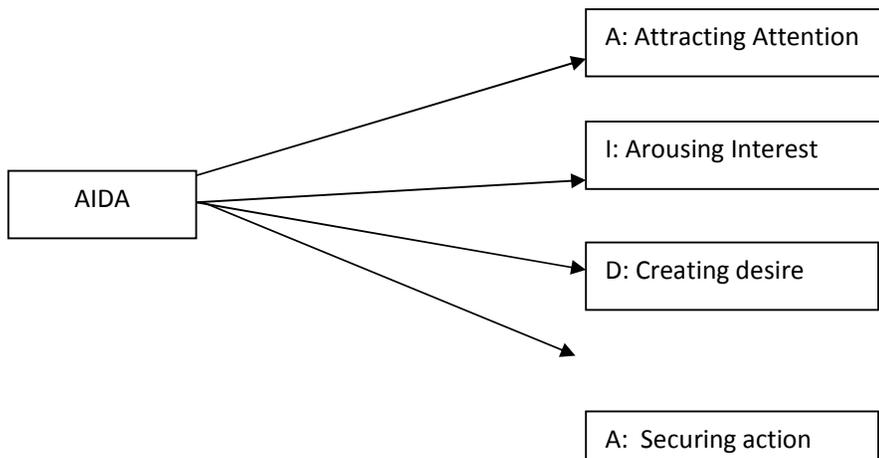
Dadar shopping mall was preferred to the extent of 72 (18 percent) respondents followed by Mulund shopping mall which is preferred to the extent of 60 (15 percent) respondents and Andheri shopping mall to the extent of 52 (13 percent) respectively indicating 1, 2 & 3 position.

The highest preference index was indicated by Dadar Mall whereas least indicator was observed in Borivali to the extent of 18 percent and 10 percent. Preference index decreased to the extent of 15, 13 and 12 to Mulund, Andheri, and Mumbai Central indicating lowering preference. The preference index to Ghatkopar, Malad, Goregaon, and Lower Parel were to the extent of percent, 9 percent, 8 percent and 6 percent. It is interesting to note that Lower Parel's population is dominated by Maharashtrians and preference of Lower Parel's shopping mall was 8<sup>th</sup>. Overall Dadar shopping mall is the most preferred by consumer and it is also clear from this Table that majority of the respondents (18 percent) prefer Dadar shopping mall.

In other words, Theory of location is applicable to Dadar shopping mall.

### 6.3 AIDA influencing preference to visit shopping malls in Mumbai

AIDA is a technique of increasing consumers. It is concerned with behavior of consumer. AIDA formula stands for :



Consumers are attracting attention towards shopping mall to a large extent. Our primary data shows that out of 400 sample respondents, more than 96 percent; got their attention attracted towards shopping malls. Shopping mall able to reduce Kirana Stores consumer, departmental stores consumers. The interest of consumers is getting aroused towards malls to a large extent. Shopping malls are creating desire among consumers to improve their standard of living by purchasing items from them and lastly due to attention, interest and desire created, consumers are taking action i.e they are purchasing goods and services from shopping malls. It means this formula affects consumer's preference. To what extent AIDA formula is influencing the preference is presented in Table 3.

**Table 3****Relationship between AIDA formula and shopping mall preference**

Particular	Influence of AIDA	
	No	%
1. Extent of attracted attention	344	86
2. Extent of arousing interest	280	70
3. Extent of created desire	272	68
4. Extent of securing action	256	64
5. Overall influence of AIDA on preference towards shopping malls	288	72

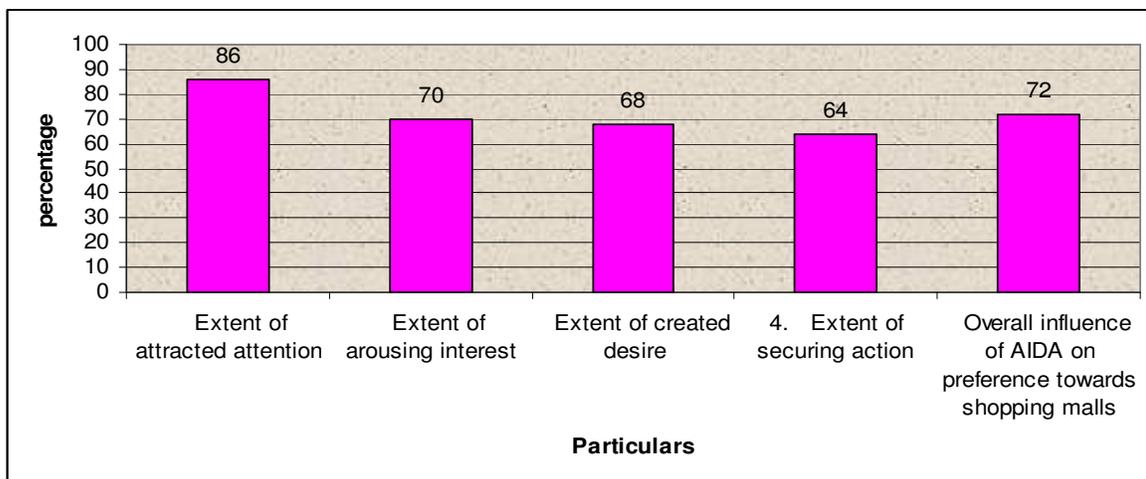
**Graph 2****Relationship between AIDA formula and shopping mall preference**

Table 3 shows that out of 400 sample respondents 344 (86 percent) agreed that their attention was attracted towards shopping malls. It means majority consumers attention was attracted towards shopping malls. Of these, 280 respondents (70 percent) state that their interest towards shopping malls was aroused. It means potential large number of consumers' interest got aroused. Out of 280 whose interest was aroused towards shopping malls, 272 (68 percent) respondents created desire to purchase goods or services from shopping malls. Finally, 256 (64 percent) respondent actually have taken action. It means 256 (64 percent) consumers have purchased something from shopping malls.

Overall result shows that influence of AIDA formula on preference of shopping malls was to the extent of 288 (72 percent). In other words 72 percent sample respondents agreed that they were influenced by AIDA formula regarding shopping malls. The relationship between AIDA formula and

shopping malls preference is positive. Further Table 3 shows that 288 respondents agreed that AIDA formula influences preferences of shopping malls. Since majority (72 percent) agreed that AIDA formula influences preference of shopping malls, it can be said that majority of the respondents (72 percent) have a high level AIDA formula influence on shopping mall preferences.

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## **Private Universities in India: Purpose and Relevance**

**\*Dr. Sanjay Kaptan**

**\*\*Mr. Shoeb Khan**

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### **Introduction**

The idea of privatization of higher education is the out come of new economic policy that India has adopted. Privatization of higher education is high on the agenda of the government. It is now a world wide phenomenon and India is no exception to it. One should accept this without any prejudice or bias that private sector has a definite role in furthering the cause of education in the country. The participation of private player should not be considered as necessary evil but as an essential good. However, it should come as a result of well considered and integrated policy framework.

The process of structural reforms has been instituted as India has committed itself to liberalization, privatization and globalization as a policy framework. This process has become almost irreversible and as a part of this new policy framework, privatization of higher education has become an important item on the agenda.

Should there be private institutions and investment in the field of higher education is an issue that is argued by experts considering its merits and demerits. However, in most of the countries public and private sectors exist simultaneously. Both the sectors contribute to further the cause of education. In countries like Japan, Phillipines, and most of the western countries a mixed system of public and private sectors prevails simultaneously. No country in the world has kept private institution away from the field of education. The present paper justifies the role of private sector in the filed of education.

### **Private Participation in Education: Indian Experience**

#### **Pre-Independence Period**

The ancient Indian education started as a family concern, both for literary and professional education. As education began to become more complex and exacting, the specialists came into the field in the form of private teacher. 'Guru Griha' i.e. the abode of the preceptor became the center of education where the high and mighty of the land as also those, not very high in the socio-economic ladder, flocked to get education and training in literary and vocational skills. During the Buddhist period, corporate educational institutions were established. They were the counterparts of the Gurukuls, which were also essentially residential institutions. The main sources of finances were donations by the royalty and the nobility as also by the community. Tuition fees, considered in the modern sense, were conspicuous by their absence. The practice of nobility providing finances for educational institution continued during the medieval period.

#### **Colonial Period**

The system of financing of education under the colonial rule was subjected to strange vicissitudes or time. It took the East India Company more than a century to officially recognize their responsibility for the education of the vast masses of the people, over whose destinies they had the privilege to preside. Even when, in early nineteenth century, an inconsequential sum of Rs. one lakh was earmarked for the education of the vast multitudes of 'natives' it was subjected to unnecessary legal quibbling and its utilization was decided, by and large, on extra-educational considerations. Well up to the end of the 19th century, the Government of India fought shy of direct administration of education and insisted upon a

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policy of gradual withdrawal from education, leaving the field to the munificence of private bodies.

In the early twentieth century, however; the central and the provincial governments evinced greater interest in education. The transfer of education to popular ministers under the 'Dyarchy' and later on under the Government of India Act, 1935, was expected to improve the financial position of educational institutions but two consecutive economic depressions, which occurred between 1919-24 and 1929-32, forced the provincial governments to economize on educational expenditure. The Second World War (1939-45) added to the financial difficulties and thwarted attempts at running educational institutions on sound lines.

### **Statement of the Problem**

As the issue regarding resource availability can not be addressed without generation of adequate funds, there for it is critical that government should think in terms of alternative systems of providing higher education by using different options, one such option is encouraging private sector to participate for furthering the cause of higher education. The question is, can private sector do justice and to what extent the private institutions can meet the challenges of maintaining of the quality of higher education, hence the title of the paper is Private Universities in India: Purpose and Relevance.

### **Objectives of the paper**

The present paper tries to find out the following aspects related with privatization of higher education:

- i) What are the key issues related with the existing system of higher education and problems in promotion of higher education?
- ii) Can the need for participation of private sector in education be justified?
- iii) To what extent private sector can meet the needs for promotion of higher education in India?
- iv) Can private sector resolve the challenges of resource generation, quality up-gradation, research and developmental activities and benchmarking at international level? From this point of view there principal objective of the paper are:
  - a) To trace out the need for private participation in higher education.
  - b) To examine various forms of private institution promoting higher education.
  - c) To justify the role and contribution of private universities in furthering the cause of higher education.
  - d) To enlist the challenges that will be faced by private sector universities in India.

The demand for privatization of education is justified by many experts on the ground that it is a popular phenomenon all over the world. The encyclopedia of higher education states that privatization of higher education is global phenomenon and it is a world wide system to meet the requirement of different classes of beneficiaries.

At present most of the countries prefer to have competent private players in the field of education so that the burden on the government can be minimized significantly. The government's policy in the 8<sup>th</sup> plan stated that establishment of new conventional universities and colleges should not be encouraged by the government, further it stated that involvement of voluntary agencies and private sector parties be welcomed in opening and conduct of higher education institutions.

The ministry of finance paper on subsidies (1997) considered higher education as non merit good.

- ii) These are a variety of private institutions that can promote higher education in multiple ways. Different forms of private universities can be established considering the needs and requirement of curriculum and policy of the government. Basically private universities can be of two types.

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a) Corporate universities

b) For profit institutions

### **Corporate Universities**

Corporate university is now a well accepted system of promoting higher education in select areas. This is basically an institutional form of Industry, Institute, and Interaction. This is often used to promote specific skill sets, knowledge areas and professions that befit the requirement of particular company, group of companies or the sector of industry. In western countries corporate universities are a popular form of promoting higher education and research and developmental activities.

### **For Profit Institutions**

Every organization that offers service thinks of generating surplus or revenue. This surplus or revenue justifies the cause of existence of the institution. This cannot be exception even in the field of education. The universities that are established for generating revenue or surplus are rightly called as universities for generating profit. These universities offer programs as per industrial and economic requirements. They offer high quality education, maintain high standards of infrastructures, faculty and justify their high fee structure due to the growing popularity and demand for their courses as well as their unique pedagogical style.

### **Paradigm Shift in India's Policy**

A study of the evolution of the educational systems in India has revealed that private and public sectors have co-existed from times immemorial. But the private sector's contribution has never been motivated by the urge for profit-making. It has always been based on philanthropic and idealistic considerations. Of late, however, influenced by the would-wide emphasis on liberalization and privatization of the economy as also loaded by the international agencies, the Government of India appears to be leaning towards privatization of education, particularly of higher education. The first indication of the government's policy change became evident from the recommendation made in the eighth plan (1992-97) which stated that the opening of new conventional universities and colleges should not be encouraged. Further, a significant recommendation was the involvement of voluntary agencies and private sector participation in the opening and conduct of higher education institutions with proper checks to ensure maintenance of standard and facilities to make higher education, as far as possible, self-financing. To assuage the feelings of the academic community, a rider was also added: 'the quality of education is not to be compromised at any cost'.

The move towards privatization of higher education got a boost by the Birla Ambani Report submitted to the Prime Minister in which, among other things, it was suggested that government subsidies to higher education should be minimal and the funds thus saved should be invested in expanding facilities at the primary and secondary stages of education.

The fallacy of the above arguments can be gauged by the fact that education is a continuum and all stages of education are complementary to one another. It is difficult to visualize the expansion and qualitative development of primary and secondary education without the availability of qualified teachers, who have to be produced in universities and colleges. Further; universities are concerned with the production of highly trained scientific and technical manpower, which is an essential prerequisite for the socio-economic development of the country. Any slackening of effort towards the expansion and qualitative development of higher education, by reducing financial investment for this sector is bound to be counter-productive.

It is also feared that an unregulated expansion of private universities, will open the floodgates of commercialization in the educational system, which has so far been immune from profiteering and money-making. The opening of a large number of universities under section 8 of the 'Chhatisgarh Niji Kshetra Viswavidyalaya Adhiniyam 2002' is an eloquent testimony to the misuse of such mindless liberalization.

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### **Corporatization of Higher Education**

As already discussed, corporatization of higher education is gradually entering into the university system. In quite a few countries, corporate universities have been established. Corporatization has its advantages like greater operational freedom, availability of professional management, provision of adequate funding of universities etc. Among the disadvantages, mention may be made of the grim possibility of commercialization of higher education, the domination of elitist groups in university admissions, the loss of moral values on which the university system should be based.

### **Contribution of Private Universities in Furthering Cause of Higher Education**

In what way private universities can contribute to foster socioeconomic advancement and further the cause of education is an issue of great importance. There are various arguments to justify the role of private sector in higher education. A few such arguments are:

- i) The World Bank in its education sector paper stated that private universities can contribute to the cause of higher education in many other ways. A few points of relevance are:
  - a) The process and time required to establish private universities can be much faster and prompt. This shall help in meeting the growing gap between the demand and supply for higher education.
  - b) New trends and emerging areas in the field of science and technology demand new courses. Private universities can take prompt initiative to offer such courses when they are rightly demanded by the market.
  - c) Private universities can encourage research culture and invest huge funds to encourage research and development activities in such institutes.
  - d) There is high degree of flexibility and autonomy that can be effectively utilized by the private sector institutions.

### **Issues /Challenges of Quality in Higher Education**

There are various issues / challenges raised before higher educational institutions, some of them are as under:

- Lack of flexibility in Higher education
- Low confidence level of students
- Fear of failure and psychological barriers
- Lack of strategic Planning
- Lack of advance teaching methods and tools
- Lack of healthy Practice
- Lack of qualitative and quantitative infrastructure
- Lack of research and consultancy
- Entry of International institutions in India

Progress of a country is possible only when its citizens are dynamic, enterprising and responsible. Without such citizens, a country can not achieve progress in any field and education is the most important tool to create such type of citizens. The development of a nation mostly depends upon growth of education in the society. In the development of any country, primary education helps in creating base while higher education is important for providing the cutting edge. Higher educational institutions contribute to the growth of the nation by providing specialized knowledge and skilled manpower. It is even more important for a developing country like India. Higher educational institutions provide the necessary trained and educated manpower required for the development and implementation of various programs needed for the growth and development of a nation. Development of higher education is, thus, of utmost significance for the growth and development of a country. The educational institutions have been playing an extremely important role in shaping the socio-economic and cultural fabric of the country apart from bringing the technological advancements responsible for rapid growth and development. Higher education is a powerful tool to create knowledge for an information-based society. The core mission of higher education is to educate, train, undertake research and provide service to the community.

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- The major concerns of Indian higher education have always been - access, equity, relevance, quality and resource crunch.
  - Indian higher education system is one of the largest systems in the world and has over 14 million students with over half a million teachers. There are many challenges before the higher education system today in the context of present phase of globalization, privatization, resource crunch and low gross enrolment ratio compared to the developed countries.
  - India has a population of over 1.20 billion which is about 16.0 per cent of the world's population. It occupies 2.4 per cent of the total area of the world and is the 7<sup>th</sup> largest country on the earth. Also, India came into being as an independent democratic nation a little over six decades from now. The size of population, area, historical background and centuries old social stratification which are peculiar to the country have also contributed to the issues which the country has faced in the field of higher education.
  - Higher education in India has progressed well in terms of institutions, teachers and enrolment of students. Presently, there are more than 500 universities and 27000 colleges in India which is an increase of 24 times in the case of universities and 52 times in the case of colleges as compared to the position at the time of independence of the country. The total number of teachers in universities and colleges is now over 6, 00,000 whereas this figure was 15000 in the year 1950 which is almost 40 times increase. There has been a considerable improvement in the gross enrolment ratio from less than 1.0 per cent in early 1950s to over 12.0 per cent now. This percentage is slightly more than the average of 11, 0 per cent for developing countries. But it is still very low compared to 23.2 per cent of the world average, 54.6% for developed countries, and 36.3% for countries in transition. Further, there is a big gap between India and individual developed countries. For example, the enrolment ratio of students in higher education in Canada is 88%; USA 80.9%; Australia 79.8%; UK 52%; and France 50%. Even the position in a developing country like Thailand is better than India where GER in higher education is about 19%.

Though there is a remarkable progress in terms of growth of universities and colleges in India but this pace of expansion is still not sufficient in view of the size of the population and area of the country. There is a need to expand the intake capacity by strengthening of the existing universities and colleges on large scale and establishing new institutions in large numbers, if the country is to achieve the target of the world average of 23.2 per cent GER in higher education. In spite of the phenomenal expansion in terms of new higher educational institutions, the country still needs a large number of additional higher educational institutions to catch up the developed countries. In spite of the intention of the government to increase budgetary allocation to this sector, efforts of the Government alone may not suffice. The private sector and the philanthropists have to come forward in a big way and join hands with the government to take the GER- in higher education to the level of developed world.

