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Financial Integration of Asian Financial Markets Using Beta and Sigma Convergence
Tushar Sen

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Ms. Nitika Agarwal

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Mass Personalization: The Sensation of Baba Ramdev
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Book Review:
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Vice Chancellor speaks

Prof. Dr. Shivajirao Kadam
M.Sc, Ph.D
Vice Chancellor
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Bharati Vidyapeet University always strives for "Social Transformation through Dynamic Education". The ultimate aim of management education is not mere knowledge but action. It is said “Reading makes full man, conference a ready man and writing an exact man.” All the three skills are given balanced opportunity for grooming in the Research Publications.

IMED JOURNAL OF MANAGEMENT AND SOCIAL RESEARCH is consistently playing a catalyst role in educating and stimulating the minds of business leaders and academics around the world by keeping them abreast of the latest theories and practical knowledge.

There are a lot of challenges which the growing economies like India face in the realms of basic necessities in life. It is very important that different stakeholders unite and collaborate on issues which confront the society. One of the key objectives of research should be its usability and application.

I wish the Editorial board of IMED JOURNAL OF MANAGEMENT AND SOCIAL RESEARCH to play critical role in exploring and identifying the crucial issues of national importance and be a part of the team in solving them through integrating all the stakeholders’ efforts together.

I wish all the best for their consistent efforts.

Dr. Shivajirao Kadam

Chief Editor's Message

IMED JOURNAL OF MANAGEMENT AND SOCIAL RESEARCH brings you a balanced mix of research articles in a variety of business fields, including case studies of corporate' and Book reviews.

This journal attempts to document and spark a debate on the research focused on Management field with diverse domain. The key focus would however be on the emerging sectors which discusses application and usability in societal or consumer context whether individual or industrial. We hope that the research articles featured here sets up many new milestones.

IMED JMSR endeavors to promote and disseminate knowledge in the complex multi-disciplinary management field. The journal encourages theoretical and empirical research papers and articles of relevance to both academicians and practitioners.

The journal publishes articles from areas such as finance, accounting, marketing, operations management, human resources management, statistics, international business, information technology, environment, risk management, globalization and related areas.

I feel extremely delighted to observe that IMED JMSR is well received by academicians and corporate practitioners.

We are all fortunate to be partners in a collaborative scholarly community characterized by much prior success as well as sharing great opportunities for future discovery." We intend this editorial as a call to reaffirm the scholarly management aspects of research and to make research integrity a centerpiece of our community of scholars.

Dr Sachin Vernekar

Dean- Management Faculty Bharati Vidyapeeth University
Director-IMED
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Pune.

From the Editor's Desk

Welcome to the July - December 2013 issue of the Bi-Annual journal of – BVIMED journal of Management & social Research. We thank the contributors for their valuable contributions to make the journal a success. The current issue is an amalgamation of empirical and conceptual papers with a good amount of depth and detail.

Tushar sen in his paper titled, “Financial Integration of Asian Financial Markets Using Beta and Sigma Convergence” attempted to explore certain aspects of the complex structure of global and regional financial integration utilizing the concepts of beta convergence and sigma convergence to measure the existence and level of inter-linkages among Asian and world equity markets

Ms. Nitika Agarwal has written a paper titled, “Organized Retailing in Indian Rural Markets - Opportunities and Challenges” elaborates some of the retailers who have already entered these markets with rural supermarket format and suggests the retailers through a comprehensive model to consider key elements and variables to be successful in rural markets along with the future challenges as well as the opportunities for the Indian retail sector.

Dr. Harishchandrasingh Rathod and Digvijay Barot in their paper titled, “A Deductive research: Factor that influence advertisers to select the advertising agency for television advertisement” studied a theory which is of factor that influences advertisers to select the advertising agency for television advertisement to to check the reliability and to prove appropriateness of theory.

Dr Rajeev K Shukla in his paper titled, “Farmers’ Perception towards Nationalised Banks Kisan Credit Card Services- An Empirical Study” studied the farmers perception towards Kisan credit card services of nationalized banks. The study revealed a number of encouraging results such as hassle free access to bank loans through KCC has effectively resulted in reducing farmers financial dependency on Local ‘Sahukars’ and getting loan through KCC is more preferable and beneficial to the farmers.

Dr. Ritu Kapoor and Dr. Narinder Kaur in their paper titled, “Impact of global financial crisis on Indian banks” finds the impact of global financial crisis on Indian banking sector by comparing and analysing the profitability trends of four major bank groups namely Nationalized Banks, SBI & Associates, Public Sector Banks and New Private Sector Banks.

Mrs. Anjum Ara M K Ahmad and Dr. M.Z. Farooqui in their paper titled, “An Empirical Study of Consumer Preference in the Mid Sized Segment Car in Mumbai” undertaken a research to analyze preferences of consumers in the car market with special reference to Mid Sized Segment Car in Mumbai.

Ms. Neelam Agrawal Srivastava and Supervisor, Dr. Anandita Chaterjii in their paper titled, “Skills augmentation: Ready Made Garment Industry” studied the level of skill augment in the readymade garment industry.

Mr. Vilas Nair in his paper titled. “FDI in Indian Retail: Effect on small retailers” studied the likely impact of FDI on Indian retail sector, with the focus on small retailers.

Ms. Sonam Jain in her paper titled, “Mass Personalization: The Sensation of Baba Ramdev” analyzed the causes which have headed to the remarkable realization of Baba Ramdev's marketing stratagem of mass personalization and that also in an period of great individual personalization.

Dr.K.Venkatasubramanian has presented a book review on “The Ultimate Question 2.0” which I believe that readers will find it interesting.

Sucheta Kanchi
Co-editor, IMED JMSR

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20.	Equipments – Total Cost	46.05 Crores

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FINANCIAL INTEGRATION OF ASIAN FINANCIAL MARKETS USING BETA AND SIGMA CONVERGENCE

Tushar Sen

Abstract

The Asian financial markets have been under observation for quite some time now, especially with the rate at which these markets have been growing and becoming the favorites for most institutional investors. This paper attempts to explore certain aspects of the complex structure of global and regional financial integration utilizing the concepts of beta convergence and sigma convergence to measure the existence and level of inter-linkages among Asian and world equity markets.

I. INTRODUCTION

Financial integration can be defined as "the extent to which markets are connected" or "the degree to which participants in any market are enabled and obliged to take notice of events occurring in other markets". The importance of financial openness and integration in economic policy was first highlighted in 1960s with the emergence of the concept of Impossible Trinity - a trilemma in international economics theoretically developed by Robert Mundell and Marcus Fleming; which declares the openness of capital accounts as one of the three most desired goals of economic policy [(Fleming, 1962), (Mundell, 1963)]. However, it became the foundation of open economy macroeconomics with the effective liberalization of financial markets in 1980s around the world; and since then, financial integration has become a widely studied concept and it has been considered as a necessary and significant part of economic policy.

In Asia, financial integration has been the issue of enduring interest, especially in the aftermath of Asian Financial crisis of 1997 within the context of the region's re-emergence from crisis, its outpaced growth performance, its largest holding of foreign exchange reserves, its growing role in global imbalance, its ongoing economic integration process, and the generation of substantial net savings by this region (domestic savings exceeds domestic investment) during the last few years; which in fact has resulted into making the financial markets of the developed economies the financial intermediaries for the emerging economies of Asia – a trend indicative of increasing financial linkages.

Though, there is abundant evidence establishing high level of trade openness - measured as the share of exports and imports to GDP - which has been enjoyed by the emerging economies of Asia over the last many years. However, it is largely believed that the integration of their financial markets with world has been sluggish in contrast despite the well documented benefits of integration - efficient allocation of capital, risk sharing and risk diversification, low probability of systematic risk, institutional development and more robust market framework; and the most highlighted reason given for this sluggishness is the contagion effect of crisis which can have strong implications for the financial stability of these economies.

Given this background, it is essential for economic policy makers to have knowledge of the progress and the development of financial integration that corroborate with their objectives of maintaining the stability of financial and economic system. In this study, we provide an analysis of both the existence and the evolution of the integration of equity markets of Asia with the world's stock market as an indicator of their financial integration during the time period of 2001 to 2011 – the period succeeded by the Asian financial crisis of 1997-99. The Asian economies being studied are: China, Hong Kong, India, Indonesia, Malaysia, Japan, Philippines, Singapore, South Korea and Thailand; and we address the following questions in particular:

1. Is there any evidence of global integration in financial markets of Asia?

2. If yes, what has been the speed of financial integration there?

3. And finally, have the emerging economies of Asia become more financially integrated with the world or with the region during the last decade?

There are many measures and indicators that have been deployed in literature to quantify the existence and the degree of financial integrations; which can broadly be characterized as de jure measures and de facto measures; with de factor measures further classified as price based measures and quantity based measures. Nonetheless, to measure the integration of Asian equity market (using daily returns of national stock indices) with the world's market (EUX as the representative of world benchmark) over the time period of 2001 to 2011; in this paper, I use two price-based measures of financial integration - Beta convergence and Sigma Convergence.

The concepts of Beta convergence and Sigma convergence though originated from the growth literature (Barro & Sala-i-Martin, 1992); but they have been employed by a number of studies to assess financial integration using the indicators of notably money market, bond market, exchange rate market, real estate market and equity market; though these studies were limited to the European.

II. METHODOLOGY

II.A Beta Convergence

Beta-convergence refers to a process in which poor regions grow faster than rich ones and therefore catch up on them. The concept of Beta-convergence is directly related to neo-classical growth theory where one key assumption is that factors of production, in particular capital, are subject to diminishing return. Accordingly, the growth process should lead economies to a long-run steady-state characterized by a rate of growth which depends only on the (exogenous) rates of technological progress and labour force growth. Diminishing return also implies that the growth rate of poor economies should be higher and their income and / or GDP per head levels should catch up with those of rich economies. When all economies are assumed to converge towards the same steady-state (in terms of market returns and growth rate), Beta convergence is said to be absolute. However, the steady-state may depend on features specific to each economy, in which case convergence will still take place, but not necessarily at the same long-run levels. This will be the case when market return is supposed to depend on a series of determinants such as factor endowment or institutions, which can vary from one economy to the other even in the long-run. Beta-convergence is then said to be conditional.

The seminal papers by Barro and Sala-i-Martin (1992) and Mankiw et al. (1992) have triggered a huge amount of literature attempting to empirically detect and measure the extent of Beta-convergence in various contexts. As pointed out by Sala-i-Martin (1996), one of the striking results obtained is the regularity of the estimated speed with which economies converge to their steady-state, namely around two percent a year.

