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## Prestige International Journal of Management and Research

The International Journal provides a forum for interdisciplinary discussion and attempts to serve as a bridge between the scholar and the practitioner. The main aim is to keep readers abreast of developments and new techniques in all articles in any functional area of management. Empirical studies are desired especially from comparative cultural point of view. Its ambit includes a clear focus on the practical problems and their effective solutions in business enterprises as well as socially oriented non-profit seeking organisations and institutions. The case studies, besides evaluative review of literature are also included in the journal.

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## A STUDY OF SEMESTER SYSTEM PATTERN IN SCHOOLS: AN EMPIRICAL STUDY

Jigna Chandrakant Trivedi\* and Bindiya Kunal Soni\*\*

*Indian education system which has a long and interesting history has undergone a paradigm shift from knowledge dissemination to knowledge creation. Many structural reforms have been introduced from time to time in Indian education system and the introduction of semester system in schools and higher education is one of them. Semester system is not only an examination system rather an education system with motto of continuous, comprehensive and in-depth learning aiming at capacity building of the students. The main objective of this study is to analyze the perceptions of teachers and parents of Anand and Gandhinagar district towards implementation of semester system in schools. The findings of the study revealed that teachers and parents do not favour the semester system of examination.*

### INTRODUCTION

The role of education is widely recognized as the foundation of social and economic progress. Skills and knowledge are the engines for economic growth in the era of globalization. India is in transition to become a knowledge based economy and this transition will require India to develop workers into knowledge workers, who will be more flexible, analytical, adaptable and multi skilled. To achieve this goal, India needs flexible education and training system that will provide the foundation for learning, secondary and tertiary education and to develop required competencies as means of achieving life-long learning (Goel, N.D.). Government of India is taking lot of initiative in this field, which is reflected in the fact that the literacy rate jumped from 18.3 percent in 1950-51 to 74.04 percent in 2010-11 (Gakhar and Kour, 2012).

Mahatma Gandhi once said that education not only moulds the new generation, but reflects a society's fundamental assumptions about itself and the individuals which compose it. Schools have become the most important means of transforming wealth of knowledge and skills from one generation to another (Chakrabarty, 2011). Lot of innovations and changes are taking place at the school level education these days. One such change is adoption of semester system of teaching and examination. The present study focuses upon the impact of this change considering the

opinions of teachers and parents towards this transition from annual examination system to that of semester.

### Conceptual Framework

There are 29 states and 7 Union Territories in India. Earlier, the states had complete authority on deciding and implementing policies related to schools. However, with a constitutional amendment in 1976, school education policies and programmes are suggested at the national level by the Government of India (GoI) though the state governments have a lot of freedom in implementing programmes. There is a national organization called the National Council for Educational Research and Training (NCERT) that prepares a National Curriculum Framework. Each state has its counterpart called the State Council for Educational Research and Training (SCERT). These are the bodies that essentially propose educational strategies, curricula, pedagogical schemes and evaluation methodologies to the states' departments of education (Kumar, 2011).

All the States and Union Territories (UTs) of India have adopted and implemented a uniform structure of school education i.e. 10+2 system. Nevertheless, few variations in terms of number of classes constituting up to Primary, Upper Primary, Secondary and Higher Secondary school stages, age for admission to class I, medium of

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instruction, examinations, teaching of Hindi and English, number of working days in a year, academic session, vacation periods, fee structure, compulsory education etc; are observed within the States and the UTs (Education System in Gujarat, GIDB, n.d.)

In Gujarat, the education system with respect to schooling is divided into some distinct stages viz. Pre-Primary (Pre-Nursery, Nursery, Lower Kindergarten and Upper Kindergarten), Lower Primary (Class I to V), Upper Primary (Class VI to VIII), Secondary (Class IX to X) and Higher Secondary (Class XI and XII). Higher and technical education is provided through universities and colleges in the general higher education category (arts, science and commerce) and technical education category (engineering, pharmacy, management, agricultural sciences etc.).

Education department, Government of Gujarat has implemented many innovative measures for formal assessment of students' learning in schools and the introduction of semester system is one such practice in the sphere of examination, where instead of conducting terminal examination once in a year, two times examination are to be held in a year. Terminal exams included 1<sup>st</sup> terminal exam (6 monthly), 2<sup>nd</sup> terminal exam (9 monthly) and Final exam (at the Year end) followed with at least two unit test at regular intervals between two terminal exams. According to the Dictionary of Education, semester means half of the academic years usually 16 to 18 weeks. The course which is taught in one year is divided in to two halves and examinations can be held at the end of each semester (Malik, 2013). For Gujarat Secondary and Higher Secondary Education Board, semester system of examination is implemented from first standard till 12<sup>th</sup> standard science stream except that in 11<sup>th</sup> and 12<sup>th</sup> commerce stream old pattern of annual/terminal examination system is still prevalent.

In this semester system of examination, both the formative and summative approaches to assessment are employed. The goal of formative assessment is to monitor student learning to provide ongoing feedback that can be used by instructors as well as students. Through formative assessment, teachers can recognize where students are struggling and address problems immediately and students can identify their

strengths and weaknesses and target areas that need work. While summative assessment is to evaluate student learning at the end of an instructional unit by comparing it against some standard or benchmark. This may include mid term exam, final paper, project etc. (Eberly Centre for Teaching Excellence, n.d.). In the semester system of examination there are two formative and one summative assessment during a particular semester. So, overall in the semester system there is a continuous and comprehensive assessment of students, while in the annual system of examination, the major emphasis was only on summative assessment.

## REVIEW OF LITERATURE

National Knowledge Commission from time to time has suggested many changes in policy framework related to education system in India. Transition from annual system of assessment to modular system or semester system is one such change. Few studies have been conducted so far to analyze the effectiveness of semester system over the annual system by surveying the opinions of teachers and students in different countries and states. The following section presents a brief review of such studies and thereby highlights the research gap.

Chenny et.al. (2005) presented a profile of Indian education system in a paper presented for New Commission on the Skills of American Workforce portrayed exhaustive information on the gross enrollment of the students along the primary, secondary and tertiary education stages along with the governance of the sector. Malik (2013) examined implement ability of semester system in Under graduate courses of Calcutta University by surveying the teachers of Government and Aided colleges. The findings suggested that only 30 percent of teachers favour this system. Pental (2009) presented the rationale for introduction of semester system in undergraduate courses at the University of Delhi to all the university stakeholders. Apart from highlighting the benefits, he also outlined the blueprint for implementation of semester system.

A study was conducted, which evaluated semester system and its implementation in Assam and stated that semester system is introduced in Assam by Gauhati University from the academic

year 2011-12 in haphazard way and it is necessary and urgent to address the issues such as resources, student-teacher ratio, internal evaluation system etc. as soon as possible. Pabla (2014) made a comparative study of semester system and annual system of education by surveying teachers of various degree colleges of Mandigobindgarh town of Fatehgarh Sahib in Punjab. The study revealed that the annual system of education, wherever it is being followed, is being much preferred to semester system by the college teachers of degree colleges despite good merits of the semester system.

While reviewing the literature it was observed that many such studies on semester system in education are conducted in Pakistan. Aslam et al. (2012) analyzed factors affecting students' satisfaction regarding semester system in universities of Pakistan. The findings suggest that semester system is perceived to be most effective way of effectual learning; however, the satisfaction level of students can be enhanced by collaborative efforts of teachers and students. Teachers' efforts and behavior are the main factors which are directly related to the students' satisfaction. One more study in Pakistan by Munshi et al. (2012) on semester system highlighted that teachers favour the system more as compared to the students. Yousaf and Hashim (2012) have conducted a study on annual and semester systems of examination on Government College of Management Sciences, Peshawar, Pakistan; by surveying 50 students of B.com. and B.B.A. colleges. The findings revealed that the students secured comparatively good marks under semester system than annual system of examination.

Besides the empirical work on semester system, there are conceptual studies on strength and weaknesses of semester system. Upase (2013) viewed the strength of such system as easy learning, less absenteeism of students, depth of knowledge, quick responsive system etc. The weaknesses are highlighted as short time, forgetting the subjects quickly, load of exams and assessment, increase in expenditure related to study material and stationary etc.

From the literature review as discussed above, it may be noted that majority of the studies tried to articulate the perceptions of teachers and students for the semester system in colleges and

universities. However, studies on semester system of education in schools are few and far between. Besides, no such studies could be found for the state of Gujarat. The present study is a different one as it takes in to consideration the opinions of parents besides the teachers. Therefore, in a nutshell the research aims to fill the gap by highlighting the opinions of teachers and parents for semester system in schools for the Anand and Gandhinagar district of Gujarat.

## OBJECTIVES OF THE STUDY

1. To recognize the teaching pedagogy followed pre and post implementation of semester system at school level.
2. To empirically evaluate the opinion of teachers and parents towards implementation of semester system at school level.

## METHODOLOGY

*The Study:* The study is to analyze the perceptions of teachers and parents of Anand and Gandhinagar district towards **implantation** of semester system in schools.

*The Sample:* A systematic sampling plan was adopted to study teachers and parents' opinion. The total sample of 100 respondents including 50 school teachers and 50 parents were taken.

*Tools for Data Collection and Analysis:* Factor analysis and t test were used for analyzing the data. The questionnaire was prepared in English and translated into Gujarati too. 50 questionnaires each were given to teachers of English and Gujarati medium, who taught the subjects in 8<sup>th</sup> Standard and above. Similarly 38 questionnaires each were given to those parents whose children studied in English and Gujarati medium of 8<sup>th</sup> Standard and above.

## RESULTS AND DISCUSSION

The findings of the study can be broadly categorized in two sections viz., Section I and Section II describing analysis of teacher's opinion and analysis of parent's opinion towards implementation of semester system in schools respectively.

### Section I Analysis of Teachers

*Teachers Opinion on Semester System:* Teachers' opinion regarding semester system was rated

on a 5 point likert scale, which was tried to synchronize through factor analysis.

$H_{01}$ : Variables are uncorrelated in the population.

$H_1$ : Variables are correlated in the population.

From table 3 it may be inferred that the KMO value is  $0.76 > 0.5$ , which represents that factor analysis is appropriate. As per Bartlett's test of sphericity the Chi-Square value is found as high as 435.92 and the significance value is  $0.00 < 0.05$ , i.e.  $H_0$  is rejected.

*Impact of Semester System on Children:* Teachers' were probed to rate on a 5 point likert scale, the impact of semester system on children. Their opinion was tried to synchronize through factor analysis.

$H_{02}$ : Variables are uncorrelated in the population.

$H_2$ : Variables are correlated in the population.

From table 5 it may be inferred that the KMO value is  $0.79 > 0.5$ , which represents that factor analysis is appropriate. As per Bartlett's test of sphericity the Chi-Square value is found as high as 431.52 and the significance value is  $0.00 < 0.05$ , i.e.  $H_0$  is rejected.

*Difficulties Faced by Teachers' in Semester System:* A multiple choice dichotomous question was asked to teachers' in order to identify the difficulties faced by them in semester system. The result of the positive response of the same is described in table 7.

It may be inferred that student's retention power is decreasing due to stress level and teacher's are burdened with lot of administrative and record keeping responsibility. The true essence of education is lost in such messy environment.

*Teachers Opinion on Education System Pre & Post Semester Implementation:* Teachers were asked to comment on the 5 point likert scale with respect to education system before and after the implementation of semester system. A hypothesis was framed for the same and tested using paired sample t-test.

$H_{03}$ : There is no significant difference in the education system pre and post implementation of semester system.

$H_3$ : There is a significant difference in the education system pre and post implementation of semester system.

"There was a significant difference in the scores for pre-semester ( $M=3.96$ ,  $SD=0.80$ ) and post-semester ( $M=3.18$ ,  $SD=0.96$ ) conditions;  $t(99)=5.47$ ,  $p=0.00$ ". It indicates that pre-semester, the education system was good and post-semester, it was found to be average. It connotes that after the implementation of semester system the education at school level has deteriorated.

## Section II Analysis of Parents

*Mode of study and Expense towards Education:* Apart from regular schooling, 60 percent students attend coaching classes, 28 percent opt for self-study and 12 percent parents teach their children. Modal (Z) school tuition fees expense per child is Rs.1,480. On an average (X) parents spend Rs.1,300 per child as school tuition fees. Median (M) tuition fees amount is Rs.800. Maximum monthly fees paid towards school tuition fees is Rs.11,000. It could be inferred that in grant-in aid school the fees level is low compared to private non-granted schools. Apart from school fees, the additional expense such as transportation expense, books, stationery and personal tuition fees is Rs.2,000 per month per child is incurred by maximum number of parents.

*Parents Opinion on Semester System in School:* Average rating exceeding three (3) represents agreement for the statement and ratings below 3 depicts disagreement for the statement. A SD of less than 1 indicates strong consensus in the response of the parents.

*Parents Opinion towards Impact on Children due to Adoption of Semester System:* Rating exceeding three (3) represents agreement for the statement and ratings below 3 depicts disagreement for the statement. A SD of less than 1 indicates strong consensus in the response of the parents.

*Parents Opinion towards Study Material:* Parents were asked to rate their opinion on a 5 point likert scale regarding the study material. Parents opined that the content in the book was not theo-

retical ( $X=2.64$ ,  $SD=1.03$ ); complete sense of chapter was missing ( $X=3.12$ ,  $SD=1.08$ ); colourful pictures made attractive layout ( $X=3.64$ ,  $SD=0.93$ ); in-between insertion of activities broke chapter continuity ( $X=3.05$ ,  $SD=1.20$ ); placement of activities in chapter helped in quick understanding of concept ( $X=3.47$ ,  $SD=0.99$ ); non-availability of books at the inception of semester lead to difficulties ( $X=3.64$ ,  $SD=1.09$ ) and due to shorter duration, reluctance of private publishers to print semester wise subject wise supportive study material ( $X=3.36$ ,  $SD=1.02$ ). It was learnt that at times the semester was about to complete, still the books and other study material was not readily available in the market. This made the teaching directionless.

*Parents Opinion towards Rating, Perception and Abolition of Semester System:* 86 parents rated "average" to semester system of teaching. 55 percent and 45 percent considered it to be stress-free and stressful respectively. 31 percent, 43 percent and 26 percent casted a favourable, unfavourable and can't say vote respectively towards abolition of semester system. It was noticed in the survey that majority of the parents were sending their children for tuitions as they found it difficult to teach their children in the environment of new methods adopted by school teachers in dealing with varied subjects. The way parents had studied the subject and the way the subject was taught to students in schools was quite different so it was difficult for parents to switch over from conventional teaching methodology. It was also cited that parents were working so; they hardly had any time to teach their kids. Amidst all the stated reasons parents had very shallow knowledge of the current semester system. They just looked at the end result that is the marks scored by the children in the exam.

*Parents Opinion on Teaching Methodology:* 68 percent and 32 percent parents respectively opined that present teaching methodology is value for money and non-value for money. 54 percent insisted to revert on the earlier teaching methods (non-semester) whereas 46 percent emphasized on the current semester method. 71 percent favoured unit test over weekly test and 29 percent disapproved the concept of unit test. 59 percent insisted on terminal exams 41 percent

did not favour terminal exams. 49 percent parents insisted on coverage of important topic of earlier terminal exam and full portion of after terminal exam, 28 percent suggested including only that portion which was covered after terminal exam as syllabus of final exam and only 23 percent parents underlined to include full portion as syllabus in final exam. Recurring expense on projects and other activities casted an impression in the mind of the parents that present semester system is quite expensive without any concrete foundation of concepts. The irony was revealed that majority of the parents completed the student's assignment of project preparation, as students were burdened with lot of homework and tuition work. This depicted a clear mar of assigning projects to students to enhance their creativity.

#### Parents Opinion on Education System Pre & Post Semester Implementation

A hypothesis was framed for the same and tested using Wilcoxon Signed Ranks Test.

$H_{04}$ : There is no significant difference in the education system pre and post implementation of semester system.

$H_4$ : There is a significant difference in the education system pre and post implementation of semester system.

"A Wilcoxon Signed-ranks test indicated that there was no significant difference in the scores for pre-semester and post-semester conditions;  $Z=-1.53$ ,  $p=0.13$ ". Descriptive statistics indicates that pre-semester, the education system was good ( $X= 3.79$ ,  $SD = 0.91$ ) and post-semester, it was found to be average ( $X= 3.43$ ,  $SD = 1.17$ ). In the qualitative discussion it was noticed that parents had high hopes with the implementation of semester system i.e. they believed that new teaching method would bring a sea change and provide more practical knowledge to the students as compared to conventional teaching method. On the contrary it was noticed that current system even failed to build a concrete conceptual clarity and platform for students. Multiple subjects were covered in no time. Thus, the standard was expected to go from good to excellent but in reality it went downward to average level indicating deterioration.

## CONCLUSION

The consolidated opinion of teachers and parents of dual medium indicated that education system pre-semester was good when compared to post-semester. The current system superficially covered the subject, without building a strong foundation for students. With the advent of semester system students have adopted a mentality of scoring marks and not knowledge, they believe in cramming rather than understanding and deploy shortcuts of omitting or taking out things in option as they were perceived to be difficult and non-repetitive in nature. Thus, it is believed that such a feeble education system should be abolished. Basket full of marks with no practical insights will lead students nowhere. Such a system which do not produce think tank attitude, hard-work principle, knowledge thirstiness among students is useless in the most practical and competitive environment of today. From the view of teachers, it was found that they were constantly kept busy in administrative formality of assessment and continuous evaluation. If teachers have to continuously divert their energy towards such work they won't be able to upgrade their skills and knowledge. If teachers are preoccupied in stereotype work, then they would not be able to find time to do something creative in imparting knowledge to students. If creativity is killed it kills the growth of students, teachers and nation.

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**Table 1 Research Methodology Adopted for Empirical Study**

Parameters	Survey of Teachers	Survey of Parents
Research Design	Descriptive Method	
Sampling Method	Non-probability Snowball sampling	
Sample Size and Sample Size Determination	$100, n = Z^{2*} p^* q/e^2, \text{i.e. } (1.96)^{2*} (0.5) (0.5) / (0.10)^2$	$76, n = Z^{2*} p^* q/e^2, \text{i.e. } (1.96)^{2*} (0.5) (0.5) / (0.11)^2$
Sampling Area	Anand and Gandhinagar	
Sampling Unit	Schools	Households
Sampling Element	Teachers teaching in class above 7 <sup>th</sup> Standard	Parents of those children who are studying in class above 7 <sup>th</sup> Standard
Research Approach	Survey	
Research Instrument and Contact Method	Questionnaire filled through personal visit	
Data Collection	Primary and Secondary	
Data Processing & Management	Excel 2007 and SPSS 20	
Data Analysis	Frequency distribution, cross tabulation, descriptive statistics such as mean, median, mode, standard deviation	
Inferential Statistics	Paired t-test and Factor Analysis	Wilcoxon Signed-ranks test

**Table 2 Elementary Teaching Demographics**

Variables	Observed Statistics	Interpretation
Board Implementation	95 percent teachers taught in GSEB and 5 percent taught in CBSE board.	GSEB board is quite popular with respect to Anand and Gandhinagar region. Majority schools have adopted this board.
Teaching Experience	Mean (X)=13.66 years, Median (M)=13.50years, Mode(Z)=12 years, Standard Deviation (SD)=8.2years, Minimum (Mini.)=1 year and Maximum (Maxi.)=33 years	Maximum teachers possessed teaching experience of 12 years. Experience in double digit suggests that teachers are well versed with the new (semester) and old (terminal) system of teaching. The junior most and the senior most teacher is accustomed to semester system and both the type of system respectively.
Teachers Qualification	Bachelor in Education (B.Ed.) 82 percent, Masters in Education (M.Ed.) 10 percent, Primary Teacher Training (PTC) 4 percent and Others 4 percent.	The prerequisite qualification to be a teacher is graduation and either B.Ed or M.Ed or PTC. Such elementary qualification provides a gate-pass to enter the schools at different levels of school (Pre-primary, primary, secondary, higher secondary). Couple of teachers was found distinct learners who pursued higher level of qualification even if they possessed the elementary level of qualification. The drive of such enthusiastic teachers was found in terms of their completion of Ph.D.

Clearance of Teachers Aptitude/ Eligibility Test (TAT, TET) Exam	13 percent of teachers have cleared TAT and 87 percent do not possess TAT clearance.	It is a new initiative floated by government to train teachers so that in turn they can be good trainers and mentors for students. TAT/TET exams are not compulsory so the enrollment ratio is low.
Teaching Imparting Levels	11 percent, 36 percent, 34 percent, 11 percent, 8 percent in 8 <sup>th</sup> , 9 <sup>th</sup> , 10 <sup>th</sup> , 11 <sup>th</sup> , and 12 <sup>th</sup> class.	Analysis of the positive response of multiple choice question revealed that one teacher often teaches in more than one class according to his or her area of specialization. This is a common practice followed across all schools.
Medium of Instructions	29 and 60 teachers teach in English and Gujarati medium respectively. 7 teachers teach in both the medium.	According to their core competency of medium of language, teachers impart knowledge to students. Sharing of knowledge in dual medium was found with respect to the same type of a higher and lower level subject like English or Gujarati, which in fact was the key area of teacher.
Subjects Taught	19 percent, 6 percent, 9 percent, 12 percent, 18 percent, 5 percent, 13 percent, 6 percent, 12 percent teach Mathematics, English H.L., English L.L, Social Studies, Science, Gujarati H.L., Gujarati L.L., Hindi and Others (P.T., Accounts, Statistics, Economics, Chemistry) etc respectively.	Opinion of teachers teaching various types of quantitative, theory subjects and teachers teaching in different disciplines like Science, Commerce and Arts were taken to study the impact of semester system across different streams and different types of subjects.
Number of students in one class	X= 59, M and Z=60, SD =21, Mini.=25 and Maxi.=195 students	The modal class size was found to be 60 students. Higher SD was found on account specialization classes in which number of students opting for certain subject differed significantly. Some of the teachers were meticulous enough to add the total number of students whom they taught in different sections and came out with the highest maximum number.
Exam System	All 100 teachers followed viz., mid-semester and end-semester exam pattern.	The semester system prescribes the standard pattern of mid and end semester exam, which is strictly adhered in all schools and across specified classes.
Test and Frequency of Test	All the teachers take test apart from exam. 51 percent, 30 percent, 18 percent, 1 percent teachers take monthly, fortnightly, weekly and daily test respectively.	Continuous evaluation is a rigorous process of testing the students continually. Depending on the type of subject, teaching load and number of classes' teachers carry out test schedule for students. Continuous evaluation depends on the sole discretion of the tutor.