### **Promotion of Inclusive Education**

India is a country with diversity and some sections of the society have been marginalized for historical reasons. The marginalized sections have had low access to higher education compared to the main streams sections. Large population of the country, mindset of tire society in view of the historical reasons, lack of awareness and opportunities for the rural population have been major hindrances in the efforts of the government to attract students of marginalized sections to the higher educational institutions in large number. It has been the efforts of the government that certain privileges are extended to the marginalized sections with the purpose of increasing their access to higher education. This has been done mainly by providing financial incentives to these sections of the society. There are a number of scholarships and fellowships which UGC provides to the students of all sections including marginalized sections of the society. However to take care of the special needs of the students of the marginalized sections, the UGC has launched special schemes exclusively for the benefit of the students of SCs, STs, Minorities and Women. Efforts of the government have yielded some results, so far. However, much more is still needed to be done to achieve the desired results.

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### **Promotion of Quality Education**

Quality of higher education has always been a concern of the Government. The Central Government is responsible for arranging, allocating and distributing grants for the growth and maintenance of higher education. The Government of India initiated a planned development of higher education in the country with the establishment of University Grants Commission (UGC) in 1953. The UGC became a statutory organization by an Act of Parliament in 1956 for the coordination, determination and maintenance of standards of higher education. The UGC Act, 1956 empowers the Commission to allocate and disburse grants to the higher educational institutions in India. The UGC provides grants under both plan and non-plan schemes to the educational institutions. In addition grants are also provided to maintain and improve the standards in the educational institutions through various programmes and schemes introduced during the Plan periods. In its endeavour to achieve the mandate given to the UGC by the Parliament, UGC has made a number of efforts so that quality of higher education is not compromised with this unusual expansion of higher educational institutions such as framing of regulations of minimum standards of education at first degree level; establishment of quality assessment cell in universities and colleges; regulations for deemed universities; regulations for admissions and fees in deemed universities; regulations for affiliation of colleges by the universities; regulations for admission to M.Phil, and Ph.D. courses, regulations regarding minimum qualifications of teachers; minimum workload for teachers; pay scales and service conditions for university and college teachers.

Ours is one of the largest educational systems in the world. Moreover, it has seen massive expansion during the last few years. Also, the private sector has come in a big way in this field and the main focus during the last few years has been on increasing the gross enrolment ratio of the targeted age group. Thus, this has been a transitional period for the Indian higher education system and somehow or the other, quality of higher education has not attracted the desired attention. Therefore, it is a big challenge before the Government that there is no compromise with quality while going for expansion with inclusiveness.

### **Promotion of Relevant Education**

The higher education will not be able to achieve its objectives unless it is relevant to the needs of the society. Moreover, the world is changing fast and the requirements of the society in the fast changing global scenario are also changing. In view of this, the relevant education has become one of the important issues before the policy makers. UGC had this in mind while deciding the policy framework. Promotion of relevant education is being attempted by introducing career oriented courses and by making changes in undergraduate and postgraduate syllabi to increase the employability of the students and also to meet the market demands.

In this fast changing scenario of today, the whole world is a small village. Mobility of persons for the sake of employment or for trade/business has increased tremendously. One of the objectives of the higher education system is to produce citizens who are competent to compete with the world in all spheres of life. However, in the context of Indian society, there is a need to produce citizens who are able to make happy blending of the traditions and the modernity. Therefore, the major challenge before the higher education is to produce manpower which can match requirement of the world on the one hand and also to meet the requirement of our society, on the other.

There are challenges internal to higher education:

- To recruit, retain and reward the caliber of academic staff needed to sustain and improve both teaching and research.
- To maintain the infrastructure for research and teaching.
- To make sure the investment in higher education—whether paid for by the taxpayer, the student, their employer or someone else—is used to best effect.

We must not forget that many of our economic competitors invest more in higher education institution, than we do. Our competitors see as we should that the developing knowledge economy means the need for more, better trained people in the workforce. And higher education is now becoming a global business and more and more countries are looking to sell higher education overseas into the markets where it can be. Thus, it is necessary to maintain the excellence of the sector as a whole.

We can't shirk the challenge of these critical issues. We must take all necessary steps to lay the foundation for the reforms. Which will transform the future of the sector? We see a higher education sector which meets the needs of the economy in terms of trained people, research and technology transfer. At the same time it needs to enable all suitably qualified individuals to develop their potential both intellectually and personally, and to provide the necessary storehouse of expertise in science and technology, and the arts and humanities which defines our civilization and culture. To do so, our vision is of a sector, which:

- recognizes and value universities as creators of knowledge and understanding and as engines for applying that new knowledge for the benefit of all;
- recognizes their role in educating their students to live life to the full, through the acquisition of skills and through fostering imagination, creativity and contribution to society;
- builds strong and purposeful collaborations, including with one another and with further education support the best teaching, research management and knowledge transfer;
- supports and celebrates in situation which can compete with the best in the world in research;
- is expanding towards all segments of the society and providing courses which satisfy both students and employers;
- meets the developing needs of students for new modes of study and delivery of courses as well as learning support;
- offers the opportunity of higher education to all those who have the potential to benefit;
- employs sufficient staff of the right caliber to achieve its missions, and which recruits, develops, retains and rewards them adequately;
- has the freedom to be innovative and entrepreneurial, with strong management and visionary leadership which will set and achieve clear goals for improving quality across the whole range of each institution's activity to implement its plans; and ,
- Has sufficient funding from a range of sources to sustain the sector and the institutions within it. And with an equitable partnership for investment in higher education shared between the taxpayer, the student and the others.

### **Challenges before Private universities in India**

The private universities in India are expected to work in a very competitive and aggressive environment. There are a variety of challenges that will arise due to divergent expectations and in many cases due to unrealistic aspirations. One should realize that private university is not a magic wand that can meet critical issues like maintenance of high quality and promotion of higher education for large number of people simultaneously. A private university can not directly link education with employment nor can it improve the system in its totality. A few important challenges that private universities shall face are presented here:

- a) Doubt, misconception and absence of confidence among the students and potential learners about the quality, applicability and acceptability of private universities.
- b) Lack of qualitative and quantitative infrastructure and suitable support structure to promote healthy growth of educational sector.
- c) Absence of strategic planning and lack of vision and mission as to why the university has come into being.
- d) Fear among the students of failure, critical standard and benchmark levels and other psychological barriers.

- e) Absence of appropriate pedagogical methods and tools and techniques of evaluation and certification.
- f) Lack of healthy practices and lack of flexibility in offering various courses and programs.
- g) Likely competition from international institutes and universities from abroad.
- h) Challenge of establishing inclusive educational system.
- i) Difficulties in acquiring and retaining academic staff of high quality in both research and teaching area.
- j) Fear that the returns of investment in higher education may not be as expected.
- k) Absence of right understanding about market dynamism and responses from the market.

### Conclusions

The above discussion thus helps in understanding the likely role that private universities can play in the field of higher education and promoting of a healthy educational climate. There should not be any doubt that the time has now come for promotion of higher education through private sector and private universities. The only issue is to what extent these universities will justify their role and performs as per set standards?

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## Strategic Framework for Redesigning Government Processes

\*Mr. Kiran Patil

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### Introduction

Re-engineering starts with a high-level assessment of the organization's mission, strategic goals, and citizen needs. Within this framework, re-engineering focuses on the organization's processes, the steps and procedures that govern how resources are used to meet the needs of the citizens.

### Areas which must drive the Government Process in government departments:

- **Service Orientation:** Re-orientation of government processes with focus on citizen's expectations and delivering services to his satisfaction.
- **Streamlining:** The processes between provider (government) and customer (citizen, businesses, employees) need to be reduced leading to faster delivery of services.
- **Standardization:** Similar type of work should be done in the same way.
- **Information Management:** Government Information is a strategic resource and should be managed effectively throughout its life cycle (capture, store, process, apply, exchange and reuse).
- **Partnerships:** Government processes need to be oriented in such a manner, so as to facilitate partnerships among all stakeholders including private sector agencies.
- **Enabling Technology:** Information and communication technologies should be used for redesigning government processes as well as for delivery of government services.
- **Continuous Improvement of Services:** The design of government processes should incorporate performance standards and evaluation mechanism to enable continuous improvement of government services.
- **Monitoring and Evaluation:** Monitoring of e-Governance projects should be done by the implementing organization in the manner similar to project monitoring for large infrastructure projects. Even after the project has been implemented, constant monitoring would be required to ensure that each component is functioning as per design. Evaluation may be done by independent agencies on the basis of parameters fixed beforehand.

Any change may impact several agencies. Re-engineering leads to wide ramification across the organization. Implementation of a re-engineering initiative usually has considerable impacts across organizational boundaries, as well as impact on citizens. For this reason, it requires sensitivity both to employee attitudes as well as to the ramifications of changes in their lives.

Process intent is what the process is intended to do. To be competitive, a value delivery system must be designed for customer response, customer quality and customer's perception of a high value-to-cost ratio. A value delivery system consists of all the people, processes, procedures, facilities and machines that provide a group of products, services, or information to customers. Value delivery systems should be designed to deploy optimally the strategies of the business.

The process intent of the system is considered in terms of:

- Performance requirements;
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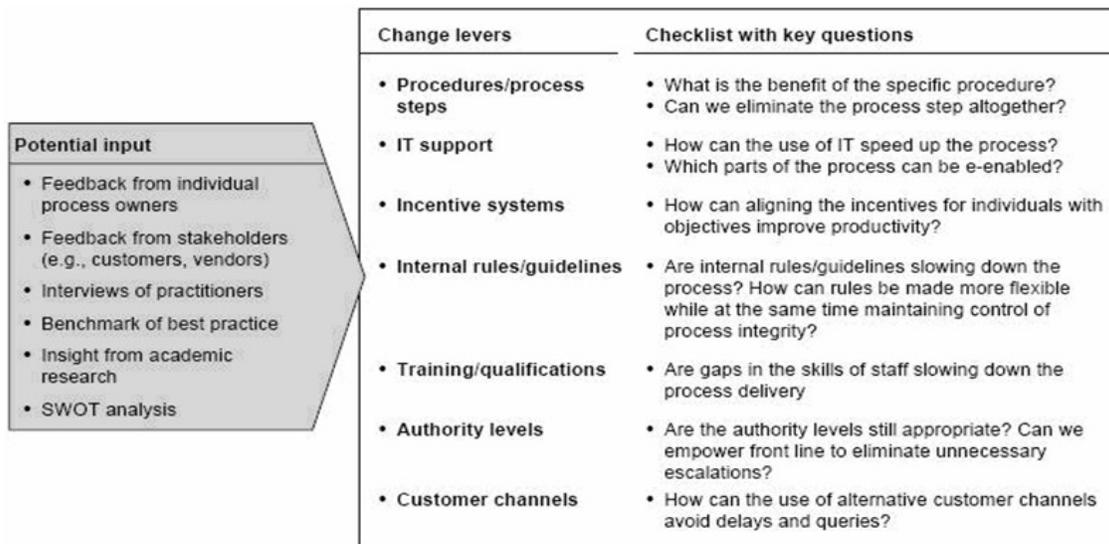
\*Research fellow Department of Management science University of Mumbai

- Responsiveness;
- Quality level to be achieved;
- Cost of adding value.

The process model is the way that work is divided in a value delivery system. Process variance is the amount by which a process fails to meet the optimal target values that the process is designed to produce for the customer. Transformation is the process by which an organization continually re-conceptualizes and redesigns itself to remain effective and dynamic.

The potential inputs required for redesigning the business processes and the related change levers with necessary checklist of key questions to be considered is explained as below:

**Fig. 1.1: Required inputs and appropriate Change Levers of redesigning business Processes**



**Measure performance or performance improvement**

1. Comparing present performance to past performance or standards (past year sales, profit, ROI, performance to budget).
2. Comparing customer's perceptions or needs (customer complaints, comment cards, surveys, focus groups, etc.).
3. Comparing our performance with the performance of our best competitors (competitive benchmarking).
4. Comparing present performance with ultimate possible performance.

Performance gap is the difference between the present performance and the ultimate possible performance.

Therefore based on the analysis of performance gap, the essentials of effective service delivery are:

- The use of advanced technology;
- The use of advanced methods;
- Aligning process intent with strategy;
- Designing process models that optimally achieve process intent.

However, the lessons to be learnt from such projects are:

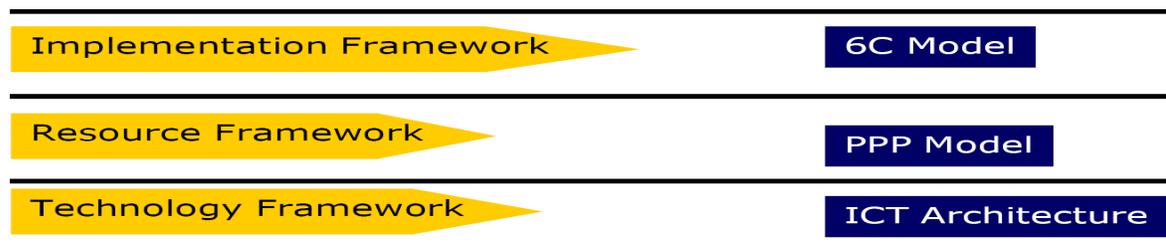
- The workforce has to believe in the benefits of business process re-engineering through ICT;
- There is no shortcut to step-by-step examination of all business processes
- Each government department will have its own specific set of design outcomes which would require close interaction between technological solution providers and the domain experts.

### **Redesigned ICT Enabled framework for District Administration**

The 'enterprise' approach (based on the concept of joined-up government) with citizens at its focus and having integrated services and back office servicing takes it to the third stage of evolution, which is transformation. As government services are diverse and independently offered by various departments and ministries, consolidation into a joined-up government is not a simple affair. A key enabler in this direction is the interoperability framework. There must be a mandatory compliance with the accepted standard, interface and architecture at all levels to be interoperable, so that data and information can be exchanged and processed seamlessly across government. Transaction processing systems keep track of the flow of transactions through the organization and are used at the operational level of the organization. Managerial level of an organization involves monitoring, controlling, decision making and administrative activities of an organization. Management information systems focus on summarizing transaction information and are useful for monitoring and controlling operational level activities. Decision support systems are customized management system that supports routine, non-routine strategic decision-making that are of interest to higher officials.

For this the integrated BPR planning model proposed shall be helpful for those Government organizations who wish to adopt a long-term strategic approach to process re-engineering and maximize their likelihood of success in this endeavor for providing effective services to the citizens. The five step methodology may be adopted to solve various functional problems in providing effective delivery of services to the citizens. They are envision, definition, diagnosis, design, and implementation.

The complexities of realizing the vision necessitates the creation of a suitable framework for effectively meeting the challenges posed by management of technology, resources and implementation. The following diagram of framework illustrates this.



In view of the fundamental importance of the overall framework, the above models are discussed in detail as below:

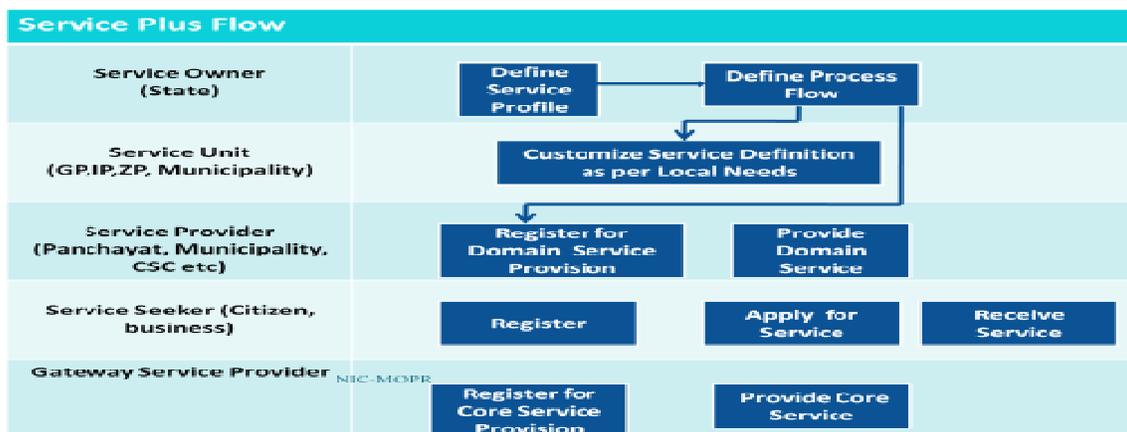
**I.** The 6-C model of implementation shown above comprises of **Content** which is heart of any IT project, the **Competencies** of the personnel, **Connectivity** for wider accessibility, **Cyber laws** and necessary modifications in existing laws that should accommodate necessary processes that are redesigned for ICT enabled services and systems, **Citizen Interface** that are affordable and having ubiquitous access with several options like Citizen Service Centers, Internet Kiosks, Home PC's, Set-top-boxes etc. The **Capital that is** imperative to attain sustainability.

**II. Technology Framework for Government- ICT Architecture-** Given the large number and variety of applications to be developed across government departments, it is essential to have the whole picture conceptualized and to lay down a common framework and ground rules for the guidance of the departments. Otherwise, there is the danger of creating islands in different departments that cannot communicate or be interoperable. The concept of providing integrated services would remain a mirage. Therefore it is essential to have a UID compliant web based application software solution that may be developed based on service oriented architecture for developing the framework for to have flexibility in the service delivery mechanism. That will enable us to provide 100% electronic workflow of the service - right from receipt of applications to the final delivery of service. The status of application may be tracked by the citizen and the government officials through the portal supported with the escalation matrix to ensure the adherence to the service levels defined for each service. Separate UID compliant modules may be designed and developed to capture the base data from various Registers including birth-death registers, Pension & Certificate Registers, Revenue Court Cases etc. which may be used for online as well as physical verification. Technologies such as digital signatures may be used for the approval of the application & issuance of online certificates.

The reporting component can provide all appropriate tabular and graphical statistics to the administrators on number of applications received and processed in a given duration, applications processed within time and which ones took longer than expected time, district wise summary etc. The application requires fixing of responsibility of each step to a particular login, and the officials will be able to trace where an application is lying at a point of time and how long it has taken to finish a particular process.

It is a metadata-based framework that provides a single portal for all stakeholders involved in service life cycle. It would be a single nation-wide portal through which the services of all states in the country would be delivered irrespective of the variability's in the services. The Government entities can participate in the portal to define or customize a service, the service seekers such as citizens, businesses etc. can participate to avail the services and query the system in an integrated manner to obtain information about all relevant services.

**Fig. 1.2: Proposed Service Flow of District Administration**



**Service Owner** - Service Owner is the one who will define various aspects of a service including service workflow and service levels. A Service Owner could be a Central Government Department, State Government Department, Zilla Local offices, Block Local offices or Gram Local offices or municipality, Corporation, Tahsil and Collectorate Offices, etc. The service owner can login and define the profile of the services of which it is the owner. A set of metadata have been identified which can be used to define

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the profile of a service. The Service Profile metadata have been broadly classified and described as follows:

**General Attributes** – This category defines general attributes of a service such as the name of the service, the type of service (whether regulatory, statutory or developmental), the sector such as education, health etc., the Programme/Scheme under which the service is being provided if it is a development/beneficiary oriented service.