These concepts have been used by Adam et al (2002) as the indicators of financial integration that can summarize the convergence or divergence of financial markets over time. Beta convergence addresses two issues. Firstly, whether integration occurs? And secondly, if it occurs, at which speed does it occur? A negative β signals the occurrence of convergence / integration and, the magnitude of β denotes the speed of convergence / integration.

The methodology used to measure Beta-convergence generally involves estimating a growth equation in the following form:

$$\Delta ER_{i,t} = \alpha_i + \beta\, ER_{i,t-1} + \gamma\, \Delta ER_{i,t-1} + \varepsilon_{i,t} \qquad \text{Equation 1}$$

Where ERi in this setting is the excess return or return differential between individual country?s index (i) and the benchmark index (BM) and $\Delta ERit$ is the difference of excess returns in two successive periods:

$$ER_{i,t} = R_{i,t} - RB_{m,t} \quad \text{Equation 2}$$

And R_{it} is the continuously compounding return of each index obtained from following equation, where P_{it} is the closing value of i^{th} index at time t :

$$R_{i,t} = \log\left(P_{i,t} / P_{i,t-1}\right) \quad \text{Equation 3}$$

If the value of γ is restricted to 0, absolute convergence is assumed while if it is freely estimated, conditional convergence is assumed.

The β coefficient in equation 1 can take values ranging from 0 to -2. The negative sign of the coefficient indicates the occurrence of integration and if this value is -1, it indicates the highest possible speed of convergence and integration where all return differentials generated in one period disappear immediately in next period. The extreme values such as 0 and -2 indicate no integration. When the value of β lies between 0 and -1 it indicates monotonous convergence and the returns between two markets converge after some period with a gradual unidirectional movement; however, if this value lies between -1 and -2, it would be an indication of oscillating or fluctuating convergence where in each successive period the magnitude of returns differential gradually diminishes but with alternative sign.

II.B Sigma Convergence

While Beta-convergence focuses on detecting possible catching-up processes, Sigma-convergence simply refers to a reduction of disparities among regions in time. The two concepts are of course closely related. Formally, Beta-convergence is necessary but not sufficient for Sigma-convergence.

Intuitively, this is either because economies can converge towards one another but random shocks push them apart or because, in the case of conditional Beta-convergence, economies can converge towards different steady-states. This and a number of limitations of the Beta-convergence approach (see for instance Quah, 1993) have led some economists to suggest that the concept of Sigma-convergence is more revealing of the reality as it directly describes the distribution of income across economies without relying on the estimation of a particular model.

The most frequently used summary measures of Sigma convergence are the standard deviation or the coefficient of variation of excess returns of market against benchmark, we use the former as our method to measure sigma convergence in this paper.

Sigma convergence explains how the overall degree of financial integration changes over time. The degree of financial integration increases when the cross-sectional dispersion measured by sigma convergence exhibits a downward trend over time.

III. DATA MINING

The benchmark used here is the “Merrill Lynch Major 8 International Index – EUX, and this is integrated with 10 Asian markets as illustrated by Table 1 below (source: Yahoo Finance).

Because the primary intention is to identify the convergence purely in stock market returns and not in total yield that contain returns possibly coming from dividends or foreign exchange or currency hedging, therefore, all candidate indices are prices return indices, reported in domestic currency and are based on closing monthly quotes. I generate monthly return series for all countries by taking natural log of the ratio of current index value to the previous month’s value (Equation 3).

Country	Index
China	China Shanghai Composite
HongKong	Hangseng
India	Sensex
Indonesia	Jakarta SE Composite
Japan	NIKKEI
Korea	KOSPI
Malaysia	KLSE Composite
Phillipines	Phillipines SE
Singapore	SGX Straits Times
Thailand	SET

IV. RESULTS

IV.A. Descriptive Statistics

Table 2 below provides the descriptive statistics of returns calculated through equation 3 for all countries including the benchmark index.

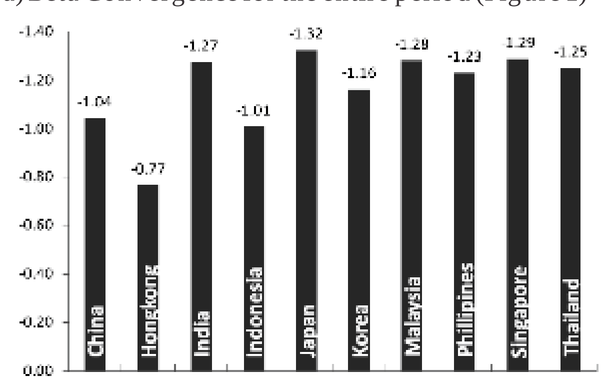
Measure	China	Hongkong	India	Indonesia	Japan	Korea	Malaysia	Phillipines	Singapore	Thailand	Benchmark
Mean	0.029	0.020	0.025	0.023	0.019	0.024	0.014	0.021	0.018	0.020	0.017
Median	0.003	0.005	0.007	0.011	0.001	0.007	0.005	0.008	0.006	0.005	0.003
Max	0.105	0.068	0.108	0.080	0.053	0.076	0.055	0.061	0.084	0.068	0.057
Min	-0.123	-0.111	-0.119	-0.139	-0.118	-0.114	-0.072	-0.120	-0.119	-0.111	-0.075
SD	0.038	0.027	0.033	0.031	0.025	0.031	0.019	0.028	0.026	0.027	0.022
Skew	-0.567	-0.746	-0.596	-1.092	-0.993	-0.539	-0.606	-0.827	-1.190	-0.746	-0.673
Kurtosis	1.200	2.392	1.592	3.852	2.967	1.066	2.041	2.709	4.926	2.392	1.156
JB	22.641	12.967	17.030	27.456	19.737	24.520	11.940	14.090	46.857	12.967	26.077

It is important to observe that the value of Kurtosis which indicates the presence of fat tails, is highest for Singapore market, this is most likely due to the recent volatility in the Straits Index that we have witnessed over the last few years. The benchmark Index has the lowest Kurtosis which validates the common believe that emerging markets are more prone to extreme events than the developed markets.

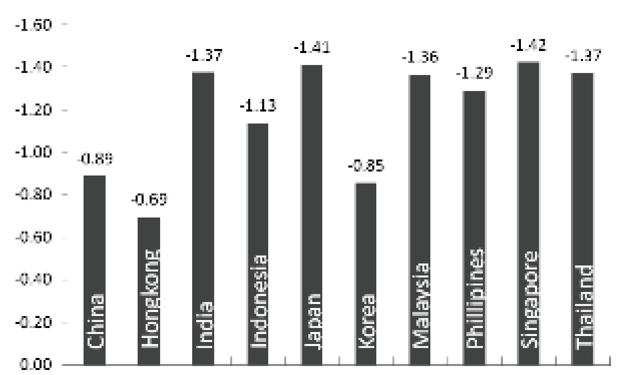
IV.B Beta Convergence

Estimates of beta convergence are obtained by the regression equation (3) for a period of 10 years starting from 2001 to 2011 on the monthly data collected for each market. For a better investigation of the behavior of the convergence the entire period is divided into 2 sub-periods; 2001-2006, 2006-2011. Hence we get 3 different patterns for the entire data set as follows:

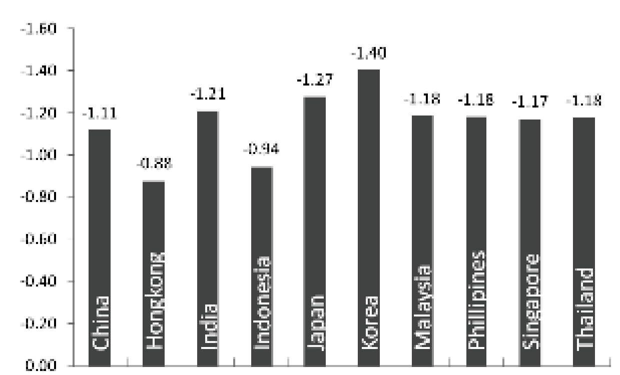
a) Beta Convergence for the entire period (Figure 1)



b) Beta Convergence for sub-period 2001-2006 (Figure 2)



class) Beta Convergence for sub-period 2007-2011 (Figure 3)



From these three figures we can answer few questions we raised in the introduction of this article.

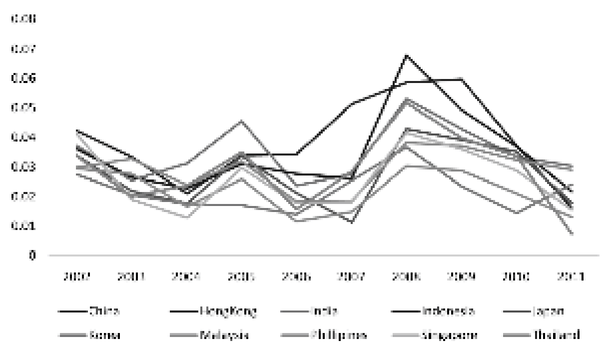
Coefficient of beta convergence is always negative and highlights the fact that the process of convergence has always been there in Asian economies for the negative value forces any divergence between the returns of Asian economies and benchmark index to disappear in subsequent periods. However from Figure 2 and Figure 3 it is also observed that in more recent time periods (2007 to 2011) the value of convergence coefficient decreased. Infact, it is the greatest between 2001-2006, greater than the overall convergence coefficient recorded for the entire period. Hence the markets were integrating at a faster pace between 2001-2006 than between 2007-2011. So apparently the degree of convergence parameter has decreased in the recent few years but this degree can not necessarily be an indication of reducing financial integration, rather it can contribute in reducing the overall level of convergence because beta convergence is just a necessary and not the sufficient condition of overall convergence.

IV.C. Sigma Convergence

Increasing trend in beta convergence which forces its value to surpass the ideal threshold of -1, forces us to look at the second indicator of convergence i.e. Sigma convergence. Sigma convergence indicates the overall level of convergence achieved at one point of time with reference to chosen benchmark.

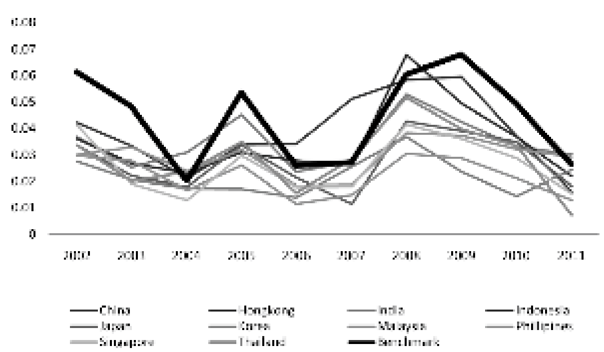
Different concepts of sigma convergence are estimated by changing reference point to have an in-depth picture of international as well as regional integration in Asian markets. Figure 4 provides the convergence of each Asian markets with the benchmark index EUX and is calculated as the dispersion of excess returns over the period of 10 years. Almost in all countries an increasing trend of dispersion can be observed, however at the time of market crash of 2004 and 2008 there are strong signs of regional as well as international contagion when all markets move almost with one to one correlation with each other.