(Source: Primary Output)

**Table 3 Test Statistics for KMO and Bartlett's Test of Sphericity**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.76	Approx. Chi-Square	435.92
df	105	Sig.	0.00

(Source: SPSS Output)

**Table 4 Factors Based on Rotated Component Matrix**

Name of the Factor	Variable	Factor Loading
Shorter Time Span	Semester period less than 6 months	0.82
	Subjects taught for short period	0.61
	Student are lead nowhere	0.58
	Students too young for system	0.62
Multiple Subjects	New subjects a tedious task	0.80
	Teaching of various subjects	0.75
Superficial Coverage & Burdensome Pedagogy	Fast syllabus coverage	0.64
	Missing of subject coverage depth	0.63
	Many assignments for too young students	0.72
	Constant memorizing irrespective of understanding	0.62
Test Pressure	Weekly test	0.77
	Exams burden	0.64
	No time for revision	0.51
Dearer Study Material	Expensive affair of change of books	0.93

(Source: Authors Compilation)

**Table 5 Test Statistics for KMO and Bartlett's Test of Sphericity**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.79	Approx. Chi-Square	431.52
df	66	Sig.	0.00

(Source: SPSS Output)

**Table 6 Factors Based on Rotated Component Matrix**

<b>Name of the Factor</b>	<b>Variable</b>	<b>Factor Loading</b>
Weak Foundation	No scope for practical learning	0.77
	Lack of clarity in basic concepts	0.75
	Base in quantitative subjects remain weak	0.80
Bookworm Thinking	Parents and children are busy	0.71
	No time for practice	0.77
	No engagement in favourite hobby	0.80
Loaded and Unexciting feeling	Children lose interest	0.86
	Not able to concentrate	0.70
	Multiple subjects and shorter study period	0.69
Omitting and Cramming Attitude	Marks oriented and not knowledge oriented	0.83
	Mindset of treating subject as important for a particular semester only	0.63
	No clarity and easily take out things in option as subjects are non-repetitive	0.53

(Source: Authors Compilation)

**Table 7 Difficulties Faced in Semester System**

<b>Problems</b>	<b>Percent</b>	<b>Problems</b>	<b>Percent</b>
Time shortage	9	No time for extracurricular activities	12
Heavy administrative work	10	Lower level of quality of education	9
Time devotion in preparation of test material	11	No time for practical or extra knowledge sharing	9
Time consumed in paper setting and checking	8	Stress of syllabus completion and preparation of new subject in new semester	6
Students learn new things but tend to forget old things	13	Increase in administrative and record keeping work	13

(Source: SPSS Output)

**Table 8 Evaluation of Semester System**

<b>Variables</b>	<b>Observed Statistics</b>	<b>Interpretation</b>
Outcome of Semester System	Students end up learning limited things (41 percent), Base remains weak (24 percent) and Students do not learn the lesson of hard-work and practice (35 percent).	Teachers believe that completion of syllabus is always race against the time. In such a scenario subjects are taught at a fast pace. The end result is multiple new subjects are taught without the actual depth.
Rating of Semester System	On a 5point likert scale from very good to very poor teachers were asked to rate the semester system. $X=3.33$ and $SD=0.74$	All the respondents opined that semester is an average system. The lower SD indicates a strong consensus in the response of teachers. Thus, semester system has a big-bang outcome.
Abolishment of Semester System	47 percent teachers expressed a positive reply towards abolishment of semester system. 24 percent are against the dropping of the semester system and 29 percent have expressed their opinion in can't say category.	Majority of the teachers do not favour semester system. In the qualitative discussion it was known that 29 percent teachers considered it too early to comment on the semester system. They believed in wait and watch strategy.
Perception of Semester System	57 percent and 43 percent teachers expressed semester method as stressful and stress free respectively.	A continuous cycle of teaching and taking multiple tests at regular intervals puts undue pressure on the minds of the students.

(Source: Primary Output)

**Table 9 Evaluation of Semester System**

<b>Variables</b>	<b>Observed Statistics</b>	<b>Interpretation</b>
Reverting on Old Teaching Method	62 percent teachers preferred to revert to old method of teaching. 38 percent did not favour to switch from semester system.	Pre-semester system is a time-tested and successful method of teaching. In the qualitative discussion with teachers it was learnt that old pattern of teaching assured a stronger base, conceptual clarity and a stress free study environment for students.
Favouring Unit Test over Weekly Test	68 percent favoured and 32 percent refrained to favour unit test methodology.	Unit test is conducted after the completion of a module. This ensures coverage of many chapters under test at a point of time. Since it is not taken on weekly basis, it ensures that students get adequate time to study and cover maximum chapters of a module under the unit test. In fact it facilitates pre-preparation to terminal exams.
Favouring Terminal Exam System	76 percent favoured it and 24 percent disapproved the same.	Terminal exam systems were taken at regular intervals. In the final exam important topics were repeated, which was an attempt to revise and recall the already taught things. It emphasized concept clarity and removal of forgetful attitude.

Syllabus Inclusion in Final Exam	30 percent emphasized full portion, 34 percent proposed that only that portion which is covered after terminal exam and 36 percent recommended that important topic of earlier terminal exam and full portion of after terminal exam must be included.	At the yearend a revise, recall and rewrite pattern of exam strengthens the academic base of students. In reality if the base of one standard is strong it quickly helps the students to learn new concepts easily.
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(Source: Primary Output)

**Table 10 Parents Opinion on Semester System**

Statement	Mean	SD	Statement	Mean	SD
Longer duration teaching	3.18	1.03	Monthly exams	3.18	1.06
Stressful weekly test	2.96	1.22	No burden of exams	3.26	1.23
Fast syllabus coverage	3.89	3.51	No time for revision	3.16	1.06
Shorter duration	3.07	1.33	Tedious task of new subjects	3.20	3.61
Shallow subject knowledge	2.87	1.14	Weak base	3.76	4.80
Burdensome assignments	3.20	1.22	Huge time consuming projects	3.86	1.07
Superficial subject knowledge	2.92	1.09	Mugging instead of understanding	3.45	1.12
Benefit of studying various subjects	3.37	0.95	Children are young for such system	2.99	1.13
Expensive affair of change of books	3.66	1.20	Non timely availability of books and reading material	3.93	0.90

(Source: Primary Output)

**Table 11 Impact on Children**

Statement	Mean	SD	Statement	Mean	SD
Losing interest in studies	2.87	1.05	No concentration in studies	3.78	4.9
Multiple subjects with shorter study period	3.43	1.11	Busy schedule for parents and children	3.47	1.01
Insufficient practice time	3.51	1.00	No time for engagement in hobby	3.45	1.12
Continuous evaluation casts pressure	3.97	3.15	No scope for practical learning	3.32	0.99
Lack in clarity of basic concepts	3.24	0.96	Exams burden parents	3.26	1.06
For quantitative subjects very less practice and learning time	3.57	1.18	More of marks orientation	4.12	0.94
Mindset of importance of subject for particular semester only	3.57	1.22	Indifference to omission as no fear of future subject repetition	3.72	1.15

(Source: Primary Output)

## ASSESSING CONSUMER PREFERENCES TOWARDS PRIVATE LABEL BRANDS AND THEIR IN-STORE EXTRINSIC CUES

Pragya Jaroliya\*

*Growth of organized retail chain in India has led to growth of private label brands. In order to be truly successful, retail industry is diverting from national brand mindset to a new private label paradigm. It is considered to be a great competitive tool to improve store image, greater market shares and greater profits. Additionally, private label retailers have big competitive advantages to set the prices, shelf space and promotions, which are more appealing to consumers. Given the lack of studies undertaken for understanding Indian customers' attitude and perception towards private label brands, the present study has been undertaken to gain an insight for the same.*

### INTRODUCTION

The Indian retail industry is the fifth largest in the world. Over the last few years, it has become one of the fastest growing industries in India and has strong linkages with the economic growth and development of the economy. Though initially, the retail industry was mostly unorganized, however with the change of tastes and preferences of consumers, the industry has gradually become more organized. India's retail growth is largely driven by increasing disposable incomes, favorable demographics, changing lifestyles, growth of the middle class segment and a high potential to penetrate into the urban and rural markets.

Growth of organized retail industry in India has also led to growth of private label brands. In order to be truly successful, retail industry is diverting from generic brand mindset to a new private label paradigm. Initially, growth of private label brands in India has been limited to certain categories like grocery and apparel, but has slowly expanded into other categories. Many retailers have begun to describe the private label brands as their own brands because it provides recognition to the retailers and represent momentous power and potential for the retail store. Private labels enable retailers to offer products at a better price attracting footfalls to the store and in turn not only translates to better margins but also enhances retailers bargaining power with supplier.

The Private Label Manufacturers Association defines private label brands as being sponsored or owned by retailers, wholesalers or distributors and are sold privately in their stores (De Wulf et. al, 2005). Nair (2011) explained that a private-label product is a manufactured good that a retailer purchases from a supplier, with the intention of renaming, repackaging and selling it under the distributor's own brand name. Lincoln and Thomassen (2008) define private labels as retailer brands which are owned and sold by the retailer as well as distributed by the retailer. Private label brands are liked by retailers because of their potential to increase store loyalty, chain profitability, control over shelf space, bargaining power over manufacturers, and so forth (Richardson et al., 1996). Among consumers, one obvious reason for popularity and growth of private label brands is their price advantage over national brands (Batra and Sinha, 2000). Nevertheless, high quality seems to be more important in determining private label brands success than lower price (Hoch and Banerji, 1993; Sethuraman, 2006).

According to Agarwal (2012) private labels are getting retailer attention due to profitability promise. Private label are increasingly gaining significance due to which, most of the department stores, supermarket chains, hypermarket chains and discounters in India are promoting private label products. The fundamental reason for this is the much higher margin and profitability on such products, compared with

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branded alternatives. Indian retailers are increasingly hoping for attractive proposition of private label products that promise higher quality, lower prices and 100 percent availability to consumers and at the same time offer up to three times higher operating margins to the retailer. Private label is considered to be a great competitive tool which let retailers to improve store image and obtain greater market shares, leading to greater profits (Gomez and Benito, 2008). In addition, private label retailers have big competitive advantages to set the prices, shelf space allocations and promotions, which are more appealing to consumers (Nandan and Dickinson, 1994).

### **Private Label Brands and In-Store Extrinsic Cues**

Extrinsic cues are product attributes which are not part of the physical product and they can be changed without affecting the composition of the product itself (Blair and Innis, 1996). Abhishek and Koshy (2008) proposed that extrinsic high scope cues should be employed by retailers to improve the quality perceptions of private label brands. According to Miyazaki (2009) extrinsic cues are product-related attributes such as price, brand name, etc. which are not part of the physical product. Extrinsic cues are particularly valuable in risk reduction when consumers have low confidence in a retailer's intrinsic cues and the cues have low predictive value. Extrinsic cues are more easily recognized, integrated, and interpreted and thus are likely to have higher confidence value (Richardson et al. 1994). Thus using an extrinsic value will give high predictive value and high confidence value, henceforth substantially improving the quality perceptions of store brands. Baltas (1997), identified familiarity, extrinsic cues, perceived quality, perceived risk, perceived value for money and income level as the primarily influencing factors of private label proneness.

Generally, research evidence suggests that consumers tend to use both intrinsic and extrinsic cues concurrently when evaluating product quality. However, in the case of PLBs, extrinsic cues such as price and quality are supposed to be more used than intrinsic cues because store brands suffer from deficiencies relatively to national brands (Vahie and Paswan,

2008). According to Beneke (2011) different In-Store Extrinsic Cues for Private Label Brands are as follows: Value for Money; Packaging; In-store Environment; Shelf Space; In-store Promotional efforts.

### **REVIEW OF LITERATURE**

Thiel (2010) explained that private label penetration has been growing all around the world and outpaced the growth of manufacturer's brands. The growth can be attributed to increased power of retailers, their commitment to private labels quality and the ability to cater for all range of consumers by the introduction of several private label tiers (Sethuraman, 2006). Baltas (1997) notes that whilst past behavior, demographic variables, socio-economic factors as well as personality traits have been found to influence private label brand purchasing behavior; perceptions, attitudes and behavioral variables are more effective in this regard. Walker (2006) suggests that due to relatively lower prices, consumer quality perceptions are negatively impacted. Private label brands are thus frequently seen as inferior quality alternatives. This is reiterated by DeWulf et al. (2005) who suggest that consumers perceive manufacturer brands to be superior to private label brands. Yet, Veloutsou et al. (2004) present a contrasting opinion on consumer quality perceptions of private label brands, contending that consumers do indeed foster a positive attitude towards these brands.

Private labels proliferated in a number of product categories and acquired major market share as retailers perceived numerous benefits by introducing private label brands in the market. Apart from providing higher retail margins in comparison to national brands (Ashley, 1998), private labels added diversity to the product line in a retail category (Raju et al. 1995). A review of previous studies related to private label brands brings forward researches carried out related to certain issues. Researchers have found that one of the interesting phenomena concerning private label brands is the fact that their growth has been highly uneven across product categories (Hoch and Banerji, 1993).

According to Ho (2013), under the same retailer's name, private label brands have differ-

ent layers comprising generics, core own-brands and sub-brands and form a brand hierarchy in order to target and satisfy different consumer segments and hence differing consumer needs. Delvecchio (2001) prepared a research focusing on the role of product category characteristics on private label perception and acceptability and found that the consumer perception and penetration success of private label is driven by the segment complexity, quality variance, price and inter-purchase time. Dhar and Hoch (1997) found that by far the largest source of variation in private label brands share across markets, retailers, and categories is due to the differences among product categories. Previous research investigating these across-category differences has looked at them mostly from the manufacturer and retailer perspectives. In studying the retailer economics of private label brands programs, researchers have mostly examined factors such as technology investments, size of category, category margins, national brand advertising and promotional activity levels and so forth (Hoch and Banerji, 1993).

Ailawadi and Keller (2004) identify at least four tiers of private label brands. These include low quality generics; medium quality private labels; somewhat less expensive but comparable quality products; and premium quality private labels that are priced in excess of competitor manufacturer brands. According to Kumar and Steenkamp (2007), half of private label brands are copycat brands. These brands essentially attempt to imitate the packaging and content of first tier manufacturer brands. Fernie et al. (2003) have identified various advantages to retailers for the development of a private label brand - increased profitability through cost saving and increased margins; increased store loyalty and creation of a distinct corporate identity; opportunities to seize new market ventures; and increased bargaining leverage with suppliers.

Lack of studies had undertaken to understand consumers' attitude and perception towards private label brands especially in a country having large number of consumers like India, the present study has been undertaken to gain an insight into how consumers perceive private label brands. The study also focuses on the in-store

extrinsic cues of private label brands that affect consumer preference.

## OBJECTIVE OF THE STUDY

To analyze the consumers' response towards private label brands as well as in-store extrinsic cues of private label brands, which affect the consumer preference while making purchase decisions.

## METHODOLOGY

*The Study:* The study has been undertaken for understanding the consumer's perception towards private label brands. Income and age have been considered as Independent variables in the study.

*The Sample:* The sample of the study consisted of consumers belonging to different income level as well as age groups in two major cities of Madhya Pradesh namely Indore and Bhopal. Most of the respondents were attentive about the national brands as well as private label brands. The final sample size was 179, in which the percentage of male was 50.48 percent and that of female were 49.52 percent approximately. The average age of respondents was 34.68 years, ranging from 21 to 50 years.

*Tools for Data Collection:* A self-designed questionnaire was used for the purpose of data collection. The questionnaire was pre-tested with the help of marketing and sales experts (number = 5) and consumers (number = 20) in order to ensure the clarity of questions and to avoid typographical errors. Questionnaire was having two sections beside the demographic section, in the first section response has been taken using five point Likert scale, wherein scale points ranged from 1 ("Strongly Disagree") to 5 ("Strongly Agree). Second section was focusing on In-Store Extrinsic Cues that affects consumer preferences for private label brands and response was taken with help of ranking from 1 to 5 (1 for Most Preferred and 5 for Least Preferred). A total of 200 questionnaires were distributed for data collection, and out of received response, finally 179 responses were selected on the basis of completeness of the response.

*Tools for Data Analysis:* The collected data was analyzed with the help of varied statistical tools like one way ANOVA, Z-test and rank or-

der with the help of SPSS 18.0. In the first part, data was subjected one way ANOVA to identify the perception of consumers regarding private label brands within and between three groups on the basis of income (Below 2 Lakhs; Between 3 – 5 Lakhs and Between 6 – 8 Lakhs). In the next part, z test was used to analyze the differences in the perception of consumers belonging to different age groups regarding private label brands. In the next part, rank ordering was done to analyze preferences for the In-Store Extrinsic Cues of private label brands. Following hypothesis were tested for the analysis mentioned above.

$H_{01}$ : There is no significant difference in the perception of consumers belonging to different income groups regarding private label brands ( $\mu_1 = \mu_2 = \mu_3$ ).

$H_{02}$ : There is no significant difference in the perception of consumers belonging to two different age groups regarding private label brands ( $\mu_1 = \mu_2$ ).

## RESULTS AND DISCUSSION

First hypothesis was tested using one way ANOVA and the test statistics showed that the first hypothesis was rejected (Table I). This is an indication of differences in the perceived response of consumers amongst three income levels. From the descriptive statistics, it has been observed that consumers having annual income between 3 to 5 lakhs were in favor of private label brands. They perceived that private label brands offer similar or better quality products than those of national brands at a reasonable price. Consumers having annual income less than Rs. 2 lakhs were not able to differentiate much between the private label brand and national brands. On the other hand, it was observed that consumer having annual income between 6 to 8 lakhs were perceiving that private label brands seek to look like or copy national brands and thus, preferring national brands over private label brands.

Hoch and Banerji (1993) contested the common perception that a private label's primary attraction was the substantial price discount relative to the national brands, at which they were sold. They emphasized on the role of quality in the private label purchase decision. They found evidence to support the notion that perceived

quality was much more important than the level of price discount in determining the private-label category share. At equal prices, consumers preferred the national brand to a private label (Narasimhan and Wilcox, 1998). The price-quality plays a vital role in the evaluation process of private label brands and therefore also has an effect on the brand image of private label brands (Collins and Lindley, 2003). Garretson, et.al. (2002) reported that for consumers believing price to be strongly associated with quality, the lower price of store brands resulted in a more unfavorable attitude, and thus brand image, for private label brands. According to Dobson and Zhou (2014), in developing lookalikes rather than distinctively packaged private labels, retailers are driven partly by the pure profit motive of avoiding the costs of establishing a new brand, but also by the competitive motive that mimicking may improve the quality perception of their own label goods.

Second null hypothesis was tested using Z-test and the test statistics highlighted the rejection of hypothesis (Table II). This indicated differences in the perception of consumers belonging to different age groups. It has been pointed out that the consumers belonging to age group between 25-35 years were having more positive view towards private label brands. They were perceiving that private label brands satisfies consumer needs by providing large variety at one place and are usually priced lower than national brands. Veloutsou et al. (2004) revealed that younger consumers appear to have a more favorable view towards private label brands than older generations. Moschis (2003) also suggested that older consumers are more brand loyal and are likely to prefer brands with which they are more familiar. Younger consumers, on the other hand, are more willing to try new or unfamiliar brands and products.

Table III is showing the rank ordering of In-Store Extrinsic Cues that affects the preferences for private label brands. It was found that "Value for Money" has been ranked first. According to Quelch and Harding (1996), the private label quality levels are much higher than ever before and they are more consistent. Moreover, the original private labels low price strategy is not ubiquitous anymore. Extrinsic cues such as price

and quality are supposed to be more used than intrinsic cues because store brands suffer from deficiencies relatively to national brands (Vahie and Paswan, 2006). "In-store environment" plays an important role in promoting private label brands and was ranked second by the consumers. According to Esbjerg and Bech-Larsen (2009), a pleasant store environment is linked to a high quality perception of a store's private label brands which further leads to a good brand image. Private label brands have a positive impact in terms of "proper shelf space", because being an in-store brand, they get sufficient shelf space, which was ranked third by the respondents. Valenzuela and Raghubir (2008) conducted a study, which indicated that product shelf space is used as a source of information to make price and quality inferences, leading to preferences for brands in a position that represents a price quality trade off. "In-store promotion" was ranked fourth, which affects consumer preference for private label brands. According to Hendricks (2010), individual stores have their in-store promotions to build a relationship between the brand and consumers. "Packaging" was ranked last by consumers for preferring private label brands; however, it could be an important factor from the manufacturer's side. According to Beneke (2011), packaging of a product serves as a real encounter with the brand and therefore is an important factor influencing the brand image of that particular product.

## CONCLUSION AND FUTURE RESEARCH

Consumers are well aware about private label brands especially those, who are residing in urban area and prefer to buy private label brands due to price difference and same quality. From the result, it was found that consumers in between the income level of 3 – 5 lakhs prefer private label brands most. Private label brands help in enhancing the footfalls of shoppers in organized retail and offer multi benefits to shoppers as well as retailers. It was also found that the perceived response of consumers on the basis of age was also different. Young consumers believed that private label brands are reliable as they are manufactured and marketed by renowned retailers. On the other hand, consumers between age of 40 to 50 years were found to be more brand loyal and are likely to prefer brands with which they are more familiar. "Value for Money"

was ranked first, whereas "packaging" was ranked last by consumers as In-store extrinsic cues of private label brands that affect consumer preference.