**Beneficiary Profile** – Here, the Service Owner can define the profile of the intended beneficiaries who can avail of the service.

**Application Form Definition** – For each service, the Service Owner can define the details of data elements that need to be included as part of the service definition so that the application form can be generated dynamically.

**Application Submission Mechanism** – Here, the Service Owner can indicate the various ways in which the Service Seeker can submit the application. It also offers the option to not submit an application form but instead select the beneficiary from a government defined list or through gram sabha. Such a mechanism is required particularly in the context of beneficiary oriented services.

**Payment Details** – Payment Details such as cost for different sections of citizens, mode of payment such as cash, cheque, DD, Internet Banking, mobile payment etc.

**Service Delivery Mechanism** – The way in which the Service will be delivered such as through email, post or in person through kiosk or otherwise.

**Service Deliverables** – The nature of benefits offered to citizens, particularly in the case of Beneficiary oriented services.

**Service Workflow** – The processing workflow for the service can be defined by the Service Owner. Workflow can be defined in terms of the name of the step, the responsibility centre for the step in terms of department or government unit and the official in the unit etc. and also the sequence in which each step is to be executed. The framework allows for collaborative processing of an application i.e., processing of an application by multiple government units, to ensure effective service delivery. The process work-flow could also be enhanced to collaborate with legacy e-governance application as a part of process-flow using appropriate interface.

**Service Provider Definition** – The Service Owner can also define whether the service provider will be a government unit such as gram local offices or an outsourced service provider such as CSC.

**Escalation mechanism** – It will allow the Service Owner to define the escalation matrix in case of delays in processing. In fact, this can allow the Service Owner to define the service level for each step and the official to whom it should be escalated in case the service level is exceeded.

Based on the service profiling done by the Service Owner, the framework would dynamically generate the service and the entire Service Definition becomes transparent and available in public domain for further query and analysis.

**Table 1.1: Metadata Elements to capture Beneficiary Profile**

S. No	Metadata Element	Description
1.	Beneficiary Type	Whether individual, family, group etc.
2.	Category	Whether widow, landless, homeless, physically challenged etc.
3.	Gender	Male, Female or Transgender
4.	Age Group	Age range for which service is provided
5.	Caste	General, SC, ST etc.
6.	Economic Status	BPL, APL etc.
7.	Minority Category	Depending on the state

**Service Unit** - A Service Unit is the first entity of the Government at any level where the service processing begins. It is invariably a Gram Local offices but it could also be a line department. It would invariably be a line department at district level or gram local offices. It may be noted that the Service Owner itself could be the Service Unit. While profiling a Service, the Service Owner would also specify the Service Unit. Each Service Unit can then customize various metadata values of the service as per its local requirement so long as it is within the boundary values specified by the Service Owner.

**Service Provider** – A Service Provider is the one with whom the citizen interfaces to apply or get a service. It could be gram local offices, a municipality, a line department or even private players such as Common Service Centers (CSCs). We may facilitate the registration of Service Providers, particularly in the context of outsourced Service Providers such as CSCs. The Service Units can send out alerts to registered Service Providers for acting as Service Provider for specific services within its jurisdiction. Further, we may provide additional functionality such as monitoring the performance of Service Providers and automatic processing of their payments.

**Service Seeker** – Could be a citizen, group or businesses who would interact with the Government seeking service. We may offer a host of services to Service Seekers besides their primary requirement of applying for a service. It would allow them to query the system about the details of various services including their eligibility to various services, register in the portal to subscribe to alert services that would be provided by the system about changes in existing service profile or about the announcement of new services. System would retain all details about the citizen whenever he/she first visits the portal which will be effectively used for targeted information.

**Gateway Service Provider** – A Gateway Service Provider could be any private entity providing Gateway services such as Payment Gateway, SMS or email gateways. System would provide facility to Gateway Service Providers to register them so that the Service Owners can chose from a basket of registered Providers.

**III. Concept of PPCP for ICT enabled services-** The service centers are envisioned as the front-end delivery points for Government, private and social sector services to all citizens mainly residing in remote tribal rural hilly areas of the districts. In view of various technical financial and administrative limitations, these service centers may be developed through Public-Private-community Partnership (PPCP). This will enable Government, private and social sector organizations to integrate their social and

commercial goals for the benefit of citizens through a combination of IT as well as non-IT service. The CSC's need not be located only in the premises of the Tahsil or collector office.

The sophisticated technologies like biometric, smart card, mobile technologies, configurable workflow automation system, etc. can be useful like ATMs not only for providing doorstep immediate delivery of services to the citizens also for improving efficiency of the administration and facilitating itself for delivering services. These centers should have capability to provide online as well as offline efficient C2G, G2C, B2C, C2B and C2C integrated services and assistance mainly to the illiterates and the senior citizens. This will enable to develop appropriate business model for sustainability and further development of delivery framework. Interaction with the citizens will enable them to appreciate each other's problems and constraints.

Private players such as CSCs who may act as Service providers and can register and facilitate the service provision online. The citizens should get the services of government on any time, anywhere basis, without relation to the jurisdiction of a particular office of a particular department or agency. Citizens should be able to see the Government as a single service provider, through one-stop facilities.

It is necessary to inform and update the Citizen of each activity and decisions including different schemes, laws, etc of the Government. The briefing of Citizen on their rights and the actions those are required for the transaction of their affairs, as well as their supply with the essential information and the available forms. Issuing all the Certificates and Government related services digitally. All the centers should accept the filled and completed application forms of all the departments manually in accordance with the declared checklist. Online support should be provided to all the service centers for collecting forms. The forms should be sent to respective departments where it will be processed and the certificate related entries will be made on the web by that department so that citizen now can take the certificate from any outlet of CSC even in rural area. These Local CSCs can issue certificates from the web and all information can be given to citizen through these centers. The certificates of respective states can be issued in local language of the state as well as in English. Through G2G services, the Government authorities can directly confirm and provide requisite NCOs through web. The citizens are not expected to do the role of a postman carrying certificate from one department to another.

Through such strategic mechanism Government can attempt to provide a flexible setup, where citizens can avail a wide array of services at a single location without concern about the department which provides a particular service.

<b>Benefits to Government</b>	<b>Benefits to Citizen/Business</b>
<ul style="list-style-type: none"> <li>• Minimizing financial outgo</li> <li>• Better liquidity</li> <li>• Protection against technology obsolescence</li> <li>• Speedier implementation of ICT enabled projects</li> <li>• Efficiencies in management</li> <li>• Better image</li> </ul>	<ul style="list-style-type: none"> <li>• Easy access to services</li> <li>• Single window/one-stop shop</li> <li>• 24x7 convenience</li> <li>• Flexibility in the choice of access methods and devices</li> <li>• Saving of indirect cost and hardship</li> </ul>

The deployment of PPCP model shall play a role of an effective “change agent” that would provide a structured platform for socially inclusive community participation for collective developmental activities. This is a paradigm shift from department centric to citizen centric approach. Benefits of PPP Three sets of stakeholders benefit from the Public Private Partnership model applied to ICT enabled projects.

#### **1.4 Critical Success Factors of Redesigning Business Processes**

BPR initiatives are sustained "from the bottom up, with learning transferred "across ". The prerequisite for BPR success is organization environment that promotes learning, especially learning from failure. Although, the process is initiated from the top, the ownership was moved down to the people who actually had to implement the changes and is affected by those changes. The BPR effort took into consideration the differences in management cultures in different countries. The BPR initiative started at the operational levels and was later moved to "higher forms" (strategic) of reengineering over time. The 70% of the BPR projects fail. Biggest obstacles that reengineering faces are: (i) Lack of sustained management commitment and leadership; (ii) Unrealistic scope and expectations; and (iii) Resistance to Change.

Rocket science is not required to ease the citizen's burden of dealing with the state. A focused project designed to deliver one or a few related services can be implemented quickly and cheaply, provided all basic needs are taken in to consideration by way redesigning the business process in small phases. It can always be extended to provide additional functionalities.

For example Computerization of back office work is a prerequisite for implementing high profile, customer facing, front-end applications. If Indian Railways had not implemented a fully computerized and networked Passenger Reservation System, online booking of railway tickets would not have been possible. The task of computerizing back office operations is often difficult and low profile, but it must be done before useful citizen centric applications can be developed.

#### **1.5 Major managerial sources causing bad quality:**

1. Insufficient commitment by management.
2. Poor planning for quality:
  - customer requirements poorly defined, design targets not optimized for customer and supplier, product or service is difficult to produce (unforgiving designs and processes, too many parts, difficult to assemble, etc.)
3. Designs and processes not capable of requirements:
  - key variables and variable interactions not identified, processes not standardized, people insufficiently trained, inadequate variance reduction, poor quality information, poor problem solving capability
4. Poor prevention systems.

#### **Success Factors for ICT enabled Redesigning Business Process**

The critical success factors in implementing ICT enabled redesigned business processes are mentioned as below:

- Organizational Readiness
- Robust, reliable ICT infrastructure to support initiatives.
- Integration of autonomous systems and between new systems and legacy applications.
- Process review and re-engineering that ensures technology is applied to good streamlined processes.
- Adequate resources for long-term support of such BPR initiatives
- Governing Policies and Practices
- An enterprise approach that is followed by all facets of the organization including a single portal organized around services, which provides a consistent look and feel.

- 
- A marketing and communications plan.
  - A business model and plan for sustainable funding.
  - Identification of risks and methods to minimize them especially in the areas of privacy and security.
  - A plan for access by all facets of society including access for people with disabilities, addressing the digital divide, and multi-lingual access.
  - A process for identifying ICT initiatives and establishing

The critical success factors related to organizational readiness are focused around key drivers: the process, the people, and the technology. First, it is important to ensure that processes are reviewed and re-engineered where necessary to support a new way of doing business. As with any application of technology, business process review should be performed, streamlining opportunities should be identified, processes and procedures should be improved, and solutions should be designed around these improved processes. The second driver, the people, relates to having an adequate level of well-trained people to both support and use these systems. The third driver of organizational readiness, the technology, focuses on assessment of the current infrastructure, identification of improvements needed to support such initiatives, implementation of those improvements, and integration of existing autonomous systems and between new and legacy systems, with a focus on providing a total solution. Implementation of a uniform messaging standard, adequate bandwidth and reliable, redundant networks are examples of critical infrastructure requirements that support e-government initiatives.

The fourth important key driver of this strategy is to establish and develop Public-Private Partnership Model that should also include a business model and sustainable funding plan. Government can internally develop their own solutions and applications, procure solutions with or without integration services, outsource the entire effort, or select a business model that combines these options. Government also has many funding options including self-funding these initiatives on a pay-as-you-go basis, bond or other financing, charging transaction fees, and partnering with third party providers. Again government can combine these options in a variety of fashions. It is important to consider that while many on-line transactions can generate revenue and/or reduce costs, other important services will not have these results but may still be important to the organization or community.

### **General Impediments to success**

Even with a strong commitment to change, organizations may fail to realize the benefits from reengineering because of poorly managed implementation. Over twelve years of experience with public administration enabled to identify sixteen common mistakes that can occur. What makes this list even more interesting is that it greatly extends the list developed by Kotter, that why reengineering efforts fail.

Apart from lack of top-level leadership, some of the problems that have plagued BPR efforts are related to the lack of performance measurement information, the lack of cost drivers, and insufficient process mapping.

1. Short-term results are not obtained, causing management to lose interest. There may be no attempt to get short-term results, or management may believe that measurable benefits lie only in the distant future (short-term results keep top management interested).
2. The process is not driven by a focus on the citizen as customer, strategic issues or senior management.
3. Structural elements in the organization block change. These include routine approval system, certificate verification and allotment system, accounting systems, rigid policies and procedures, specialization and fictionalization, and status symbols such as offices and perks.
4. Goals are set too low. Authorities does not shoot for stretch goals or use outside benchmarks as targets.
5. The organizational culture remains one of 'command and control' and is driven by fear, budgets, schedules or bureaucracy.

6. Training is not properly addressed. There is too little training of the workforce. Training may be the wrong kind, such as only classroom training or a focus on tools, not problems.
7. The focus is mainly on computerization but no automation and redesigned processes. Hence the typewriters are simply replaced by the computers.
8. The organization is too successful and complacent. It is not receptive to change and learning, and clings to the 'not invented here' syndrome.
9. The organization fails to address three fundamental questions: Is this just another programme? What is in it for me? How can I do this on top of my 'regular' job?
10. Senior management is not personally and visibly committed and actively participating.
11. Management fails to recognize that improvement is a personal responsibility at all levels of the organization.
12. The organization does not see itself as a collection of interrelated processes making up an overall system. Both the individual process and the overall system need to be identified and understood.
13. Following are a number of other factors that can hinder BPR success that Hammer and Champy have suggested :
  - Try to fix a process instead of changing it
  - Do not focus on business processes
  - Ignore everything except process redesign
  - Neglect people's values and beliefs.
  - Be willing to settle for minor results
  - Quit too early
  - Place prior constraints on the definition of the problem and the scope of the reengineering effort
  - Allow existing, corporate cultures and management attitudes to prevent engineering from getting started
  - Try to make reengineering happen from the bottom up
  - Assign someone who does not understand reengineering to lead the effort
  - Skimp on the resources devoted to reengineering
  - Bury reengineering in the middle of the corporate agenda
  - Dissipate energy across a great many reengineering projects
  - Attempt to reengineer when the CEO is two years away from retirement
  - Fail to distinguish reengineering from other business improvement programs
  - Concentrate exclusively on design Try to make reengineering happen without making anybody
  - Pull back when people begin to resist making reengineering changes
  - Drag the effort out unhappy.

## **1.8 Implications of BPR on Local Public Administration**

### **Theoretical Implications**

The conceptual model appears to be holistic and comprehensive. An organization is made up of people who do work at different levels. Higher authorities at the district level set the strategy and champion the organization culture. Other heads of the individual departments and offices implement strategy and make it work in the organization culture with people and other resources. People are provided tools and (hopefully) support and decision-making power to effectively solve problems. Citizen centric strategy and process improvement are related and they must be aligned with goals of public administration and the citizen friendly. The three pillars model addresses each of these issues. The model should evolve as more cases are examined. For instance, process improvement from a citizen's perspective rather than an IT perspective.

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### Practical Implications

Although one must be careful not to generalize based on one case study, other organizations can use the model as a high-level blueprint to guide process improvement initiatives. The difference between success and failure hinges upon an organization's view of reengineering. Reengineering organizational change requires a strategic orientation rather than a tactical or operational one. Redesigning must be carefully planned, properly financed, and strongly reinforced. Hence, redesigning should be considered in the strategic plan of the organization since it must be endorsed and enforced by top management.

The digital divide is potentially a serious issue, as large portions of society are purportedly left out of the digital revolution in business, and they have potential to eventually lose touch with government as the e-Government transition takes shape while other, more computer- and Internet- savvy citizens become better served by government. Evidence has shown those minorities, low-income people, the less educated, and rural dwellers have less access to the Internet, and hence e-Government, is problematic for the public sector, which by its nature must give adequate consideration to equity concerns in its decision calculus.

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## **Industrialization and Economic Development**

### **(Vision Aurangabad-2020)**

**\*Dr. Sarwade W.K.**

**\*\* Sandeep Gaikwad**

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#### **Introduction**

**A vision is not a project report or a plan target. It is an articulation of the desired end Results in broader terms. (A. P. J. Abdul Kalam)**

Every country needs a vision statement which stirs the imagination and motivates all segments of society to greater effort. It is an essential step in building a political consensus on a broad national development strategy, which encompasses, inter-alia, the roles and responsibilities of different agents in the economy, such as Central, State and local government, the private corporate sector, the small and tiny sector, people's organizations etc. It must identify the potential risks and bottlenecks and their possible solutions in order to mobilize efforts in a focused manner. It is clear, that there is need of vision.

This vision statement of India 2020 may not fulfill all these criteria to our full satisfaction, but it can serve as a useful starting point and foundation for contemplating future possibilities and our destiny as a nation. It can serve to indicate the broad lines of policy and strategy by which India can emerge as a far stronger, more prosperous and more equitable nation in the coming years.

The most pressing need of development countries (like India) is rapid industrialisation. It is an effort in which the developing countries place a major hope to a finding a solution of their problem of poverty in security and over population and ending their newly realized backwardness. Economists like Colin Clark have pointed out that economic growth is positively correlated with the proportion of working population engaged in the secondary and tertiary sector and low per capital income is associated with high proportion of population engaged in the agriculture sector. Economic growth therefore entails the movement of resources from low productive sector agriculture to a high productivity sector industry.

#### **Industrialization and economic development**

The relationship between industrialization and economic development has also been described by Gunnar Myrdal. The manufacturing industry represents in the sense a higher stage of production in advanced countries. The development of manufacturing industry has been spectacular economic progress and rise in the level of living, not least in the under developed countries the productivity in industry trends to be considerably greater than in the traditional agriculture pursuits. Apart from this, there has been common agreement upon the specific objectives of the policies of industrialization in most of the developing economics. Alan B. Mount Joy in this regard says, the three costumer objective of industrialization policies are toProvide work for growing population to rise standard of living by the increasing the per capita net national income and often to improve balance of payment situation. **Aurangabad industrial vision**

“To develop a district as a world class industrial hub by Developing globally competitive and quality product Through MSME and employment opportunities may be Provided through enhancing the quality industrial Product at par with world standards & thereby contribute To the social, economical and professional growth & Overall industrial development of the district Aurangabad.”

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\* Assistant Professor Muktananad Mahavidyalaya Gangapur

**Aurangabad at a glance**

Aurangabad city was founded in 1604, on the site of a village, Khirki by Malik Amber, the Prime Minister of Nizam Shahi of Ahmednagar. When Fateh Khan, Malik Ambar's son turned successor in 1926, he gave the city the name "Fatehapur". Later in 1653, when Prince Aurangabad became Viceroy of Deccan, he made the city his capital and called it as Aurangabad.

Aurangabad is one of the districts witnessing fastest industrial growth. Now due to linking of Aurangabad with board gauge railway line more industrial/growth estates at Chikalhana, Sillod, Vaijapur, Lasur Station and Shivoor.

**Objective of the study**

- 1) To know the performance of Aurangabad industrial area.
- 2) To study the future prospects of Aurangabad industrial area and assume employment generation.
- 3) To evaluate and assume Aurangabad industry in 2020

**Research methodology and limitations of the study**

The paper evaluates present condition and assumes what will be the future condition so there is place for researcher emotions and ideas. There will be chances to make mistake to describe the future condition. For the effectiveness of paper, researcher tries to use limit of words, time and valuable and relevant information so here is not possible to evaluate all the facts and figure.

The study period is five years i.e. 2000-10 the scope of the paper is only for Aurangabad industrial area and hence researcher selected total Aurangabad industrial area as a module.