Figure 4



In Figure 5 below I provide two different concepts of sigma convergence. The bold red line is the time varying coefficient of benchmark index's dispersion with its own monthly mean returns. Also refer to appendix I, which gives a segregated analysis of each of the markets in study in this paper.

Figure 5



These representations of sigma convergence indicate the results which are confirmatory with the values of beta convergence obtained in previous section. There is a decreasing trend in dispersion from 2002 to 2004 after which dispersion seems to be increasing gradually. This increasing dispersion (decreasing level of integration) reinforces the fact that despite increasing response of individual countries to the global factors that is evident from the increasing trend of beta convergence coefficient, the overall level of integration in Asian stock market returns, both on international as well as regional level, is something yet to be achieved.

V. CONCLUSION

In line with the methodology proposed by (Adam, Jappelli, Menichini, Padula, & Pagano, 2002) to use the concepts of beta and sigma convergence which are actually borrowed from the growth literature, in determining the level of financial integration, I apply it on the selected economies of Asia for the period ranging 2001 to 2011. My results show that the process of convergence in returns has been existed in all Asian economies throughout the period and its degree has no doubt been increasing gradually. However in most of the cases instead of getting closer to the ideal level of -1, it has been surpassed and moved farther from that level which caused the overall divergence instead of convergence. This observation is also supported by the evidences obtained from the different representations of sigma convergence which indicate the attained level of convergence at one point or block of time period. Almost all representations of sigma convergence confirm that there was a decline in cross section dispersion from 2002 to 2004 which surely does indicate the increased level of financial integration of Asian markets, globally and regionally, but that decreasing trend in dispersion visibly changed its direction after 2004 and has been showing an increasing trend till now which one could not be taken as a signal of convergence.

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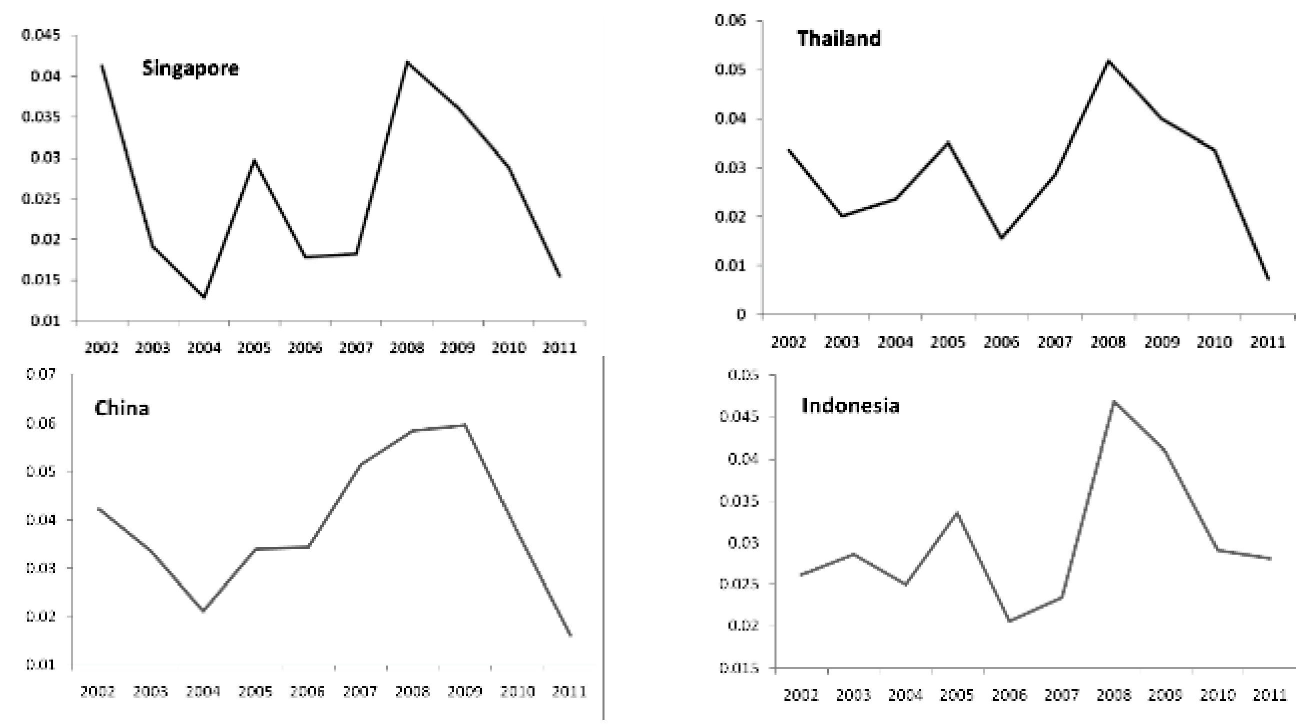
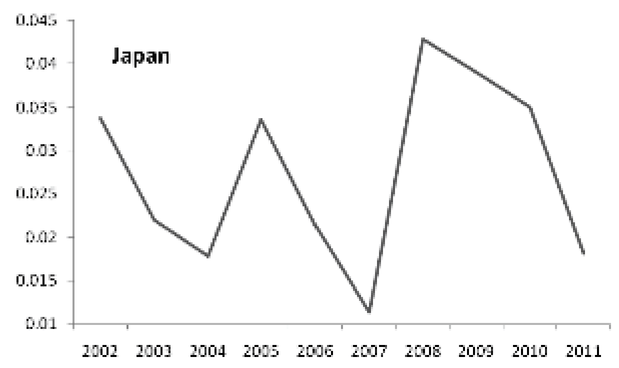
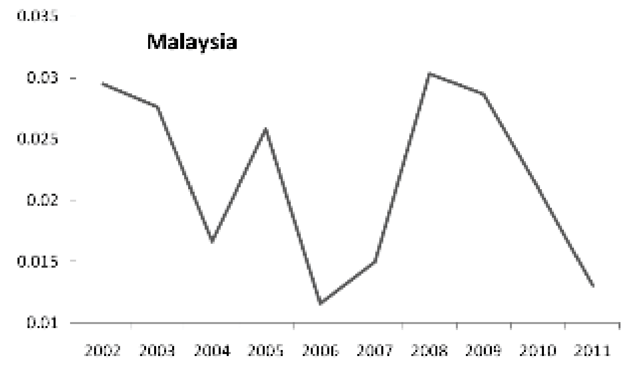
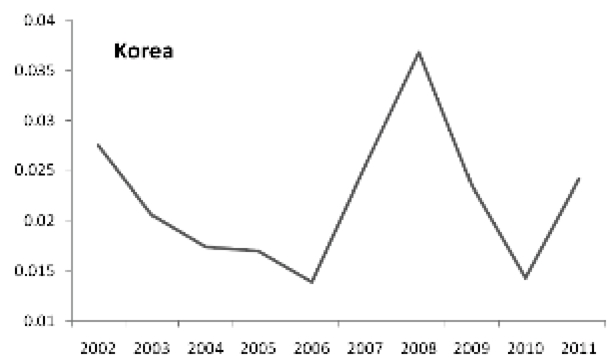
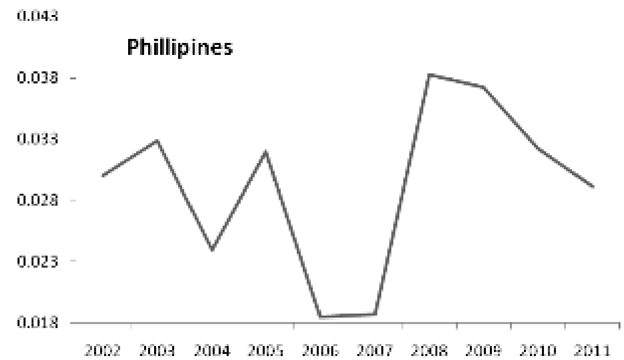
APPENDIX I: Sigma Convergence – Dispersion from Country Mean Returns

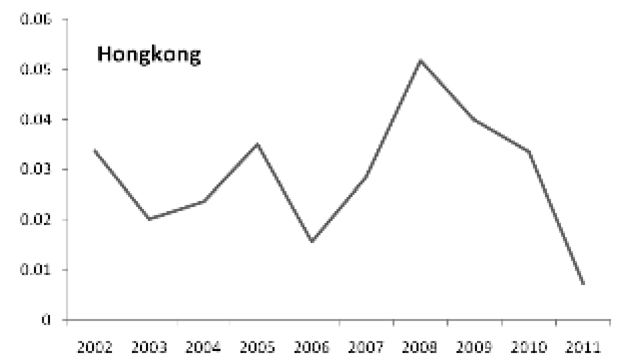


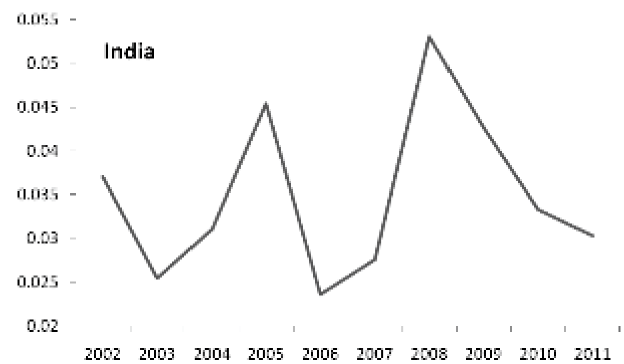












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Organised Retailing in Indian Rural Markets - Opportunities and Challenges

Ms. Nitika Agarwal

ABSTRACT

According to the tentative data released by Census India (2011), the population of India is 1.21 billion comprising rural and urban population that is 68.84 percent and 31.16 percent respectively, which means more than double the population of urban India resides in rural India. With organized retail increasingly taking off in India, retailers are fast encroaching rural markets with different models to better serve the shoppers of rural and semi-urban India with many innovative ideas like smaller size products that appeal to this particular segment and make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. This paper first elaborates some of the retailers who have already entered these markets with rural supermarket format. Thereafter, this paper further suggests the retailers through a comprehensive model to consider key elements and variables to be successful in rural markets along with the future challenges as well as the opportunities for the Indian retail sector.