The implications for future research are that there is a need for empirical study to understand the effects of different private label strategies on private label growth. Another important area of future research would be analysis of consumer change, when national brands are being delisted or out-of-stock. More consumer-level variables, including demographics, attitudes towards private label brands can be studied. There is a huge difference between the demands for different product categories of private label brands, thus a study can be conducted on different private label product categories.

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**Table 1: Showing Test Statistics for First Hypothesis (H<sub>01</sub>)**

ANOVA Private Label Brands				
	Sum of Squares	df	Mean Square	F
<b>Between Groups</b>	1634.005	2	817.0025	4.21
<b>Within Groups</b>	34314.843	177	193.86	
<b>Total</b>	5395.848	179		

(\*At 5 percent level of significance)

**Table 2: Showing Test Statistics for Second Hypothesis ( $H_{02}$ )**

Private Label Brands					
	Age (In Years)	N	Mean	Std. Deviation	Z
H02	25 – 35	92	4.56	0.53	4.53
	40 - 50	87	4.29	0.84	

(\* At 5 percent level of significance)

**Table 3: Showing Rank Ordering of In-Store Extrinsic Cues**

Index	In-Store Extrinsic Cues	Rank
A	Value for Money	1
B	In-store environment	2
C	Proper shelf space	3
D	In-store promotion	4
E	Packaging	5

## ENTREPRENEURIAL ORIENTATION AND LOCUS OF CONTROL: AN EMPIRICAL STUDY OF YOUTH

Amar Kumar Mishra\*

*Entrepreneurship had always existed in the society as a vocational profession but the recent mushrooming growth of professional qualification coupled with equally sharp decline in the employable opportunities and it has seen a surge of entrepreneurial orientation among educated youths. Almost all professional institutions are accommodating entrepreneurship in their course curriculum, a great deal of institutions is tailoring their entire curriculum to emphasize on entrepreneurship education, and financial institutions are extending their support for youths to start their own enterprise. However, akin to leadership, entrepreneurship too is subject to the same debate, whether entrepreneurs are natured or are nurtured! While it takes all (traits, grooming and situation) to be a successful entrepreneur; the impact of one's own personality is the most important that one needs to take cognizance of. This paper investigated the influence of gender and locus of control on entrepreneurial orientation. The participants in this study were three hundred fifty students in the age group of 18-25 studying management courses in Uttarakhand. 60 percent were males and 40 percent were females. Dimensions of Entrepreneurial Orientation were analyzed using principal component analysis and three hypotheses were tested using various statistical techniques including independent 't' test and spearman's correlation. The findings showed that a significant difference existed between internal locus of control and entrepreneurial orientation; and there was no significant difference in the entrepreneurial orientation based on gender differences. On the basis of the findings, potential entrepreneurs are advised to take cognizance of their personality, since it can go a long way to determine the success or failure of an enterprise.*

### INTRODUCTION

There is a saying "there are two certainties in life: death and taxes". In the context of management, it can easily be said that there is another certainty and that is change. From the formula fifties, sensitive sixties, strategic seventies, excellence eighties and nanosecond nineties, it will not be an exaggeration to say it is entrepreneurship twenty-first century. The dearth in employment has rendered many educated youths unemployed or at least underemployed. Nonetheless, MBA students are increasingly turning to entrepreneurship and the scenario is universal. There is an increased rate of MBA students across developed and developing countries considering the issue of self employment; whether it is a choice or a necessity for a preparation of new venture (Pietrobelli, Rabellotti, and Aquilina, 2004). A recent Graduate Management Admissions Council survey found that 11 per cent of MBA alumni (who graduated between 1959 and

2013), now run their own businesses. Such an increasing trend is even more evident for developing countries than for developed countries. Business schools are tailoring MBA programmes to ensure they engender the specific skills necessary to start one's own company. While knowledge undoubtedly enhances entrepreneurial skills; the success of a business is due to many factors, and the greatest determinant of a business's success is the entrepreneur him/herself. People, who start up and run businesses need to know their own strengths and weaknesses because "entrepreneurship involves the ability to build a 'founding team' with complementary skills and talents" (Timmons, 1994). Banks and venture capitalists, as well as consultants, who assist entrepreneurs, stress the importance of the entrepreneur's personality for the success of a business. A deeper understanding of the personality of the entrepreneur is needed for a sound judgment of whether the entrepreneur will carry

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through the business plan successfully. Many researchers have conducted studies exploring entrepreneurship with various personality traits; however, little has been done to explore entrepreneurial orientation from the point of view of personality dimensions. More specifically, there is dearth of studies in India exploring the impact of personality dimensions on various dimensions of entrepreneurial orientations.

The present study as such is an attempt to fill the void and the researcher has attempted to identify various dimensions of entrepreneurial orientation and study the impact of gender and personality dimension (locus of control) on each dimension. The motivation for this study is provided by the suggested, though disputed, association between psychological trait variables and entrepreneurial activity (Berlew 1975; Shapero 1975; Brockhaus 1982; Gartner 1985; Shaver and Scott 1991), and the generally acknowledged the need for entrepreneurial activity in the dramatically changing and challenging society like India.

The Oxford Advanced Learner's dictionary of current English (new seventh edition) defined an entrepreneur as a "person who makes money by starting or running businesses, especially when this involves taking financial risks." Hisrich and Peters (2006) gave an economist's definition of an entrepreneur as: One who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and also, one who introduces changes, innovations, and a new order gave view of entrepreneur as an Organizer: an entrepreneur is one who combines the land of one, the labor of another and the capital of yet another, and, thus, produces a product. By selling a product in the market, he pays interest on capital, rent on land, and wages to laborers and what remains is his or her profit. To Drucker (1987), entrepreneurs are managers who perform their roles in an entrepreneurial way, their primary focus being change rather than maintaining the status quo.. Based on above review I would like to define entrepreneurship as a work attitude that emphasizes self-reliance, initiative, innovativeness, and risk-taking.

Entrepreneurial Orientation or EO refers to the processes, actions, methods practices and decision making styles of an individual. It represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, EO may be viewed as the entrepreneurial strategy-making processes that individual use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage(s).

Locus of control is a personality trait that was introduced by Rotter in 1966 in the context of his social learning theory. Locus of control is defined as an individual's general expectancy of the outcome of an event as being either within or beyond her or his personal control and understanding (Rotter, 1954). On the one hand, an individual with an external locus-of-control personality trait tends to perceive an event as beyond her or his control, and attributes the outcomes of the event to chance, luck, as under control of powerful others, or as unpredictable because of great contextual complexity. On the other hand, a person with an internal locus-of-control personality trait tends to believe that the event is contingent upon her or his own behavior or her or his own relatively permanent characteristics.

## REVIEW OF LITERATURE

Entrepreneurial orientation has emerged as a foremost construct within the entrepreneurship literature over the last few decades (Drennan, Kennedy, & Renfrow, 2005). Much research has been conducted into the characteristics of successful entrepreneurs and the researchers have identified following characteristics for successful entrepreneurs: need for Achievement (McClelland, 1961; Ahmed, 1985; Perry, 1986; Begley, 1987; Hornaday, 1971; Meyer, 1961.

Rauch and Frese, 2007, examined the relationship between personality traits and entrepreneurship and found that personality characteristics are most important determinants of entrepreneurship.

Ahmed (1985) in a study found that significant relationships exist among n Ach, risk-taking propensity, locus of control and entrepreneurship.

Rauch & Frese (2000) took individual as the unit of analysis and found that the personality and environmental factors have maximum level of impact on entrepreneurship Fairlie and Holleran (2011) investigated effects of entrepreneurship training on individuals and found differential impact based on their personality characteristic.

While many researchers conducted studies exploring entrepreneurship with various personality traits (achievement need, power need, Big 5 traits etc.); little has been done to explore entrepreneurial orientation from the point of view of personality dimensions.

McClelland (1961) noted that entrepreneurs show responsibility for their actions and are innovative, suggesting relationship between control orientation and entrepreneurship on the one hand and creativity on the other.

Perry (1990) found that Internal locus of control has been one of the psychological traits most often posited as predictive of entrepreneurship; Shapero (1975) found that entrepreneurs tended to have an internal focus.

Boone, Debrabander and Van Witteloostuijn's (1996) found internal locus of control to be associated with performance. Their findings corroborated prior study findings of (Begley and Boyd 1987; that internal locus of control is an important entrepreneurial psychological trait.

Wolleat (1980) studied the relationship between locus of control, sex and achievement and found that males are more achievement oriented, energetic, and enterprising than females; while Nelson (1991) studied the relationship on females and found that female entrepreneurs have a significantly more internal locus of control than do females in the general population while Bonnet and Furnham (1991) used a three dimensional (Internal, External and Chance) economic locus of control scale developed by Banks (1989) and found a significant difference between the locus of control of a group of student entrepreneurs and a control group.

Levin and Leginsky (1990) used Levenson's (1974) IPC scale and found that entrepreneurial

social workers tended to exhibit a greater internal locus of control. In a 1978 study comparing entrepreneurs with employee/managers.

Rupke used both Rotter's I-E scale and Levenson's IPC scale and found entrepreneurs to display significantly higher levels of internal locus of control than the non-entrepreneurs with both measures.

Somewhere every study confirmed Lefcourt and Phares (1976) study that suggested that internal individuals are prone to entrepreneur success than externals as internal persons appear to take more initiative and are responsible in performance situation. They seek and utilize information more efficiently and seem to be more in touch with external realities. They further concluded that externals are less likely to persist at a task since they do not feel that exertion of energy is likely to lead to meaningful results. They have the belief that external determinants, such as fate, luck and powerful others are at work in any situation requiring a need for attainment of goals.

## **OBJECTIVES OF THE STUDY**

Based on the above review of literature; following objectives have been set forth for the study:

- ♦ To identify and measure the various dimensions of Entrepreneurial Orientation (EO) among youths.
- ♦ To study the relationship of various dimensions of EO with locus of control.
- ♦ To study the impact of gender on various dimensions of Entrepreneurial Orientation.

## **HYPOTHESES**

- ♦ There exists significant correlation between locus of control and entrepreneurial orientation.
- ♦ Participants with internal locus of control will possess greater entrepreneurial orientation than those with external locus of control.
- ♦ Males and females will differ in locus of control and entrepreneurial orientation.

## METHODOLOGY

**The Study:** This study employed the use of survey design. The independent variables were gender and personality (locus of control) and the dependent variable was perceived entrepreneurial orientation.

**The Sample:** The participants in this study were three hundred fifty youths studying management across various colleges and universities in the state of Uttarakhand, India. 60 percent were males and 40 percent were females aged between 18 to 26

**Tool for Data Collection:** The scale for the study was divided into three sections. Section A measures the demographics; section B is a 23-item scale which measures entrepreneurial orientation with reliability coefficient of 0.79 on a ten point Likert type scoring format ranging from 1 to 10; section C is 24-item Rotter's scale, which measures locus of control with reliability coefficient of 0.65. Both scales were thus found to be reliable on the parameter of Nunally.

**Tool for Data Analysis:** The various dimensions of EO were identified through Principal Component Analysis of factor analysis; Hypotheses 2 and 3 were analyzed with independent t-test; hypothesis 1 was analyzed with Spearman's correlation.

## DEMOGRAPHIC RESULT

As the value of test statistic chi-square is 3753.298,  $p < .05$ ; the null hypothesis of identity matrix is rejected implying variables in question are correlated. Further  $KMO > 0.5$  implies that sample size is adequate.

Kaiser's rule of retaining factors with eigenvalues larger than 1.00 has been used in this analysis. The eigen values for the first two four components with eigen values of 7.28, 1.739, 1.317 and 1.227 were retained. Thus, most of the variance (50.317%) of these variables was accounted for by these four dimensional factor solutions.

In the Principal Components Output, the Rotated Component Matrix gives the correlation of each variable with each factor. From the contribution of the variables (also called a "loading") we can name these factors (i) achievement needs,

(ii) urge for innovation, (iii) control on self and (iv) self esteem.

## GENDER AND ENTREPRENEURIAL ORIENTATION

An independent-samples t-test was conducted to compare Entrepreneurial Orientation score for male and female respondents. There was no significant difference in the scores for male ( $M=166.75$ ,  $SD=14.36$ ) and female ( $M=163.48$ ,  $SD=14.68$ );  $t(348) = 2.264$ ,  $p = 0.291$ .

Further the independent-samples t-test was conducted to compare every dimension of Entrepreneurial Orientation score for male and female respondents. There was no significant difference in the scores on any dimension for male and female as given in table which led the researcher to fail to reject the null hypotheses.

The results accordingly suggested that gender really does not have a significant effect on achievement motive, innovative urges, self-esteem, and personal control and over all Entrepreneurial Orientation. Both male and female youths stand equal opportunity and equal potential for becoming entrepreneur. The descriptive statistics, however suggest that so far as innovativeness is concerned, female have more variance than their male counterparts. This indicates that the majority of female need to be more innovative."

## GENDER AND LOCUS OF CONTROL

An independent-samples t-test was conducted to compare LOC score for male and female respondents. There was no significant difference in the scores for male ( $M=$ ,  $SD=$ ) and female ( $M=$ ,  $SD=$ );  $t(348) = -1.154$ ,  $p = 0.064$ .

The result thus suggested that gender does not have any significant impact on youth's locus of control personality dimension.

Spearman's correlation coefficient was also computed to assess the relationship between LOC and various dimensions of entrepreneurship. There was a negative correlation between the two variables,  $\hat{r} = -0.349$ ,  $n = 350$ ,  $p = 0.006$ . LOC were inversely correlated with EO score and the degree was significant i.e. overall, there was a significant negative correlation between LOC and EO score."

Further, the rho-score was calculated between LOC and each dimension of Entrepreneurial orientation and all coefficients were found to be negative. While, there is not much significant relationship between locus of control and self-esteem, nevertheless it is significant with achievement motive, urge for innovation and personal control.

Thus, it can be inferred that as one's locus become more externally oriented; the achievement motive, innovative urge and control on self tend to decline.

## CONCLUSION AND RECOMMENDATIONS

The study showed that a significant difference exist between internal and external locus of control and entrepreneurial orientation and confirms the results of earlier studies that entrepreneurs are more likely to be characterized by locus of control internality than non entrepreneurs (Inegbenebor, 2007). It also showed growing emergence of women entrepreneurs in the society. Entrepreneurship in Northern India had for long a bastion of male. The result that male and female did not differ in entrepreneurial orientation confirms the preponderance of females' aspirations in self-employment activities especially in the growing informal sector of the Indian economy and herald of a new era where, women entrepreneur having wings of fire will lead to more equality, equity and empowerment in the society.

Thus, it can be concluded that the greatest determinant of a business's success is the entrepreneur itself. People who have the willingness to start up and run businesses should ponder in germane way about their strengths and weaknesses not only on one or two dimensions but on all dimensions to emerge successful. A balanced strength on all dimensions will only usher them into a successful entrepreneur.

On the basis of the findings from this study, the following were the recommendations proposed for entrepreneurs:

i) Budding Entrepreneurs should take cognizance of their personality attributes since they can determine their actions and ultimately the success of their enterprises.

ii) People should study their personality with a view to knowing, which factors or variables are dominant in determining their success.

iii) Entrepreneurs should maintain positive attitude (internal locus) that can bring about success in their ventures.

iv) Institutes should groom female, institutions should facilitate females and societies should encourage women to start their own business

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**Table 1: Gender-Wise Profile of Respondents**

Gender	Respondents	Percentage
Female	140	40
Male	210	60

**Table 2: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.618
Bartlett's Test of Sphericity	Approx. Chi-Square	3753.298
	Df	780
	Sig.	.000

**Table 3: Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.28	31.652	31.652	7.29	31.696	31.696	3.73	16.219	16.219
2	1.73	7.561	39.213	1.73	7.561	39.256	3.34	14.523	30.742
3	1.31	5.726	44.939	1.31	5.726	44.981	2.55	11.099	41.842
4	1.22	5.335	50.274	1.22	5.335	50.317	1.94	8.475	50.317
5	0.98	4.296	54.570						
6	0.89	3.891	58.461						
7	0.80	3.500	61.961						
8	0.78	3.404	65.365						
9	0.75	3.265	68.630						
10	0.71	3.117	71.748						
11	0.68	2.974	74.722						
12	0.67	2.913	77.635						
13	0.61	2.661	80.296						
14	0.57	2.513	82.809						
15	0.54	2.387	85.196						
16	0.52	2.274	87.470						
17	0.50	2.209	89.678						
18	0.45	1.983	91.661						
19	0.42	1.843	93.504						
20	0.40	1.774	95.278						
21	0.37	1.648	96.926						
22	0.36	1.583	98.509						
23	0.34	1.493	100.002						

**Table 4: Communalities**

	INITIAL	EXTRACTION
V1	1	0.435
V2	1	0.414
V3	1	0.53
V4	1	0.469
V5	1	0.343
V6	1	0.654
V7	1	0.545
V8	1	0.739
V9	1	0.484
V10	1	0.335
V11	1	0.69

V12	1	0.513
V13	1	0.536
V14	1	0.488
V15	1	0.378
V16	1	0.487
V17	1	0.683
V18	1	0.597
V19	1	0.343
V20	1	0.484
V21	1	0.55
V22	1	0.464
V23	1	0.412

**Table 5: Component Matrix**

	Component			
	1	2	3	4
VAR18	0.701			
VAR07	0.685			
VAR16	0.679			
VAR13	0.573			
VAR12	0.669			
VAR21	0.658			
VAR14	0.656			
VAR11	0.652			-0.4
VAR17	0.643			
VAR04	0.634			
VAR03	-0.529			
VAR15	0.583			
VAR01	0.585			
VAR05	0.556			
VAR08	0.549	0.401		-0.417
VAR10	0.437			
VAR20	0.436		-0.404	
VAR19	-0.427			
VAR09		0.627		
VAR02		0.548		
VAR22		0.465		
VAR06	0.562		0.571	0.507
VAR23				

**Table 6: Rotated Component Matrix**

	Component			
	1	2	3	4
VAR18	0.8			
VAR07	0.684			
VAR16	0.647			
VAR13	0.638			
VAR12	0.579			
VAR21	0.55			
VAR14	0.459			
VAR11		0.677		
VAR17		0.661		
VAR04		-0.567		
VAR03		0.523		
VAR15		0.516		
VAR01		0.514		
VAR05		0.496		
VAR08		0.429		
VAR10			0.833	
VAR20			0.747	
VAR19			0.747	
VAR09				0.548
VAR02				0.545
VAR22				0.586
VAR06				0.543
VAR23				0.427

**Table 7: Group Statistics**

	GENDER	N	Mean	Std. Deviation	Std. Error Mean
ACH	M	210	57.10	6.585	1.472
	F	140	54.14	5.379	1.174
INN	M	210	50.85	5.537	1.238
	F	140	49.05	8.084	1.764
SE	M	210	22.95	3.927	.878
	F	140	20.10	3.254	.710
PC	M	210	35.85	6.268	1.402
	F	140	33.19	4.434	.968
EO	M	210	166.75	14.360	3.211
	F	140	163.48	14.682	3.204

**Table 8: Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
ACH	.446	.508	1.578	348	.123	2.957	1.874	-832	6.747
INN	1.970	.168	.829	348	.412	1.802	2.175	-2.596	6.201
SE	1.268	.267	2.540	348	.152	2.855	1.124	.581	5.128
PC	1.869	.179	1.575	348	.123	2.660	1.689	-.757	6.076
EO	.008	.929	2.264	348	.291	10.274	4.538	1.094	19.454

**Table 9: Gender Statistics**

		N	MEAN	S.D.
MALE	INTERNAL	131	7.83	2.91
	EXTERNAL	79	12.9	1.22
	TOTAL	240	9.73	3.45
FEMALE	INTERNAL	92	9.48	1.36
	EXTERNAL	48	13.5	1.65
	TOTAL	140	10.85	2.41

**Table 10: Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
loc Equal variances assumed	3.669	.058	-1.87	238	.064	-1.154	.616	-2.377	.069

**Table 11: Locus of Control and Entrepreneurial Orientation**

	LOC	EO	ACH	INN	SE
EO	-0.349				
ACH	-0.357	0.862			
INN	-0.255	842	0.525		
SE	-0.061	728	0.453	0.632	
PC	-0.414	0.785	0.577	0.659	0.437

## HUMAN RESOURCE DEVELOPMENT CLIMATE IN HEALTHCARE AND BANKING SECTOR

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*People are considered to be the valuable assets of the organization as the source of ideas for innovation, quality and continuous improvement. Beside this, the other important inputs needed to compete in the modern, highly competitive world, comes from people and not from inanimate machines. They can change the fortune of the organization. Acknowledging the importance of human resources and their competencies, organizations are making attempts to create healthy HRD climate irrespective of the nature of organization. The present study aims to determine the effectiveness of HRD climate prevailing in healthcare and banking sectors. The target population of the present study comprised employees from selected banking and healthcare sector in India. A sample of 148 employees – 80 from healthcare and 68 from banking sector was drawn using a combination of convenience sampling and simple random sampling. The data was collected with the help of a questionnaire developed by Rao, T.V. and Abraham. The data was analyzed using statistical tools like mean, correlation and chi-square. The results revealed that the HRD climate is good in both healthcare and banking organizations selected for the study and there is no significant difference in HRD climate between healthcare and banking sector organizations.*

### INTRODUCTION

In order to survive and thrive in a dynamic and competitive business environment, organizations need to continuously change and innovate. This necessitates the dynamism and growth of its employees, which help an organization successfully cope with the changes. In such a fast changing technology-oriented world, an organization can have a competitive edge only when the employees have necessary updated knowledge, skills and abilities. In this context, human resource development has a central role to play in promoting and supporting the development of a learning environment to create and nurture knowledge. Human capital has been acknowledged as the organization's life blood, which needs to be developed continuously keeping pace with the development in all other areas of today's dynamic work environment.