**Data collection and analysis**

The data is so collected from the various issues of annual credit plan of lead bank Aurangabad, Maharashtra industrial annual report, magazines and other related publication. The future industrial or vision based data is collected from district industries center Aurangabad and Maharashtra.

**Table No. 1**  
**DETAILS OF MSME AND LARGE ENTERPRISES AT A GLANCE**

Type	Indicator	Aurangabad	Maharashtra
MSME	No.	3405	151495
	Employment	36871	1188181
	Investment (Lac.)	40486	N.A.
Large Enterprise	No.	525(195)	6627
	Employment	80500	836265
	Investment(Cr.)	7384	147443

Table 1 presents total number of small, medium and large enterprises in Aurangabad industrial area. Where MSME 3405 in Aurangabad and 1, 51,495 in Maharashtra state and the total investment in Aurangabad 40486 lakh.

**Table No. 2****MSME UNITS REGISTERED DURING LAST TEN YEARS**

<b>Year</b>	<b>No. of units Registered.</b>	<b>NO. Of Employment Generated.</b>	<b>Investment made Rs. In lakhs.</b>
2000-01	1615	14393	16093
2001-02	1793	16144	18315
2002-03	1938	17594	19441
2003-04	2109	19175	21475
2004-05	2284	19355	23958
2005-06	2504	21349	25936
2006-07	2785	23814	28604
2007-08	3054	25784	30619
2008-09	3233	35221	36311
2009-10	3405	36871	40486

Source:- Industrial dairy (2010)

**Table No. 3****LARGE ENTERPRISES IN AURANGABAD****Industrial area**

<b>Year</b>	<b>No. of units Registered.</b>	<b>NO. Of Employment Generated.</b>	<b>Investment made Rs. In lakhs.</b>
2000-01	123	50645	4645.46
2001-02	131	58460	4975.23
2002-03	143	59085	5419.71
2003-04	150	62055	5692.13
2004-05	164	67526	6193.02
2005-06	170	69871	6409.02
2006-07	172	70652	6480.71
2007-08	179	73779	6767.47
2008-09	191	78624	7211.94
2009-10	195	80500	7384.00

Source:- Aurangabad Industrial dairy (2010-11)

Table no.2 & 3 shows the condition of last ten years small, medium and large scale industries where clearly pointing out that large scale industry is very low as compare to SMSE in the year 2001 registered MSME 1615 where large enterprises are only 123. In the year 2010 where MSME are 3405 and only 195 are the large enterprises. With this one important think is also there that the rate of employment generation is very high with compare to MSME.

**Table No. 4****Product wise small enterprises in Aurangabad industrial area**

<b>Year</b>	<b>Engineering</b>	<b>Rubber &amp; Plastic</b>	<b>Printing Offset</b>	<b>Paper Product</b>	<b>Food Products</b>
2000-01	938	270	131	119	34
2001-02	965	276	138	126	41
2002-03	1003	285	147	131	51

2003-04	1022	303	153	136	57
2004-05	1041	338	163	142	66
2005-06	1053	347	168	148	74
2006-07	1071	352	171	150	77
2007-08	1132	367	176	154	86
2008-09	1240	384	182	160	103
2009-10	1275	397	188	179	108

Source:- Socio-Economic annual report of Aurangabad district (2010)

**Table No. 5**  
**Product wise small enterprises in Aurangabad industrial area**

Year	Engineering	Rubber & Plastic	Printing Offset	Paper Product	Food Products
2000-01	28	6	28	8	23
2001-02	29	6	30	8	25
2002-03	32	6	33	10	25
2003-04	34	7	35	11	27
2004-05	37	7	36	11	27
2005-06	39	8	38	13	29
2006-07	42	8	41	13	31
2007-08	44	10	43	15	33
2008-09	45	10	43	16	35
2009-10	48	11	46	17	36

Source:- Socio-Economic development report of Aurangabad district-(2010)

Table 4 & 5 respectively shows the product wise industries numbers regarding to the MSME and large enterprises. If we observed table 4 it is clear that there is wide range of engineering enterprises. And the limited food based enterprises. In Table 5 there also be the same condition but the lower industry is rubber and plastic produce industry.

**Table NO. 6**  
**PROJECTED UP TO 2020 YEAR WISE GROWTH OF MSME**  
**REGISTRATION**

Year	No. of units Registered.	NO. Of Employment Generated.	Investment made Rs. In lakhs.
2010-11	3650	39000	44000
2011-12	4000	43000	49000
2012-13	4400	47000	55000
2013-14	4900	52000	61000
2014-15	5500	58000	68000
2015-16	6000	65000	77000
2016-17	6600	72000	85000
2017-18	7300	79000	92000
2018-19	8100	87000	98000
2019-20	9000	95000	105000

**Table NO. 7**  
**UP TO 2020 YEAR WISE GROWTH OF LARGE ENTERPRISES**

<b>Year</b>	<b>No. of units Registered.</b>	<b>NO. Of Employment Generated.</b>	<b>Investment made Rs. In lakhs.</b>
2010-11	195	80500	8185
2011-12	208	92000	8975
2012-13	220	104000	9693
2013-14	236	116000	10440
2014-15	252	130000	11488
2015-16	270	145000	12565
2016-17	290	157000	13642
2017-18	310	172000	15437
2018-19	330	182000	16514
2019-20	343	145000	17950

Table no. 6 and 7 evaluates the visionary target, Aurangabad District Industrial center tries to achieve the same aim both the tables are prepared taking into account of all the possible calamities and changes in the future, there is need of proper planning and support to all the department and co-ordination between them to achieve the same. Following is major points that may helpful to achieve the target, with the help of SWOT analysis.

#### **SWOT ANALYSIS**

##### **S- STRENGTH:**

1. Historical background of the District useful for Foreign Investor.
2. Tremendous scope for ancillarisation of industries Especially in Engineering Units.
3. Middle in India.
4. Well communication system available.
5. Well Transportation Connectivity available i.e. Road, Rail & air, with all over the nation.
6. A strong young first Generation Entrepreneurs in Aurangabad.
7. Skilled & unskilled man power Available at very Low cost.
8. Good dealer network & logistic facility is Available.
9. Educational Intuition like ITI/Engg. College/IGTR/ CIPET/ MCED to facilitate & good support to industries.
10. Due to major financial institute running in Aurangabad, finance is made easily Available to the Industries.

##### **W-WEAKNESS**

1. Poor Entrepreneurship Development.
2. Poor Water Supply System.
3. Improper maintenance of available Infrastructure
4. Lack of coordination with different Govt. Depts.
5. Inadequate Working Capital from F.I. & higher rate of interest.
6. R & D / Technology up gradation Facilities are not available.
7. Low level of Business exports
8. Lack of Vision
9. Awareness Camps/seminars are not organized so frequently.
10. High level of skilled man power is not available.

**O-OPPORTUNITIES**

MIDC has plan to develop Additional MIDC's in the region which creates good Opportunities for industries. Cluster development programmed of Central Govt. boost for creation of jobs / there is also skilled & unskilled man power.

Expansion project of CIPET is playing vital role for plastics mfg in the region.

DMIC Project develops the Region.

There is so much Scope for tourism due to Historical background.

Due to State Govt. Mega Project policy Major Investment & Job creation will be created and there will be Wide Scope for retail sector.

**T-THREATS:**

1. Shortage of Power.
2. Labour policy to be reviewed.
3. Pollution (17th rank district)
4. Non availability of Agriculture Labor
5. Dependency on large scale Industries for ancillary Industries.
6. High costing of Industrial land.
7. Labour union problems.

**Concluding Remark**

Aurangabad is a dynamic city and future it will be very progressive place it resulted any businessman will be attract easily and will be great chances to FDI. So for that point of view and present vision there is need to upliftment in many sectors such as Establishing, Improving Technical Training Institutes, ITIs, and Entrepreneurship Development Centers. Transparent Policies. Supporting Infrastructure Development like Road, Electricity, Disposal of Solid Waste, Sanitation etc. There is also need to make development in transport facilities like Depot for Trucks Road side amenities for Truck Drivers like improved Lodges, Toilets, and Food Plazas etc.

Following development will also be very helpful as a Cluster Development to achieve a vision 2020

- Skills Development
- Technology Up gradation
- Marketing Support
- Setting up of Common Facilities
- Research & Development

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## Customer Relationship Management – An Overview

**\*Mr. Mohammed Abdul Majed**

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### Introduction

The transition to the Internet economy has all businesses focusing more than ever on providing exceptional customer service. With an entire world of competitors now a mere mouse click away, the pressure to keep customers from straying has never been that tough.

While manufacturing and distribution companies are confronted with this reality, they also had to face a great difficulty in earning to use customer service as a strategic weapon. "As manufacturing processes got better in the late 1980s and early 1990s, customer service emerged as a tools and means for manufacturing companies to differentiate themselves from their competitors."

In the late 1990s, many manufacturers discovered that the best way to build customer loyalty is to obtain good information on all of their customers and then use that information to create loyalty programs that cater to each individual customer's needs and desires. The most effective of these loyalty programs gives everyone within the enterprise access to customer data, enabling anyone who might have contact with a customer - from the salesperson in the field to the admin clerk in the warehouse - to, in effect, be a customer service agent.

The continuing need for manufacturers and distributors to present this single face to their customers is the primary reason why customer relationship management, or CRM, software is expected to be the hottest selling business application of the early 21<sup>st</sup> century. Sales of CRM software actually began to soar in the late 1990s.

"CRM applications are so hot because they enable companies to create strategies that focus the entire enterprise on serving customers." Companies are realizing that they can increase earnings faster if they know their customers better. If they have a better picture of their customers, they can tailor goods and services to them. They can cross-sell and up-sell to them. After all, it is a lot cheaper to sell more of your products to an existing customer than it is to find a new customer.

### Concept of Customer Relationship Management

**Basically, Customer Relationship Management is a management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them.**

CRM covers everything that has to do with increasing the effectiveness with which a company touches its customers. It encompasses the marketing and sales process, as well as the delivery of the customer's orders and any post-sales customer support. CRM software applications are also sometimes referred to as front-office systems because people who work directly with customers generally use them the most. Applications used by people who rarely have contact with customers, such as inventory or production planning systems, are considered back-office systems.

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The most important thing to remember is that CRM is not a technology or even a technology solution. It is rather a way to run the business that technology can make it easier. Due to the growing customer base and the increasing competition and also due to many other changes that are happening, building and maintaining long lasting relationships with customers is on the rise. Good CRM applications help companies identify the things that individual customers value most at each stage of the customer-supplier relationship. That helps the supplier know that every action it takes is building customer satisfaction, and ultimately customer loyalty.

The term CRM can sometimes be misleading, however, particularly when it is used to describe software applications. In fact, very few standalone CRM packages on the market today actually handle all aspects of the customer-supplier relationship.

Manufacturers and distributors essentially need three specific functions to create a winning strategy for building and maintaining strong customer relationships, but most basic CRM applications provide only one or two of these functions. The critical CRM functions are:

**Marketing Automation** - This includes applications that track lead-generation activities, help manage promotional campaigns and provide automated market analysis tools.

**Technology-Assisted Selling** - These applications, which also are known as sales force automation (SFA) systems, encompass systems that help field sales people manage their contact lists, including keeping track of when prospects should be called and what should be discussed during the conversation. These packages also can include capabilities for configuring products, with some of them allowing remote sales people to help customers create custom configurations on the spot.

**Customer Support** - These applications are used primarily to run call centers staffed by telemarketing or technical support personnel.

Most CRM software vendors started out developing and selling applications in just one of these functional areas. Some have since expanded their capabilities to one or two other areas, usually by acquiring other companies. But few standalone, best-of-breed CRM vendors have created packages covering this full range of capabilities.

The most glaring weakness of these stand-alone CRM systems is an inability to provide accurate delivery dates when generating quotes or taking customer orders. For a CRM package to have that capability, which is known as available to promise or ATP, it must be linked directly to a system that creates production plans in real time. Standalone CRM systems also typically lack the ability to present real-time information related to product ship dates, pricing matrices for individual customers or settlement of a customer's financial accounts.

### **The Future of CRM**

Industry analysts already have declared that CRM will be the hottest-selling business application of the early 21<sup>st</sup> century. That prediction is based on the growing need for companies to provide personalized customer service. And the growing influence of the Internet as a vehicle for purchasing goods and services is only likely to accelerate that trend.

As e-commerce is in the midst of transforming the business-to-consumer arena, its migration to the business-to-business world is eminent. The evolution of e-commerce will enable manufacturers to create new business models, make more informed decisions and streamline business processes. By implementing e-commerce solutions, companies also will eliminate geographic borders and expand into previously untapped global markets. E-commerce also means the business day never ends - manufacturers and

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distributors will be in constant contact with current and potential clients around the clock. In the end, the success of companies conducting e-business will fall to one infallible denominator - maintaining high levels of customer satisfaction by effectively managing customer relationships.

These factors will undoubtedly lead to increased competition among vendors in the CRM space. The move to make CRM as part of a complete set of enterprise applications will not let up. The question is how many vendors will be able to successfully execute that strategy, and how long will it take them to do so?

In a recent report on the CRM market, it is written that the major CRM vendors will continue to expand the depth and breadth of their products as they strive to support all aspects of the customer relationship.

Customer relationship management (CRM) systems offer a range of benefits with the end view of providing companies with a competitive advantage. By enabling organizations to analyze customer data in a timely and efficient manner, CRM systems can impart the ability to cut costs, enhance efficiency, streamline processes, capitalize on existing customers and source new clients, and also revolutionize marketing and business development strategies based on accurate data and reporting.

### **CRM and three advantages**

1. The CRM help sales producers get more done. Every sales person needs to maintain a calendar, track contacts and keep notes. If these tasks are managed by an integrated system, information is easier to find, disseminate and use. When work is visible, more time and effort will be focused on high value activities. We use a CRM system as a First Plan, not because we are fond of software, but because we like being more productive and qualitative.
2. Top producers understand the best practices that maximize results. These methods can be the subject of training, but unless they are made part of day to day operations, user adoption will be weak. The CRM system allows managers to define and facilitate best practices. Automated workflows can be configured for lead qualification, opportunity management, support incident and other important processes.
3. Teamwork is making the associated concerns look good. Think about a basketball team – the players need to know where everyone is and work together toward common goals. The coach sees the big picture and makes adjustments as necessary. A sales team is the same and the CRM system provides the tools to empower teamwork. When thinking about these powerful advantages, imagine for a moment that your toughest competitor is working on mastering them right now. Don't wait – get there first. Companies continue to invest in CRM enhancements but they are missing out on genuine customer insight. Technology alone is not proof of a customer-centric strategy. Business leaders need to reconsider how they segment their customer base if they are to achieve a meaningful relationship with customers and a true competitive advantage. The traditional competitive battlegrounds are shifting from products and price towards customers and, more specifically, to the customer experience. Service quality has been shown to have five times more weight in influencing purchase and repurchase decisions than other attributes (including product design, functionality, performance or price).

### **The Evolution, Trends & Strategies of Customer Loyalty Programs**

Since the term relationship marketing was first introduced by Berry (1983), interest has been growing in the value of retained customers and set the notion that customer relationships are assets that can be managed in order to improve customer retention and profitability. The rise of CRM was not solely because firms have suddenly discovered the importance of customers and CRM, but today's information and communication technologies offer solutions which to date were not technically and economically

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feasible. The only constant in the history of customer loyalty programs is that companies are trying to win the minds, hearts and wallets of consumers. As popular as loyalty programs are, these initiatives alone are not enough to ensure customer loyalty. Over the past two years, as companies face new challenges involving transparency from social media, inconsistency in delivering customer experiences across channels, and a price-focused economy, customer loyalty has become increasingly tenuous. Additionally, the cost of replacing customers is the highest it's ever been "It's become much more difficult for companies to really gain the type of loyalty that they used to,"

**Customer loyalty**, *not* customer satisfaction, is the key to success of an organization and customer loyalty is fostered when an organization excels along two dimensions:

- Design of its Products - including its Service Products
- Operational Execution - *or Conformance* - to the Design

Many companies focus on rewarding customers who have repeat purchases. Such reward programs have their place in assuring customer loyalty. However, if the product or service doesn't meet customer needs, no reward program will keep them returning. For success in the long run, an organization must:

- Continuously improve
- Quickly identify and resolve problems to the customer's satisfaction -- or more

"As a customer's relationship with the company lengthens, profits rise. And not just by a little. Companies can boost profits by almost 100 percent by retaining just 5 percent more of their customers". Improving customer loyalty can help your company realize significant financial benefits, from improved client retention, growth through expanded relationships, and new revenue from customer referrals.

### **Trends**

With all of the changes, mostly negative, taking place in the world of customer loyalty programming - growth in private-label credit cards, finding the right mix of hard and soft benefits, building an extensive (and often expensive) multi-channel communication program, fixing value of loyalty rewards in customers' minds, dealing with difficulty in redeeming rewards, changes in qualification for rewards, ability to reward best customers, and on and on - I'm more inclined than ever to believe that the best loyalty programs are no loyalty programs at all. In fact, because these programs are typically built to drive more frequent purchasing, rather than create a stronger and deeper emotional and relationship bond with the supplier on an individual customer basis, they can even be counterproductive

### **Loyalty Program Strategy**

A loyal customer leads to repeat customers and builds brand value, so it should be a surprise to find that loyalty programs are on the top of most retailers strategy map than any other single marketing program, the commercial benefits of loyal customers are well known by brand managers. With all the different companies offering new strategies in loyalty programs it is very important not to lose sight of the basic strategy behind implementing the loyalty program.

### **Segregate your customers**

All business are not born equal your business has its own unique process and your customers are different from your competitors in some subtle way. The goal when you are segregating customers is to identify a great customer from your average customer. Look at key indicators they may be in the form of which locality the customer's are coming from what does your customer do, what category of items he purchases, etc. For Ex if you find a huge segment of your customers coming from a particular locality you

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can work with your advertising strategy to find out what works for that locality. For ex if a customer buys the Xbox from you it does result in a repeat customer since he is going to come back for games and you can target him based on his preference. This strategy of any program should be to identify the customer groups.

### **Define your customer groups**

Each customer group behaves differently spend time to examine each of these groups define elements which make up this group. Your loyalty Strategy should be based on addressing the requirements of each group understand that Loyalty is a emotional experience so spend time with defining the profile of the group Try to keep larger groups unless you have a lot of resources who can spend time in working with each of the groups

### **Set goals for each segment**

Once you have defined your loyalty customer groups set goals to achieve for each of the groups make sure that your low level strategy to achieve your goals fits within the overall brand image. The goals and targets should be a measurable; it could be higher average billing, more customer referrals, and more frequent visits, growing the group or trying to bring about a certain behavior in the group. Document all the work you do so that you know what works for one group and what does not work priorities based on success and return on investment, what works for one group may not work for another group. Most Customer strategy fails because they are one sided and ignore the customer.