KEY WORDS: *Rural Retailing, Urban & Rural India , Organized Retailing, Rural Supermarkets.*

INTRODUCTION

According to the provisional data released by Census India (2011), the total population of India is 1.21 billion consisting rural and urban population that is 68.84 percent and 31.16 percent respectively. The history of Indian retail sector is not much older but a couple of years. The major changes in the Indian retail sector started in the year 1991 after liberalization measures were taken by the country. The urban market no doubt continues to grow with most of the retail initiatives concentrated in the metropolitan and Tier-I and Tier-II cities, these markets are fast getting saturated. Realising this, most of the big retail companies have started targeting the Tier-III cities and the rural towns to increase their growth. The "bottom of the pyramid? market is for sure now looking attractive for companies wanting to explore new markets . Hariyali Kisan Bazaars and Aadhars (Pantaloon-Godrej JV) have already set up rural retail hubs, Choupal Sagars (ITC) has done the same and so have Kisan Sansars (Tata), Reliance Fresh, and others like the Naya Yug Bazaar. With rise in income level and improving lifestyle of rural consumer, the retail sector is expecting a huge growth in rural India.

1.1 Indian Retail Industry And Rural Markets: Current Scenario

In a National Retail and FMCG Summit (2011) organized by the Confederation of Indian Industry, Mr. Thomas Varghese, Chairman, CII National Committee said, "Farmers who earn less than 25 per cent of consumer price can make up to 30 per cent more through organized retail. It will benefit consumers by making common goods more affordable, leading to a savings of $25 to 30 billion or almost 0.5 per cent of country's GDP by 2020."

A large part of the rural Indian market is under-penetrated and presents good opportunities," said Siddhartha Roy, Economic Advisor, Department of Economics & Statistics, Tata Group.

"The Indian rural market has gone beyond consumer products and agri-input marketing. Total rural income, which is now at around $572 billion, is estimated to reach $1.8 trillion by 2020-21," Dr. Roy added.

As Adi Godrej, Chairman of the Godrej Group, says, "The challenge [for brands] is to understand the [psyche] of the rural consumer, create better distribution, and [appreciate] the heterogeneity."

Growing young population, rising disposable income, number of working women increasing and growing urbanization coupled with changing consumer preferences are some of the strong growth indicators of India's organized retail industry.

Today, rural market occupies a larger part of our economy and it is expected to grow at least four times the existing size. Another contributing factor to push rural market was growing saturation in urban markets.

2. Objectives of study

The objectives of this study are:

(a) To study various key players in organized retail segment in rural India;

(b) To examine the challenges & opportunities for organized retailing in India; and

(c) To study some key elements of success for retailers in rural markets.

3. Methodology

This research paper is a review paper and based on secondary data that is collected from various sources – Journal Articles, Magazines, Newspapers and Periodical Research Reports. Internet searching has also been done for the purpose.

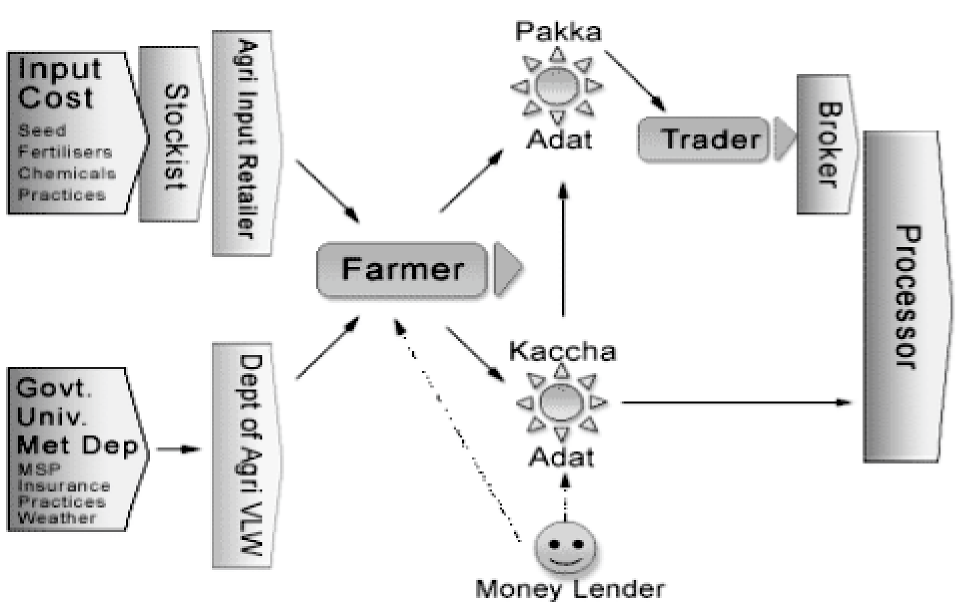
4. Key Players in Organized Retailing Segment in Rural India

Following are some major retailers, who are, at present, catering to rural segment of India.

4.1 ITC Choupal Saagar

ITC launched the Choupal Saagar in 2004 and it is one of the first organized retail forays into the hinterland. Choupal Sagar is a rural hypermarket which is managed by ITC's agri-business division. Farmers can sell their commodities and can buy almost everything including cosmetics, garments, electronics, appliances and even tractors..

With the success of e-Choupal (world's largest rural digital infrastructure), ITC is engaged in scaling up the rural retailing initiative to establish a chain of 100 Choupal Saagars in the near future. Local sourcing of vegetables and fruits allows the company to deliver fresh and save on the expense of a cold chain.



ITC's Agri Business Division conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. It is an initiative to link directly with rural farmers for procurement of agricultural / aquaculture produce like soybeans, wheat, coffee and prawns (Dangi & Singh, 2010). Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet-based interventions in rural India.

4.2 Hariyali Kisaan Bazaar

It is the division of DCM Shriram Consolidated Limited (DSCL)'s Agri-Business. The company (DSCL) operates in two lines of business – Agri / Rural,Chemicals and polymers. Their Agri-business offerings comprise agriculturalinputs, both manufactured and merchandised, outputs, distribution and services.The company initiated a 'Rural Retailing' initiative with the objective to movetowards providing total solutions to the farmers. It has 264 outlets in many villages of eight different states – Haryana, Punjab, Uttar Pradesh, Rajasthan, Uttrakhand, Madhya Pradesh, Maharashtra and Andhra Pradesh.

Range of Products and Services in 'Hariyali Kisaan Bazaar'

Retailing	Services
1.Agro-inputs – Fertilizers,Pesticides, Diesel and Petrol (under alliance with BPCL) 2.**Farming –** Farming instruments, Contract farming 3.**Others –** FMCG, durables, apparels, Seed Processing etc.	**1.Insurance -**Agronomy advisory, Insurance, Credit etc. **3.Others** – Output Procurement & Trading

Source: www.dscl.com

4.3 Aadhaar

Started in December 2003, Aadhaar Retailing was Godrej Agrovet's rural retail initiative catering to the growing consumption demand in rural India. Godrej Agrovet Ltd., a part of the Godrej Group, is a market leader in animalfeeds, branded chicken, innovative agri- products & oil palm development in India. In March 2008, Aadhar Retailing entered into a joint-venture between Future Ventures India Limited (FVIL) which held 70 percent stake and Godrej Agrovet which held rest of the 30 percent stake in Aadhar Retailing Limited.

Range of Products and Services in 'Aadhaar'

Retailing	Services
1.Agro-inputs – Fertilizers and Pesticides 2.**Durables** – Mobile phones & accessories, appliances, Kitchenware etc. 3.**Others –** Furniture, Toys, Cosmetics, Stationeryand gift items, fresh fruits & vegetables etc.	**1.Credit and Financing –** Agriloans to the farmers (by HDFC Bank), Life insurance (ICICI Prudential) etc. 2.**Others** – food-court, Soil testing and provide advice to farmers.

4.4 Subhiksha

Subhiksha was the retail venture of the Chennai-based, Vishwapriya Group. The Subhiksha Trading Services discount chain was launched in 1997.

Subhiksha works as High Volume and Low Margin Model.This model focused on Small sized functional stores locating in high population density areas with close proximity to each other.They provide Fresh Fruit and Vegetables, grocery, pharmacy and mobile phones. Subhikshafaced Challenges in balancing in mad expansion plan and in deciding demand prone product mix. Today Subhiksha is no more in the market but it played vital role in popularizing modern retail in India.

4.5 Reliance Fresh

Reliance Fresh is the venture of Reliance Industry Limited in foods and vegetables. It is first modern retail enterprise in food sector which has potential of approx $500bilion market. It is one of the best examples of agribusiness industries which boost economic integration in rural areas and villages.

Reliance adopted Farms to forks model to operate business for Small and medium size stores which vary from 1500 sqft. to 3000 sqft. They provide Fresh fruit and vegetables, staples, FMCG and Dairy products. Reliance Fresh Disintegrates intermediary and reduce cost of fresh produce.

5. Opportunities and Challenges for Retailers in Rural Markets

5.1 Opportunities:

There are enormous opportunities for the retailers that can be encashed if they enter rural markets with suitable formats in order to serve the rural consumers by focusing on all key elements described in this paper.

5.1.1 Foreign Direct Investment (FDI) Policy in Retail Sector : After getting signals from Committee of Secretaries (CoS) early this year about allowing up to 51 per cent FDI in multi-brand retail, gives government a reason to find political consensus on the issue. If the government permits FDI in multi-brand retailing, it would have a lot of impact on inflation, supply chain, infrastructure etc. With FDI in retail, rural India can lead to improved farm practices and enhanced well being, whereas its introduction in urban India may confer only a few benefits.

5.1.2 Literacy Rate: With exposure to literacy young crowd is becoming brand conscious and this all are positive signs for opening up of opportunities in rural india.

5.1.3 Growing Farm and Non-Farm Income: Rural growth far outstripped that in cities because of growing farm and non-farm incomes and government largesse in terms of loan waivers, guaranteed jobs and better support prices for crops. By 2015-2016, the rural income from non-farm and farm activities is expected to be 68 per cent and 32 per cent respectively compared with 60 per cent and 40 per cent respectively in 2007-2008. So, there are clear signs of demand coming from rural segment of the country and therefore, a bouquet of opportunities for retailers to cater to their demand in

the way it is required.

5.2 Challenges:

As many as opportunities, so are many challenges too exist for organized retailing in rural India.

5.2.1 Setting up organised retail outlet in rural India is itself is a challenging task as initial penetrating cost is really high.

5.2.2 Increasing cost of land is other major challenge retails have to face if they plan for expansion in future.

5.2.3 Because of low level of literacy, different languages and dialects and more traditional outlook a better trained staff will be required to understand the needs and demand of rural population which will result in high operating cost.

5.2.4 Since per capita income of rural in India is very low catering to the need of the rural customers will be challenging task.