The term HRD was first introduced by Nadler (1969) and defined HRD as those learning experiences, which are organized for a specific time and designed to bring about the possibility of behavioral change. In the promising global mar-

ket place, human capital is more important to enterprises than physical capital, and human capabilities will determine the value of enterprise and give the competitive edge. In today's modern era, the quality of employment is more important than quantity and HRD issues are directly related to the quality rather than quantity of the workforce.

### HRD IN BANKING SECTOR

Peteraf (1993) expressed that the success in the banking sector depends upon the continuous advancements in the role of the human resources and this lies as bedrock of the service industry in the present conditions. Training in the banking sector helps the employees in removing the gap between the desired skill and capability and what they possess and will avoid employee obsolescence. Thus, training as a fundamental element of the human resource development will help in establishing the conducive and lifelong learning opportunities in the organizational environment (Pollitt, 1999) (Bushardt et.al., 1994). Burke (1996) opined in his study that the survival of any organization in the present condition should require employees to equip

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themselves with the positive attitudes, new skills, modified behaviors and improved competencies for the success. Elena (2000) explored the initiatives taken for employee development in banks. Based on the study it was observed that the willingness to learn among the bank employees increase, when there is employee development activity in the bank.

The employees and the customers integration towards the organizational goals is an important task in HRD. It was opined by Petridou and Glaveli (2003) that the development of human resources and the cost involvement for such activity in the banking organization is considered as an asset rather than cost. Similarly, Anil (2007) in his key note address highlighted that HRD played a vital role in converting a downswing into an upswing in India with special reference to a bank in the public sector organization. In his study he found that the human resource development has made the transformation process more effectively with the help of human resources for the intended success.

Kennedy (2007) examined the HRD practices among the public and private sector banks in Coimbatore. Based on the results, it was observed that the overall mean score of HRD practices in the banking sector was found to be 58.4 percent which was slightly above the average entailing that HRD practices deserve better attention. Srimannarayana (2007) reviewed the prevailing HRD climate in Dubai organizations and concluded that the climate is at an average level and HRD climate in banking business is higher than the other businesses. Saxena and Tiwari (2009) observed that the HRD Climate was found to be average in the sample public sector bank. The study also highlighted that the perception of employees did not significantly associate with the selected demographic profiles like gender, education etc. A study of HRD Climate in Nigerian commercial banks (Akinyemi and Iornem 2012) has shown a congenial HRD Climate.

Riyaz (2002) in a study on HRD climate in commercial banks observed that the overall level of OCTAPAC values in the banks was perceived at a moderate level. In a study conducted by Solkhe and Chaudhary (2011) in a public sector

undertaking, it was found that HRD Climate has a definite impact on Job Satisfaction which in turn leads to the increased organizational performance

## **HRD IN HEALTHCARE SECTOR**

Human resource is considered as the epicenter of the healthcare industry and believed that human resources play the most critical and significant role in achieving organizational goals and success. Alphonsa (2000) conducted a survey to examine the HRD climate of private hospital. The responses were collected from different departments in the hospital. The researcher found that the perception of the supervisors about the HRD climate is satisfactory and reasonably good climate was prevailing in the hospital. Mufeed (2006) examined the HRD climate in major hospitals and indicated the existence of poor HRD climate in the hospitals. There lies significant difference in the perception of medical and para medical staff of the sample study organizations.

Singh (2012), in his study observed that top management commitment to HRD climate has been fairly better for doctors than nurses and paramedical staff. Path analysis revealed that the dimensions of superior subordinate relationship, employee development activities and encouragement initiatives regarding doctors, dimensions of employee developmental activities, rewards and benefits and work environment in case of nurses and personnel policies, training and development, encouragement and initiatives and rewards and benefits regarding the paramedical staff have been regarded as important dimensions and substantially contributing to HRD climate in hospitals.

Saxena and Twiari (2009), in their study, highlighted that there is no difference in the perception of the employees towards HRD climate dimensions on the basis of gender, qualification, designation. Smruti and Rashmi (2011) in their study found insignificant association among the opinions of employees about the HRD climate and the demographic profile of respondents like age, qualification, and job approval status, but had a significant relationship based upon the demographic profiles like gender and experience of the respondents.

## OBJECTIVES OF THE STUDY

- ♦ To examine the HRD climate prevailing in banking sector organizations and healthcare organizations under study.
- ♦ To determine the effectiveness of OCTAPAC profile in banking sector and healthcare sector.
- ♦ To investigate if there is a significant difference in HRD climate in banking sector and health care sector.
- ♦ To determine the relationship between perception of HRD climate and demographic variables
- ♦ To study the relationship among various dimensions of HRD climate.

## METHODOLOGY

**The Study:** The target population of the present study comprised employees from select banking and healthcare sector organizations in India.

**The Sample:** A total of 148 employees – 80 from healthcare and 68 from banking sector participated in the study. The sample is drawn using a combination of convenience sampling and simple random sampling.

**Tools for Data Collection:** Primary data is collected with the help of a questionnaire developed by Rao and Abraham (1986). This is a popular instrument, which is used extensively based on 38 items encompassing general climate, "OCTAPAC" (Openness, Confrontation, Trust, Autonomy, Pro-action, Authenticity and Collaboration) dimensions and HRD mechanisms.

**Tools for Data Analysis:** Data was analyzed using statistical tools like mean, correlation and chi-square.

## HYPOTHESES

$H_{01}$  There is no significant difference in HRD climate dimensions between banking sector and healthcare sector

$H_{02}$  There is no significant relationship between HRD climate dimensions and demographic variables such as gender, age, educational qualifications, years of service, etc.

$H_{03}$  There is no significant relationship among HRD climate dimensions.

## RESULTS AND DISCUSSION

Table 1 revealed that the mean score of overall HRD climate that encompasses general HRD climate, OCTOPAC and other HRD dimensions is 3.73 in health care sector and 3.66 in banking sector on a scale of 1-5. This reflects that HRD climate is reasonably good as both healthcare and banking sectors belongs to service sectors and HRD climate in very important as the quality of the service delivered to the customers depends on the competencies of employees. The finding is in conformity with other studies as reported by Srimannarayana (2007). Akinyemi and Iornem (2012) that HRD climate in banking sector is high and reasonably good HRD climate is prevailing in the hospital in a study reported by Alphonsa (2000).

Another observation from the table is that the mean scores of all HRD dimensions in health care sector are relatively slightly higher when compared to banking sector. Though the difference is not very high, it implies that the respondents in healthcare sector perceive HRD climate to be more conducive.

Table 2 depicts that based on t values it is observed that there is no significant difference between all HRD climate dimensions and nature of the organization - whether it is a hospital or a bank. The reason that may be attributed to this could be, both are service sectors and generally they accord importance to the development environment prevailing in the organization.

The relationship between demographic variables and HRD dimensions is examined using chi-square test. The opinions expressed by the respondents may differ depending upon their demographic variables. The demographic variables selected for the study include gender, age, marital status, education and experience.

Table 3 revealed that the perception of the employees towards HRD climate dimensions is independent of gender. Hence the null hypothesis is accepted. It implies that the respondents' perception of HRD climate dimensions is not affected by the gender. It is in consonance with the findings of Saxena and Tiwari (2009) that

there is no difference in the perception of the employees towards HRD climate dimensions on the basis of gender.

It is observed from table 4 that age of the respondents does not significantly influence the respondent's perception towards HRD climate dimensions. Similar finding was reported by Smruti and Rashmi (2011) based on research findings. Hence the null hypothesis is rejected indicating that the perception towards other HRD climate dimensions is independent of age.

Table 6 depicts that perception of the respondents towards HRD climate dimensions is independent of educational qualifications of the respondents and hence null hypothesis is accepted. This is in conformity with the findings of Saxena and Tiwari, (2009) and Smruti and Rashmi (2011) that there is no difference in the perception of the employees towards HRD climate dimensions on the basis of educational qualifications.

Table 5 shows that perception of the employees towards HRD climate dimensions is not influenced by marital status of the employees.

Table 7 presents that employees' perception of developmental environment dimensions – openness, trust and HRD collaboration is influenced by the experience of the employees. Null hypothesis is rejected for these dimensions. While for other HRD dimensions, null hypothesis is accepted as the perception is not influenced by the experience of the respondents.

Table 8 shows that other than trust dimension there is significant positive relationship among all other HRD climate dimensions. It implies that an improvement in one HRD climate dimension will lead to an improvement in other HRD climate dimensions.

## CONCLUSION

Present day organizations see a paradigm shift with respect to the treatment given to the human resources for their better utilization of the skills, capabilities, talents and aptitudes for the sake of creating the well-developed human resources. The organizations have realized about the importance of improving the effectiveness of HRD Climate through human resource development practices. It is only through compe-

tent and committed workforce an organization will be able to deliver better results and achieve its objectives. In the present study, it is observed the banking and healthcare organizations selected for the study are having pretty good HRD climate which shows that they also acknowledge the importance of human resource development. But still there is scope to improve further as the HRD mean score are in the range of 3.65-3.75 on a scale of 1-5.

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**Table 1: HRD Dimension Mean Scores**

S. No.	Dimensions	Mean score(Healthcare sector)	Mean score(Banking sector)
1	General HRD climate	3.61	3.45
2	Openness	3.72	3.65
3	Confrontation	3.79	3.65
4	Trust	3.72	3.66
5	Autonomy	4.01	3.97
6	Proactivity	3.65	3.55
7	Authenticity	3.68	3.59
8	Collaboration	3.75	3.73
9	HRD mechanisms	3.69	3.65
	<b>Overall HRD climate</b>	<b>3.73</b>	<b>3.66</b>

**Table 2: Relationship between HRD Climate Dimensions and Nature of the Organization**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig	T	Df	Sig (2 tailed)
General HRD climate	Equal variances assumed	.088	.767	1.8831.884	143140.101	.062.062
	Equal variances not assumed					
Openness	Equal variances assumed	.182	.670	.771.767	143135.718	.442.445
	Equal variances not assumed					
Confrontation	Equal variances assumed	.030	.863	1.4521.446	143137.452	.149.150
	Equal variances not assumed					
Trust	Equal variances assumed	1.228	.270	.561.564	143142.315	.576.573
	Equal variances not assumed					
Autonomy	Equal variances assumed	.044	.835	.462.461	143137.606	.645.646
	Equal variances not assumed					
Proactivity	Equal variances assumed	1.321	.252	.738.733	143134.842	.462.465
	Equal variances not assumed					
Authenticity	Equal variances assumed	.116	.734	.821.824	143142.259	.413.411
	Equal variances not assumed					

Collaboration	Equal variances assumed	.137	.712	.219.221	143142.278	.827.826
	Equal variances not assumed					
HRD mechanisms	Equal variances assumed	.106	.745	1.2171.221	143141.140	.225.224
	Equal variances not assumed					

**Table 3: Relationship between Gender and HRD Climate Dimensions**

Sr. No	Dimensions	Chi-square value	Significant/ Insignificant
1	General HRD Climate	5.359	Insignificant
2	Openness	2.215	Insignificant
3	Confrontation	.051	Insignificant
4	Trust	3.652	Insignificant
5	Autonomy	2.704	Insignificant
6	Proactivity	.350	Insignificant
7	Authenticity	1.413	Insignificant
8	Collaboration	3.949	Insignificant
9	HRD mechanisms	5.359	Insignificant

**Table 4: Relationship between Age and HRD Climate Dimensions**

Sr. No	Dimensions	Chi-square value	Significant/ Insignificant
1	General HRD Climate	13.213	Insignificant
2	Openness	5.445	Insignificant
3	Confrontation	6.143	Insignificant
4	Trust	5.745	Insignificant
5	Autonomy	5.399	Insignificant
6	Proactivity	3.768	Insignificant
7	Authenticity	6.977	Insignificant
8	Collaboration	5.118	Insignificant
9	HRD mechanisms	5.911	Insignificant

**Table 5: Relationship between Marital Status and HRD Climate Dimensions**

Sr. No	Dimensions	Chi-square value	Significant/ Insignificant
1	General HRD Climate	1.601	Insignificant
2	Openness	2.003	Insignificant
3	Confrontation	4.950	Insignificant
4	Trust	.736	Insignificant
5	Autonomy	1.585	Insignificant
6	Proactivity	.698	Insignificant
7	Authenticity	1.086	Insignificant
8	Collaboration	.672	Insignificant
9	HRD mechanisms	2.963	Insignificant

**Table 6: Relationship between Educational Qualifications and HRD Climate Dimensions**

Sr. No	Dimensions	Chi-square value	Significant/ Insignificant
1	General HRD Climate	11.089	Insignificant
2	Openness	4.010	Insignificant
3	Confrontation	7.559	Insignificant
4	Trust	3.846	Insignificant
5	Autonomy	4.660	Insignificant
6	Proactivity	12.112	Insignificant
7	Authenticity	2.531	Insignificant
8	Collaboration	4.849	Insignificant
9	HRD mechanisms	4.841	Insignificant

**Table 7: Relationship between Experience and HRD Climate Dimensions**

Sr. No	Dimensions	Chi-square value	Significant/ Insignificant
1	General HRD Climate	6.532	Insignificant
2	Openness	18.280	Significant at 5% level
3	Confrontation	11.655	Insignificant
4	Trust	15.925	Significant at 5% level
5	Autonomy	14.411	Insignificant
6	Proactivity	5.272	Insignificant
7	Authenticity	2.602	Insignificant
8	Collaboration	15.994	Significant at 5% level
9	HRD mechanisms	6.615	Insignificant

Table 8: Relationship among HRD Climate Dimensions

		Correlations								
		GH score	OS	CS	TS	AS	PS	AUS	COLLS	HRDMS
GH score	Pearson Correlation	1	.599**	.396**	.130	.402**	.573**	.463**	.442**	.716**
	Sig. (2-tailed)		.000	.000	.119	.000	.000	.000	.000	.000
	N	146	145	145	145	145	145	145	145	145
OS	Pearson Correlation	.599**	1	.315**	.320**	.515**	.424**	.493**	.525**	.707**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000
	N	145	145	145	145	145	145	145	145	145
CS	Pearson Correlation	.396**	.315**	1	.478**	.246**	.600**	.616**	.361**	.710**
	Sig. (2-tailed)	.000	.000		.000	.003	.000	.000	.000	.000
	N	145	145	145	145	145	145	145	145	145
TS	Pearson Correlation	.130	.320**	.478**	1	.286**	.226**	.267**	.302**	.497**
	Sig. (2-tailed)	.119	.000	.000		.000	.006	.001	.000	.000
	N	145	145	145	145	145	145	145	145	145
AS	Pearson Correlation	.402**	.515**	.246**	.286**	1	.299**	.354**	.528**	.592**
	Sig. (2-tailed)	.000	.000	.003	.000		.000	.000	.000	.000
	N	145	145	145	145	145	145	145	145	145
PS	Pearson Correlation	.573**	.424**	.600**	.226**	.299**	1	.509**	.443**	.759**
	Sig. (2-tailed)	.000	.000	.000	.006	.000		.000	.000	.000
	N	145	145	145	145	145	145	145	145	145
AUS	Pearson Correlation	.463**	.493**	.616**	.267**	.354**	.509**	1	.635**	.744**
	Sig. (2-tailed)	.000	.000	.000	.001	.000	.000		.000	.000
	N	145	145	145	145	145	145	145	145	145
COLLS	Pearson Correlation	.442**	.525**	.361**	.302**	.528**	.443**	.635**	1	.730**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000
	N	145	145	145	145	145	145	145	145	145
HRDMS	Pearson Correlation	.716**	.707**	.710**	.497**	.592**	.759**	.744**	.730**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	145	145	145	145	145	145	145	145	145

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table 9: General HRD Climate**

No.	ITEM	Healthcare sector	Banking sector
3	The top management of this organization goes out of its way to make sure that employees enjoy their work.	3.65	3.50
4	The top management believes that human resources are extremely important resources and that employee has to be treated more humanely.	3.65	3.72
5	Development of the subordinates is seen as an important part of their job by the managers/ officers here.	3.62	3.69
6	The personnel policies in this organization facilitate employees' development	3.72	3.63
28	The top management is willing to invest a considerable part of their time and other resources to ensure the development of employees.	3.80	3.69
7	Senior officers/ executives in this organization take active interest in their juniors and help them learn their job.	3.52	3.48
8	People lacking competence in doing their jobs are helped to acquire competence rather than being left unattended.	3.45	3.42
9	Managers in this organization believe that employee's behavior can be changed and people can be developed at any stage of their life.	3.75	3.70
12	The psychological climate in this organization is very conducive for any employee interested in developing himself by acquiring new knowledge and skills.	3.97	3.89
13	The top management of this organization makes efforts to identify and utilize the potential of the employees.	3.84	3.70
2	The organizations future plans are made known to the managerial staff to help them develop their juniors and prepare them for the future.	3.66	3.61
	<b>Over all total</b>	3.69	3.64

Table 10: Octapac Culture

No.	ITEM	Healthcare sector	Banking sector
<b>Openness</b>			
11	Employees in this organization are very informal and do not hesitate to discuss their personal problems with their supervisors.	3.39	3.22
12	People in this organization do not have any fixed mental impressions about each other.	3.63	3.50
30	Employees are not afraid to express or discuss their feelings with their supervisors.	3.52	3.27
1	Employees are not afraid to express or discuss their feelings with their colleagues.	3.69	3.70
	<b>Overall total</b>	3.56	3.42
<b>Confrontation</b>			
36	Employees in this organization take pains to find out their strengths and weaknesses from their supervising officers or colleagues.	3.43	3.39
30	Employees are not afraid to express or discuss their feelings with their supervisors.	3.36	3.27
1	Employees are not afraid to express or discuss their feelings with their colleagues.	3.68	3.70
32	When problems arise people discuss their problems openly and try to solve them rather than keep accusing each other behind their backs.	3.20	3.11
	<b>Overall total</b>	3.42	3.37
<b>Trust</b>			
8	People lacking competence in doing their jobs are helped to acquire competence rather than being left unattended.	3.51	3.42
17	When an employee makes a mistake his supervisors treat it with understanding and help him to learn from such mistakes rather than punishing or discouraging him/her.	3.53	3.50
29	People trust each other in this organization	3.76	3.57
	<b>Overall total</b>	3.60	3.50
<b>Autonomy</b>			
16	Employees are encouraged to experiment with new methods and try out creative ideas	3.66	3.64
26	Employees returning from training programs are given opportunities to try out what they have learnt.	3.80	3.82
22	Employees are encouraged to take initiatives and do things on their own without having to wait for instructions from supervisors	3.63	3.50
23	Delegation of authority to encourage juniors to develop handling higher responsibilities is quite common in this organization.	3.80	3.66
24	When seniors delegate authority to juniors the juniors use it as an opportunity for development.	3.69	3.67
	<b>Overall total</b>	3.71	3.66

<b>Proactivity</b>			
13	The top management of this organization makes efforts to identify and utilize the potential of the employees.	3.76	3.70
16	Employees are encouraged to experiment with new methods and try out creative ideas.	3.65	3.64
22	Employees are encouraged to take initiatives and do things on their own without having to wait for instructions from supervisors	3.54	3.50
	<b>Overall total</b>	3.65	3.61
<b>Authenticity</b>			
19	When behavior feedback is given to employees they take it seriously and use it for development.	3.85	3.79
31	When employees are sponsored for training they take it seriously and try to learn from the programs they attend.	3.91	3.83
26	Employees returning from training programs are given opportunities to try out what they have learnt.	3.77	3.82
27	Employees are sponsored for training programs on the basis of genuine training needs.	4.03	4.07
	<b>Overall total</b>	3.89	3.88
<b>Collaboration</b>			
10	People in this organization are helpful to each other.	4.18	4.16
25	Team spirit is of high order in this organization.	3.96	3.91
2	The organizations future plans are made known to the managerial staff to help them develop their juniors and prepare them for the future.	3.68	3.61
	<b>Overall total</b>	3.94	3.89
<b>HRD MECHANISMS</b>			
No.	Item	Healthcare sector	Banking sector
8	People lacking competence in doing their jobs are helped to acquire competence rather than being left unattended.	3.43	3.42
20	Seniors guide their juniors and prepare them for future responsibilities/ roles they are likely to take up.	3.68	3.61
13	The top management of this organization makes efforts to identify and utilize the potential of the employees.	3.75	3.70
14	Promotion decisions are based on the suitability of the promotee rather than on favoritism.	3.56	3.54
21	There are mechanisms in this organization to reward any good work done or any contribution made by employees.	3.66	3.58
34	When an employee does good work his supervising officers take special care to appreciate it.	3.58	3.51
37	Performance appraisal reports in this organization are based on objective assessment and adequate information and not on favoritism	3.79	3.77
18	Weaknesses of employees are communicated to them in a non-threatening way.	3.53	3.55

31	When employees are sponsored for training they take it seriously and try to learn from the programs they attend.	3.89	3.83
26	Employees returning from training programs are given opportunities to try out what they have learnt.	3.82	3.82
27	Employees are sponsored for training programs on the basis of genuine training needs.	4.08	4.07
38	Career opportunities for juniors are presented by senior officers in the organization.	3.70	3.69
2	The organizations future plans are made known to the managerial staff to help them develop their juniors and prepare them for the future.	3.71	3.61
33	This organization ensures employee welfare to such an extent that the employees can save a lot of their mental energy for the future.	3.35	3.26
35	Job rotation in this organization facilitates employee's development.	3.76	3.80
	<b>OVERALL TOTAL</b>	3.69	3.65

## PERFORMANCE EVALUATION OF ASSAM GRAMIN VIKASH BANK AND MEGHALAYA RURAL BANK – A COMPARATIVE STUDY

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*The present paper makes an attempt to appraise the performance of Assam Gramin Vikash Bank and Meghalaya Rural Bank for a period of five years from 2009 – 2013 on various counts. The study not only examines the growth of deposit and advances of both the banks, but also designate CD ratio, return on investment, return on asset, branch & employee productivity and recovery performance. Interpretations of data have been made by employing Compound Annual Growth Rate (CAGR) and least square trend equation, coefficient of determination and t-test. Analysis of relevant data reveals that there has been considerable growth of both the banks over the period of study.*

### INTRODUCTION

Banking system has become the foundation of modern economy which act as linchpin of development strategy. But, due to hefty competition among banks, resource allocation scenario has been changed over the years. Besides, changes in the policies of Government and RBI are the key reasons for which it has been necessary to evaluate their performance in regular basis. Over the years, Government of India and RBI have constituted a number of committee to evaluate the performance of RRBs in India. The reports of most of such committees revealed that regional rural banks are the main plank in the banking sector since its establishment in 1975. However, it has been observed that many RRBs have been losing its viability in numerous counts. Moreover, the studies made by Singh & Upadhyaya (1984), Hundekar (1995), Yadav & Singhal (2005), Adhikari, (2009) revealed that increasing trend of overdue and recovery position have been adversely affected viability of these banks. Similarly, Acharya and Mohanty (2006) found that in the process of giving financial support to the poor, RRBs themselves have become financially and operationally sick. Having this backdrop the present study has been carved out to assess the performance of Assam Gramin Vikash Bank and Meghalaya Rural Bank.