Develop loyalty strategies to accomplish each objective, the strategy for each group could look very different don't worry about it as long as it does not dilute the brand image or your high level strategy.

### **Consumer Loyalty and Petrol Retail in India – A Case Study**

Recently there are many changes in the way business done in petroleum retail sector. With the removal of government control, the new levels of competitive threats and customer focus are gaining importance in this sector.

#### **The Indian Petrol Sector**

About 93% market share of petroleum retail sector in India is captured by three companies- Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Ltd. (BPCL), and Hindustan Petroleum Corporation Ltd. (HPCL). These players cater to a market of about 40 million vehicles including approximately 77% two wheelers, 13% cars in 2002, on Indian roads with a retail network of over 15,000 outlets across the country.

With the deregulation of the sector in 1999 and the divestment of the government stake in the business, the sector has seen itself exposed to new market forces. With the entrance of private sector the pricing is increasingly market driven and consumers are demanding more.

Significantly it became necessary for the existing player to adopt market driven, service driven and relationship driven strategies to get maximum market share.

#### **The Changing Retail Experience- Prelude to Loyalty**

The changing retail experience and the rise of loyalty programs have seen parallel development in the Indian context. The retail experience, until recently, was bare bones, with the gas station being nothing more than a place to tank up, and cash preferred payment mode. In recent times, however, the outlets have been a complete facelift, with new multi fuel dispensers, better trained attendants, and service elements.

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The product offering has widened to include blended fuels, high-octane fuel, lubes, groceries and more. The outlet itself is expanding to include grocery stores, cafes, bank ATMs, internet kiosks, etc. giving the customer more reasons to spend time and money at a location that offers more than just a fuel. Credit cards, debit cards and loyalty cards are also widely accepted.

The outcome of these changes is that the urban consumer is getting used to a radically different experience at the petrol pump that is translating into higher service expectation. Consumers are being given reasons to build preferences among these three companies (IOCL, BPCL, and HPCL) and their brands. As consumers have begun to express their preferences, the companies have entered an inevitable battle for business through relationship building initiatives, including loyalty programs.

### **A Good Start**

The pioneer was BPCL with its 'smartcard'-based Petro Bonus program, launched in September 1999. BPCL partnered with DIREM, a loyalty marketing consultant, to focus on loyalty program development and management, and simultaneously upgraded retail forecourts, introduced grocery stores (In & Out stores) and other outlet facilities in a phased manner, together with a fuel purity guarantee (For Pure Sure) and investments in technology.

Petro Bonus was launched in September 1999 in Chennai and quickly grew to become the largest card-based consumer loyalty program in the country, with a member base of about 1.2 million card-holders across 43 cities in August 2003.

### **A Blueprint for Success: The Petro Bonus Story**

BPCL didn't just get the head start in launching the program early, but also built up every aspect of loyalty program management that continues to give it immense returns.

Capture and use of data is the fundamental driver of loyalty success, a principle that BPCL caught on too early. Data capture of the profile and transactions of each member converted an anonymous customer-base to an increasingly 'known' member-base, a shift that opened up many doors overtime.

A year into the program, BPCL initiated a monthly analytics publication for monitoring program health and identifying specific campaign opportunities that could be mined from the member database. This publication prepared by the analytics division of DIREM (the Petro Bonus program manager) led to numerous data driven campaigns. For instance, BPCL started segmenting members by activity level and created targeted communication and offers to activate members, driving up revenues within the existing member-base. Data analytics also identified opportunities to change fueling patterns, leading to campaigns that increased fueling on Sundays and during non-peak hours of the day. A profiling exercise and a customer satisfaction survey led to invaluable insights on the members and the wrinkles in the service that could be ironed out.

In addition to the analytics driven campaigns was the luxury of the volume of member database. BPCL could launch a new product, a new fuel blend, a new facility at its outlets, a new partnership, and reach out to its best customers in a targeted, intelligent fashion. This was relationship marketing paying off in the best way possible, as the economics of going direct started to become attractive in addition in the immense marketing benefits.

On the branding front, the strength was in three well-defined brands that were built: the program brand "Petro Bonus", the card brand "Petro Card" and the program currency "Petro Miles." This gave BPCL the flexibility to extend the program, the card and the currency to strategic and tactical partnership or promotional activities as required. For instance, the Petro Miles currency also extends to BPCL's fleet card program, Smart Fleet. Petro Bonus also offered a co branded card for Amway members.

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### **The Second Wave**

For the other two players, IOCL and HPCL, customer loyalty programs did not happen until mid-2002. Both of these companies focused their initial marketing efforts on building their retail outlet brand and services before launching a range of card based programs. Also, both companies took the co branded route, tying up with banks that were also looking to launch their Petro loyalty programs.

The entry of the banks into this space brought about the next wave of loyalty programs, with a fresh set of offers for the customers. The credit and debit card based programs offered the customers all the facilities of a regular credit/debit card in addition to a host of specific services including transaction fee waivers, surcharge waivers, insurance coverage, discounts, increased point earnings opportunities, fuel four points, etc.. These programs leveraged the wide acceptance of the credit/debit card as a payment device and an established reader network. The smart card format found relatively few takers, with most new launches preferring to ride on the existing card reader network of the magnetic strip-based credit/debit cards.

### **Conclusion**

In conclusion, we can say that a properly integrated CRM solution can have a positive effect on customer retention by unifying the organization's marketing, sales and support efforts, providing the organization with a 360-degree view of their customers, and revolutionizing the way companies and customers can do business. Future research in this area would include the emerging technologies and the interface between technology and companies. The purpose of CRM is to efficiently and effectively increase the acquisition, growth and retention of profitable customers by selectively initiating, building and maintaining appropriate relationships with them. One will have a set of strategies, which works for him. If the methods are consistent, then he could impose an overall strategy which is similar in nature as that of the strategies that worked for different groups. Due to a rapid and continuous growth in business on electronic channels and the traditional channels, technology today is taking the front seat. Companies that adapt to this changing scenario are leading in their respective industries. Moreover, one can have to build internal support for his loyalty program and then only evaluate potential partners' expertise in loyalty program implementation to see if it improves and justifies his loyalty program and has a chance of survival.

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## World Recession And Indian Economy

**\*Dr. Patil.S.S**

**\*\*Dr.Ambhore.S.B**

### Introduction

“The whole world has been in the cycle of economic Crisis. In such time government should increase its finance by means how money would go in the hands of deprived people.” - Pole Krugman (Noble prize in economics 2008)

In comparison of 1930's economic recession the present 2008 recession is most intensive. The recession has been began in American economy and then spread all over the world like a contiguous disease. And it bound to affect Indian economy. Now all national, international economic institutions and governments have been tackling the burning issue of the recession.

In Indian share market investors lost Rs. 566320 Crore. The prize hike rate decreased by up to 8.5% percent. The OPEC countries have to bear Rs. 700 arub dollars before the oil prices come down. But it did not affect Indian oil rate. The doller has been devalued but Indian rupee has not suffer from it. The price hike reached up to 8.9% percent from 12.5% percent.

*“The capitalist system is stood up on the exploitations of person to person and nation to nation the intensity of exploitation call to relations disaster in capitalist system.” – Karl Marx*

*“The whole world has been in the cycle of economic Crisis. In such time government should increase its finance by means how money would go in the hands of deprived people.” - Pole Krugman (Noble prize in economics 2008)*

*“The whole world has been in the cycle of economic Crisis. In such time government should increase its finance by means how money would go in the hands of deprived people.” - Pole Krugman (Noble prize in economics 2008)*

In this period Indian export decreased by 15% percent. The Indian economic institutions have to bear 400 crore rupees because of their investment with American malty economic institutions. The budding industry of Retail market in India having capacity of 150 billion dollars fall down before its growth. In last five years the employment growth was decreased by 78% percent in transport and construction fields.

The employment growth of power field was decreased by 51% percent the world economy became the victim of American capitalist's policy. Because under the blindness of greed they did not take into account subprime dept and its need in the economic programmes of developing and undeveloped countries which are imposed by capitalist's system on them.

**Poll Krugman**, a noble prize winner says, “The world has been in the cycle of economic crisis”. The capitalist nations shackled in the cycle of economic crisis which was made by them to earn enormous benefit, now they are trying to get free from it.

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The other capitalist. America has used this social weapon in self interest but at the international level there is no way but despite continuous development.

The I.M.F. (2008) world economic outlook has described this calamity as, “The most dangerous shock.”

Whatever shocking happened in American wall financial market in 2008 or particularly in 15 Sept. 2008 was not contemporary. These all circumstances had been happening in growing ratio before this incident.

*“The Cantialism is eternal in present economic depression, we realized the futility of this statement and again there is an alternative to capitalism; and we conclude it as socialism a satyam scam made as realized at to what level capitalist could go to earn more profit. - Com- Sitaram Yechuri.*

Now every question has been a global question in the process of globalization. The richest American banks in the world underwent bankruptcy and depression began. The 52 banks were shut down in America within last eight years, among them 25 banks were shut down in 2008. The **Lehaman Brothers Banks** was shut down in 2008 which was 158 years old and had 100 times income to Indian National income. The banks, Insurance companies, financial institution are facing break down and it spread all over the world. It as a more big disaster than continental Illinois of 1930 and long-term capital management in 1998.

In 1929 shareholders lost 5 trillion dollars and 14 Trillion on Sept. 1929. In America share holders lost 40 trillion dollars. The 9000 banks became bankrupt, there was no insurance policy on bank money so people lost them, and remaining banks were stopped exchange so companies were shut down too. The smut **Tariff security Act** came in existence and other countries implemented it like America and due to that cause the great recession spread all over the world.

America lost 500 trillion Dollars from Oct. 2008 to Dec. 2008. The global investment was about to 32046 trillion dollars.

In comparison to its lost number is lower one. The private industrialist got Rs. 354200 lakh in 2007. The most fuel like diesel petrol has been dug out from the belly of the Earth. The profit earned by funds managers is 19000 times more than the payment of workers. Then shows us what the ratio of inequality is.

In the present context the standards of development are based on the utility of power. American lifestyle is based on their banks distributed ten times more loans than their capacity to their customers. The new houses and vehicles had taken Hugh expense and directly affected customers returning capacity. The demand came down and nobody was ready to buy mortgage houses and other things, it turned banks out from market and recession widely speeds all over the world.

### **Recession and Varies Phases**

The world trade was come down by 60 percent in the four years of 1929 to 1932. The share market collapsed, Banks were shut down and recession spread its legs all over the globe through America. Recession is one of the phases in the trade cycle. According some economist prosperity and recession are the two real phases of the trade cycle. According to shompitar the trade cycle has four phases, they have their characteristics.

These phases are **1) Prosperity, 2) Accession, 3) Depression and 4) Recovery**. Among these four the depression is the most dangerous one. It lifts unemployment up in economy production also came down and it has great effect on consumers credibility. It caused prizes down, profit down and economy

came in the clutches of evil's cycle. In this context *Hall, Hoyek* and *Kense, Freedom* has formulated some theories. Collectively recession is the most evil face of capitalist over production system.

The recession started in America. The hike of house price rate was 100 percent to national fiscal. It was about to 40 trillion Dollars many people took home loan as a clean investment and it increased irresponsibility. Lehman Beothers Bank, Beans Starns, Merinlia, Margan Stanle, Goldmanmax these all wall street banks transformed home loans into collateralized debt obligation cos, they brought it into the market as Role trillion Doller's debentures in 2003. They neglected the gross reality and it brought uncertainty.

### **The Reasons of Global Recession**

The following three reasons are responsible for recession.

- 1) More distribution of lower subprime lending
- 2) The very high greed of capitalists
- 3) The Derivatives which did not have their own price.

### **The Three Reasons of Spreading the Recession All Over the World.**

- 1) The nature of making investment down in foreign countries by the investor's countries to save their own nations. Example: America, England, Kons etc.
- 2) Solely export oriented policies of few nations' example china.
- 3) The policy of employee deduction.

### **The Impact on Indian Economy**

The Rupees Prize came down in dollars because Rs. 1200 billion investment has been taken away from Indian market. The ratio of Indian industrial production growth grown up to 10 percent in 2007 to 2008 but fall down up to 4.9 percent in month April to August 2008. The power production and industrial production increased in same period. In service sectors production growth rate fall down in sequence of 10.6 percent to 10.2 percent and came down to 8.3 percent. The agricultural production growth came down up to 3 percent from 4.4 percent in very first period.

The trade accession which was 300 billion dollars in middle of 2007-2008 jumped to 60,000 billion dollars in 2008-2009. Capital market collapsed and it brought export down to very lower level. According to Indian labour ministry Indian employment deducted by 5 lakh in various industries.

### **The Major Effects on Share Market**

1) It was collapsed by 3340 in April 1995 then after five years by 5000, again collapsed at minor level in later three years. It increased at very high level in 2004. And then collapsed by 8951 in April 2009. At last so called capitalist material cultural inflated bullon broke into pieces.

It worsly affected Bombay stock exchange sensx. The value of middle and minor stocks collapsed by 75 percent. The capital in Indian share market was 62, 16,900 Trillion (1.58 trillion dollars) it collapsed by 50 percent in Jan 14 Oct. 14, 2008. In Jan 14 to Nov. 2008 Indian Sensx increased upto 2100 from 10,000 and then it collapsed by 8.5 thousand. The same thing happened with New-York, Paris and Landon share markets.

### **Impact on Information Technology**

Indian Information technology service sectors have been exported 70 percent, total 4000 billion dollars only to America. In it American economic institution have 40 percent share. To tackle this problem various ways have been used such as: payment deduction, voluntary retirement, involuntary retirement etc.

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Indian information sector has more than 60 percent trade with American and European Union. It has daily 30 percent accession. In total export I.T. has 22 percent share.

### **Price Hike Collapsed by 8.50 Percent**

The price hike was 12.90 percent it collapsed up to 8.5 percent in Nov. 2008. The price of necessary things came down but the price of fruits vegetables, grains went very high.

### **Oil Price Came Down:**

The demand of oil decreased in America, Europe and Japan so barrel price came down by 50 dollars. Due to this cause OPEC countries had to bear 700 trillion dollars loss. Though it came down by 100 dollars but Indian price rate of oil did not come down.

### **Decreased in Indian Foreign Currency:-**

America had taken away its 10,000 billion foreign investments from India, it resulted in currency decreasement other nations and companies followed America foot step's.

*“The countries that will discuss the global crisis is here next month should also renew their commitment to the basics of economics on a long term basis: free market free enterprise and free trade.” - Barak Obama (President of USA)*

### **Slide in Foreign Trade**

Indian export decreased by 2 percent in Oct. 2008, the product custom duty decreased by 8.7 percent. Cotton price rose by 40 percent but foreign demand decreased by 40 percent. The software sector decided to achieve 60 trillion dollars export in 2010.

### **The Impact on Employment**

According to International labor organization report 2009 the opportunity of direct and indirect employment became very less for 2 billion people all over the world. It included information technology, vehicle, industry, construction, production, processing industry, payment deduction, voluntary retirement, only fifteen day work within a month. These all things are implemented in India also.

In America only employment ruined up to 3, 0008 in 2008, and 159000 in Sept. 2008. In this concern the wall street Journal has taken the interviews of 52 economists its conclusion is very tragic one.

### **The Vehicle Industry**

The *Maruti* and *Tata* companies made their production down because demand is low for two wheeler and four- wheeler vehicles. The vehicle sale decreased by 20 percent because of down market productivity.

*Three should some responsibility at state level; state's cooperation is the most important factor in implementation of public project. It would help to increase employment and we could face the global crisis successful at national level. - Dr. T.M. Thomas Iyazake*

(Finance Minister, Keral)

### 9) Accession in the Value of Rupee

On 20 set 2007 one dollars value was 39.87 but it jumped on 50 rupees in 2008. It affected foreign treasury and exporters had to bear loss.

#### Industrial Impact

Industrial goods demand decreased by 20 percent. In 2007 industrial production growth rate was 12.5 percent which fall down by 4 percent in Oct. 2008. The export decreased by 12 percent.

#### The Remedies to Overcome the Danger of Recession

The central Govt. Reserve Bank SEBI and *Poll Kurgman* have recommended following remedies.

#### The Advice of Poll Kurgaman

*Poll Kurgman* the Noble prize winner in economics says "In time of the economic crisis Govt. should increase its public finance by means how money would go in the hand of poor people."

#### The Seventh Round of Washington Meet 2009

The following seventh folds programme has been formulated in Washington summit of 20 countries to overcome the world recession.

- 1 The disaster is global then the affairs should be global. The campaign and economic budget policies should used to tackle the recession.
- 2The World Bank and I.M.F. should provide funds to developing countries to face the crisis.
- 2 The national and International economic control system should be made more stick and powerful.
- 3 There is a great need of multinational system survey in economic development and social economic development.
- 4 To empower International *Monetary* fund. The international economic structure should reflect international economic reality. Hence to work out such system.
- 5 The trade security way should not be reused.
- 6 The extra gambling nature which would bring obstacles in security must be put aside.

#### The Remedies Recommended by R.B.I.

- 1) Anti Recession Remedies have been made by Indian govt. in 24 Feb. 2009.
- 2) The service tax has been decreased from 12 percent to 10 percent.
- 3) The production duty decreased up to 8 percent from 10 percent.
- 4) Dearness allowance is increased by 6 percent for central govt. employees.
- 5) The prices of grains, crude oil, scrap iron, petrochemicals, and all types of vehicles have come down.
- 6) The Reserve bank has decreased its statutory Liquidity Ratio (SLR)
- 7) The central banks have decreased their interest rate for three years. It is now 6.6 percent.

#### The Remedies Under Taken by the Developed and Developing Countries.

- 1) The American Govt. has passed emergency economic stabilization Act to overcome the recession
- 2) American govt. declared 800 trillion dollars assistance to a big International group insurance company.

- 3) American govt. gave 100 trillion dollars bail out package at first time and to 10,000 billion dollars bail out package for second time.
- 4) It has been declared to offer 2500 billion dollars to private banks by means of share from said amount.
- 5) Japan declared 4000 trillion yen and Russia declared 86 trillion yen and Russia declared 86 trillion dollars package.
- 6) The British govt. declared 50,000 billion pounds package.
- 7) *Ahars* land bank nationalized three banks and total country become bankrupt.
- 8) The interest rate made down by Federal Reserve system, European central bank, England, china, Canada, Switzerland and Swidan.
- 9) India poured 1 lakh and 75000 billion in the market.

It is how capitalist economy creates problem by itself and creates obstacles for other economies too. It needs reconsideration; it would enough if the world learns a lesson from this situation.

### Conclusion and Recommendation

When we undergone above discussion we can conclude that the thought of Karl Marx, Mahatma Gandhi, Dr. B.R. Ambedkar, Poll Krugman, Kens, Joseph Stiglige, and Barak Obama have their value in present contex too. According to me if following recommendation is added in above remedies they will enhance anti recession programme. These suggestions are made on behalf of me.