5.2.5 Products of rural market must be built or modified to suit lifestyle and needs of rural customer.

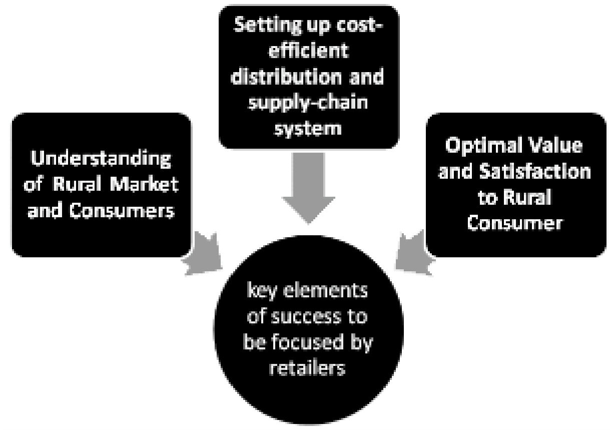
5.2.6 Competition from local players.

6. Some Key Elements of Success for Retailers in Rural Markets:

6.1 Better Understanding of Rural Market and Consumers: As it has always been difficult to judge the rural market as well as consumers, because of their ever-changing nature, the retailers must understand consumers' needs, value perception, ease of accessibility, suitable communication for promotion as well as better methods of packaging.

6.2 By setting up cost-efficient distribution and supply-chain system : As a large number of the rural population suffers from inadequate distribution links to markets, full information , and weak bargaining power. So the Government, the private sector and civil society, should play an important role in providing socially responsible distribution and supply chain system.

6.3 By delivering Optimal Value and Satisfaction to Rural Consumer: For maintaining long term relationship with customers it is an important concept which stands in involving the customer value co-creation processes. As these are based on the customer integration into the value generation and maximization for the customer.



7. Recommendations and Suggestions

7.1 Certain steps required to upgrade Indian Rural Retailing :

1. There is a need for setting up of Retailers Cooperatives which can function as a distribution centres as to help the retailers buy their products directly from original manufacturers in bulk quantity.

2. Mergers of weak retailers by a stronger one will give new retailers the desired leverages to serve better to consumers and face competition and become world class.

3. The use of technology for business excellence should be acquired by the suppliers and others channel members to make market more competitive .

7.2 Suggestion for Retail Reforms:

1. Industry status should be provided as to improve retail development, facilitate organised financing and to establish insurance norms.

2. Incentives for Investments such as tax holidays norms for cold storage chains infrastructure and investments in supply chain should be enacted.

3. Comprehensive laws and legislation should be drafted and enacted with futuristic approach.

4. Foreign direct investment to be allowed in the company according to financial planning.

5. To enforce uniform quality standards.

6. To Setup a regulatory body for governing the operations of retail sector in Indian market.

8. Conclusion

As Retailing provides a crucial link between producers and consumers in modern market structure. Therefore, retail in India is most dynamic industry which represents a huge opportunity both for domestic and international retailers. Organized retailing has its growth in India because of the consumption behaviour of Indian middle class segment and it is also beneficial for India because it's not alarming to create conflict with unorganized stores but reshaping them into nascent organised stores.

Also,Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries due to the presence of regulatory and structural constraints. The Key elements in retailing suggests the retailers to play active role in adapting to the prevailing market environment in Rural India and help to overcome these challenges which forms main obstacles for the growth of rural India.

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A Deductive research: Factor that influence advertisers to select the advertising agency for television advertisement

Dr. Harishchandrasingh
Rathod Digvijay Barot

ABSTRACT

Advertising agency is a growing industry that offers great scope for creative people. Each year new markets open up and communication channels become more sophisticated, reaching out to many more people, through different media. As more and more multinationals are coming to India to capture the unexplored huge consumer market, the proper selection of ad agency will become an essential for the advertiser. The theory which can contribute in this field has been taken under research. The theory is of factor that influences advertisers to select the advertising agency for television advertisement. The aim of this research is to check the reliability and to prove appropriateness of theory.

Factor analysis has been used as a research tool for checking the reliability of the theory, at the end of research theory is found appropriate & reliable.

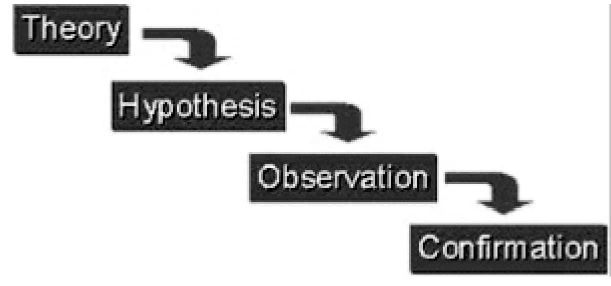
KEY WORDS Deductive research, Coverage, Credibility, Compatibility.

INTRODUCTION

Over the past years, media planning and buying have come through many changes. Communication groups have turned their media departments into specialized companies and independent media buying shops have strengthened their skills and strategic capabilities. The companies are no longer mere buying points but real media agencies: their competencies have broadened to better meet advertisers' needs.

Today, advertisers face a highly concentrated and sophisticated media agency market, whose players have a high degree of professionalism. Selecting a business partner in this area is therefore a critical step for both the advertiser and the agency, and from both a strategic and financial perspective. In this context, this guide aims at helping advertisers and agencies to work together in an informed manner, focusing on quality and performance in their relationships. We propose methods, from defining the objectives to fine-tuning the contractual arrangements, which will allow the advertiser and its media agency to build a new relationship on solid grounds. Rather than identifying the "best" media agency, the advertiser should seek to find the one which will best understand its needs and bring appropriate answers to its questions. From the following theory, the advertiser will be able to select from all the criteria listed those which are of key priority to its own company.

Deductive reasoning works from the more general to the more specific. Sometimes this is informally called a "top-down" approach. We might begin with thinking up a theory about our topic of interest. We then narrow that down into more specific hypotheses that we can test. We narrow down even further when we collect observations to address the hypotheses. This ultimately leads us to be able to test the hypotheses with specific data -- a confirmation (or not) of our original theories.



Whatever their size and experience, advertisers strive for quality, performance and productivity in all disciplines; and media strategy / media buying are no exception. In any discipline, questioning its process may occur at certain times in the lifecycle of an organisation, and this may lead to a media pitch.

LITERATURE REVIEW

Alyque Pabamsee says "I fear that the sun has set on the fun", their by implying that the current trend is the client are demanding hard selling advertising. This is snapped the lid down on fantasy (aresh. 1998). Some client firm asks the agency to committee their resources and loyalty to the firm for a certain period. Bovee and Arens (1992) question whether it is ethical to ask an agency to committee all its resources and loyalty to the single account, particularly when a client paid its business amount a no. of advertising agency. According to Bovee and Arens (1998), the account executive is responsible for mustering all the agency's services for the benefit of the client on one hand, and on the other, for representing the agency's point of view to the client, the account executive is often caught in the middle. Bograt (1984) says that in the competitive economy, the success of company often hinges on this ability to the master the strategy of advertising.

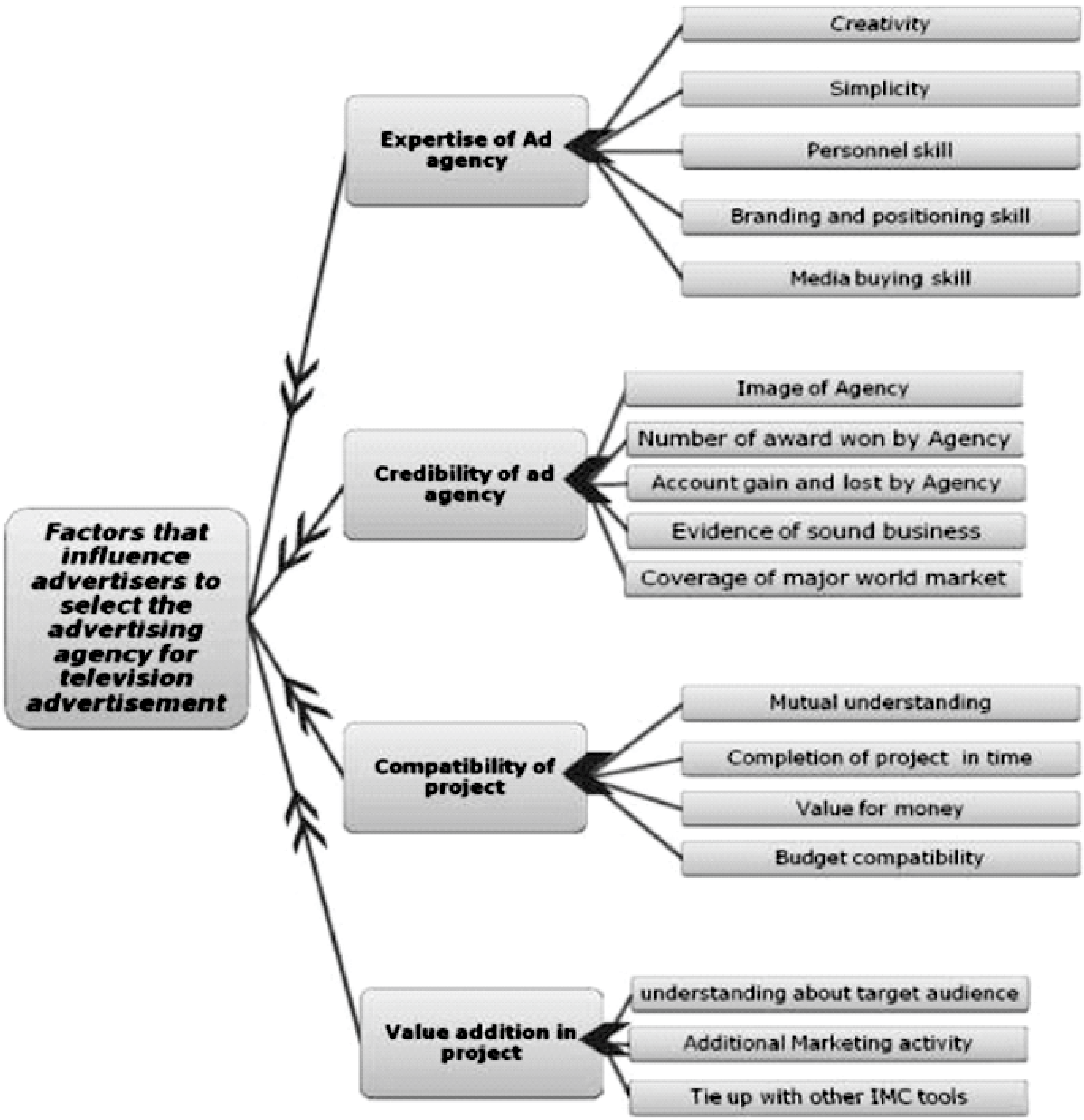
Davies(1994) applied the Analytic Hierarchical Process (AHP) to decide the relative weight of advertising agency selection criterion in the final stage, but did not state clearly how the short listing was determined.