### REVIEW OF LITERATURE

Over the years several studies have been carried out in terms of performance evaluation of Regional Rural Banks in different parts of the country. However, a brief review of literature has been exposed in the study. Kumar (1986) observed that Regional Rural Banks in India were able to meet the credit requirement of rural people during 1975-1979. Whereas, Balamohandas et.al (1991) opined that there has been significant growth in terms of total deposit and deposit per branch of Regional Rural Banks in India and Sri Visakha Grameena Bank of Andhra Pradesh during 1976-1983. Khanna (1991) found that outstanding advances of RRBs to agricultural sector have been increased significantly. Similarly, NPA of these banks has also been increased which impact adversely on the financial health. Another study made by Sonara (1998) also found that there was phenomenal growth of total deposit and deposit per branch of Regional Rural Banks in Gujarat during 1991-1985. Again, the study made by Uddin (2003) revealed that Regional Rural Banks of Uttarakhand have made significant progress in the sphere of deposit mobilization during 1991-1996. However, position of Regional Rural Banks in terms of deposit per branch was not satisfactory. Rathore (2004) revealed the fact that Avadh Gramin Bank has failed to channelize credit adequately in rural areas during 1991-2003. Subsequently, Mishra and Rao

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(2006) found that advances and overdue of RRBs in Orissa on both farm and non-farm sector have increased mainly due to misutilization of bank loan. Bhaduri (2009) highlighted that recovery performance of regional rural banks in India improved during 1975-2003. Chakrabarti (2011) found that there was significant improvement in terms of growth of deposit, per capita deposit and deposit per branch of Regional Rural Banks in West Bengal during 1991 to 2005.

### PROFILE OF THE BANKS

Assam Gramin Vikash Bank (AGVB) came into existence on 12 January 2006 as an outcome of the merger of four Regional Rural Banks of Assam. AGVB is sponsored by United Bank of India (UBI). The bank covered 25 districts of Assam with its wide network of 374 numbers of branches out of which 74.86 percent of branch located in rural areas.

Similarly, Meghalaya Rural Bank (MRB) was setup on 29<sup>th</sup> December 1981 under the Regional Rural Bank Act. 1976. MRB is sponsored by State Bank of India. At present the bank covers all 7 districts of Meghalaya with branch network of 76.

### OBJECTIVE OF THE STUDY

To study the performance of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank on the basis of select parameters.

### HYPOTHESES

**H<sub>01</sub>:** The growth of outstanding deposit of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

**H<sub>02</sub>:** The growth of outstanding advances of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

**H<sub>03</sub>:** The growth of return on investment of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

**H<sub>04</sub>:** The growth of return on asset of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

**H<sub>05</sub>:** The growth of branch productivity of Assam Gramin Vikash Bank vis-a-vis Meghalaya

Rural Bank does not vary during the period of study.

**H<sub>06</sub>:** The growth of employee productivity of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

**H<sub>07</sub>:** The growth of recovery position of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank does not vary during the period of study.

### METHODOLOGY

**The Study:** The paper attempts to study performance of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank on basis of growth parameters.

**Tools for Data Collection:** The study is based on secondary data. In order to conduct the study annual reports of Assam Gramin Vikash Bank vis-a-vis Meghalaya Rural Bank from 2009 to 2013 have been obtained. The performance of AGVB and MRB has been analyzed based on different parameters, namely, total deposit total advance, CD ratio, return on investment, and return on asset, branch and employee productivity. In the year 2006 four poor performing RRBs of Assam has emerged, as a result Assam Gramin Vikash Bank emerged. Assam Gramin Vikash Bank is only restructured RRB of North East Region of India. Therefore, it is necessary to compare its performance with exiting RRBs of the region. Hence, Meghalaya Rural Bank has been considered under the study.

**Tools for Data Analysis:** The relevant data have been processed and analyzed with the help of statistical tools like compound annual growth rate (CAGR), coefficient of determination and *t*-test have been applied. Moreover, least square trend equation has been applied for estimating the future trend values of total deposit and advances of both the banks.

### RESULTS AND DISCUSSION

Table 1 shows total deposit mobilized by Assam Gramin Vikash Bank and Meghalaya Rural Bank for the period of 2009-2014. AGVB has mobilized total deposit of 5531.28 crore as on 31<sup>st</sup> March 2013 against the deposit of 2881.52 crore as at 31<sup>st</sup> March 2009 which evident by

CAGR of 17.71 percent. The values of coefficient of determination imply that 99 percent variation in total deposit of AGVB can be explained with the help of time only. Further, the existing trend shows that the total deposit of AGVB would elevate to the level of 6914.13 crore in 2015 and 7520.22 crore in 2016 respectively. Similarly, total deposit of MRB was 403.94 crore as on 31<sup>st</sup> March 2009 which has been increased to 995.30 crore as at 31<sup>st</sup> March 2013 with CAGR of 25.29 percent. The values of coefficient of determination imply that 99 percent variation in total deposit of MRB can be explained with the help of time only. Moreover, the existing trend shows that the total deposit of MRB would elevate to the level of 1274.97 crore in 2015 and 1427.64 crore in 2016 respectively.

It is observed that growth rate of deposit of MRB is much higher than AGVB during the study period. In order to test the difference in the growth of deposit of both banks, independent sample *t*-test has been carried out with total deposit of Assam Gramin Vikash bank and Meghalaya Rural Bank. The difference between the growth of total deposit of both the bank has been statistically significant as evident from the *p*-value. Thus, the null hypothesis is rejected and it may be concluded that the growth of total deposit of MRB is significantly higher as compared to that of AGVB.

Table 2 depicts outstanding advances of Assam Gramin Vikash Bank and Meghalaya Rural Bank during the period from 2009-2013. Total advance of Assam Gramin Vikash Bank has been increased from 1399.06 crore in 2009 to 3113.53 crore in 2013 with CAGR of 22.14 percent. The value of coefficient of determination implies that more than 98 percent variation in outstanding advances of AGVB can be explained with the help of time only. Moreover, the existing trend shows that the outstanding advances of AGVB would raise to 4010.28 crore in 2015 and 4484.00 crore in 2016 respectively. Thus, outstanding advances of AGVB are estimated to go up in future in a significant manner. Similarly, Total advance of Meghalaya Rural Bank has been increased from 118.65 crore in 2009 to 378.85 crore in 2013 with CAGR of 33.68 percent. The value of coefficient of determination implies that more than 97 percent variation in outstanding advances of MRB

can be explained with the help of time only. Further, the existing trend shows that the outstanding advances of MRB would jumped to 496.79 crore in 2015 and 569.88 coroe in 2016 respectively.

The growth rate of outstanding advances of MRB is much higher than AGVB during the study period. In order to test the difference in the growth of outstanding advances of AGVB and MRB, independent sample *t*-test has been carried out. The difference between the growth of total outstanding advances of both the bank has been statistically significant as it is evident from the *p*-value. Thus, the null hypothesis is rejected and it may be concluded that the growth of total outstanding advances of MRB is significantly higher as compared to that of AGVB.

Table 3 shows the trend of CD ratio of Assam Gramin Vikash Bank and Meghalaya Rural Bank from 2009-2013. CD ratio of Assam Gramin Vikash Bank has increased from 48.55 percent in 2009 to 56.29 percent in 2013. Similarly, CD ratio of MRB has also been increased from 29.67 percent in 2009 to 38.07 percent in 2013. The existing trend of CD ratio indicates that both the bank has efficiently utilized available deposits in the form of credit.

Return on investment indicates whether a bank is using its resources in an efficient manner or not. Higher return on investment means the investment gains compare favorably to investment cost. Return on investment of AGVB was 1.48 percent in 2009 which has rose to 5.56 percent registering CAGR of 39.22 percent. Similarly, return on investment of MRB has been increased from 3.62 percent in 2009 to 4.39 percent in 2013 with CAGR of 4.94 percent. Thus, it may be inferred that AGVB has been able to use its resources more efficiently as compared to MRB. Further, result of *t*- test shows growth of return on investment of AGVB as well as MRB found statistically insignificant as *p*- value is higher than  $\alpha$  (at 5 percent). Thus, the null hypothesis is accepted and it may be concluded that there is no statistical significant difference in growth of return on investment of AGVB as compared to that of MRB.

Return on asset indicates the profit as a percentage of total assets of the banks. An increas-

ing trend of return on asset implies a higher asset-intensity as well as improving profitability of the bank and vice versa. Return on asset of AGVB has been increased to 1.26 percent in 2013 against 0.88 percent of 2009 with CAGR of 9.39 percent. At the same time, the same has been declined from 9.73 percent in 2009 to 2.42 percent in 2013 registering CAGR of -29.38 percent. Thus, it is clear that growth of return on asset of AGVB is much higher than MRB. The perusal of *t*-test indicates that null hypothesis is accepted. Hence, there is no statistical significant difference in the growth of return on asset of AGVB vis-a-vis MRB as *p*-value is higher than  $\alpha$  (at 5 percent).

Table 5 depicts branch productivity of Assam Gramin Vikash Bank and Meghalaya Rural Bank during the study period. The branch productivity of Assam Gramin Vikash Bank has increased from 12.06 crore in 2009 to 23.11 crore in 2013 which exhibit CAGR of 17.67 percent. Similarly, branch productivity of MRB has been increased from 9.68 crore in 2009 to 18.08 crore in 2013 with CAGR of 16.91 percent. Thus, growth rate of branch productivity of AGVB is marginally higher as compared to MRB during the period under consideration. Further, results of *t*-test indicate that null hypothesis is accepted. Hence, there is no statistical significant difference between the branch productivity of AGVB and MRB as the *p*-value is higher than  $\alpha$  (at 5 percent).

Table 6 reveals employee productivity of AGVB has been increased from 2.49 crore in 2009 to 4.59 crore in 2013 which imply CAGR of 16.51 percent during the study period. Similarly, employee productivity of MRB has been increased from 3.33 crore in 2009 to 5.75 crore in 2013 with CAGR of 14.64 percent. Thus, growth rate of employee productivity of AGVB is higher than MRB during the period under consideration. Since, *p*-value is higher than  $\alpha$ , null hypothesis is accepted. Therefore, it can be concluded that there is no statistical significant difference between employee productivity of AGVB vis-vis MRB.

Recovery of loan is an important factor determining the size of the business of the banks. Higher recovery of loan reflects the better credit management. Table 7 shows recovery position of AGVB vis-a-vis MRB from 2009 to 2013. In the

year 2009, recovery rate of AGVB was 70.43 percent which has been increased to 73.15 percent in 2013. Similarly, recovery rate of MRB has been increased to 83.64 percent in 2013 against 79.09 percent of 2009. It is observed that the quantum of recovery rate of MRB is higher in all the years as compared to AGVB. Moreover, the result of *t*-test shows that the growth of recovery rate to total overdue of AGVB and MRB is statistically significant as the *p*-value is less than  $\alpha$ . Thus, the present trend of recovery rate indicates that overdue of both the banks have been declined marginally.

## CONCLUSION

To conclude, growth rate of outstanding deposit and advances of Meghalaya Rural Bank (MRB) is higher as compared to Assam Gramin Vikash Bank during the study period. The trend of CD ratio of AGVB indicates that the bank has been able to utilize the amount of deposit in the form of advances. Moreover, AGVB has been able to utilize its resources in an efficient manner as compared to MRB. Similarly, assets of AGVB are highly intensive against the same of MRB. In case of growth rate of branch and employee productivity of AGVB was marginally higher as compared to MRB. However, the recovery rate of both AGVB and MRB has been improved marginally. Thus, the perusal reveals that performance of AGVB is better than MRB during the period under consideration.

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**Table 1: Outstanding Deposit of AGVB vis-à-vis MRB**

Year (as on 31 <sup>st</sup> March)	Assam Gramin Vikash Bank (Rs. in crore)	Meghalaya Rural Bank (Rs. in crore)
2009	2881.52	403.94
2010	3462.34	532.31
2011	4376.38	677.42
2012	4883.17	807.42
2013	5531.28	995.30
CAGR (%)	17.71	25.29
R <sup>2</sup>	0.992	0.994
t-value	7.26*	
p-value	0.00	
Projected Value for 2015	6914.13	1274.97
Projected Value for 2016	7520.22	1427.64

\* Note: Significant at 5% (2-tailed)

Source: Annual Report, AGVB & MRB (various issues)

**Table 2: Outstanding Advances of AGVB vis-à-vis MRB**

Year (as on 31 <sup>st</sup> March)	Assam Gramin Vikash Bank (Rs. in crore)	Meghalaya Rural Bank (Rs. in crore)
2009	1399.06	118.65
2010	1618.23	160.49
2011	2072.83	216.15
2012	2601.56	278.22
2013	3113.53	378.85
CAGR (%)	22.14	33.68
R <sup>2</sup>	0.981	0.971
t-value	6.07*	
p-value	0.00	
Projected Value for 2015	4010.28	496.79
Projected Value for 2016	4484.00	569.88

\* Note: Significant at 5% (2-tailed)

Source: Annual Report, AGVB & MRB (various issues)

**Table 3: Credit - Deposit Ratio of AGVB vis-a-vis MRB**

Year (as on 31 <sup>st</sup> March)	AGVB (in %)	MRB (in %)
2009	48.55	29.67
2010	46.74	30.15
2011	47.36	31.91
2012	53.28	34.46
2013	56.29	38.07

Source: Annual Report, AGVB & MRB (various issues)

**Table 4: Return on Investment and Return on Asset of AGVB vis-a-vis MRB**

Year (as on 31 <sup>st</sup> March)	Return on Investments (%)		Return on Asset (%)	
	AGVB	MRB	AGVB	MRB
2009	1.48	3.62	0.88	9.73
2010	2.26	2.95	1.08	1.81
2011	2.67	2.54	1.18	1.48
2012	4.16	2.70	1.05	1.64
2013	5.56	4.39	1.26	2.42
CAGR (%)	39.22	4.94	9.39	-29.38
t-value	-0.02**	-1.46**		
p-value	0.99	0.22		

\*\* Note: Insignificant at 5% (2-tailed)

Source: Based on Annual Reports of AGVB & MRB (various issues)

**Table 5: Branch Productivity of AGVB vis-à-vis MRB**

Year (as on 31 <sup>st</sup> March)	AGVB (in crore)	MRB (in crore)
2009	12.06	9.68
2010	14.27	12.60
2011	17.82	15.41
2012	20.28	16.96
2013	23.11	18.08
CAGR (%)	17.67	16.91
t-value	1.18**	
p-value	0.28	

\*\* Note: Insignificant at 5% (2-tailed)

Note: Based on Annual Reports of AGVB & MRB (various issues)

**Table 6: Employee Productivity of AGVB vis-à-vis MRB**

<b>Year (as on 31<sup>st</sup> March)</b>	<b>AGVB (in crore)</b>	<b>MRB (in crore)</b>
2009	2.49	3.33
2010	2.99	4.56
2011	3.72	4.78
2012	4.28	6.13
2013	4.59	5.75
CAGR (%)	16.51	14.64
<i>t</i> -value	-2.06**	
<i>p</i> -value	0.07	

\*\* Note: Insignificant at 5% (2-tailed)

Source: Based on Annual Reports of AGVB & MRB (various issues)

**Table 7: Recovery Position of AGVB vis-à-vis MRB**

<b>Year (as on 30<sup>th</sup> June)</b>	<b>AGVB (in %)</b>	<b>MRB (in %)</b>
2009	70.43	79.09
2010	70.08	78.22
2011	70.44	78.80
2012	70.08	72.74
2013	73.15	83.64
<i>t</i> -value	-	4.19*
<i>p</i> -value	0.01	

\* Note: Significant at 5% (2-tailed)

Source: Annual Reports of AGVB & MRB (various issues)

## IMPACT OF MARKETING MIX ELEMENTS ON CUSTOMER LOYALTY: A STUDY OF FAST FOOD INDUSTRY

Rinal B. Shah\*

*Indian fast food market is growing rapidly and has potential to further expand. The present study has been conducted to investigate the relationship between marketing mix elements and customer loyalty. Around 100 respondents were contacted to find the relationship between the 4 P's product, price, place and promotion of marketing mix with customer loyalty. The survey covered six main food chain brands existing in Ahmedabad named McDonald, Subway, KFC, Domino's, Pizza Hut and US Pizza. Research analysis was conducted using confirmatory factor analysis (CFA) through structural equation modeling (SEM) approach. Reliability and validity testing were done to improvise the scale of research. The research revealed that only product mix is important enough which is positively related with customer loyalty.*

### INTRODUCTION

The Indian fast food market is growing rapidly because of positive developments and massive investments. Currently, market growth is mainly fuelled by the rising young population, hectic job schedules, more number of working women, and increased disposable income of the middle-class families. Some unique properties of fast food like quick served, cost advantage, etc are making it very popular among people. Thus, India offers massive opportunities for both domestic and international players. The greater exposure to multiple cuisines and high disposable income has led fast food industry to experiment with the taste of customers by providing the mix of western and 'desi' menus. According to the research report, "Indian Fast Food Market Analysis", the Fast Food Industry is estimated to grow at a CAGR of approx 34% in 2011-2014 in India, thus India is one of the fastest growing fast food market in world. There is a huge scope of growth for the untapped tier-II and tier-III cities, where all the major fast food retailers have already started to apply marketing strategies for their brands in these cities.

Marketing mix is concerned with major areas of decision making in marketing process mixed to satisfy the customers need. The main four marketing tools are Product, Price, Place and Promotion which are controlled by marketing managers to satisfy the needs of customers and

to attract customers. This study examined the relationship between the marketing mix and customer loyalty for food chains like McDonald, Subway, Domino's, Pizzahut, US Pizza, etc. In the field of Marketing the product life cycle indicates the stages from which the product will pass. One of them is maturity stage, where in marketing mix plays important role. As the product gains over its competition, the product enters the maturity stage of the product life cycle. The marketing mix during this stage involves efforts to build customer loyalty, typically accomplished with special promotions and incentives to customers, who switch from a competitor.

### REVIEW OF LITERATURE

The marketing mix concept was developed by Niel Borden to view the importance of some dimension like product, pricing, brand, packaging, servicing, advertising and distribution in marketing (Zineldin and Philipson, 2007). Borden (1964) developed the concept of marketing mix, defined and the marketing manager as one who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his effort to produce a profitable enterprise.

Marketing mix is defined as the mix of controllable marketing variables that the firm uses to pursue the desired level of sales in the target market (Churchill and Peter, 1995). Kotler et al (2008) also defined marketing mix as a set of con-

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trollable tools used by a company to create a desired response in target market, these tools are 4 P's of marketing named Product, Price, Place and Promotion.

Product is a good or service offered by company in market (Kotler et al, 2008). Kotler et al (1999) defined product as something that can be offered to customers for attention, acquisition or consumption, which will satisfy the needs and wants of customers. The marketer should develop actual product around core product and then build augmented products around actual and core products. Core product is core benefit that the customer gets, when buying some product. Whereas, the actual product refers to the parts and properties of product like quality, features, design, packaging, brand name. Augmented product refers to additional benefits or services around the core or actual products like installation, after sales service, guarantee. (Kotler et al, 1999)

Price is what the customer will pay for the purchase of product. Pricing can be cost-based, competitor-based or customer-value based. According to Biel (1992), Indian customers are very price sensitive and thus price mix is very important factor for purchase decision making. Kotler (2000) defined promotion as the activities performed by company in order to communicate to existing and potential customers. Different promotional tools can be used to communicate. Simon (1993) said that promotion helps to increase the awareness among customers and the prospects come to know about the offers only through promotion. According to Kotler et al (1999), place is the availability of product to targeted customers. The company can offer multiple channels to reach to customers (Kotler et al, 2002).

In the context of food chains, the product will be the good food provided by food chain. People come from far places to sample the food. The firms can provide new and seasonal variants to customers. Quality assurance here is very important for the health of business. If the product can be differentiated from competitor it will give unique value to customers. Customers will be satisfied, if they get enough space to sit and dine in busy time. They may also get satisfaction if there are many outlets of food chain at multi-

ple locations. It includes ambience and staff of food store in place mix. This mix includes the experiences starting from the customer's arrival for car parking to when the customer leaves after bill payment.

The reputation and image of food and food chain lead to high prices. If the food chain can provide any intangible added value, they can charge premium. In promotion mix, the food chains can offer some special mid-week or early-bird offers to make business viable. The food chain also depends on other awareness programs and word-of-mouth referrals.

### Customer Loyalty

According to Oliver (1997), customer loyalty is defined as a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior. The loyal customer pass through the stages like cognitive, affective, conative, action. For example, the customer is initially attracted by any factor like low price or high quality for purchase. In cognitive stage, the customer will consistently confirm that it has met the expectation. Then, in affective stage they will be satisfied through repeated purchase. In conative stage, the customers develop behavioral intention to purchase in future. In action stage, the customer will still purchase the same thing even though the price increases by firm or competitor provides any attractive offer.