### Remedies

1. To increase investment in basic sectors.
2. To increased private investment with Govt. Investment in agriculture Sector.
3. R.B.I. should make its currency policy more flexible. Because it will make low interest on the rate of loan, then demand for loan will be increased and it will make balance between demand and supply.
4. Govt. should change its fiscal policy to increase revenue.
5. The special policy should be made to increase economic growth in agriculture, small and middle industries.
6. The major focus should be given to modern technology and research to increase export.
7. The legal security should be given to the labors of organized and non-organized sector and social security policy should be come in force for no organized sector.
8. Due importance should be given to power development for the economic development of country.
9. The nationalization of agriculture.

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## Market Strategies in the Information Economy

**\*Dr. Dhanashri Mahajan**

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### Introduction

Information technology is the buzzword of today's knowledge based economy. The 21<sup>st</sup> century is the century of knowledge. This century belongs to those who can create knowledge and harness it. There is no doubt that the country which has the capacity to create knowledge and also convert it into wealth will prosper.

It will not be an exaggeration in present context to say that knowledge is power. In the contemporary world, trade and industry are under the influence of information technology. The World Intellectual Property Organisation has observed that over the last 30 years, a rising share of world trade has been in knowledge intensive products.

The share of knowledge – intensive commodities and service is increasing compared to the share of labour-intensive and capital-intensive commodities in global trade <sup>1</sup>

It is due to information and communication technology that India today is on the threshold of a new revolution-the information revolution. It is due to the capable pool of human resources in the field of information technology. Due to the various combinations of inventions, the scope of information technology is expanding continuously.

### Moore's Law and Information Economy:

Moore's Law is famous in the field of information technology.<sup>2</sup>

The Director General of Fairchild Semi-Conductors, Gordon Moore, wrote an article in 1965, in which he claimed that the capacity of microprocessor in electronic devices doubles every 24 months. This happens at constant cost of production. This increase in the capacity of micro-processor happens due to the innovations in the field of information technology. This reduces average cost of production at a fast rate. The progress in the field of information technology possesses the capacity to bring about economic prosperity and social change.

Economic prosperity and social change get a boost as this technology becomes accessible to more people as it is less costly.

An information technology – based firm can also chalk out a long term plan for production of information technology – based products with the help of Moore's Law.

However, according to some experts in the field of information technology, the physical limits of I. T. are nearing, and after a point of time, Moore's Law would not hold good. It is predicted as per Moore's Law, that the capacity of micro – chips is increasing and prices of IT related products are going down. In the field of information technology, and more particularly in computing and communication technology, innovation is taking place at the speed described by Moore's Law.

According to Patrick Gelsinger<sup>3</sup>, Vice President of Intel Corporation, the astonishing progress in Information Technology is yet to come. Though Moore's Law (as they say) has a short life, there is no need to be pessimistic.

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There are infinite possibilities of innovation which were not considered by Moore. We are enjoying the benefits of the progress in the field of information technology at present. However, the future has better promises. This technology will become cheaper and cheaper still and can therefore become more accessible as well as affordable. Such a situation, we can refer to as “Information Economy”.

**Objectives of the study:**

Following are the objectives of this paper:

1. Looking into whether information economy is different (in terms of market practices) from industrial economy.
2. Also whether the process of development can gather momentum through information technology.
3. And what answer does the information economy provide to the perennial question of “Choice of Technique” in the context of developing countries.

**Retrospection of Technological Advancement:**

In the 1990s, use of internet increased. The technique of internet is the result of combinatorial innovation. If we look into the history of technological advancement, we will find that it is the history of combinatorial innovations.

From time to time in human history, a new product was introduced with the help of a (new) technique through the combination and recombination of a previous technique.

Innovators in the world simultaneously take into account possibilities of combinations of techniques and experiment. This is what Schumpeter<sup>4</sup> call as “new combinations of productive means”

The progress that man the achieved through innovation, includes a very long spell of pre-mechanical era of around 1,750 years (300 BC ED 1450 AD). Mankind required 390 years to achieve significant advancement in the mechanical age (1450 AD to 1840 AD).

The mechanical age resulted ultimately in industrial revolution that began in England and spread over Europe. However it took a long time to have its impact felt in countries like India.

It took just one century to enter into the era of electronic technology (1840 AD to 1940 AD).

On this background we can boast of taking a great leap through innovation in a short span of just 60 years (1940 to 1990) to enter the era of the internet revolution. The micro – electronics industry has made tremendous progress within a short span of 30 years (1940 to 1970).

The internet revolution spread to various corners in the world in a few years. The internet revolution is very peculiar as it developed on the pre-existing equipments and hence we can say that the internet revolution is based on knowledge – intensive inputs such as ideas, standards, programming languages and software. Any piece of information can be sent through HTML within a second anywhere in the world- wherever this network exists through interlinked computers.

The internet has no physical limitations. This is why the internet revolution caught speed. Moore’s Law, internet & digital revolution together have accelerated the speed of innovation.

**INTERNET REVOLUTION AND PRODUCTIVITY GROWTH:**

According to Varian<sup>5</sup>, application of information technology in conventional firms might have been one of the reasons for the growth of industrial productivity in the 1990s.

Through the progress in information technology, the initial inventions in electronics have become sufficiently advanced and stable. The human race hence is on the threshold of infinite new possibilities of progress.

**MARKET SIZE AND GROWTH TRENDS IN IT SPENDS:**

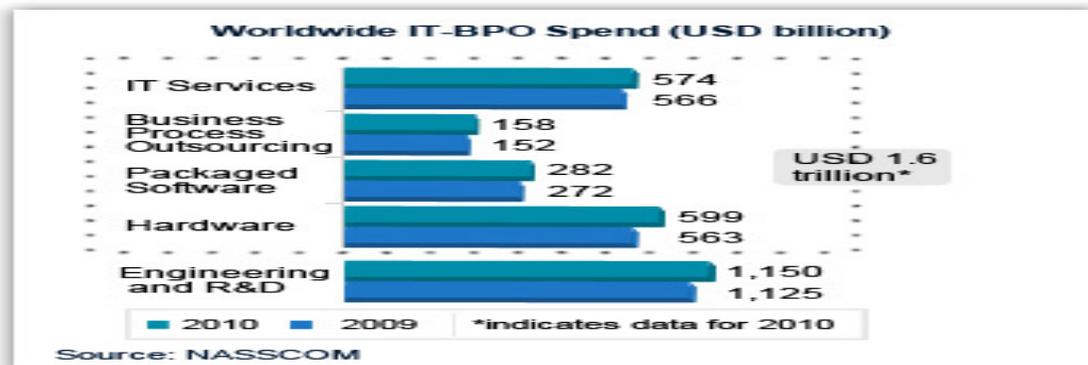
**Chart I**

**Growth in World-wide IT spends**

Amount in US\$ Billion

	Year 2009	Year 2010	Growth (%)
IT Services	566	574	1.4
BPO	152	158	3.9
Packaged Software	272	282	3.7
Hardware	563	599	6.4
Total	1553	1613	3.9

Source: NASSCOM “Strategic Review 2011”



The healthy growth in world-wide IT spends in 2010 over 2009 is shown in Chart I. The chart shows that world-wide spending on IT and related products and services have crossed US \$ 1.6 trillion in 2010 registering a growth of around 4% on an average in the various IT and related products and services categories.

**Chart II.****Share of Key markets in world-wide IT services spends in 2007 and 2010.**

IT Services Market	% of Global Market	
	2007	2010
North America	70.3	43.0
Europe, Middle East & Africa	18.7	39.7
Asia Pacific	11.0	17.3
Global Market	100.0	100.0

Source: NASSCOM “Strategic Review 2008 - 2011”

The table clearly shows that countries from Europe, Middle East, Africa & Asia Pacific have made a large dent in America’s market share in 2010 over 2007.

**NATURE OF MARKET COMPETITION IN THE INFORMATION ECONOMY:**

When an information technology - based firm makes huge investment in plant (which represents fixed cost) and gets established in the market, it enjoys the advantages of diminishing marginal cost (and hence ever – increasing returns to scale) due to Moore’s Law.

Major IT companies in India have been enjoying the advantages of ever – increasing markets & diminishing marginal cost.

TCS and Infosys have registered eight to nine times increase in their net profit over the period from 2003 to 2011.

The market for IT based products is imperfectly competitive, with every firm attempting its best to increase market share.

Here, price discrimination comes as an important tool for two reasons:

1. As fixed cost is high and marginal cost is low, the firm has to first of all get established in the market. This is their first priority.
2. There are various strategies available in the market – through the use of information technology. These strategies are combined with price discrimination, taking into account the extent & intensity of competition.

**MARKET STRATEGIES IN VOGUE:**

In combination with price-discrimination, product differentiation, constant improvements in quality and locking in of customers are the commonly followed market strategies.

**1. Personalization of Products:**

A car can be designed as per the requirement of the customer, the front page of an on – line newspaper can be personalized, a PC can be personalized.

This is unconventional example of price & product discrimination to make it unique and thus stand out of the rest. The customer has to pay extra for such personalization.

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## **2. Competing Against Yourself:**

The traditional/conventional firms can get feedback through IT about tastes and preferences of their customers and accordingly introduce new products. This also includes improving and making your products more special.

For example, in case of DVDs, there is a common version, whereas a collector's version of – say "Morning Ragas" etc. which is made available at a higher price.

## **3. To Lock – in Customers:**

IT firms also trap customers and lock them in. This is a subtle form of market strategy to see that market share is not lost and to ensure that competitors are not allowed greater scope in claiming greater market share.

One common example of locking in is in the case of ink – jet printers. When we buy a particular brand, we get locked – in. The printer comes relatively cheap but the ink – cartridges that are compatible to the specific printer brand are expensive. In fact, because ink – jet printers are expensive, the printer comes cheap.

## **4. Natural Monopolies:**

In case of many IT based firms; fixed cost is high whereas marginal cost is low or even zero. Such firms are referred to as "Natural Monopolies" in Micro Economics<sup>6</sup>. Such firms follow market strategies that prevent entry of new firms in the market. However if other firms manage to enter the market and create competition, then the customers stand to gain in this situation.

## **5. Standard Wars:**

To establish standards a firm may as well guarantee low price or even no price in the market. Microsoft has guaranteed free access to internet explorer to all those who buy the Windows Operating System.

## **1. System Effects:**

There are many IT based products that cannot be used independently. For ex., there is no use of software without hardware; there is no use of a single fax machine without a network of other fax machines. Therefore, IT firms sometimes collide, sometimes negotiate and at other times compete with each other and affect prices.

In order to create a larger market for its product, an IT firm can also use the strategy of making complementary products of other firms compatible. This increases competition in the field of complementary products, and also indirectly increases the demand for the main product.

For example, Microsoft has made the Windows System compatible and created competition in the field of hardware. This has reduced the prices of hardware and increased the demand for the Window System.

## **INFORMATION TECHNOLOGY AND THE CONSUMER:**

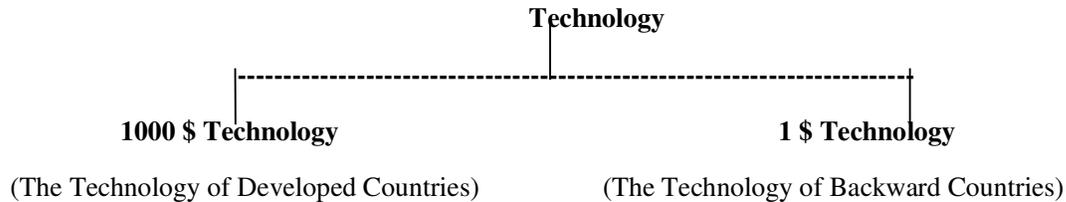
In India, the market for the products of IT firms is increasing very slowly. The impact of the digital age is only limited to the urban elite class in India. This is also true about many other developing countries.

However, there is urgent need to increase the "Reach" of IT to the rural areas in India. The rural people need to know modern techniques in health, education, irrigation, sowing, etc. An educated farmer

from Maharashtra has created a web – site called www.drumsticks.com and made available to himself the lucrative market for drumsticks in Europe.

### **Small Is Beautiful & Choice of Technique**

Dr. E. F. Shumacher<sup>7</sup> wrote a book in 1973 titled “Small is Beautiful: A Study of Economics as if People Mattered.” In this book he has mentioned two types of technologies.



The problem with developing countries is that if they use the 1 \$ technology, they lag behind the developed countries. If they adopt the unaffordable 1000 \$ technology, then domestic 1 \$ technology firms are driven out of the market. In this situation, the book suggests a golden mean of 100 \$ technology as appropriate technology for developing countries. Information technology is also one form of high technology. But still this form is different from the conventional high technology due to Moore’s law. Also, IT has numerous applications in diverse fields and also has local applicability.

### **Concluding Remark**

India today is facing a very great contradiction which we must take into account.

India has a limited – small pool of very highly qualified software technicians on the one hand and a vast majority of untrained manpower that is miles away from these technological advancements on the other.

However to tread the path of sustainable development, expanding the reach and spread of information technology at the local level is inevitable.

If Moore’s Law holds good for some more decades, developing countries such as India can definitely put it to use and make their presence felt globally by applying information technology locally

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## Employee Performance Management - Assessors Perspective

\*Mr.Ejaz Qureshi

\*\*Dr. M. Rajaullah Khan

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### Introduction

Evaluation system is a basic function of every head of the department who are generally named as assessors/ Managers. Managers need broader measures to assess individual needs and plan for the future. The managers or the evaluator should have the ability to rate employees regularly of their job behavior. They should be familiar with the requirements of the employee's job to be aligned with the organizational goal. The assessor should have firsthand information and knowledge of the employee being rated and of the work or results being accomplished. Frequently this means the immediate superior should do the evaluation. However, in some cases, a person trained in appraisal work performs the task. "The traditional approach to performance measurement is unidirectional hierarchical employees are rated by their immediate supervisors, top executive rate their managers, managers rate supervisors and supervisor rates employees rational here is that direct supervision is the person who has the opportunity to observe the target employees performance"<sup>1</sup>.

Performance feedback from subordinates can provide insights into interpersonal and managerial styles of employees and can assist the organization in addressing employee developments needs, particularly for high potential employees. "A manager acquires ability in specialized type of work and wins promotions through increasing knowledge and skill in this field of specialization. However the time comes when further promotion requires shifting from the role of a specialist to that of a management member. The prime measure of success becomes setting or securing agreement on the proper goals and getting others to accomplish these goals"<sup>2</sup>.

"Appraising accurately is difficult. Having to state capabilities and accomplishments in writing necessitates keen observation; good person's performance reflects the appraiser's concept of performance adequacy and the person's most outstanding personality characteristics. The evaluator tends to describe the appraisal in terms of personal values and understanding. Top management members, for example, are commonly appraised in terms of profits realized, selected personal virtues, and subjective job related factors. For middle and lower-level managers and also non-managers, selected traits for rating performance are common. Included, which, are job knowledge, judgment, creativity, initiative, drive, and self expression"<sup>3</sup>. The assumption is that estimated measurements of these traits make for a certain behavior which is indicative of the worker's accomplishments. Some question the use of traits in performance appraisal. The relationship between capabilities and performance, while probably related, is not fully known. Also the evaluation is judgment-based; it is influenced to some degree by the rater's thoughts about the rate and may not be wholly objective.

Stolz observes that "the process of performance evaluation, broadly speaking is the evaluation which begins with the establishment of 'performance standards.' At the time of designing a 'job and formulating a job description, performance standards are usually developed for the position. These standards should be clear and should be well understood and measured"<sup>4</sup>.

Performance management is the backbone of HRM whereas performance measurement standards and methods are cardinal to performance management system.

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Every organization follows some kinds of measurement, which it believes is the right type to assess the performance of employees. It is also an undeniable fact that some of the measurement standards in organizations are disputable, ambiguous, irrelevant, deficient and counterproductive. Therefore, organizations should develop an appropriate, rational and a pragmatic performance measurement system that serves to attain equitable HRD in organizations. There are a few basic rules that an organization must adhere while developing performance measurement standards.

### **Literature Review**

Sawlapurkar (1967) carried out a survey of various methods used in industries in and around Bombay. He studied 63 units and their methods for evaluating their employees. Results of his survey showed that graphic rating scales were commonly used by these units. All the organizations though designed the scales according to their needs, did not have different types for different levels of the jobs. Based on his survey of performance appraisal system, Dayal (1969) concluded that the rating scale method was the most common method of appraisal. However, he found no relation between evaluation and the managerial decision on promotion wage/salary increment, etc. Bolar (1978) also pointed out that of all the methods, rating scale was perhaps, the mostly used method in 82 countries.

Dwivedi (1978 & 1981) in his research on the evaluation rating scales, studied the method used by printing presses. Specifically he examined the reliability, validity and factors underlying the scale items. He found the rating scale very reliable. The odd-even reliability was 0.82 which was statistically significant. Using factor analysis, he identified job performance and non-intellectual factors underlying the scale items. The rating scale was found to be free from error of leniency.<sup>6</sup>

The performance of managerial evaluation is the main objective in assessing the employees. The theory of evaluation is of significance importance to managers as per evaluation theory of the Michael Porter & Lawler model which has shown the following guidelines to motivate the employees. The theory states the basic concept of effective evaluation of managers and in placing the right person at the right place at the right time. It also suggests to lay up detail policies and define the actual performance level expected by the managers and to make sure that the rewards are dispersed to the valued managers. The performance satisfaction model of Porter and Lawler, postulates efforts accompanied by ability to perform evaluation process in proper way, skills and role clarity which finally lead to motivation and collective help for managers to understand behavior of employees. The Porter and Lawler model has definitely made a significant contribution to the better understanding of work motivation and the relationship between performance and productivity.<sup>7</sup>

A study carried out by Anastasia Katou in a research article concluded that there is a relationship between human resource management – performance linkage model which states that managerial evaluation is used as analytical tool for a positive impact on organizational performance. It explains the mechanism through which HRM policies improves the evaluation process. The study proposed direct link between individual performance and evaluation system. Furthermore, intervening process of evaluation can be moderated according to working strategies of relationship between individual and HRM policies and as a result there is a link between individual Performance Evaluation System & HRM Policies.<sup>9</sup>

According to Yager (1981) has found that role of manager in evaluation system. A manager or a supervisor is to, "Motivate, encourage, build, train, reinforce and modify behavior" of his subordinates which can only happen if there is regular and frequent interaction between the superior and his subordinate. If the interaction is based on acknowledgement then there should be ample praise, Corrections, comments and Suggestions by the supervisor on the task performed by the subordinate. This interaction process can be seen as performance appraisal because in each Interaction process some comments are exchanged on the both the sides for a constructive dialogue.