THEORY UNDER RESEARCH

Model of Factors that influence advertisers to select the advertising agency for television advertising is given below.

Creativity

- Creativity is a mental and social process involving the discovery of new ideas or concepts, or new associations of the creative mind between existing ideas or concepts.



- The ability to transcend traditional ideas, rules, patterns, relationships, or the like, and to create meaningful new ideas, forms, methods, interpretations, etc

Simplicity

- The state, quality, or an instance of being simple.
- Freedom from complexity, intricacy, or division into parts: an organism of great simplicity.

Personnel skill

- Competent excellence in performance; expertness; dexterity: the dancers performed with skill.

- A craft, trade, or job requiring manual dexterity or special training in which a person has competence and experience: the skill of cabinetmaking.

Image

- Psychology. A mental representation of something previously perceived, in the absence of the original stimulus
- Mental representation; idea; conception

Account

- Customer of a professional service provider
- An oral or written description of particular events or situations; narrative: an account of the meetings; an account of the trip.

Coverage

- The extent or degree to which something is observed, analyzed, and reported.
- The percentage of persons reached by a medium of communication, such as television.

Mutual understanding

- A relation of affinity or harmony between people; whatever affects one correspondingly affects the other; "the two of them were in close sympathy.
- Ability to fulfill each other's objective without complexity.

Completion time

- Fixed date or number of calendar days working specified in a contract to complete or substantially complete a job or project.
- Time duration between projects started and completed.

Budget compatibility

- An estimate, often itemized, of expected income and expense for a given period in the future
- The total sum of money set aside or needed for a purpose: the construction budget.

Target audience

- Group of people at which a product or service is aimed.
- The intended group for which something is performed or marketed; the specific group to which advertising is directed

Expertise

- Expert skill or knowledge; expertness; know-how: business expertise.
- To be expert in creativity, media buying, branding and positioning skill.

Credibility

- Capable of being believed; believable: a credible statement.
- Worthy of belief or confidence; trustworthy: a credible witness.

Compatibility

- Capable of existing or performing in harmonious, agreeable, or congenial combination with another or others
- To be compatible in time, money with mutual understanding.

RESEARCH METHODOLOGY

- Research Design

  A considerable amount of work has been done in this field and several articles are available on the internet and magazines about the Advertising agency industry. So first we carried out a literature survey of the available data for collection of secondary information. We followed it by a descriptive research design in order to understand the problem and carry out the research in a lucid manner.

- Sampling Procedure

  The target population for our research was defined as the marketing or advertising managers of companies which are going for advertisement who form the major chunk of users of advertising media. This was done to have a better insight into the research as the target population was one which is the most avid user of these advertising media and could provide good responses. Sample is selected on the basis of Simple random sampling. Even the understanding of the questionnaire was easy to them as they were familiar with the advertising and quite clear about the reasons they use it for and the various problems that they face.

- Sample Size

25 – Advertisers within Ahmedabad territories.

- Research Tool

Factor Analysis

FACTOR ANALYSIS

- Formulation of the Problem

  "A Deductive research on factor that influence advertisers to select the advertising agency for television advertisement"

  The variables to be included in the factor analysis are based on theory of the factors that influence advertisers to select the advertising agency for television advertisement. A sample of 24 respondents was interviewed using face to face personal interviewing. The respondents were asked to indicate their degree of agreement with the following statements using a 7-point scale. (1= Strongly disagree, 7= Strongly agree)

- Variables

V1: Creativity

V2: Personnel Skill

V3: Branding & Positioning Skill

V4: Media Buying Skill

V5: Simplicity

V6: Image of Ad Agency

V7: No of Awards won by Ad Agency

V8: Account gain & lost by agency

V9: Evidence of sound business

V10: Coverage of market business

V11: Mutual understanding

V12: Completion of project in time

V13: Value for money

V14: Budget compatibility

V15: Good understanding of target audience

V16: Additional marketing activity

V17: Sales promotion & publicity

- Barlett's test of sphericity

  Ho : The variables are uncorrelated in the population.

H1 : The variables are correlated in population.

The test statistic for sphericity is based on a chi-square transformation of the determinant of the correlation matrix. A large value of the test statistic is favoring the rejection of the null hypothesis. So the factor analysis is appropriate.

- Kaiser-Meyer-Olkin (KMO)

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**.602**
Bartlett's Test of Sphericity	Approx. Chi-Square	435.172
	df	136
	Sig.	.000

Here KMO = 0.602 (Value should be greater than 0.5), which is high, so the KMO statistic indicate that the correlations between pairs of variables can be explained by other variables and that factor analysis may be appropriate.

- Method of Factor Analysis [Principal Components Analysis]

  The approach used to derive the weights or factor score coefficients differentiates the various methods of factor analysis. The two basic approaches are principal components analysis and common factor analysis.

Here our primary concern is to find out the minimum number of factors that will account for maximum variance in the date for in subsequent multivariate analysis. The factors are called principal components.

Total Variance Explained						
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.241	36.712	36.712	6.241	36.712	36.712
2	3.978	23.399	60.110	3.978	23.399	60.110
3	2.411	14.184	74.294	2.411	14.184	74.294
4	2.079	12.228	86.522	2.079	12.228	86.522
5	.738	4.341	90.863			
6	.430	2.532	93.394			
7	.282	1.661	95.055			
8	.191	1.122	96.178			
9	.162	.952	97.130			
10	.145	.854	97.984			
11	.117	.689	98.673			
12	.078	.459	99.132			
13	.050	.292	99.424			
14	.045	.265	99.689			
15	.031	.181	99.870			
16	.014	.083	99.954			
17	.008	.046	100.000			

Extraction Method: Principal Component Analysis.

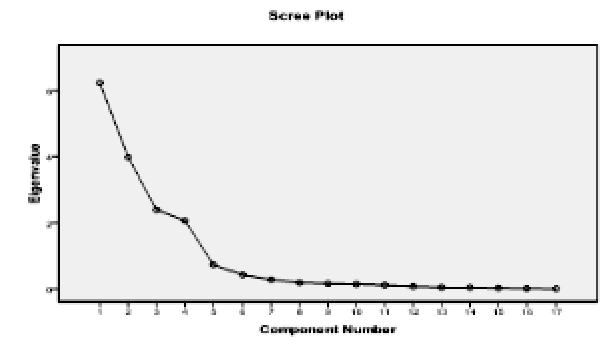
- Determining the Number of Factors

A. Determination Based on Eigenvalues.

The Factors with Eigenvalues greater than 1.0 are retained; the other factors are not included in the model. An Eigenvalues represents the amount of variance associated with the factor. Hence, only factors with a variance greater than 1.0 are included. Here in above mentioned result four factors to be extracted.

B. Determination Based on Scree Plot.

A scree plot is a plot of the eigenvalues against the number of factors in order of extraction. The shape of the plot is used to determine the number of factors. Typically, the plot has a distinct break between the steep slope of factors. This gradual trailing trailing off is referred to as the scree. Hence , only four factors are being extracted from the below given scree plot.



- Unroatated Factors

The factor matrix contains the coefficients used to express the standardized variables in terms of the factors. These coefficients, the factor loadings, represent the correlations between the factors and the variables. A coefficient with a large absolute value indicates that the factor and the variable are closely related.

The initial or unroatated factor matrix indicates the relationship between the factors and individual variables, it seldom results in factors that can be interpreted, because the factors are correlated with many variables. For example, in below given table, factor-1 is at least somewhat correlated with seven to eight variables (absolute value of factor loading greater than 0.3). factor-2 is at least somewhat correlated with four to five variables. Factor-3 is at least somewhat correlated with two to three variables. Likewise factor-4 is at least somewhat correlated with six to seven variables. Moreover, variables V6, V7, V10, V15, and V17 load at least somewhat on both the factors. This is shown in below table. Therefore, through rotation, the factor matrix is transformed into a simple one that is easier to interpret.

Unrotated Component Matrixa				
	Component			
	1	2	3	4
Creativity	-.658	-.034	-.034	.586
Personnel Skills	-.506	-.349	-.016	.555
Branding & Positioning Skills	-.785	-.133	-.005	.436
Media Buying Skills	-.560	-.668	-.085	.224
Simplicity	-.431	-.510	.150	.589
Image of Agency	.755	.074	-.193	.378
No of Awards won by Agency	.739	-.147	-.381	.378
Account gain & lost by agency	.861	-.098	-.386	.203
Evidence of sound business	.847	-.059	-.379	.270
Coverage of Market Business	.842	.164	-.259	.362
Mutual Understanding	-.400	.789	-.251	.247
Completion of Project in Time	-.307	.906	-.053	.195
Value for money	-.432	.815	-.193	.111
Budget compatibility	-.202	.905	-.129	.120
Good understanding about target audience	.526	.137	.705	.232
Additional Marketing activity	.496	.217	.748	.250
Sales promotion & publicity	.384	.265	.813	.260

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

- Rotate Factors: (Varimax Procedure)

  An orthogonal method of factor rotation that minimizes the number of variables with high loadings on a factor, thereby enhancing the interpretability of the factors.

  In below given table, by comparing the Varimax rotated factor matrix with the unroatated matrix (entitled factor matrix), we can see how rotation achieves simplicity and enhances interpretability. Whereas eight variables correlated with factor 1 in the unroatated matrix, only variables V6 TO V10 correlate with factor-1 after rotation, variables V11 TO V14 correlate with factor-2 after rotation, variables V1 TO V5 correlate with factor-3 and remaining variables V15 TO V17 after rotation.

Rotated Component Matrixa				
	Component			
	1	2	3	4
Creativity	-.181	.300	.805	-.087
Personnel Skills	-.088	-.040	.817	-.094
Branding & Positioning Skills	-.360	.202	.791	-.172
Media Buying Skills	-.255	-.383	.702	-.338
Simplicity	-.091	-.230	.866	.052
Image of Agency	.830	-.007	-.124	.225
No of Awards won by Agency	.909	-.167	-.040	.011
Account gain & lost by agency	.914	-.198	-.256	.006
Evidence of sound business	.934	-.143	-.211	.036
Coverage of Market Business	.916	.061	-.214	.212
Mutual Understanding	-.067	.936	.108	-.116
Completion of Project in Time	-.118	.966	-.019	.095
Value for money	-.185	.924	.010	-.113
Budget compatibility	-.042	.933	-.131	.043
Good understanding about target audience	.172	-.100	-.125	.890
Additional Marketing activity	.138	-.023	-.123	.939
Sales promotion & publicity	.029	.041	-.074	.969

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

- Interpret Factors

  In the rotated factor matrix of table, factor-1 has high coefficients for variables V6 to V10, the below variables are summarized as Credibility of Ad Agency.