According to Reichheld and Sasser (1990), companies can earn good profits through customer loyalty and they will be willing to purchase more frequently, to spend money for new product and service, to recommend to others or to give sincere suggestions to company. There is a positive relationship between product brand and customer loyalty. There is a positive relationship between reasonable prices and customer loyalty (Martin, et.al., 2009). Customer loyalty is a process or group of programs to keep customers satisfied to get more business from them. The company can increase customer loyalty by providing guarantee with high-quality product. They can provide some discount coupons, free offers, extended warranties, or rewards. This will lead to satisfied customers, who will repurchase

or recommend to others indicating customer loyalty.

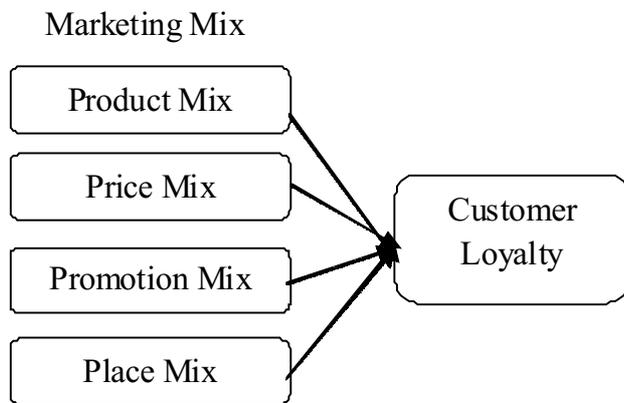


Figure-1: Proposed Framework

## METHODOLOGY

**The Study:** The structural model has been measured using statements as measurement scale, where the respondents had to express their level of agreement with the given set of statements.

**The Sample:** The survey was conducted among the post graduate students. The survey included a sample of 115 respondents but only 100 completed questionnaires were considered further for analysis.

**Tools for Data Collection:** Five point Likert scale has been used to measure this agreement level. The survey covered six main food chain brands existing in Ahmedabad named McDonald, Subway, KFC, Domino's, Pizza Hut and US Pizza.

**Tools for Data Analysis:** Internal reliability checks whether all indicators are measuring the same things or not. Cronbach alpha is used to test the reliability. Table-1 indicates that the alpha values are greater than 0.7 for each construct as suggested by Hair et al. (2007). The data analysis was done in two stages. (1) Validity and reliability analysis for the applicability of structural equation modeling (SEM) (2) hypothesis testing using SEM.

The 17 items used to measure the research model and its latent constructs are listed in Table-2. Including these conceptually related constructs of marketing mix and customer loyalty in measurement model facilitates the full assess-

ment of research model. Confirmatory Factor Analysis (CFA) has been used to assess the unidimensionality and convergent validity of the latent construct scale. The CFA results show that measurement model with five latent constructs having 17 items fit the data satisfactorily as shown in Table-2. The fit statistics like Chi-square/df, Goodness of fit index (GFI), Comparative fit index (CFI), Root mean square residual (RMR), Root mean square error of approximation (RMSEA), AGFI values are as per recommended level (Table-2) suggested by Hu and Bentler (1999).

The results also support the reliability of each construct in model using construct reliability (CR). The construct reliability for constructs ranges from 0.75 to 0.82 which is greater than the recommended level of 0.7 and the average variance extracted (AVE) for constructs ranges from 0.48 to 0.62 which is also above the cut off value of 0.5 suggested by Bagozzi and Yi (1988). To conclude this, the result statistics support the conceptualization of each construct through its reliability and internal consistency. To prove the convergent validity all the factor loadings of each construct of research model should be greater than 0.5 at significance level of 0.001. The standardized factor loading column in Table-2 indicates that all values are greater than 0.5 that means the measurement model has convergent validity.

### Research Hypothesis:

**H<sub>1</sub>:** The effect of product mix on customer is positively related to customer loyalty

**H<sub>2</sub>:** The effect of price mix on customer is positively related to customer loyalty

**H<sub>3</sub>:** The effect of promotion mix on customer is positively related to customer loyalty

**H<sub>4</sub>:** The effect of place mix on customer is positively related to customer loyalty

### Hypothesis Testing

According to hypothesis listed above based on research model, a structural equation modeling was applied to test the statistical significance of proposed relationship. All fit indices for structural model are the same as for measurement model which satisfies the recommended criteria.

Here the purpose for hypothesis testing was to examine whether the constructs of marketing mix named product, price, promotion mix and place mix are the antecedence of customer loyalty or not. Table-3 indicated the results of hypothesis testing. The result provide strong support for  $H_1$  where as other hypothesis are not supported. That means the effect of product mix on respondent is positively related to customer loyalty.

## DISCUSSION AND IMPLICATION

The result shows that the effect of product mix on respondents is positively related to customer loyalty. This is supported by the research work of Yoon and Kijewski (1997) and Hafiz (2010) which says that there is a relationship between quality of product and customer loyalty. The result is also supported by Babber et al (2002) concluding that customers are loyal if the product can meet their requirements.

Further, price, place and promotion mix effect on respondents is not positively related to customer loyalty. Few research results provide support for the same. According to Gaski and Etzel (1986), there is lack of relation between promotion and customer loyalty.

It can be interpreted that customers give more attention for fresh and healthy ingredients, quality of food and variation and new variety of foods.

The research results are derived through quantitative techniques so some qualitative methods should be applied for better interpretation. The respondents had selected any of the six food chains namely Pizza Hut, US Pizza, Domino's, KFC, McDonald, Subway to give their responses related to marketing mix and customer loyalty and this restriction can be altered while including other food chains for further research.

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**Table 1: Cronbach Reliability**

Dimensions	Cronbach's Alpha Value
Product	0.81
Price	0.69
Place	0.80
Promotion	0.77
Customer Loyalty	0.77

**Table 2: Measurement Model Results for Each Construct of Research Model**

	Standardized Factor Loading	Construct Reliability (CR)	Average Variance Extracted (AVE)
Product Mix	0.82	0.48	
The food is tasty	0.69		
It is very healthy	0.70		
It provides me variety of food selection	0.69		
Food from X is simple and quick	0.64		
I like it because of attractive packaging	0.73		
Price Mix	0.75	0.62	
Its price is similar to local food	0.97		
It has various price ranges	0.54		
Place Mix	0.80	0.50	
The store exists at convenient location	0.70		
I like it because they provide home delivery also	0.67		
I like it because it has many outlets	0.70		
I like it because they've vehicle-parking facility	0.76		
Promotion Mix	0.78	0.54	
I buy from here because of discount coupons	0.69		
I buy because of member privilege	0.78		
I am attracted to buy because of its advertising	0.73		
Customer Loyalty	0.77	0.53	
I would like to choose this food store again	0.82		
I would like to introduce this store to my friends and family	0.67		
Even if they increase the food prices I will choose it	0.69		

Fit Statistics	Values	Recommended Level
Chi-square/df	1.3	$\leq 2$
RMR	0.021	$\leq 0.1$
RMSEA	0.055	$\leq 0.01$
GFI	0.87	$\geq 0.9$
AGFI	0.82	$\geq 0.8$
CFI	0.94	$\geq 0.9$

**Table 3: Hypothesis Testing**

Relationships	Standardized Coefficient	t-value	p-value	Results
H <sub>1</sub> Product Mix → Customer Loyalty	0.53	3.57	0	Supported
H <sub>2</sub> Price Mix → Customer Loyalty	0.1	0.89	0.37	Unsupported
H <sub>3</sub> Promotion Mix → Customer Loyalty	0.12	0.72	0.48	Unsupported
H <sub>4</sub> Place Mix → Customer Loyalty	0.08	0.59	0.56	Unsupported

## VALIDATE PIOTROSKI F-SCORE APPROACH OF VALUE INVESTING ON INDIAN STOCK MARKET

Suyash Bhatt\*

*This paper is an attempt to validate the use of Piotroski F-Score analysis for identifying value stocks. Piotroski F-Score analysis devised a scale according to specific criteria found in the financial statements which encompasses aspects like Profitability, Leverage, Liquidity, Operating Efficiency to give a holistic view of the performance and position of the company. This method proved successful in interpreting the strengths and weaknesses a company possesses and the opportunities available for the company to develop upon and the threats it faces in doing so. One aspect that is missing in this method of analysis is the time horizon applicable to the relevance of its results. Hence, this method could be made more effective if we add the time horizon applicable for the results to remain relevant. Therefore, the parameters are grouped in such a way that all the factors that are more sensitive to short term changes are made into one while the factors that are driven in long term are made into another. The sensitivities of parameters are different on the short and long term performance of the company and hence weights are assigned to each parameter in line with the effect it has on the company's performance. This exercise ensures that the factors that are more critical are given more weightage than the less critical ones. This research was applied to all the companies of Banking and Automobile sector that were a part of the Nifty Index for validating this model.*

### INTRODUCTION

The global market place has become more complex and volatile lately, making the process of framing an outlook more difficult and cumbersome. The frequent occurrence of extreme events has put the state of businesses in jeopardy making the future very bleak and uncertain. This calls for a method which is very rigid and holistic, covers all the critical aspects of the business. It also necessitates the division of time frame into short term and long term to evaluate the outlook of the company in both the time frames to understand its relative standing. After the study of various available analytical methods it seemed relevant to use a metric which is based on Piotroski F-Score as it encompasses a holistic approach. Though the F-Score covered many critical aspects, there was a need to refine the methodology to suit the real world application. Three key aspects were included to make this approach more effective. Firstly, assignment of different weights to factors based on its importance and the sector of the company under analysis. Secondly, the time horizon that the related party is interested, long term or short term.

Lastly, the standardization of the short term and long term F-Score to determine short term and long term F-coefficient. This approach was applied on Banking and Auto companies which are a part of the Nifty Index to understand the relative position of each company in short and long term time horizon. The relative standing of each company was evaluated on the basis of short term and long term F-coefficient in the respective time horizon.

### REVIEW OF LITERATURE

Piotroski, (2000), in his paper examines whether a simple accounting-based fundamental analysis strategy, when applied to a broad portfolio of high book-to-market firm can shift the distribution of returns earned by an investor. The mean return earned by a high book-to-market investor can be increased by at least 7.5% annually through the selection of financially strong high BM firms, while the entire distribution of realized returns is shifted to the right. In addition, an investment strategy that buys expected winners and short expected losers generates a 23 percent annual return between 1976

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and 1996, and the strategy appears to be robust across time to control for alternative investment strategies. Within the portfolio of high BM firms, the benefits to financial statement analysis are concentrated in small and medium-sized firms, companies with low share turnover, and firms with no analysis following, yet this superior performance is not dependent on purchasing firms with low share prices. A positive relationship between the sign of the initial historical information and both future firm performance and subsequent quarterly earnings announcement reactions suggest that the market initially underreacts to the historical information. In particular one-sixth of the annual return difference between ex ante strong and weak firms is earned over the four three-day periods surrounding these quarterly earnings announcements. Overall, the evidence suggests that the market does not fully incorporate historical financial information into prices in a timely manner.

Guay, (2000), focuses on value investing and the analysis of stock value. The article discusses how investors can use historical financial statement to figure out the strongest firms to invest in. The article provides a description of a trading heuristic model based on nine fundamental signals. Several suggestions for improving firm performance and stock returns relative to weak value firms are also presented. The article also comments on academic studies that examine the stock returns of high book-to-market firms relative to low book-to-market firms.

Piotroski, (2004), in his paper studied further evidence on the relation between historical changes in financial condition, future stock returns and the value/glamour effect. The paper offered several contributions to the existing literature. First, the paper documents that the contextual underreaction to financial statement information documented in Piotroski (2000) and Mohanran (2004) is a general phenomena. These results are shown to be robust to control for size, book-to-market ratios and financial distress risk, and are consistent with concurrent work by Fama and French (1995). Second, the paper documents that the intensity and directional effectiveness of this strategy is a function of the prevailing investor sentiment associated with a given set of securities. Specifically, evidence on

cross-sectional variation in the usefulness of FSA for investing purposes across different size, book-to-market and bankruptcy risk portfolios suggests that the usefulness of financial statement analysis is tilted towards the identification of undervalued (overvalued firms) among thinly followed (heavily followed) firms. Overall, the evidence clearly shows that historical accounting data signaling changes in the firm's financial condition have predictive ability with respect to future returns. These relations are consistent with a market that underreacts to financial information, resulting in predictable pricing corrections. Whether these relations are anomalous, or the result of an undetected risk factor, is an area for future research.

Buchanan, (2011), in his study examined the performance of long-short equity trading strategies from January 1990 to December 2010. This study combines two financial screens that will yield candidates for both long and short positions for each month during the aforementioned time period. Two long-short strategies are tested: (1) perfectly-hedged, or equal allocation to long and short positions, and (2) net-long. The results revealed that if a long-short equity manager is able to successfully determine what companies are overvalued and undervalued and actively rebalance their portfolio, perfectly-hedged and net-long strategies can generate superior risk-adjusted alpha.

## METHODOLOGY

Piotroski F-score approach evaluates any company on nine parameters based on Profitability Signals, Leverage and Liquidity and Operating efficiency. The nine parameters are enumerated as Net Income, Operating Cash Flow, Return on Assets, Quality of Earnings, Long-Term Debt vs. Assets, Current Ratio, Shares Outstanding, Gross Margin, Asset Turnover. The F-Score approach gives each of the above parameter a score of either 0 or 1 based on the criterion given for each parameter as given below. Present paper attempts to extend the theory of F-Score where the parameters are classified into two categories for framing a short term and long term outlook of the company. The categorization of the F-Score helps in better understanding of the company's performance in the short term vis-à-vis the long term which would be useful for taking a perspective

on the company as suited to the investor's time horizon. The short term factors taken into consideration are extracted from the income statement as it reflects the performance of the company in the given period. The long term outlook was framed on the factors derived from the balance sheet which signifies the position of the company and has long term implications on the performance of the company. While there are similar studies attempted by Buchanan, (2011) however, there are differences in the aspects of the application, parameters and time horizon of G-Score and Long Term/Short Term F-Score.

#### F-Score Criterion:

- ♦ **Net Income:** Bottom line. Score 1 if last year's net income is positive
- ♦ **Operating Cash Flow:** A better earnings gauge. Score 1 if last year cash flow is positive
- ♦ **Return On Assets:** Measures Profitability. Score 1 if last year ROA exceeds prior-year ROA
- ♦ **Quality of Earnings:** Warns of Accounting Tricks. Score 1 if last year operating cash flow exceeds net income
- ♦ **Long-Term Debt vs. Assets:** Is Debt decreasing? Score 1 if the ratio of long-term debt to assets is down as compared to the year-ago value. (If LTD is zero but assets are increasing, score 1 anyway.)
- ♦ **Current Ratio:** Measures increasing working capital. Score 1 if CR has increased as compared to the prior year

- ♦ **Shares Outstanding:** A Measure of potential dilution. Score 1 if the number of shares outstanding is not greater than the year-ago figure
- ♦ **Gross Margin:** A measure of improving competitive position. Score 1 if full-year Gross Margin exceeds the prior-year Gross Margin
- ♦ **Asset Turnover:** Measures productivity. Score 1 if the percentage increase in sales exceeds the percentage increase in total assets

The total of the above nine parameters gives the F-Score for the company with a maximum of 9 and higher the F-Score, better the position of the company.

#### Short Term and Long Term F-Score:

The above parameters can be further grouped into two categories for framing a short term and long term outlook of the company. It is evident that parameters with significant dependence on short term factors are grouped into Short Term outlook viz. Operating Cash Flow, Quality of earnings, Current Ratio, Net Income, Gross Margin and Return on assets. The factors that are long term in nature are grouped into Long Term Outlook like Shares Outstanding, LT Debt to Assets and Asset Turnover. This classification of the F-Score is shown in the table-A below.

The short term parameters can be grouped into Cash Flow and Liquidity and Profitability measures based on its nature. The long term parameters are also classified as Degree of Control, Level of Risk and Efficiency. The table-B illustrates the above details.

**Table-A**

Short Term Outlook						Long Term Outlook		
Operating Cash Flow	Quality of Earnings	Current Ratio	Net Income	Gross Margin	Return On Assets	Shares Outstanding	Long Term Debt Vs. Assets	Asset Turnover

**Table-B**

Short Term Outlook		Long Term Outlook		
Operating Cash Flow + Quality of Earnings + Current Ratio	Net Income + Gross Margin + Return on Assets	Shares Outstanding	LTD/ Assets	Asset Turnover
Cash Flow & Liquidity	Profitability	Degree of Control	Level of Risk	Efficiency

It is to be noted that cash flows and liquidity are more important than accounting income because that gives the real cash available with the company for its business operations. Hence the Cash Flow and Liquidity would be given preference to the Profitability when two companies have the same score for Short Term Outlook. In the long term outlook the degree of control is more important because for framing long term strategies the decision making power is very vital. With adequate control the level of risk can be controlled within the comfort levels of the company and with risk under control the company can focus on production efficiency. So if the long term outlook of two companies is the same then more importance could be given to shares outstanding followed by LT Debt/Assets and Asset Turnover.

#### Level of Importance:

##### 1. Short Term Outlook:

Cash Flow & Liquidity > Profitability

##### 2. Long Term Outlook:

Degree of Control > Level of Risk  
> Efficiency

As the order of importance is framed, the next step is to give weightage to each aspect according to the importance depending upon the sector of the company analyzed.

Let the weights assigned to Cash Flow & Liquidity be WCFL, Profitability be WP, Degree of Control be WDC, Level of Risk be WLR and Efficiency be WE.

It is also considered that short term and long term outlook has the same importance, therefore

$$\Rightarrow WCFL + WP = 0.5$$

$$\Rightarrow WDC + WLR + WE = 0.5$$

Using the weights stated above the Short Term and Long Term F-Score is calculated as follows:

$$\Rightarrow \text{Short Term F-Score} = WCFL * \text{Cash Flow and Liquidity} + WP * \text{Profitability}$$

$$\Rightarrow \text{Long Term F-Score} = WDC * \text{Degree of Control} + WLR * \text{Level of Risk} + WE * \text{Efficiency}$$

#### Short Term and Long Term F-Coefficient:

In relative valuation, standardization is very important as it brings the variables on the same field to make it an apple to apple comparison. Here the standardization is introduced by dividing Short Term and Long Term F-Score by the maximum achievable score. The maximum score for Short Term outlook is 3 as there are six parameters grouped in it and the weight assigned being 0.5. In Long Term outlook the maximum score is 1.5 as it includes three parameters.

$$\Rightarrow \text{Maximum Short Term F-Score} = 3$$

$$\Rightarrow \text{Maximum Long Term F-Score} = 1.5$$

The calculation of Short Term and Long Term F-Coefficient is as follows,

$$\Rightarrow \text{Short Term F-Coefficient} = (\text{Short Term F-Score}) / (\text{Maximum Short Term F-Score})$$

$$\Rightarrow \text{Long Term F-Coefficient} = (\text{Long Term F-Score}) / (\text{Maximum Long Term F-Score})$$

This would ensure that the boundaries of Short Term and Long Term F-Coefficient are between 0 and 1 and thus inducing greater level of comparability between different companies.

$$\Rightarrow 0 < \text{Short Term F-Coefficient} < 1$$

$$\Rightarrow 0 < \text{Long Term F-Coefficient} < 1$$

This research was conducted on all the companies of Banking and Auto sectors which are a part of Nifty index. The Short Term and Long Term F-Coefficient are computed for each company and a comparative analysis is done in short term and long term perspective. The companies are ranked according to their short term and long term F-Coefficient for both the time horizons respectively. The weights assigned to the parameters vary from industry to industry based on its dynamics and hence the assigned weights are different for Banking and Auto sectors.

#### Banking Sector

There are 10 companies that are part of Nifty Index as shown in Table 1. The classification of F-Score into Short Term and Long Term Outlook is shown in Table 2. Calculation is done based on weights assigned as shown in Table 3. The ranking of these companies based on the

Short Term and Long Term F-Coefficient is shown in Table 4.

### Auto Sector

There are 5 firms from Automobile sector which are a part of Nifty Index as shown in Table 5. The classification of F-Score into Short Term and Long Term Outlook is shown in Table 6. Calculation is done based on weights assigned as shown in Table 7. The ranking of these companies based on the Short Term and Long Term F-Coefficient is shown in Table 8.

The above analysis would be effective to select companies based on the investor's time horizon. The participants who deal in short term instruments can look at Short Term F-Coefficient while ones with long term time horizon could look at Long Term F-Coefficient. This analysis could be used as a complementary tool rather than on a standalone basis. If the investor requires deeper insights about the position and performance of the company in the industry then he could use this technique.

### RESULTS AND DISCUSSION

The result validates use of Piotroski F-Score analysis for identifying value stocks. One aspect that is missing in this method of analysis is the time horizon applicable to the relevance of its results. The sensitivities of parameters are different on the short and long term performance of the company and hence weights are assigned to each parameter in line with the effect it has on the company's performance. This exercise ensures that the factors that are more critical are given more weightage than the less critical ones. A company may show good performance in the short term but may have weak fundamentals in long term perspective and vice versa. Here this aspect is addressed by using Short Term F-Coefficient for shorter time horizons and Long Term F-Coefficient for long term and ranking them according to it. Analysis of a company with a holistic approach that covers all the critical factors of a business is very effective. This analysis uses 9 parameters that give a clear understanding of the position and performance of a company in its sector. Every industry would have differing sensitivities to a factor and hence the level of importance too changes. The differing weights assigned to each

factor in the computation of Short Term and Long Term F-Coefficient includes this aspect. In any sector few factors would be more important than others and hence the need to give due weightage to them becomes important. Here, the cash flows metric was given more weightage than the profitability measures because cash flow gives the real picture of the funds available with the company rather than the accounting figures reflected by profitability measures. It is to be noted that the relative standings could change as the industry landscape changes.