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Stewart & Stewart, has examined that the approach is limited to the extent as it looks at the outcome only. It doesn't focus on utilization of resources and human efforts in achieving these outcomes. "Performance appraisal has identified areas where the employee needs training and once the contents are identified it becomes easy to select teaching technology reading material and other training necessities".

A study by Shetty reveals that performance appraisal can also provide data to determine promotions, transfers and even demotions of the employee. Thus it has direct bearing on other personal decisions.<sup>10</sup>

Patz in his study interviewed 70 top and middle managers one Canadian, one Dutch, and 17 American companies. He asked them to indicate their understanding on the functions of performance appraisal. He concluded that following two objectives of appraisal are necessary of evaluation.

1. Performance appraisal is considered a development technique in the Hands of managers aimed at calling attention to a subordinate's Behavior flaws in order to improve his administrative ability.
2. Performance appraisal is viewed as a necessary vehicle in assessing the management potential.

Patz have further stated that, the implicit purpose was to force a long line of unwilling bosses to face up to the difficult task of relating employee behavior to actual results. The executives interviewed in his study saw the formal performance appraisal scheme as a means of forcing supervisors to make the uncomfortable but necessary connection between conduct and its consequence.

A comparative survey of 12 American and nine Indian companies by Shetty showed some interesting similarities in the objectives of performance appraisal. According to a survey all the 12 American and nine Indian companies were found to use performance appraisal for determining wage increase. The second rank was given by both the samples to promotions and transfers. Identifying supervisory personnel was rated as the third most important objective. The fourth rank was shared by training and development and informing the employees where they stood.<sup>11</sup>

Hay Group research of 61 multinational organizations (2009) had identified three primary areas where measurement adds value: aligning jobs to structures to achieve organization effectiveness fitting people to jobs to improve talent management and valuing work against internal and external benchmarks.<sup>12</sup>

Performance evaluation interviews involve feedback evaluation information can be effective if the evaluation information is meaningful, clear, and helpful. On the hand, feedback can be quite stressful if the evaluation is considered unfair, inaccurate, and poorly designed. Selecting the best evaluation approach for the employees and managers to use is an important decision.

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

- 1) To study and evaluate the different performance rating system prevalent in the industrial units of the Marathwada region
- 2) To analyze the assessors' view on different performance related aspects.
- 3) To find out the efficacy of different performance management systems with regard to employee motivation.
- 4) To analyze the significance of evaluation system.

### **Hypothesis:**

- Performance is a key factor for better productivity and it is also a vital tool for increasing the level of efficiency.
- Productivity is dependent on performance.

**Research Methodology:**

The present study was carried out on primary data collected through questionnaire which includes HR Managers, Senior Managers & Executives as Assessors from industrial units in Marathwada region. Employees were asked to respond the questions covering different parameter of Performance Management System and to assess their views on performance related to their work. A suitable sample of 25 units based on their performance practices and standard norms were taken up as primary data. The primary data from the sample units was collected by administering a structured questionnaire. There are in all about 100 units approximately in the entire region who are having performance management system in their organization. Of these 100 units a randomly selected sample of 25 units is taken for the present study. In addition to this, secondary data in the form of Journals, Periodicals, Books, Manuals, Internet and other relevant literature was used in the study. The questionnaire was drawn keeping in mind the level of responses that have to come from the respondents. The multiple choice questions were drawn as per the Likert's scale. A scale of 5 levels ranging from strongly agree as 5 to strongly disagree as 1 was used for evaluating the responses. After the collection of primary data it was classified, tabulated, evaluated, summarized and presented for analysis and interpretation.

**Scope & Limitation:**

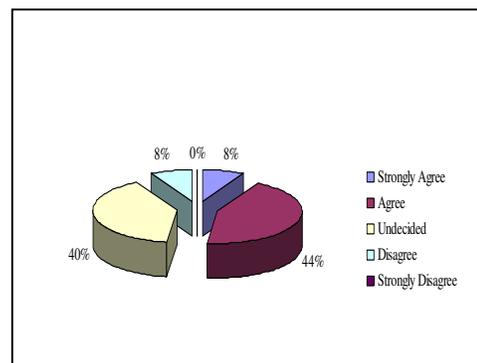
The present study is limited to Marathwada region and it is confined to the selected units where some sort of performance management system is in existence and in actual practice. The scope has included different types of industries in the Marathwada region.

**Data Analysis and Discussion:**

The following paragraphs show the data analysis and interpretation with the help of tables and charts. The solo factor and cross factor analysis has been done for drawing inferences. Few selected solo factor analysis of PMS assessors' responses are presented first and in the later part of the paper the cross factor analysis is furnished.

Table No.1.Opinion about employee feeling he or she is doing something that matters- personally and to the larger world.

Options	No of Person	Percentage	Score
Strongly Agree	2	8	10
Agree	11	44	44
Undecided	10	40	30
Disagree	2	8	4
Strongly Disagree	0	0	0
<b>Total</b>	25	100	88

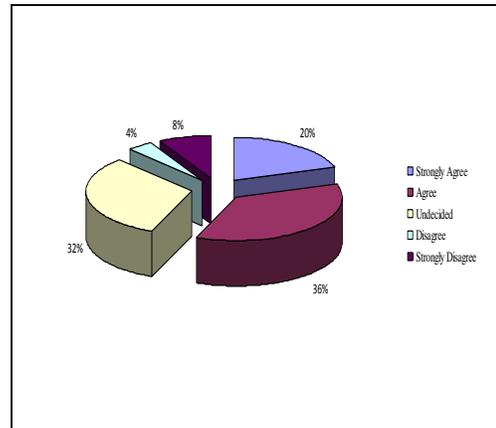


The majority of assessors opined that, they agree to the statement. Out of a likert's scale score of 88 the agreement and strongly agreement to the statement is 54. This

indicates affirmation to the fact that, doing things matters individually and to a larger world both. Not a single assessor expressed strong disagreement to the statement.

Table No, 2 Reward and recognition of honesty and openness in the people.

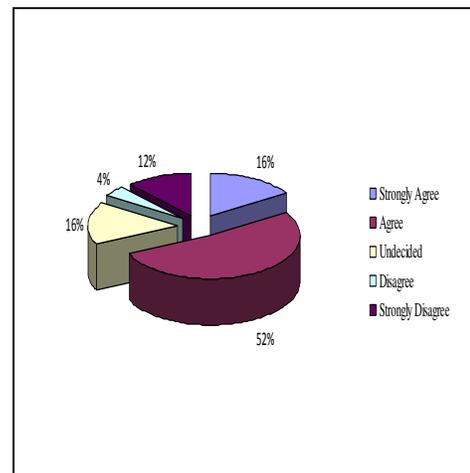
Options	No of Person	Percentage	Score
Strongly Agree	5	20	25
Agree	9	36	36
Undecided	8	32	24
Disagree	1	4	2
Strongly Disagree	2	8	2
<b>Total</b>	<b>25</b>	<b>100</b>	<b>89</b>



The above table reveals the following findings that 56% of Assessors do agree to the ‘Concept of Reward & Recognition & with honesty and openness in the PMS process. 32% of Assessors are of undecided category. 12% of Assessors don’t agree with the above statement, thus the overall analysis score is 98 which is more than neutral value which is 62.5. This indicates majority agrees to the statement.

Table No.3 sharing information with people and it involves educating them to understand that information.

Options	No of Person	Percentage	Score
Strongly Agree	4	16	20
Agree	13	52	52
Undecided	4	16	12
Disagree	1	4	2
Strongly Disagree	3	12	3
<b>Total</b>	<b>25</b>	<b>100</b>	<b>89</b>

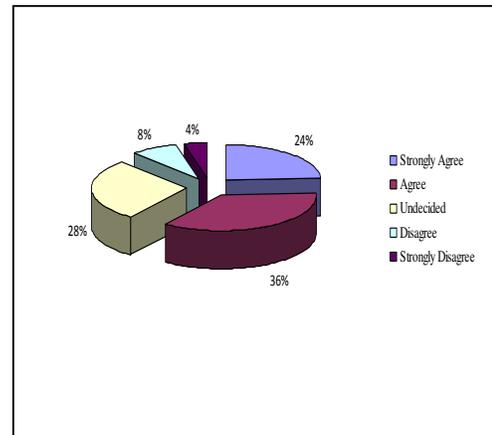


In response to the above statement, more than 2/3 assessors opined in favour of the statement. Out of a total score of 89 as per likert scale, 72 are scored by those who support the statement. Equal 16% are the assessors who are undecided and disagree to the statement. Assessors believe that, all necessary & related information needs to be

shared since it brings effectiveness in the work, they do firmly believe that they if need arises education & mentoring can help them out from management side.

Table No.4 Opinion on Performance is a Vital Tool in Terms of Productivity.

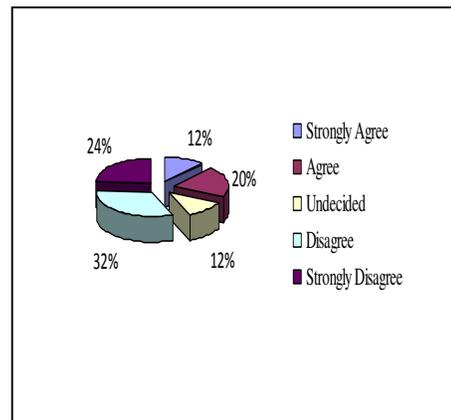
Options	No of Person	Percentage	Score
Strongly Agree	6	24	30
Agree	9	36	36
Undecided	7	28	21
Disagree	2	8	4
Strongly Disagree	1	4	1
<b>Total</b>	<b>25</b>	<b>100</b>	<b>92</b>



In terms of percentage 60% of assessors agree to this statement, while 28% of respondents offered no opinion and a minority of 12% disagree to the above statement. Thus the overall analysis as per Resins Likert scale score is 92 which is more than neutral value of 62.5. This suggests that, majority of assessors agree that performance is a vital tool in terms of productivity. The productivity can only be increased when there is a better performance out of all input i.e. resource men, material, machine, method, money information, expertise. The factors like men and expertise are indispensable one, men with skills and expertise can handle all other resources in an effective way which will further enhance performance and the productivity.

Table No.5 Performance be only measured for annual increment

Options	No of Person	Percentage	Score
Strongly Agree	3	12	15
Agree	5	20	20
Undecided	3	12	9
Disagree	8	32	16
Strongly Disagree	6	24	6
<b>Total</b>	<b>25</b>	<b>100</b>	<b>66</b>

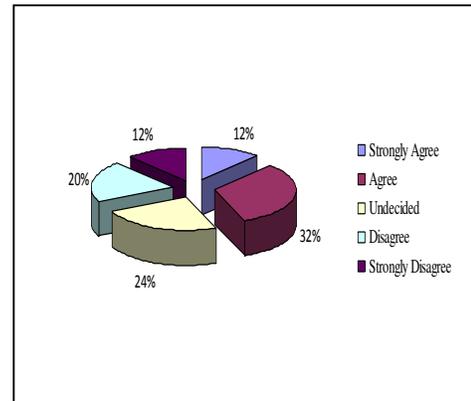


In response to the above question, 32% of Assessors agree to this statement and 12% of assessors are of No opinion. However, majority of assessor's amount to 56% disagree with the notion that, performance should not be measured only for annual increment purpose. It is a healthy sign that indicates its significance apart from annual

increment. The other development activities should also be a part of evaluation & measurement for Eg. Deficiency in work, Assessment on behavior aspect, Promotion, whether the training is needed etc.

Table No. 6 Pay reflects length of service more than performance.

Options	No of Person	Percentage	Score
Strongly Agree	3	12	15
Agree	8	32	32
Undecided	6	24	18
Disagree	5	20	10
Strongly Disagree	3	12	3
<b>Total</b>	25	100	78

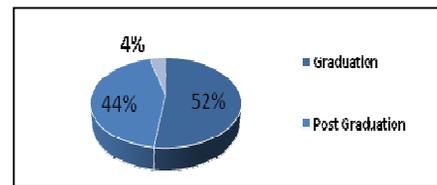


The analysis of the above table shows that, 44% of assessors agreed to this statement which is full of sense. 24% of assessors stand to no opinion and 3% of assessors disagree to the above statement. Thus the overall analysis as per the likert scale scores is 75 which is more than 62.5 as neutral value. It is negligible in terms of percentage, but still it matters a lot, if pay is handsome than even the length of service is long but if pay is improper than length of service is very short. Thus pay is another vital factor to maintain stability in employees' length of service or else the rate of attrition may go quite high.

**Cross Analysis (Section B) with Assessors Qualification:**

Table No. 7. For doing something really creative team work is needed.

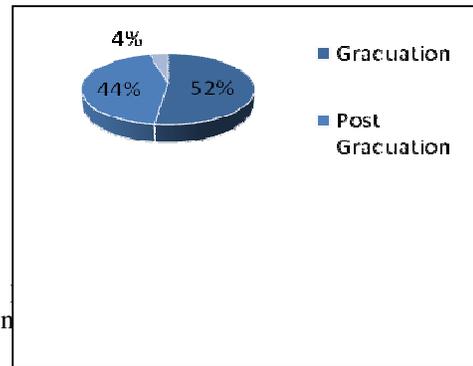
Qualification	S.A	A	U	DA	SD	Total
Graduation	3	4	2	2	2	13
Post Graduation	5	2	4	0	0	11
Other	0	0	1	0	0	1
	8	6	7	2	2	25



Out of 25 assessors the majority 14 agree with the above statement. Of the total 14 four are 4 graduates and 5 post graduates. Those who supports the statement are 7 of which 4 are graduates and 2 are postgraduates. In all 7 respondents are of no opinion and 4 disagree to the above statement.

**Q4. Feedback to employees helps in improving performance.**

Qualification	S.A	A	U	DA	SD	Total
Graduation	3	7	1	2	0	13
Post Graduation	6	3	2	0	0	11
Other	0	0	1	0	0	1
	9	10	4	2	0	25



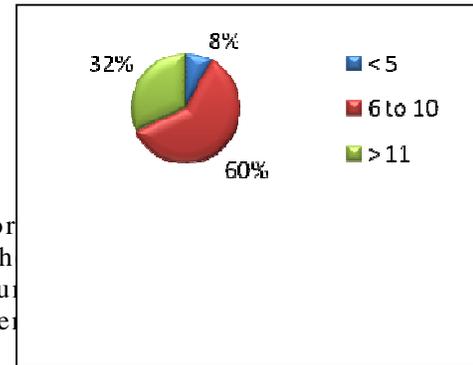
Feed back is an essential part of any evaluatory know about ones short comings then only we can expressed their agreement.

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**Cross Analysis with Assessors Experience (Service with the Company):**

Table No. 8 Performance be only Measured for annual increment?

Service Comp	S.A	A	U	DA	SD	Total
< 5	1	1	0	0	0	2
6 to 10	1	0	2	8	4	15
> 11	1	4	1	0	2	8
	3	5	3	8	6	25

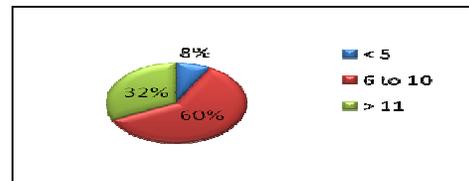


The analysis of the above table shows that, major statement. It is interesting to note that, those who with their present company are higher in number disagreement is concerned. There are 2 respondents and both are in agreement to the statement.

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Table No. 9 Performance review exercise is a feedback mechanism?

Service Comp	S.A	A	U	DA	SD	Total
< 5	1	1	0	0	0	2
6 to 10	0	6	5	3	1	15
> 11	1	4	1	0	2	8
	2	11	6	3	3	25

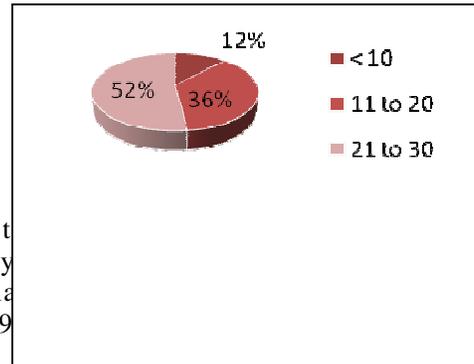


The above table shows that, 13 respondents are in positive who agree with the statement and 6 are of no opinion and equally 6 disagree with the statement. Out of 13 there are 6 respondents who agree and belonged to 6-10 yrs service with the company and 5 respondents who are of no opinion has also got 6-10 yrs service with the company. The overall analysis suggests that, majority consider the performance review exercise as a feedback mechanism.

**Cross Analysis with Total Experience:**

Table No.10 A manager need to really tackle poor performance.

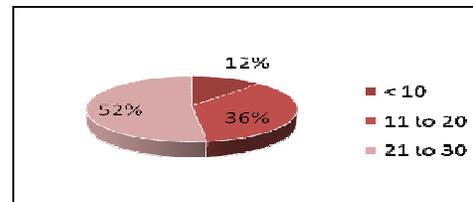
Total Expe	S.A	A	U	DA	SD	Total
< 10	0	0	2	1	0	3
11 to 20	2	2	2	1	2	9
21 to 30	1	4	6	2	0	13
	3	6	10	4	2	25



The above table of opinion of assessors shows that, t has more than 10 years of experience. A majority undecided on the question of tackling poor performance more experienced they are high in numbers. In all 9 strongly agree with the statement.

Table No.11 Promotion policies, rewards are must for development of employees

Total Experience	S.A	A	U	DA	SD	Total
< 10	1	2	0	0	0	3
11 to 20	2	4	0	2	1	9
21 to 30	6	2	3	2	0	13
	9	8	3	4	1	25

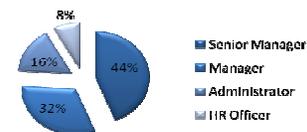


The above table reveals that, 17 out of 25 do agree to the statement. There are 6 assessors from 21-30 years of working experience out of which 2 are strongly agreed. Thus the overall analysis shows that majority goes with the statement and particularly those who are well experienced.

**Cross Analysis with Respondents Designations:**

Table No.12 Performance Management is a periodical review system for evaluating improvement in efficiency?

Designation	S.A	A	U	DA	SD	Total
Senior Manager	1	8	1	0	1	11
Manager	1	4	1	1	1	8
Administrator	0	3	1	0	0	4
HR Officer	0	0	2	0	0	2
	2	15	5	1	2	25



The cross factor analysis of Designation and assessors opinion on their belief in exercising PMS as a periodical review shows that, senior managers and managers are in majority agreed to the notion. However, overall disagreement is very less and it accounts less than 15% in total. This reinforces the belief that, PMS is a periodical review system and helps in improving efficiency of employees. The hypotheses have been proved as the assessor in majority endorses the belief of PMS as a tool of improving productivity and enhances the employee efficiency.