V6:	Image of Agency
V7:	No of Awards won by Agency
V8:	Account gain & lost by agency
V9:	Evidence of sound business
V10:	Coverage of Market Business

Factor-2 has high coefficients for variables V11 to V14, the below variables are summarized as Compatibility of Ad Agency.

V11:	Mutual Understanding
V12:	Completion of Project in Time
V13:	Value for money
V14:	Budget compatibility

Factor-3 has high coefficients for variables V1 to V5, the below variables are summarized as Expertise of Ad Agency.

V1:	Creativity
V2:	Personnel Skills
V3:	Branding & Positioning Skills
V4:	Media Buying Skills
V5:	Simplicity

Factor-4 has high coefficients for variables V15 to V17, the below variables are summarized as Value addition in Project.

V15:	Good understanding about target audience
V16:	Additional Marketing activity
V17:	Sales promotion & publicity

CONCLUSION

At the end of research, The variables like image of agency, no of awards won by agency, account gain & lost by agency, evidence of sound business, coverage of market business having high correlation between each other and all can be summarized in one factor that is Credibility of Ad Agency.

The variables like mutual understanding, completion of project in time, value for money, budget compatibility having high correlation between each other and all can be summarized in one factor that is Compatibility of Ad Agency.

The variables like Creativity, personnel skills, branding & positioning skills, media buying skills, simplicity having high correlation between each other and all can be summarized in one factor that is Expertise of Ad Agency.

The variables like good understanding about target audience, additional marketing activity, sales promotion & publicity having high correlation between each other and all can be summarized in one factor that is Value addition to project.

The factors like credibility of ad agency, expertise of ad agency, compatibility of ad agency, value addition of ad agency are most influencing factors to the advertiser while selecting ad agency for television media.

So we can conclude that theory of factor influencing advertiser at the time of selecting advertise agency is appropriate and have a reliable & adequate contribution in advertise industry.

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Farmers' Perception towards Nationalised Banks Kisan Credit Card Services- An Empirical Study

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ABSTRACT

Agriculture is the backbone of the Indian economy, with nearly 67 per cent of the population of the country continuing to depend on it either directly or indirectly for their livelihood. Considering the dominant role of the sector and the importance of credit as an input, the Kisan Credit Card (KCC) scheme introduced as an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers pesticides and also withdraw some cash for meeting farmers production related requirements.

The purpose of the study was to know the farmers perception towards Kisan credit card services of nationalized banks. The study revealed a number of encouraging results such as hassle free access to bank loans through KCC has effectively resulted in reducing farmers financial dependency on Local 'Sahukars' and getting loan through KCC is more preferable and beneficial to the farmers. However the KCC-holders expressed some concern in matters relating to credit limit adequacy, timely release of credit and lack of flexibility in implementation of the scheme. The effective rate of interest, the opportunity cost of the time spent, financing of tenant farmers are some of the issues, which are to be addressed by the KCC services providing banks as a measure of improving implementation effectiveness of KCC services

Key words – Banks, Farmers', KCC, Perception.

Introduction

Agriculture is the backbone of the Indian economy, with nearly 67 per cent of the population of the country continuing to depend on it either directly or indirectly for their livelihood. Nonetheless, the importance of agriculture cannot be underestimated for years to come. Rapid agriculture growth will not only ensure continued food security but also aid in growth in industry and the GDP. To sustain the growth in agriculture credit plays a crucial role.

Considering the dominant role of the sector and the importance of credit as an input, the Kisan Credit Card (KCC) scheme introduced in 1998-99 was a step towards facilitating the access to Short Term credit for the borrowers from the financial institutions. The scheme was conceived as a unique credit delivery mechanism, which aimed at providing adequate and timely credit for the comprehensive credit requirements of farmers for taking up agriculture and allied activities under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term credit needs and a reasonable component for consumption needs, through Kisan Credit Card including repayment of farmer's dues to non-institutional lenders.

The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers pesticides and also withdraw some cash for meeting their production related requirements.

Eligibility for KCC

- Short term crop loans to farmers those who are owner cultivators / share-croppers.
- KCC can also be issued for meeting the short term production need / working capital needs in respect of the allied activities like poultry, dairy, pisciculture, floriculture, horticulture etc.

- KCC schemes also covers the term credits for agriculture and allied activities.
- KCC is issued to individual borrower only on merit and not to corporate body society, association, club, group etc.
- Illiterate and blind persons intending to avail of this facility may be allowed after taking proper safeguard against misuse and tampering.

Purpose of KCC:

It is intended that both term as well as short term / working capital credit facilities will be provided through single Kisan Credit Card. The passbook provided to KCC holders are to be divided into three separate portions for maintaining the records of :-

a) short term credit / crop loans,

b) working capital credit for activities allied to agriculture and

class) term credit (repayable beyond 12 months)

However, it is to be ensured that transaction records of different loan facilities are kept distinct.

Brief Review of Literature

Financial inclusion herein refers to the timely delivery of financial services to disadvantaged sections of society. Research in the last decade leads us to believe that a well-functioning and inclusive financial system is linked to faster and equitable growth (Honohan, 2004).

NABARD conducted a study covering 14 States, 178 bank branches and 1876 KCC holders. The study has suggested that there is a need to adopt "Mission Mode" approach to make KCC into a farmers' friendly efficient instrument for effective credit delivery system accompanied by appropriate institutional mechanism. It was also revealed in the study that the farmers wanted to use KCC as cash-credit card, minimal documentation, flexibility in repayments, dispensation of seasonal limits and more creation of awareness about KCC's.

A Sample Study of KCC Scheme conducted by the Agricultural Finance Corporation Limited (AFCL), Kolkata has revealed certain following deficiencies as under:-

1. About 54 per cent of the farmers continue to borrow from the money lenders even after enjoying KCC facility in the bank, thus showing the gap between the amounts required and the sanctioned for crop production and other activities.

2. Though about 60 per cent of the farmers utilized the funds for the purpose for which loans were sanctioned, about 40 per cent of the sample group diverted the same for other purposes. This shows that the bank is not able to address the total financial needs of the farmers.

Importance of the Study

Kisan credit cards is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products especially targeted at farmers loan requirements. But till now the farmers are not fully aware about the KCC. They do not know about all features of Kisan credit card like KCC provide the accidental insurance of card holder. In any case of accident if the card holder died the dependant will get up to Rs 50000 / under Personal Accident Insurance Scheme (PAIS) and Conversion / re-schedule of loans also permissible in case of damage to crops due to natural calamities. The purpose of the study is to know the farmers awareness toward Kisan credit card. It is an attempt to arrive at a deeper understanding of the processes behind financial inclusion. Namely, it proposes to uncover perceptions and dynamics behind Kisan Credit Card facilities for farmers initiated by banks in rural area and how it is perceived by farmers for services providing nationalized banks.

Objective of the Study

- To know farmers' level of awareness towards KCC services of nationalized banks.
- To know the utility and satisfaction level of KCC holding farmers.
- To know about operational difficulties faced by

farmers in availing KCC services by nationalized banks.

- To know the perception of farmers towards sufficiency of credit on KCC to fulfill their financial requirement.

Hypotheses

Following hypotheses were stated for the study and checked at 5% level of significance

H1 Bank wise there is significance difference in Awareness for Process of opening KCC A / class

H2 Bank wise there is significance difference in awareness for Documents required for opening KCC A / class

H3 Bank wise there is significance difference in awareness on Interest rate charges on KCC

H4 Bank wise there is significance difference in awareness for Validity period of KCC

H5 Bank wise there is significance difference in awareness for Personal Accident Insurance Scheme associated with KCC

H6 Bank wise there is significance difference in conversion or reschedulment of loan on KCC

H7 Bank wise there is significance difference in Difficulty KCC A / class

H8 Bank wise there is significance difference in Farmers need KCC A / class

H9 Bank wise there is significance difference in Services provided on KCC A / class

H10 Bank wise there is significance difference in Eligibility criteria KCC A / class

H11 Bank wise there is significance difference in Location KCC A / class

H12 Bank wise there is significance difference in Benefits derived from KCC A / class

H13 Bank wise there is significance difference in Timely release of credit KCC A / class

H14 Bank wise there is significance difference in Flexibility of credit payment KCC A / c.

Research Methodology

The Study:

The research will find the major factors, which influences farmers awareness toward Kisan Credit Card as well as it suggest the way to improve the awareness level of farmers toward KCC.

Research Type

The nature of research work is Descriptive in nature.

Sampling Method

Non Probabilistic Judgmental Convenience sampling method used for the study.

Sampling Unit:

KCC holders of nationalized banks (State Bank of India, Union Bank of India and Central Bank of India) were considered as sampling unit.

Sample Size:

Questionnaire were distributed to 125 farmers however only 100 responses were found suitable for further analysis.

Area of Study

The respondents were from Rankai, Pipariya and Basedi villages of Narshinghpur district in Madhyapradesh.

Data Collection

Primary Data collected through self structured questionnaire comprises of 14 items. Items of questionnaire were extracted through Extensive literature review from secondary sources of information. Information is also collected from various secondary sources like journals, websites of Government department, Reserve Bank of India, news papers etc.

Reliability of the questionnaire was tested with the help of Cronbac's alpha coefficient, Value of alpha found .7770; which is well accepted for the research study. Validity checked with the help of academician and credit experts of nationalized banks related to the field of study.

Five point Likert scale used for measuring perception of farmers, ranging from Strongly

Disagree (1) to Strongly agree (5)

The Tools

Statistical tools like Mean, Standard deviation and One way ANOVA (Analysis of Variance) method used for data analysis.

Results and Findings

Table 1. Bank wise respondent's profile

Bank	Frequency	Percent	Valid Percent	Cumulative Percent
SBI	50	50.0	50.0	50.0
UBI	25	25.0	25.0	75.0
CBI	25	25.0	25.0	100.0

50% respondents were KCC card holders of SBI and 25% each were of UBI & CBI.

Table 2. Village wise profile of respondents

Village	Frequency	Percent	Valid Percent	Cumulative Percent
Rankai (1500)	50	50.0	50.0	50.0
Pipariya (1000)	25	25.0	25.0	75.0
Basedi (600)	25	25.0	25.0	100.0

50% card holders were from village Rankai and 25% each from Pipariya and Basedi. Population of village Rankai is 6000, Pipariya has 1000 and Basedi has 600. Accordingly numbers of respondents were included on judgmental basis.