### CONCLUSION

To conclude it is to be noted that this analysis would work well as a complementary tool that could back the detailed research work to make the decision making process more effective. This concept could be extended for identifying value stocks especially from Small and Midcap Sector. The above analysis was applied to Banking and Automobile companies that are a part of Nifty Index to show the process of analysis in detail. In banking sector based on results we conclude that both ICICI Bank and IndusInd Bank are good investment option using long term and short term parameters using Piotroski F-Score. In auto sector based on results we conclude that Hero Moto Corp is good in Long Term were as Maruti is good investment in short term based on parameters using Piotroski F-Score. It is relevant for investors with different time horizons to look at tools or methods that are in conundrum with it. The rankings of the companies could also differ in short term and long term.

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**Table 1: F-Score of Institutions**

SECTOR	Company	TCF	QE	CR	NI	GM	RoA	SO	LTDA	AT	F-Score
BANKING	ICICI Bank	1	1	1	1	1	1	0	1	0	7
	SBI	1	0	1	1	1	1	0	1	0	6
	HDFC Bank	1	1	1	1	1	1	0	0	0	6
	IDFC	1	1	1	1	0	1	0	1	1	7
	Indusind Bank	1	1	1	1	1	1	0	1	0	7
	Axis Bank	1	1	1	1	0	1	0	1	0	6
	Kotak Mahindra Bank	1	1	1	1	0	1	0	0	0	5
	PNB	0	0	1	1	0	1	0	1	0	4
	HDFC	1	1	1	1	0	1	0	1	1	7
	Bank Of Baroda	1	1	1	1	0	1	0	0	0	5

Source: Author

**Table 2: Classification of the F-Score into Short Term and Long Term Outlook**

	F-SCORE				
	Short Term Outlook		Long Term Outlook		
	Cash Flow & Liquidity	Profitability	Degree of Control	Level of Risk	Efficiency
ICICI Bank	3	3	0	1	0
SBI	2	3	0	1	0
HDFC Bank	3	3	0	0	0
IDFC	3	2	0	1	1
Indusind Bank	3	3	0	1	0
Axis Bank	3	2	0	1	0
Kotak Mahindra Bank	3	2	0	0	0
PNB	1	2	0	1	0
HDFC	3	2	0	1	1
Bank Of Baroda	3	2	0	0	0

Source: Author

Table 3: Short Term &amp; Long Term F-Coefficient is given below for the 10 companies

	Short Term Outlook				Long Term Outlook				
	CF&L	P	Short Term F-Score	Short Term F-Coefficient	DC	LR	E	Long Term F-Score	Long Term F-Coefficient
<b>Weights Assigned</b>	0.35	0.15			0.2	0.15	0.15		
<b>ICICI Bank</b>	1.05	0.45	1.5	0.5000	0	0.15	0.15	0.3	0.2000
<b>SBI</b>	0.7	0.45	1.15	0.3833	0	0.15	0.15	0.3	0.2000
<b>HDFC Bank</b>	1.05	0.45	1.5	0.5000	0	0	0	0	0.0000
<b>IDFC</b>	1.05	0.3	1.35	0.4500	0	0.15	0.15	0.3	0.2000
<b>Indusind Bank</b>	1.05	0.45	1.5	0.5000	0	0.15	0.15	0.3	0.2000
<b>Axis Bank</b>	1.05	0.3	1.35	0.4500	0	0.15	0.15	0.3	0.2000
<b>Kotak Mahindra Bank</b>	1.05	0.3	1.35	0.4500	0	0	0	0	0.0000
<b>PNB</b>	0.35	0.3	0.65	0.2167	0	0.15	0.15	0.3	0.2000
<b>HDFC</b>	1.05	0.3	1.35	0.4500	0	0.15	0.15	0.3	0.2000
<b>Bank Of Baroda</b>	1.05	0.3	1.35	0.4500	0	0	0	0	0.0000

Source: Author

Table 4: Ranked in Each Time Horizon based on the Corresponding F-Coefficient

Sector	Rank	Company	Long Term F-Coefficient	Rank	Company	Short Term F-Coefficient
<b>Banking</b>	1	<b>ICICI</b>	0.2	1	<b>ICICI</b>	0.5
	2	<b>Indusind Bank</b>	0.2	2	<b>HDFC Bank</b>	0.5
	3	<b>Axis Bank</b>	0.2	3	<b>Indusind Bank</b>	0.5
	4	<b>IDFC</b>	0.2	4	<b>Axis Bank</b>	0.45
	5	<b>HDFC</b>	0.2	5	<b>Kotak</b>	0.45
	6	<b>SBI</b>	0.2	6	<b>IDFC</b>	0.45
	7	<b>PNB</b>	0.2	7	<b>HDFC</b>	0.45
	8	<b>HDFC Bank</b>	0	8	<b>BoB</b>	0.45
	9	<b>Kotak</b>	0	9	<b>SBI</b>	0.3833
	10	<b>Bank of Baroda</b>	0	10	<b>PNB</b>	0.2167

Source: Author

**Table 5: The table below shows the F-Score of these 5 companies.**

SECTOR	Company	TCF	QoE	CR	NI	GM	RoA	SO	LTDA	AT	F-Score
AUTO	Maruti	0	1	1	1	1	1	0	0	1	6
	M&M	1	0	1	1	0	1	0	1	1	6
	TATA Motors	0	1	0	1	0	0	0	0	0	2
	Bajaj Auto	0	0	1	1	0	1	1	1	0	5
	Hero MotoCorp	1	0	1	1	0	1	1	1	1	7

Source: Author

**Table 6: The table below gives the classification of F-Score into Short Term and Long Term Outlook.**

	F-SCORE				
	Short Term Outlook		Long Term Outlook		
	Cash Flow & Liquidity	Profitability	Degree of Control	Level of Risk	Efficiency
Maruti	2	3	0	0	1
Mahindra & Mahindra	2	2	0	1	1
TATA Motors	1	1	0	0	0
Bajaj Auto	1	2	1	1	0
Hero Moto Corp	2	2	1	1	1

Source: Author

**Table 7: The calculation of Short Term and Long Term F-Coefficient is given below.**

	Short Term Outlook			Long Term Outlook					
	CF&L	P	Short Term F-Score	Short Term F-Score	DoC	LoR	E	Long Term F-Coefficient	Long Term F-Coefficient
Weights Assigned	0.35	0.15			0.2	0.15	0.15		
Maruti	0.6	0.6	1.2	0.4	0	0	0.2	0.2	0.1333
Mahindra & Mahindra	0.6	0.4	1	0.3333	0	0.15	0.2	0.35	0.2333
TATA Motors	0.3	0.2	0.5	0.1667	0	0	0	0	0
Bajaj Auto	0.3	0.4	0.7	0.2333	0.15	0.15	0	0.3	0.2
Hero Moto Corp	0.6	0.4	1	0.3333	0.15	0.15	0.2	0.5	0.3333

Source: Author

**Table 8: The ranking of these companies based on the Short Term and Long Term F-Coefficient is given below**

	Recommendations					
	Long Term			Short Term		
Sector	Rank	Company	Long Term F-Coefficient	Rank	Company	Short Term F-Coefficient
Auto	1	Hero Moto Corp	0.3333	1	Maruti	0.4
	2	M & M	0.2333	2	M & M	0.3333
	3	Bajaj Auto	0.2	3	Hero Moto Corp	0.3333
	4	Maruti	0.1333	4	Bajaj Auto	0.2333
	5	TATA Motors	0	5	TATA Motors	0.1667

Source: Author

## DILEMMA OF COO\*

Three partners based at Canada started a company in Indore city (M.P.) with name "Zesis Pvt. Ltd." in the year 2006. Initially, company was emphasizing on the training model i.e. providing training to the newly recruited employees. They invested heavily on the training of employees in order to develop the required skills amongst them. This model of the company was a flop show, as the many employees started to switch to the other companies for better opportunities after the completion of the training. Finally, this resulted into high cost and after two years, they decided to wind up this Initiation.

After this, they started a new firm and named it "SmartIT Pvt. Ltd." in the year 2008. Now, the new company was mainly focusing on leveraging IT solutions to effectively enhance the working of organizations based on traditional business models. Company was providing diverse range of technical services focusing on consulting, software, mobile applications and education. Now, as learning from previous business model, they were neither focusing on induction nor on training of employees at deeper level.

The new company commenced its operations with website development for clients. Initially they had 25 employees, out of which 6 were in management and remaining were business development executives. In a span of four years, company expanded and created four working divisions - Product Development; Internet Marketing; Staff Augmentation and IT Infrastructure. Further, the company expanded its business in the various cities of India like Pune, Bangalore, Hyderabad beside Indore.

In Indore office, company had 50 employees in two divisions (Product Development and Internet Marketing) and the salary paid to these employees ranged between Rs. 10,000 to Rs. 20,000 per month. Out of 50, only 3 to 4 employees were having good communication skills and able to handle the clients in a better way. Rests

of the employees were recruited based on their negotiating skills in the local vernacular. In rest two departments (Staff Augmentation and IT Infrastructure), there were only 5 to 6 employees, working at client site. Salary of these employees was provided by the clients to the company and then from the company, it was paid to on-site employees. Company was growing at national as well as international level in terms of project handling. Being a small IT firm, projects received by the company were very small and the number was very large.

Most of the business development executives were working on different projects simultaneously and working under different project managers. Company was working on the concept of weekly work sheet assigned to each and every individual, using project management software. As an outset, there was a conflict between quality control and technical departments. The product (software) developed by technical department was not approved by quality control and there was a mismatch between the working of two departments. In order, to resolve the conflict, the Chief Operating Officer (COO) had a separate meeting with each of department head to listen to the version of each, followed by a joint meeting. The outcome of this joint meeting resolved that problem, however, it was not very fruitful and the incidents of such type of mismatch between the working of two departments were occurring very frequently in the organization thereafter.

Eventually, COO of the company observed traces of dissatisfaction among employees. He found that the employees were not ready to share the information within the organization relating to projects. Besides this, some of the employees started taking leaves without prior intimation. It was also observed that whenever employees got better opportunity, they used to leave the organization without any notice. The COO of the company was in dilemma as to what should be the strategy for managing such small IT com-

\* The case was developed by Dr. Deepak Jaroliya, Raksha Chouhan, Dharmenda Sharma and Rajeev Bhatnagar of PIMR, Indore during the Twenty Seventh National Case Writing Workshop organized by Prestige Institute of Management and Research, Indore in association with AIMS, New Delhi on June 04-06, 2012.

pany. Should the company focus on large number of small scale projects or small number of large scale projects?

#### QUESTIONS:

1. Comment on the work environment of the SmartIT Pvt. Ltd.
2. Suggest the ways to improve work environment of SmartIT Pvt. Ltd.
3. Discuss the project management approach of SmartIT Pvt. Ltd.
4. If you would be in the place of COO, what would be your plan to take of "SmartIT Pvt. Ltd. to the next level.

## LEARNING TO STAND AHEAD\*

### Introduction

The ongoing thinking process of expanding the business motivated Atul Dubey to start his own production unit of woven fabric which was used as an input for manufacturing of flexible intermediate bulk container (FIBC) bags and jumbo bags. The production of FIBC bags required the PP granules which were being supplied by the Reliance Industries, the major supplier holding 70 percent of market share in India. This industry was not able to supply the PP granules for the last 3 months because of the maintenance and the other price issues. The company had memorandum of understanding with the Reliance because of which they were bound to buy the granules from this industry with no other options.

Dubey had started Union Pack Flexible Packaging Pvt. Limited in 2010. The business was growing profitably with the current production of 60-70 tonnes bags per month. However, he was expecting the production to reach 300 tonnes bags per month in the near future. For this he wanted to decide what to do for the expansion. He wanted to raise the money and possibly hire staff required for the expansion plans.

### The Packaging Market

The global packaging industry turnover was around \$500 billion. Used in a wide range of industries across food and drink, healthcare, cosmetics and other consumer goods as well as a range of industrial sectors, packaging had be-

come essential day-to-day item, with its usage growing broadly in line with the global economy. Packaging growth was typically higher than GDP in emerging markets, where increase in standard of living lead to buy packaged food, beverages and other everyday commodities. In mature markets packaging opportunities could outpace GDP, as packaging was used as a means to create services like convenience, tracing etc.

There were three major regions which used packaging namely; North America, Western Europe and Asia. Though Western Europe has been the major user of packaging material in the past, the consumption pattern was changing significantly in the growing economies as well which were primarily present in Asia which would result in becoming the biggest market by 2009.

USA was the largest consumer of packaging material and was closely followed by the Asian economies of Japan & China. Several European nations were also major consumer of packaging. India was the 10<sup>th</sup> largest consumer of packaging material. The future held bright prospects for the packaging in the Asian economies as the growth rates were much higher than the developed countries. This trend provided significant potential to packaging providers in the high growth segment as the demand continued to grow.

Demand for polymers in Middle East and India was growing rapidly at about 12 to 15% per

\* This case was developed by Shubhangi Jore and Rupal Chowdhary of Prestige Institute of Management and Research, Indore, and Tarunendra Singh Baghel of SGHS, Indore during Twenty Seventh Case Writing Workshop organized by Prestige Institute of Management and Research, Indore in association with AIMS on June 04-06, 2012.

year. Reliance Industries was in the process of expanding its PP capacity by about 1 million tonnes by the fourth quarter of 2008. This had resulted in lower spare capacity in the region for export of polymers. The year 2008 was likely to see 3 million tonnes of additional polypropylene capacity in the region. Indian Oil Corporation was in the process of setting up a Greenfield plant for PP, HOPE and LLDPE and the same was likely to be operational by the end of the year 2009. Capacity creation in polymers was a prelude to the increasing capacity creation of downstream units processing various finished products. The sector is therefore likely to witness eventful growth in volumes over the next decade.

The world Jumbo Bag (FIBC) market was estimated at around \$3 billion and consumes around 390 million bags annually. The Jumbo Bag requirement was primarily in the developed countries (North America and Europe) where bulk handling facilities were already available that facilitated easy handling and bulk transportation. Though these markets had matured, the growth rate of consumption was increasing as the packaging was becoming cost effective since they were sourced from other countries with lower cost of production resulting in new users and new applications.

Europe which was the birth place of the FIBC accounts for a quarter of the FIBC market. Though Europe had huge requirement of FIBCs majority of them were sourced from Turkey and India as the local cost of production was increasing and other countries were able to produce bags of the required quality. North America was the largest FIBC market and is still growing at 11% annually as quality FIBCs were available at cheaper prices from developing countries which facilitated usage for several new users and applications. America also imported majority of its requirement from Central and South America, Turkey and India. America and Europe combined account for close to two third of the world consumption of FIBCs. Other major markets include China, Middle East, Australia and India. Turkey, China and India were the three largest producing countries of FIBC and account for more than 50% of the world FIBC requirement. The growth in the FIBC industry was expected

from almost all markets ranging from 5% to 20% resulting in an average growth rate of around 9% worldwide.

Jumbo Bags were primarily used for packing chemicals including petrochemicals and minerals), food and other products with chemicals constituting close to half of the bag requirement. Chemicals along with food were the two largest growing segments since large portion of the growth was coming in the form of increase in world capacities for the products besides increased mining activity. Therefore, opportunities abound for growth in the international market and Union Pack efforts would be to drive the company's growth strongly through exports.

However, the scenario of exports after the recession of 2008 had been very poor and the exports to the countries like US, UK has gone down considerably. Further the problem had been aggravated by the crises faced by the Euro zone. Apart from this the company was facing competition from the large number of the players in the domestic market like Tirupati Balaji, Safeflex International, Flexituff International, Paras, Shree Krishna Packaging, Commercial Synbags and Vergo Polymers, Chennai. The FIBC Industry was thus increasingly becoming competitive with the emergence of a large number of players in the domestic market. While the capital investment was limited, there was a great deal of technical and management expertise needed to run the industry.

### **The Entrepreneur**

Dubey had started gaining experience of Packaging industry at an age of 17 years when his father started his own venture Ashu Impact Services in Indore. His father was placing the order in the manufacturing unit and the bags produced were then being supplied to the clients in the foreign market. Dubey gained an experience of this industry for about 8 years by helping his father in placing the orders in the industries like Flexituff international, Safe Flex to name a few. During those years he developed relationship with the clients in the foreign market. He learned the importance of quality in producing these bags as the rejection chances were very high of low quality bags in the US and UK market.

However, he felt the need of manufacturing the bags and then supply to the foreign market as they were not able to control the quality of bags and the profit margins were also very low. Dubey had an instinct of marketing as he had completed his graduation in business administration as marketing specialization. To further strengthen his managerial skills he pursued MBA in Marketing on part time basis. Dubey had spent most of the time in building relationship with the clients in the foreign market and acquired the deep understanding of the product manufacturing. He tried to understand the process of production from very near so that he can analyse the problems which can be there for the production of bags. The eight years which he spent in the field gave him the necessary exposure required for the establishment of his own manufacturing unit.

#### **Union Pack Flexible Packaging Pvt. Limited**

In the year 2010 supported by his family friend he started his own venture Union Pack Flexible Packaging Limited, Indore, M.P. in a rented premise with an initial investment of 30 million partly funded by taking loan from the bank. The company was basically a manufacturing and an export unit with 100 percent export capacity. The products manufactured were PP Woven Sacks (Bale-sack), Woven Packaging Products and PP Woven Fabric. They had invested in Indian machines for the production in lieu of foreign with a saving of 40 percent costs. The company had around 100 workers, of which 40 were skilled labours who gained experience and improved their skills by continuously associating with the company right from the inception. Initially the company was procuring fabric from local suppliers and was using the same for manufacturing FIBCs which involved various types of key steps along with skilled operation performance. However procurement of fabric was narrowing the profit margin because a high cost was involved in purchasing along with taxes.

The fabric was not received timely because suppliers had other options to supply more profitable products. Looking at the problem, Dubey finally planned to integrate backward and started his own fabric manufacturing unit using PP granules. The PP granules were procured from Reliance

Industries situated at Jamnagar. The polypropylene plant at Jamnagar had a huge capacity of 1030 KTA of polypropylene producing a wide range of grades that catered to an equally diverse range of sectors. The Reliance industry was the major market player of the PP granules and the company was bound to purchase the raw material from Reliance. The PP granules purchased were then processed through eleven step manufacturing system (Annexure 1). The company had also minimized the wastage as they were recycling the waste and by the addition of 10 percent new PP granules to the wastage they were able to manufacture new bags. The company was also able to minimize the inventory cost as they were manufacturing only when the order was being placed. The company had standard specifications of the quality as per required by the purchaser. If the bags had defects upto 3 sigma levels then there was a possibility of rejection of the consignment.

It used the UV protection technique in bags to protect the material. The final product in the form of jumbo bag was pressed under the pressing machine with a capacity of 300-400 bags being compressed at a time. The bags were then finally packed and placed for the delivery. The packed containers were moved to Ratlam after getting the documentation process completed from ICD located at Pithampur, Indore. The containers were then transported from Ratlam to Mumbai through Railways. Finally the containers were shipped from Mumbai port to UK, US and Europe. It took around 25 days to reach the destination.

The company, to accomplish work, hired workers from local areas and from other states like Bihar and UP. The labours from other cities were available on a daily wage of 300/ per day and were sincere enough to carry out work properly. Each worker was given a target of processing 300 bags per day and these outside workers were able to meet the target. During harvesting season the company was facing the problem of absenteeism. In such a situation, local labours were hired on a daily wage of 200 Rs per day. These laborers also owned the agricultural land and were less sincere in the company. Thus, the problems of labour in the harvesting period remain unsolved.

The company had the low working capital and required 60 millions for expansion plans. Dubey looked at different sources of funding which included the funding from banks and the venture capitalist. The funding from the bank took a long time for all the formalities required for loan. The result was that he was not able to utilize the full capacity and it remained unutilized which increased the cost of production. Further the situation was aggravated by the payments blocked in the foreign countries because of the poor economic conditions of the target market.

The Sales turn-over for the financial year 2010-11 has been Rs. 3,07,77,982.00. However, the sales

in the year 2011-12 was Rs 5,23,42,305.00 recording a growth of 70 percent. Dubey had kept a target of Rs. 12,00,00,000.00 in 2012-2013. Dubey sitting in his office wondered how to meet this target in the situation when the market was undergoing tough times.

### Questions

- 1 Discuss the issues involved in the case.
- 2 Evaluate growth strategy adopted by the entrepreneur.
- 3 Analyse the case in the light of current market scenario.
- 4 How should he finance the expansion plans.

## MUNDRA ULTRA MEGA POWER PLANT: A TORCH BEARER IN AN ENERGY HUNGRY NATION\*

Starting with an aggregate electricity generating capacity of 1362 MW in 1947, India has achieved significant capacity addition over the last 66 years. At the end of April 2012, the installed generation capacity of the power sector in India stood at 201,637 MW. Despite this, India continues to face formidable challenges in bridging the energy gap due to swelling energy demand. During the year 2010-11, the country faced an energy shortage of 8.5% and a peak shortage of 9.8%.

The bulk of the peak power deficit can be attributed to five key power deficit states – Maharashtra, Madhya Pradesh, Uttar Pradesh, Punjab and Haryana.

India faces a severe electricity shortage that is hampering its industrial growth and competitiveness. About 400 million people in India lack access to the electricity grid. India's continuing power deficit and the lack of new investment in the sector is thought to be one reason for the country's slowing economic growth.

To cope with the power deficit, a large part of India (about 40 percent, according to a World

Bank estimate) depends on diesel-based back-up power sources. For industries, this leads to high operational costs. For the country, it creates pollution and hurts economic growth.

India has a very low per-capita consumption of electricity, about 779 kilowatt hours a year. (Source: Central Electricity Authority of India report on Indian Power Sector, February 2012). That is less than a third of electricity consumption in China (about 2,453 kWh) or Brazil (about 2,251 kWh). But demand is growing rapidly.

As per estimates of the Working Group on Power for the 12th Five Year Plan (2012-17), India needs to add another 169,815 MW of capacity in the next decade to support the desired GDP growth of 9% a year. This can be achieved only through large capacity power projects.

While the Government seeks to increase generation of electricity from renewable sources, India continues to rely on thermal sources to meet the increasing demand. Of India's current generation capacity, more than 66% is from thermal power plants. Approximately 85% of this (about 57%) is coal-based. Hydro power accounts

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for about 19% of capacity, while the remainder comes from nuclear power, wind and other renewable sources of energy.