### Conclusions

Employee Performance Evaluation is a basically periodic review system where assessors try to unleash the conflicts among the employees it also serve the purpose of sorting out differences among the employee understanding regarding the misconception of evaluation system. Assessors do undertake motivation drive by keeping pace with the performance and enhancing productivity. In PMS both the assessor and the subordinate are important for its success. This is infact, a good feedback mechanism that sets the future course of action and helps in enhancing efficiency.

Assessors in majority have concluded that pay & performance concept is really on rise where productivity is linked to improved performance and assessors have succeeded in making employees understand that productivity is dependent on performance.

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## Evolution and Growth of Indian Auto Industry

**\*Dr. W.K.Sarwade**

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The Indian Automobile market is a promising industrial sector that is growing immensely every passing year. The automobile industry has an enormous opportunity for creating new wealth by delivering value to the world and also to the domestic user. The four-wheeler industry in India has not been able to match up to the performance of its counterparts in other parts of the world. The main reason for this has been the regulatory atmosphere that prevailed till the deregulation in the mid-1990s. After the liberalization the passenger car segment saw a boom and many companies from India as well as foreign entered the market. With liberalization, Government abolished licensing and removed restrictive trade policies. Automobile industry benefited greatly from these measures. The automobile industry in India happens to be the ninth largest in the world, following Japan, South Korea & Thailand. In 2009, India emerged as the fourth largest exporter of automobiles. Several Indian automobile manufacturers have spread their operations globally as well, asking for more investments in the Indian automobile sector by the MNC's.

Society of Indian Automobile Manufacturers (SIAM) President Mr.Pawan Goenka says that "The Indian auto industry and the Indian auto market have become internationally very important and therefore, no one can ignore this market,"

The Indian economy has grown at an annual rate of more than 8% over the last five years and the industrial production has made an outstanding contribution to this growth. Auto industry was licensed, controlled and restricted in the early years of independent India and had a limited contribution to the economy. But post de-licensing in 1991 the industry has grown at an average rate of 17%. The industry currently contributes about 5% of the GDP and it is targeted to grow fivefold by 2016 and account for over 10% of India's GDP. Automotive Mission Plan (AMP) expects the industry to reach a turnover of \$150-200 billion in the next ten years from the current \$45 billion levels. Over the last five years the production of four wheelers in India has increased from 9.3 lakh units in 2002-03 to 23 lakh units in 2007-08 reporting a Core Group on Automotive Research and Development (CAGR) of 20%. Vehicle manufacturers are increasingly adopting an outward looking approach and exploring new markets & territories, ranging from Middle East, Europe, South Africa, Algeria, Latin America, Russia, etc. Exports have increased immensely from 84,000 units in 2002-03 to 280,000 units in 2007-08. Crisil estimates the passenger vehicle exports to cross 7 lakh units by 2011-12.

### *Evolution and growth*

The year 1898 saw the first car rolling out, on the streets of Mumbai. Since then Indian auto industry has witnessed a lot of change. A land of Premier Padminis, Ambassadors, scooters, tempos, trucks and autos galore, India had not seen much of choice in vehicles. Only the affluent could think of owning a personal four-wheeler and the clichéd image of a car followed by lots of children on a dusty road was actually true.

### *Protectionism – Early 1980s*

This was the pre-1980 era where the manufacturing of automobiles especially cars was subject to strict licensing, restrictive tariff structure and limited avenues for expansion. The advent of foreign technology collaboration came with the inception of Maruti Udyog in collaboration with Suzuki of Japan in the passenger car segment. Indian roads saw the launch of Maruti 800. It was still not very easy to own a car, first was affordability and next was a long waiting period.

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***Liberalization – 1990s***

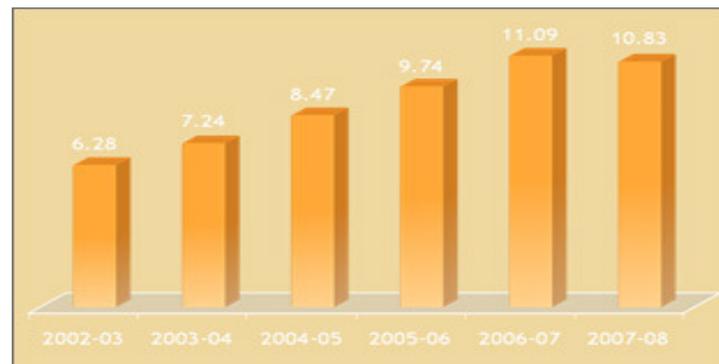
In the early 1990s, with liberalization, some more Japanese manufacturers entered the two-wheeler and the commercial vehicle segment in a collaborative arrangement. This period characterized joint ventures in India and the market started opening up. Automobile Industry was delicensed in July 1991 with the announcement of the New Industrial Policy. The passenger car industry was, however, delicensed in 1993.

***Globalization – 2000s***

Early 2000 however saw globalization of Indian auto industry. Several policy changes were introduced with focus on boosting the auto exports. A Core Group on Automotive Research and Development (CAGR) was established in 2003 for encouraging R&D activities. Foreign manufacturers started looking at India for sourcing auto components. The buyers started ruling the market due to the availability of choices in the form of models, price points and brands. A vibrant economy meant an increase in the GDP and per capita income. These factors turned out to be significant contributors in pushing up the domestic demand. The vast geographic spread of India attracted foreign investments. The marquee brands from all over the world started courting Indian consumers aggressively. The mature markets in the developed countries paled in comparison to the sheer numbers and the growth phase of the Indian auto industry.

A World Bank report puts, India up ahead as the fourth largest economy in the world in terms of purchasing power parity. The sales of automobiles have increased due to an increase in income and a rapid increase in private final consumption expenditure.

It is estimated that India will see over Rs 30,000 crore being invested by 2010. This is because Indian auto industry is racing ahead with a healthy growth. The graph below (Fig: 1.2) shows the growth trend in the production of automobiles in million units.



**Fig: 1.2 Growth trend in the Production of Automobiles**

***Developing India's unique automotive market***

Prior to the early 1990s when India opened its, then-restricted market, owning a vehicle was viewed as a luxury and taxed accordingly. During the early 1990s, domestic companies, such as Tata Motors, Maruti Udyog, Mahindra & Mahindra, Hindustan Motors, and Premier, manufactured a relatively small number of vehicles. In the mid-1990s, foreign manufacturers entered the market through JVs with domestic manufacturers as required by the government. This entry raised the level of competition and brought many global suppliers to India to support their manufacturer customers. It was also a time when the Indian population began to adjust to a new, global automotive economy and manufacturers adjusted to their new partners, developed their supply chains, and began to understand India's challenges and the Indian

consumer. In 2000, the government lifted the requirement that foreign companies establish JVs with domestic companies. As its Gross Domestic Product (GDP) grew, India built and sold more vehicles, reaching the 1-million-vehicle mark in the 2004-2005 fiscal year, as shown in (Figure 1.1) In 2006, government support for the industry reached a high point with the creation of the Automotive Mission Plan (AMP). This plan not only documents the importance of the automotive industry to the Indian economy but also the increased support the government will provide through 2016.

### A closer look at the four-wheeler segment in India

The four wheeler segment comprises of the passenger vehicles, utility vehicles and multi-purpose vehicles. India is the 11th largest passenger car market in the world and prominently features on the major automobile players' road map. The passenger cars segment has the largest share in the domestic passenger vehicles industry. It contributes to a total volume of 78% and the rest of the share is enjoyed by utility and sports vehicles. Some of the key players in the market are Maruti Udyog Ltd. Tata Motors Ltd., Hyundai, Toyota, Honda, Ford and General Motors. The newer entrants are the marquee brands like Mercedes-Benz, BMW and Volkswagen.



**Fig : 1.3 Sales trajectory of four wheelers in million units**

The graph (Fig: 1.3) shows the sales trajectory of four wheelers in million units. Car sales in India have risen rapidly since 2006 on the back of strong economic growth and government incentives and this trend will also continue in 2010. Industrial growth has also led to an increase in the multi-utility and the utility vehicles.

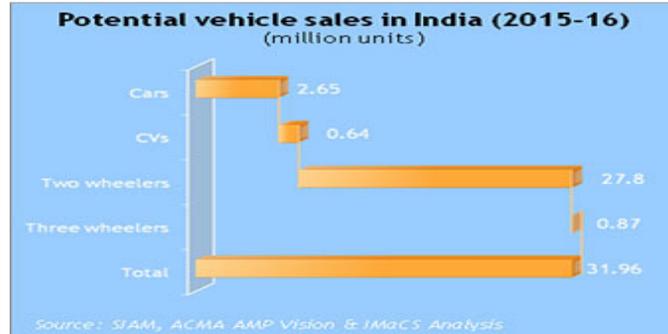
### India's position in the Global Auto Industry

The automotive sector is one of the core industries of the Indian economy. Indian Auto industry has come of age only since the complete de-licensing of 1991. Indian auto industry defied global economic recession and continued to register high sales both in domestic and export markets.

In 2007, India was ranked as the 12th fastest growing market in the world. Presently, India is the 2<sup>nd</sup> largest two wheeler market in the world and 4<sup>th</sup> largest commercial vehicle market worldwide. India is the 11<sup>th</sup> largest market in the passenger car segment globally which is expected to become the 7<sup>th</sup> largest market by 2016.

India holds a total of 3% share in global four wheeler production and ranks 9<sup>th</sup> in the world in the production of cars. There is a huge potential which needs to be tapped through an integrated effort of the government, OEM's and also the auto component manufacturers. India is a base for the manufacturing of small cars and has attracted the attention of global giants for investing in this segment.

The graph below (Fig 1.6) shows that Indian Auto Industry has a potential to sell 31.96 million vehicles by 2015-2016.



**Fig 1.4: Potential vehicle sales in India (2015-2016)**

Source: SIAM

It is expected that Indian automobile industry will be among the world's top five automotive economies by 2025, due to the huge future potential for growth.



**Fig: 1.5: Projections for Production in the Indian Four Wheeler Industry**

Ernst and Young have predicted the Indian passenger car market to grow at 12 percent annually over the next five years to touch 3.75 million units by 2014 from 1.89 million units at present. Analysts with Ernst and Young say that “The industry’s turnover is estimated to touch \$155 billion by 2016, this would make the Indian auto industry the seventh largest in the world, and the third largest by 2030, behind China and the US. “

The government’s Automotive Mission Plan also envisages India emerging as the world’s seventh largest carmaker by 2016, contributing over 10 percent to the country’s \$1.2-trillion economy from under five percent at present.

#### ***The Future of Indian Auto Industry***

According to a report from United Nations Industrial Development Organization’s (UNIDO) in ‘International Yearbook of Industrial Statistics 2008’, India enjoys 12th position amongst top 15 automakers in the world. India is at the 4th position amongst the auto makers of developing countries. By 2016 the size of the Indian automobile industry is expected to grow by 13%, to reach a mark of US\$ 120-159 billion. Presently, India is the 2nd largest two wheeler market in the world and fourth largest

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commercial vehicle market worldwide. With allies in a strong economy, rising demand and financial backing, Indian auto industry is standing at the threshold of success.

### **Objective of the Study**

1. To know the present status of the four wheeler and its prospects in India.
2. To find out the strength and weakness of four wheeler Industries.
3. To undertake a comparative studies of different automobile companies and to identify the financial sound position of a companies.
4. To know the problems and prospects of automobile industry and to suggest the suitable remedies to overcome the problems.

### **Methodology of the study**

#### **Collection of data**

The present study is mainly based on secondary data which were collected from the facts and figures published by Automobile Manufacturers Association of India. Further, the data were collected from time to time from the official Directory of Bombay Stock Exchange. Whenever there were gaps in the above sources, it was supplemented by the other sources like Society of Indian Automobile Manufacturers. (SIAM), Kothari's year Book on Business and Industry and Continuous Monitoring of Indian Economy (CMIE) data base.

Apart from this, information is also tapped from Journals, magazines, related websites and daily newspapers like Financial Express and Economic Times.

#### **Secondary Source**

The study is mainly based on secondary data. The external source includes internet, Published data printed and electronic that is newspapers, Journals, Annual reports, Books etc. The internal source includes Sales records, Distribution reports, Feedback etc.

#### **Selection of samples**

At present there are 28 manufacturing automobiles industries in India. Due to time and cost constraints it was not possible to deal with all the automobile industries. By the help of convenience sampling method eight different automobile industries have selected for the study purpose. The industries have selected by virtue of their long standing existence in the industry, wide product range, extensive manufacturing infrastructure and scale of operations. The selected eight industries are as follows.

##### **1. MEAN**

Arithmetic mean is commonly called as average. Mean or Average is defined as the sum of all the given elements divided by the total number of elements.

##### **2. STANDARD DEVIATION**

**Standard deviation** is a widely used measurement of variability or diversity used in statistics and probability theory. It shows how much variation or "dispersion" there is from the average (mean, or expected value). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data are spread out over a large range of values.

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### 3. T-TEST

It is most commonly applied when the test statistic would follow a normal distribution if the value of a scaling term in the test statistic were known. When the scaling term is unknown and is replaced by an estimate based on the data, the test statistic (under certain conditions) follows a Student's *t* distribution.

It reads: mean 1 minus mean 2 divided by the square root of (variance 1 plus variance 2, over n)

- $X_1$  is read as  $\bar{x}_1$  and is the mean of the first group;
- $X_2$  is read as  $\bar{x}_2$  and is the mean of the second group;
- The variance is the standard deviation squared (hence  $S^2$ ).
- The subscript numbers (1 and 2 to the bottom right of the  $x$  and  $S$  in the formula) refer to group 1 and group 2

### Major conclusions

1. Tata Motors and Maruti Suzuki are the most profitable company in the automobile industry, but this has comparatively not managed well their resources in an efficient way. Hence, there is further opportunity with these two to maximise their profit by reducing their cost.
2. Mahindra & Mahindra has kept its Cost of production per unit of sales at lowest possible by using its resources in most efficient manner followed by Ashok Leyland.
3. Hindustan Motors and Swaraj Mazda cost of production was high due to the fact that it is labour oriented unit and labours are permanent in nature. Hyundai Motors cost of production was high due to manufacturing cost and it has to be reduced to increase the profits. Force motor, being the poorest in cost management, consequently being the least profit making company in the industry.
4. From the overall profitability analysis it is found that Tata Motors stands a No1 Tata Motors rank no.1 as it has presence in all segment of passenger and goods carrying Vehicle. It is considered as the leader of Industry.
5. Maruti Suzuki and Mahindra & Mahindra is the cut throat competitor. Both are in car and SUV segment.
6. Hyundai and Ashok Leyland respectively is the market competitor. Hyundai is leading Ashok Leyland due to presence in car and SUV segment; buyer is more in car and SUV segment.
7. Hindustan Motors and Force Motors are the cut throat competitors.
8. Swaraj Mazda is laggard and has to face heavy losses if any innovative idea is not implemented.

### RECOMMENDATIONS AND SUGGESTIONS

1. By analyzing the industry on various parameters with the help of implementing fundamental and technical tools, we came to know that this industry has a lot of potential to grow in future. So it can be recommended investing in four wheeler Industry, is going to be a good and smart option, as this industry is booming like never before, not only in India but all around the world. The returns which came out of this industry were very impressive recently, as if we take an example of TATA Motors it gives approx. 90% return in a period of just 3 months while Maruti Suzuki , Mahindra & Mahindra, Ashok Leyland, Swaraj Mazda, Force Motors, show always a buy and hold position because there is possibility of growth in future.

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2. Hyundai Motors shows the sell position as the financial position of the company is not sound and it should try to merge with any other four wheeler industry.
  3. Through technical analysis of the companies it was found that there is scope in further rise in share prices of TATA Motors and Maruti Suzuki until and unless any negative reaction or sentiments comes in the economy.
  4. The four wheeler companies like TATA Motors, Maruti Suzuki, Mahindra & Mahindra, Swaraj Mazda, Ashok Leyland are paying more than 20% dividend to their shareholders they have to take social responsibility and do the social work for the society. Government has to take such type of steps for growing economy.
  5. The success of the firm depends upon the competence and calibre of the officers who are working at managerial as well as technical level. The companies incurred losses over a period of time because of untrained labour, inadequate qualifications and non availability of experts. Therefore training and orientation programs should be conducted regularly.
  6. High technology tools and machines should be installed so that production can be increased along with quality assurance and production cost can be controlled effectively.
  7. Vendor development programmes to be conducted.
  8. Rural base vehicle to be manufactured to increase the sales in rural area.
  9. Government and respective authorities has to improve the road conditions in the village so that four wheeler markets increase automatically.

### **Concluding Remark**

1. Indian Automobile Industry is in the growth phase and the expected growth rate is 9-10% for the financial year 2009-10 as compared to last year growth rate which was just 0.7% .
2. Indian Automobile has a lot of scope in four wheelers due to development in infrastructure of the country.
3. According to Indian Statistical Organization, the per capita income (Rs.38000) is increasing and national income at the rate of 14.4%, which shows potential to buy vehicle in auto industry. The growth rate of Indian Automobile is so fast that by 2016 Indian Industry will be world 7 largest manufacturers in all sections.
4. The Indian auto market is still untapped, the majority of the people in country, don't own a four wheeler, and all the major auto companies are trying to increase their sales by several moves. Like TATA has launched NANO, the people's car and now TATA Motors is also planning to come up with an electric car as well as hybrid car.
5. From the Technical Analysis of the companies it is found that the share price of Tata Motors will move in the range of Rs.450 to Rs.510, Hyundai Motors in the range of Rs 20 to Rs.23, Force Motors in the range of Rs.120 to Rs.160, Mahindra & Mahindra in the range of Rs.370 to Rs.420, Maruti Suzuki will move in the band of Rs.1425 to Rs.1550, Swaraj Mazda in the range of Rs.200 to Rs.215 and Ashok Leyland will move in the range of Rs.30 to Rs.39 if certain correction made in the market.

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6. We have also come to know that share price movement of TATA Motors is just according to the movement of SENSEX, whenever there is a negative sentiment in the market regarding TATA Motors here is a steep fall in the stock price of TATA Motors, however, we have seen quick recovery in its share prices to regain its primary trend. For example: As we seen in last 3-4 months TATA recovers approx.90% after downfall.
  7. By analyzing the current trend of Indian Economy and Automobile Industry we can say that being a developing economy there is lot of scope for growth and this industry still have to cross many levels so there is huge opportunities to invest in and this is proving as more and more foreign companies setting up there ventures in India.

In the present study, the Automotive Industry being one of the key industries in India has received due attention and concerted efforts are being made for the rapid development of the Industry. These are well supported by various Government initiatives towards the development of the Indian Automotive Industry. The brief analysis above gives the optimistic view about the industry and the overall industry shows a positive growth which recommends the investors to keep a good watch on the major players to benefit in terms of return on investments. This analysis helps us to know the actual position of the industries in the present scenario.

Eventually, it will be observed from the present study that this research methodology and findings may help in better functioning of the industries and may provide a good platform for further specific research activities in more detail.

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