The renewable source of solar energy is an alternative but due to its high cost, its industrial sustainability is doubtful despite subsidies from Government. Large scale hydro projects can be one more option which calls for policy framework. Under the circumstances, the fuel mix of India's generation capacity is expected to remain nearly the same in coming years – meaning thereby that the country will continue to depend heavily on coal – based generation. It would, therefore, be important to make the right choices in selection of technologies that would enable the plants to operate in energy efficient and environment friendly manner.

### **Need of UMPP**

The UMPPs are seen as an expansion of the MPP (Mega Power Projects) that the Government of India undertook in the 1990s, but met with limited success. The Ministry of Power, in association with the Central Electricity Authority and Power Finance Corporation Ltd., has launched an initiative for the development of coal-based UMPP's in India. These projects were awarded to the developers on the basis of competitive bidding.

The Government of India took up the determined programme of UMPPs in 2005. Each project with an installed capacity of 4000 MW was visualized with the intent to make power available at minimum cost through economies of scale and superior energy efficient and environment friendly technology.

The development of these UMPPs in the Public Private Partnership (PPP) model was undertaken on competitive tariff based bidding, in which Special Purpose Vehicles (SPVs) were set up by the Power Finance Corporation (PFC), which was appointed by the Government of India as nodal agency for developing the UMPPs.

The UMPP project model is based on Design, Build, Finance, Operate and Transfer (DBFOT). After 25 years the UMPP will be transferred to its owner i.e. Ministry of Power. The land was allotted to the company on license-to-use basis.

The SPVs were responsible for all initial development work including obtaining required land, environmental and other clearances for the project even before handing over to the developers after the bidding exercise. So far, 16 UMPPs have been planned in various states including Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu.

### **Overview of Project**

Sponsor of the project is Coastal Gujarat Power Limited (CGPL), a wholly owned subsidiary of Tata Power Company Limited; Located in South of Tunda Wand village, in Mundra Taluka, Kutch district of Gujarat, India. Capacity of the project is 4,000 MW (5 units, each 800 MW).

The power station is owned by Coastal Gujarat Power Limited (CGPL), a wholly owned subsidiary of Tata Power. The power station is located south of Tunda Wand village in Mundra Taluka, Kutch district of Gujarat, India.

The power station is one of the nine Ultra Mega Power Projects which the Indian government wanted to built by private sector companies before 2017. The first 800 MW generating unit was commissioned in March 2012 .The second 800MW unit was commissioned in July 2012.The fifth unit started its operation on March 22, far ahead of targeted commercial operation date of October 30.This has become the first fully operational UMPP. The first unit was commissioned in record 54 months.

As on March 2008, projected costs cited by the International Finance Corporation (IFC), the worlds Bank's private sector lending arm were \$4.14 billion implying a 25 year levelled tariff of INR2.26 per kWh. This estimates are considerably lower than estimates for other proposed supercritical or most vital plants. With an estimated total project cost of US\$ 4.14 billion, it is in the ratio 75: 25 debt-equity. The IFC is providing a \$450 million loan and \$50 million in equity, as well as syndicating up to about \$300 million in loans. Other financial institutions funding the project are the Export-Import Bank of Korea, Asian Development Bank, India Infrastructure Finance Company Ltd., Housing and

Urban Development Corporation Ltd., Oriental Bank of Commerce, Vijaya Bank, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Travancore, the State Bank of Indore and other local banks.

### Power Purchase Agreement (PPA)

The Tata UMPP project model is based on Design, Build, Finance, Operate and Transfer (DBFOT). After 25 years the UMPP will be transferred to its owner Ministry of Power. The land was allotted to the company on license-to-use basis.

As per the PPA, sale of power from the completed project would be based on competitive bidding. Majority of bidders at the supply end are the State operated SEBs (State Electricity Boards).

### Buyers

Tata Power entered into a Power Purchase Agreement for the sale of the 4,000 MW capacity of the plant, as follows:

State Electricity Board of	Contracted Capacity (MW)
Gujarat	1805
Maharashtra	760
Punjab	475
Rajasthan	380
Haryana	380
Non-PPA	200
Total	4000

### Tata UMPP's Environmental Impact

Coal dust and fly ash generated by the Tata Mundra ultra mega power project (UMPP) in Kutch, Gujarat, is putting the lives of local people and biodiversity in the area at risk, said a report released by Machimaar Adhikaar Sangharsh Sangathan(MASS), a local struggle of fishworkers against power projects in the Mundra coast.

"An increase of 20% of severe respiratory diseases is reported among children in the villages near Tata Mundra power project in Gujarat," it said.

"One of the major increases in the adverse impacts of the full operation of CGPL (Coastal Gujarat Power Ltd, Tata Power's wholly owned subsidiary) is the coal dust invading houses all around the plant. Coal dust has engulfed all walks of life, whether food, drinking water or even their houses," said The Increasing Human Cost of Coal Power report, a supplementary to the Real Cost of Power report. The Real Cost of Power report was released in June 2012 after an independent fact-finding team concluded its investigations. Headed by S.N. Bhargava, former chief justice of the Sikkim high court, the report had found that "the project has disproportionately high social, environmental, and economic costs."

"The Social Impact Assessment and Environmental Impact Assessment are misleading and erroneous, having excluded a large number of communities whose loss of livelihood was overlooked. Cumulative impact studies required to understand the overall impacts were not done," it had said in its conclusion.

The impact noted by the fact-finding team was at the time when only one unit of the 4,000 megawatts (MW) plant was operational, said activist Soumya Dutta. "Today, since all units of the project are on stream, the impacts are manifold and no agency, either of the governments or of the financial institutions, are monitoring it and people and the environment is at high risk," he added.

A statement issued by the company said, "Tata Power recognizes that sustainability of its operations is closely linked to the sustainable future of the local ecology and community. Strengthening our commitment towards a sustainable future, CGPL ensures continuing our engagement with all communities - including sharing of best practices, taking cognizance of the larger reality and ensuring a balanced view to multiple stakeholders' interests."

According to the company, it is developing a green belt of 100 metres along the power plant's boundary. The plant, located 1.5 km from the sea, is in a high quake-prone zone.

### Fuel Supply Agreement

To ensure good quality coal supply at lower prices Tata Power took 30 percent stake in two coal companies controlled by PT Bumi Resources, and 26 percent stake of coal miner PT Baramulti Suksessarana.

The company had won after bidding the lowest tariff of 2.26367 rupees a kilowatt-hour for Mundra UMPP. Indonesian coal with a calorific value of 5,350 kilocalories a kilogram was \$42.13 a metric ton at that time. But in 2011 a new mining law came into existence in Indonesia. It requires miners to sell coal above the government's monthly benchmark index, so that the government is not deprived of higher taxes. So cheaper supply of coal stopped for the project. As of April, 2013, the coal price has increased almost to the tune of 80%, from the prevailing price at the time of the bidding. As a result Tata Power says it was suffering losses of Rs 1,873 crore annually, extrapolated to Rs 47,500 crore over 25 years.

Since the buyers were engaged in long term PPA, they were opposed to any upward revision of tariff. More over certain quarters pointed out, that the loss at Mundra UMPP is compensated by gain at Indonesian coal mining companies, which are being partially owned by the parent, Tata Power. Company sources refuted this, by saying considerable part of the higher realisation in the coal mining business is paid as higher taxes.

### Role of the Regulator

Central Electricity Regulatory Commission (CERC) a key regulator of power sector in In-

dia. CERC was initially constituted on 24 July 1998 under the Ministry of Power's Electricity Regulatory Commissions Act, 1998 for rationalization of electricity tariffs, transparent policies regarding subsidies, promotion of efficient and environmental related policies, and for matters connected to the electricity tariff regulation.

In 2012 the company approached the CERC for tariff revision. A committee was formed to look into the demand of Tata Power regarding higher tariff for electricity produced at the Mundra plant. The committee recommended hike in tariff, based on higher coal price as well as profit earned by the company due to higher coal prices in Indonesia, net of taxes and cess. The ruling would make power costlier for millions of consumers in Gujarat, Maharashtra, Punjab, Rajasthan and Haryana.

On the other hand the CERCs decision to allow a compensatory tariff for the Mundra UMPP till the fuel situation stabilises is a welcome step for the other players, like Adani Power, Reliance Power, JSW Energy, GMR Energy etc. who are depending on the imported coal to produce power.

### Questions

1. Why does India need to develop ultra mega power projects?
2. Conduct a Social Cost Benefit Analysis for the project.
3. Why the project is not using Indian coal?
4. What are the policy dilemmas in the regulatory space in the case?

## OMEGA COMMUNICATIONS: PITCHING FOR SUCCESS\*

### Introduction

Indore, the largest metropolitan city of Madhya Pradesh, was fast emerging as a center of trade and commerce in central India. With many shopping malls and MNCs venturing in Indore, there was immense potential for advertising agencies in Indore. Piyush Arya, a young management graduate, with an objective of providing complete marketing solutions to the business problems of companies, established Omega Integrated Marketing Solutions (OIMS) in the year 1996. His father was running an ad agency in Indore with the name "Globe Advertisers" offering advertising services for outdoor media. Arya wanted to create a niche for himself by extending his family business and had zeal to incorporate his innovative ideas for promoting products in a small city like Indore. He brought the concept of Direct Mailers for the clients of Indore. He, with the help of Rishi Biyani, a young management trainee, generated database of 5000 influential families of the city from clubs, medical practitioners, and other references. He and Biyani started approaching various companies of Indore for promoting the concept of "Combined Mailers", in which direct mails of four to five non-competing products of different companies can be clubbed and sent to the customers.

The purpose of using combined mailers was to reduce the client's cost for database buying, printing and courier. The concept was unique and welcomed by the companies of Indore. Arya was able to get business for designing such mailers for many big companies of the city like Videocon, Centurion Bank etc. Exhilarated by the success, he started pitching for designing advertisements also. The first stepping stone was touched in the year 1997 when he got first account of "IndoZinc" an industrial company selling zinc metals and alloys.

In the same year they got the account of Bridgestone, a multinational company with its

head office based at Indore. They designed advertisements for Bridgestone which were released in various local newspapers of the city. The innovative ideas and creative designs of their advertisements were appreciated by the clients and they soon managed to add few other accounts in their portfolio. In 1998, Raman Mishra, another young and dynamic management graduate joined OIMS. His keen sense of observation, great attention to detail and strategic knowledge helped OIMS in growing big.

In 1999, Globus, one of the biggest retail chains of the country entered in the market of Indore. OIMS conducted a marketing survey for them and did "Wardrobe Analysis of residents of Indore" with 1500 respondents of different age groups, which helped Globus in creating merchandize for their customers. Globus also offered them to organize their product launch in Indore and to handle their account. OIMS joined hands with Vivek Bhardwaj, a widely acclaimed creative artist who was running a Creative Boutique in the city, and ventured into still shoots and film productions as well. The success came to their way when they got their first national account in the form of Eicher Motors in 1999. With this OIMS managed to get strong foothold in the advertising business of the city.

### Road Ahead

The advertising scenario of the city was not healthy. There was cut throat competition in the advertising business and agencies were adopting unhealthy practices to get the account of clients. They were creating ad designs free of cost and also offering some percent of commission which they were getting from media, back to the clients. OIMS kept all these practices at bay and remained glued to their principle of providing best marketing solutions with innovative ideas and boundless creativity without compromising with the remuneration. They were very selective about the clients and do complete home work before pitching for the client. The pitch-

\*This case was developed by Prof. Pragya Keshari, Prof. Roopali Jain, Prof. Avinash Kaur Baid (Prestige Institute of Management and Research, Indore) and Prof. Shraddha Gupta (CH Institute of Management and Communications, Indore) during Twenty-first National Case Writing Workshop organized at Prestige Institute of Management and Research, Indore during May 7-9, 2009.

ing process was also cost consuming as it involved collecting complete information about the client, their brands and image in the market, marketing budget, services offered to them by current agency etc. With this information in hand, they approach the client with their credentials and suggest a complete marketing plan for their product for one year. Although the success ratio was only 2:10, which was not satisfactory as the client had poor focus towards creativity with an orientation of saving money.

Without getting discouraged by the response from local clients, they kept on working hard and got some more national brands to their account. They went on expansion spree and opened their branches in metro cities like Delhi and Bangalore to facilitate communication with their national clients. The service arms were based at the branch offices with creative base at Indore to save the cost. Moreover, Mumbai was still a dream place for them as they were not finding themselves prepared for competing with top national advertising agencies. One more feather was added to their cap when they got accredited by Indian Newspaper Society (INS) in 2003. They had to rechristen themselves as Omega Communications Pvt. Ltd. as the existing name was already registered with INS. It became one of the seven agencies in central India to have this accreditation.

They also became member of ASCI (Advertising Standard Council of India), a body that regulates the advertising business in India. Omega Communications was one of the only agencies that had organized departments namely Client Servicing, Business Development, Media Planning, Copy Writing and Art. To withstand the test of time, they also started providing other services like event management and corporate image building under the head of public relations. They started a branch in Mumbai to handle account of Star One, an upcoming national Hindi channel, which they managed to get on account of their creativity and knowledge about Hindi speaking belts. They also tied up with national PR agencies that were looking forward to local ad agencies for getting their PR news released in local newspapers for a fee. Major Clientele of Omega Communications now included local companies like Tip Top Ice cream, FM Ra-

dio, Mansarovar chain of restaurants including some national clients Daily News, Star TV, Income Tax Department, Eicher Motors, HDFC Life Insurance, to name a few.

## **CHALLENGES AHEAD**

In a small city like Indore, where growth opportunities were limited and creative brains were not getting recognition, it was difficult to retain creative talents in the agency. Omega Communications was able to retain employees with their sound HR policies. They were the paymasters in central India and provide freedom to work to their employees. The employees were motivated and involved in the decision-making process. Performance Appraisal was done once in a year and incentives were totally based on revenue generated by the team members. The young and creative team of the employees brought many accolades and awards for their agency.

As far as retention of client is concerned, they introduced the concept of "Pay Rolls" for the clients. Under this system, they sign a contract with the client for strategic planning and solutions to their business problems on yearly basis for fixed fee. Omega Communications came at cross roads in 2008 when recession hit the country and it lost maximum clients. The business of the agency was strongly affected and the turn over went down as advertising budget of their major clients was cut down to 50 percent. Still they managed to survive in tough time. They widened their area of operations and appointed resident executives in Bhopal, Jaipur, Meerut and Lucknow to cater to the advertising needs of their clients. These executives were five percent commission of the total advertising billing for each client they bring to the agency. However, Omega Communications was still far away from the dream of getting their name included in the top 20 agencies of the country.

## **Questions**

1. Comment on pitching process of Omega Communications.
2. Analyze the factors that contributed to the success of Omega Communications in Indore.
3. Also suggest some strategies for increasing their client base in small town like Indore?

## SARVANAND: EXPANSION – DIVERSIFICATION DILEMMA\*

**Sarvanand:** A Fashion store was a prominent place in Indore for shopping for the whole family. Its product range covered outfits, furnishings, shoes and accessories of all varieties for males, females and children.

**History-**Late S. Virani had to migrate from Pakistan along with his 6 sons with no assets in the year 1962. In order to earn his livelihood, he was in dilemma to start a business or to do a job. As he was not technically qualified, was not sure of getting the job with good salary. He decided to start a business, but neither had sufficient money nor the experience to start the business. After exploring various businesses and Indore market, he realized that the customers of Indore wanted affordable wearing with good quality. In that era, there were many local textile mills in Indore region. He observed that all the cloth traders were either buying the THAANS or extra pieces left out of THAANS (cut pieces) from various cloth mills located in Indore and were selling these cloths. He realized that if he is in a position to provide customers with good brands at affordable price then there need may be satisfied, so he approached Mafatlal and Raymonds – famous brands at that time and bought cut pieces in bulk. Thereafter took a small rented shop (Gumti) and started selling those cut pieces to customers, who were interested in affordable wearing with quality. His idea of selling the branded cut pieces was innovative. The idea clicked very fast and soon Sarvanand was the talk of the town for low priced cut pieces with good quality and the sale took a quick boost.

Now Virani felt a need for more working hands and a bigger place. Two sons who were in there earlier 20's joined him and he also took a shop just nearby the Gumti on rent. He also thought of buying bulk THAANS of Mafatlal and Raymonds along with the cut pieces as he felt that now he has some working hands, money and space in the shop.

He was running the business with good profits then he thought of diversifying. In 1965 they took another shop on rent nearby the previous

shop and started trading garments for ladies. He choose to sell Punjabi suits as there were very few sellers at that time. He named the shop as "Navkala". He kept the profit margins very low and was selling quality wearing at very economic prices, the business flourished in a very less time. He believed in selling quality products so he used to choose the manufacturers carefully. All the work in both the shops were being looked after by him and his two sons and the only work that he outsourced was having a water boy and a cleaner who used to clean the floors of shops.

Looking to the success of both his shops he further thought of diversification and started wholesale trading of THAANS in the third rented shop in the same area, in the year 1968 and named it "Rajat Textiles" and also included his third son into the business. In this segment also, he came up with an innovative idea of exclusive tie-ups with textile manufacturers of Bhiwandi (Maharashtra), Surat (Gujarat), etc. He used to had agreement with the manufacturers that he will buy all the cloth from them that they produced and manufacturers were not supposed to sell the cloth with same quality, colour and texture to other buyers. Hence the similar cloth was not available in the market and then he used to sell it to traders of Chennai, Haryana and Delhi. His new venture was also profitable. Looking to the growth and profits, now he felt the need of owing the resources and bought all the three shops in the process. For buying these shops he did not take any loan and ploughed back the profits that he earned in these years.

As his business flourished slowly he included all his sons in the business and started constructing multiple floors on the shops and diversified his business further by opening Gents branded readymade garments at Sarvanand and Daaj-Wari section (Heavy range bridal outfits) at "Navkala" and manufacturing of night suits at "Rajat Textiles". For all this he relied only on his profits and never thought of taking loan. In the year 1985, they were the first to introduce

\* Case has been developed by Anukool Manish Hyde, Swaranjeet Arora and Deepesh Mamtani (Prestige Institute of Management and Research, Indore) during Twenty Seventh National Case Writing Workshop at PIMR on 04-06 June 2012.

branded readymade menswear in Indore region. By the year 1990 he established all these businesses and also employed sales persons so as to have supporting hands. He also promoted his water boy and cleaner to the salesperson position. They believed in strong human values and treated his employees with adequate respect and helped them in the time of need. They tried to expand and diversify his business by looking to the customer's tastes and preferences and changed the products according to the trends, fashion and needs of the customers. In order to increase the sales and clear the stock he introduced the concept of SALES discount. This concept was introduced in Indore market for the first time by Sarvanand: A Fashion Kumbh.

After Liberalization in the year 1992, market witnessed entry of various brands and products; and fashion and textile industry took a steep turn. The customers were demanding variety of brands in all the segments may be readymade, unstitched material for ladies, gents and kids outfits. In order to cater the needs of customers and also to expand and diversify the business, he opened 3 floor Departmental fashion store in the nearby location in the year 2005. This departmental fashion store covered branded readymade garments for men, women and kids. He rented some place in the departmental store to accessories and artificial jewellery sellers so as to give variety to the customers and at the same time he did not want to get into the minute intricacies of these products.

The city was also growing in terms of population and boundaries so all the customers were not able to approach the shops regularly and specially when they wanted to pick single dress or were in hurry. So in order to approach the customers and also for further expansion he thought to open departmental fashion stores at various locations in the city. In the short time span of 6 years he opened 5 departmental fashion stores so as to approach the customers. In order to diversify he also started trading branded shoes, leather accessories and home furnishings in the departmental fashion store. In order to target the bride and groom segment, he also opened Dulha and Dulhan houses where all the accessories along with the outfits were available for brides and grooms from head to toe.

**Human Resource-** Sarvanand had 500 employees and employee turnover was negligible; there were employees who had experience ranging from 5 years -25 years in the same group. The waterboy and cleaner who were with them since beginning were now promoted to administrative positions who dealt with managers and also supported them in purchasing. Sarvanand had the policy to train and develop the employees so they used to promote Water boys to sales executives on the basis of their dedication and commitment. Annual dinner for employees was being organized so as to have some recreation and in that duration employees felt free to discuss their problems and to take suggestions. Employees were offered good salary and incentives. Apart from salary, P.F. facility and commission was also given to employees. One month salary was given as bonus to all employees who completed one year of service in the group. Employees were also given loans without interest and it was recovered by deducting equal amount of money from salary. Staff were given tea 2 times a day and employees who had not brought lunch, were given money at the rate of rupees 20 for maximum three times in a month. Sarvanand used to give Rs. 200 to "Tiffinwala" to bring there tiffins to shop. Employees could take weekly off as per their choice and if any employee was not taking week-off then he/she was paid extra 1 day salary for the service. Sales personnel were given training to deal with the customers.

Sarvanand had developed their own centralized system for bar coding the items, billing, cash payment and electronic transfer of money. They also used, close circuit television (CCTV) for security purposes.

**Marketing** – Sarvanand preferred to give advertisements in various local Radio and TV channels. They attracted and retained its customers by providing discounts on various occasions but the best publicity that they had was through word of mouth publicity. They believed in relationship building and retaining customers by providing quality products, respect to each customer and good services. Sarvanand was also involved in various social welfare activities like blood donation camps, tree plantation, opening water huts, so their social image was also good.

**Road Ahead**

Looking to the expansion and diversification strategy and a great success now Sarvanad and his family members were thinking whether they should go for further expansions or diversification. They had studied the market and wanted to open departmental fashion houses in nearby cities like Ratlam, Bhopal and Ujjain and also they had analysed that there lies good opportunity in real estate sector so they also thought to start a construction business. They had resources

to do any one of them so now they were in a dilemma to what to do "Expansion or Diversification"

**Questions**

1. Analyse the case.
2. Throw light on the strategies of Sarvanand.
3. What strategies will you suggest them for future-diversification or expansion?

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