Table 3. Land Holding Pattern of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<15	73	73.0	73.0	73.0
	15-30	22	22.0	22.0	95.0
	>30	5	5.0	5.0	100.0
	Total	100	100.0	100.0	

73% card holders were having less than 15 acre of land, 22% in the range of 15 to 30 acre and only 5% card holders were holding land more than 30 acre. This land holding pattern of farmers explains that the large acreage of lands is in control of few numbers of farmers.

Table 4 Mean, Standard Deviation and ANOVA for farmers perception towards nationalized banks KCC services

		Mean	Std. Devn	F	p value
Process of opening KCC A/c.	SBI	4.34	.6263	.030	.971
	UBI	4.32	.5568		
	CBI	4.36	.4899		
Documents required in KCC.	SBI	4.68	.5127	.495	.611
	UBI	4.64	.5568		
	CBI	4.56	.5066		
Interest rate of KCC.	SBI	4.64	.4849	6.254	**.003**
	UBI	4.89	.2764		
	CBI	4.92	.2769		
Validity period of KCC.	SBI	1.08	.3405	1.210	.303
	UBI	1.16	.6245		
	CBI	1.32	.9883		

Personal Accident Insurance Scheme provided KCC.	SBI	1.28	.7835	.143	.867
	UBI	1.24	.6633		
	CBI	1.36	.9950		
Reschedulment of loan.	SBI	1.32	.8908	.824	.442
	UBI	1.12	.6000		
	CBI	1.44	1.1210		
Operational difficulty in KCC.	SBI	2.58	.8352	5.053	**.008**
	UBI	2.48	.8226		
	CBI	3.20	1.0801		
Amount provided fulfill Farmers need.	SBI	2.76	.9161	.242	.786
	UBI	2.92	.9539		
	CBI	2.84	1.0279		
Services provided by KCC.	SBI	2.81	1.0373	.217	.806
	UBI	3.00	1.0000		
	CBI	2.92	.9539		
Eligibility criteria of KCC.	SBI	3.66	.9817	5.717	**.004**
	UBI	2.88	1.0132		
	CBI	3.12	1.0536		
Location provided by KCC.	SBI	4.62	.4903	2.789	.066
	UBI	4.36	.4899		
	CBI	4.64	.4899		
Benefits derived from KCC.	SBI	4.90	.316	.863	.547
	UBI	4.86	.287		
	CBI	4.92	.2769		
Timely release of credit in KCC.	SBI	2.80	.9476	.413	.663
	UBI	3.00	.9572		
	CBI	2.79	.9574		
Flexibility of credit payment of loan.	SBI	2.98	.4281	.026	.975
	UBI	2.96	.6110		
	CBI	2.92	.2000		

Mean, Standard Deviation and ANOVA for farmers perception towards nationalized banks KCC services is exhibited in Table 4. The significant findings of the study can be further explained that there is significant difference in farmer's perceptions towards Interest rate charges by different nationalized banks. It was found that KCC holders of UBI and CBI were more aware and informed about interest rate on KCC then those of SBI card holders. Level of awareness for interest rate on KCC was found moreover same among card holders of UBI and CBI. Respondents were consistent in their opinion for interest rate on KCC. So Hypothesis H3 was accepted.

There is a significant difference in farmers perception towards operational difficulty faced in KCC service of different nationalized banks. KCC card holders of CBI were satisfied with operations of KCC. However there was variation in opinion of respondents, i.e some respondents were high satisfied and some were less satisfied. Card holders of UBI were less satisfied than others with operations of KCC. It was also observed that card holders of SBI and UBI were more consistent in their perception towards operational issues of KCC than card holders of CBI. So Hypothesis H7 was accepted.

It was also found in the study that satisfaction level of KCC card holders were significantly different for eligibility criteria laid down by different banks. Card holders of SBI were more satisfied and consistent in their degree of satisfaction than card holders of UBI and CBI. KCC holders of UBI were least satisfied among all of them. KCC holders of CBI were more satisfied than card holders of UBI but less satisfied then card holders of SBI. However card holders of UBI and CBI were moreover consistent in expressing their opinion towards respective degree of satisfaction for eligibility criteria fulfilled for acquiring KCC card from the banks. So Hypothesis H10 was accepted.

Remaining alternative hypotheses were rejected. Rejection of these hypotheses revealed that there were no significant differences in perception of KCC card holder farmers for the other dimensions of KCC services provided by different nationalized banks under study.

Farmers with KCC of different banks were equally satisfied at higher level with the process and documents required for opening KCC account. However they were equally dissatisfied at higher degree with the Validity period of KCC, Personal Accident Insurance Scheme provided on KCC and loan Reschedule facility on KCC services provided by banks. The probable reason for expressing their dissatisfaction on these services could be due to farmers unawareness towards these services associated with KCC. Banks should make aware of these services on KCC to the farmers through better communication programs.

Most of the farmers were not satisfied with existing Amount limit provided on KCC. Farmers found it difficult to fulfill their needs from the sanctioned loan amount.

Farmers were highly satisfied with the location of nationalized banks branches. They were also highly positive on KCC that it had reduced their financial dependency on Local 'Sahukars' and getting loan on KCC is more preferable and beneficial to them.

The findings also revealed that farmers were moreover dissatisfied with Timely release of credit, Flexibility of credit payment and insurance claim services provided on KCC by banks.

Conclusion

The study found a number of encouraging results such as hassle free access to bank loans through KCC has effectively resulted in reducing farmers financial dependency on Local 'Sahukars' and getting loan through KCC is more preferable and beneficial to the farmers. However the KCC-holders expressed some concern in matters relating to credit limit adequacy, timely release of credit and lack of flexibility in implementation of the scheme.

Significant difference in perception of farmers were observed for Interest rate on KCC, operational difficulty in availing KCC services and eligibility criteria to be fulfilled for availing KCC services from different nationalized banks under studied.

The study also revealed that most of the KCC-holders were not aware of the modalities, usefulness / benefits of KCC Scheme. The effective rate of interest, the opportunity cost of the time spent, financing of tenant farmers are some of the issues, which are to be addressed by the KCC services providing banks as a measure of improving implementation effectiveness of KCC services

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IMPACT OF GLOBAL FINANCIAL CRISIS ON INDIAN BANKS

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ABSTRACT

Today the world is a global village. The Banking Sector is no exception to it. In this cut throat era of cyber age the Indian Banking Industry is going through a period of intense change where the global trends are affecting the banking business. The major premise underlying the banking sector reforms in India was to make it internationally competitive which is possible through sizeable gains in profitability. The global financial crisis of 2008 has proved that India banking sector is robust and resilient. The present paper finds the impact of global financial crisis on Indian banking sector by comparing and analysing the profitability trends of four major bank groups namely Nationalized Banks, SBI & Associates, Public Sector Banks and New Private Sector Banks. The paper further examines the factors which are affecting the profitability of these bank groups with the help of correlation coefficient matrix and univariate regression analysis. The paper concludes that Indian banks are less affected by the whirlpool of global financial crisis and are adequately capitalized and resilient to asset quality shocks in macroeconomic scenario. The analysis further reveals that new private sector banks are spearheading all the bank groups towards better profitability.

Key Words: *Global Financial Crisis, Resilient, Emerging Market Economies (EMEs), Bivariate Correlation and Univariate Regression.*

Introduction

Banking is the most dominant segment of the financial system and plays a pivotal role in the development of a sound economy. Prior to liberalisation the Indian banking system was working under a highly controlled and regulated environment. The Government of India initiated the reforms measures to improve the shortcomings of the financial system. Probably the deregulation policies have the maximum positive impact on the banking sector. Liberalisation has permitted banks to explore new business opportunities rather than generating revenues from conventional streams. Technology has acted as a catalyst for the growth and performance of banks.

But the global financial crisis of 2008 has taken a devastating toll on global output and welfare. These crises had occurred in Individual Emerging Market Economies (EMEs) or regions, and they were, at their core, traditional retail banking or currency crisis. Indian economy too was affected by the crisis but not so ferociously. The reason being exposure of Indian banks to sub-prime asset was marginal and their off balance sheet activities were limited. India's growth is driven by domestic demand.

Financial Stability Report (FSR) published by RBI in June 2011 states that the Indian financial remains stable in the face of some fragilities being observed in global macro financial environment. The domestic markets remains stress free and are expected to remain so in the near term. The banking sector remains well capitalized with both core capital adequacy and leverage ratios at comfortable level. The operational performance of the payment and settlement infrastructure in India continues to be robust. As a result of financial crisis a new set of banking stability measures revealed that, when assessed from different combinations of distress dependencies, systemic risks rise faster than individual risks of banks during periods of crisis.

Objectives of the Study

1. To study the impact of global financial crisis on the financial performance of selected major bank groups of Indian banking industry.
2. To empirically test the factors affecting the profitability of selected major bank groups of Indian banking industry.

Review of Literature

Nayak (2001) made an attempt to compare liquidity, productivity and profitability of foreign and domestic banks in India during 1985-86 to 1996-97. Foreign banks were least involved in socio-economic policies of the government on account of which they registered higher profits.

Bisht, et al. (2002) studied the effects of liberalisation on Indian Banking. They pointed out that despite the massive branch expansion regional and sectoral imbalance in banking facilities remained pronounced. But the liberalization era witnessed squeeze on interest rate spreads. They were of the view that existence of the healthy banking would dwell upon the survival of the fittest doctrine.

Ommen (2002) in his study on "Financial Sector, Alternative Economic Survey" reviewed the highlights of reforms under two broad heads, banking and financial markets. It was noted that despite the reduction in SLR in 1990's still a large percentage of deposits is deployed in government securities.

De (2003) used Panel Regression techniques to analyse the effects of ownership on bank performance in the context of Indian commercial banking. The results revealed that in case of public sector banks, old private sector banks and new private sector banks ownership did not seem to have any effect on the return on assets but public sector banks did seem to have higher net interest margin and operating cost ratio. He found that new private sector banks started showing a higher return on assets when State Bank of India and its associates were dropped from the sample.

Goddard et al. (2004) investigated selected determinants of profitability in European banking sector namely Denmark, France, Germany, Italy, Spain and U.K. over the study period of 1992 to 98. The results suggested that despite intensifying competition there was significant persistence of abnormal profit from year to year. National factors seemed to play pivotal role among the determinants of bank performance.

Uppal (2004) studied the impact of ten factors on the profitability among five bank groups namely State Bank of India & its associates, other nationalized banks, old private sector banks, foreign banks and new private sector banks during the period 1997 to 2001. He calculated correlation coefficients and regression coefficients to measure the effect of each variable on group profitability. He concluded that average profitability is highest in case of new private sector banks and then in foreign banks.

Arora and Verma (2005) in their study discussed the banking sector reforms and evaluated the performance of twenty seven public sector banks during the period of 1992 to 2003. They considered thirty one indicators to measure growth rate. Their study revealed that Corporation Bank scored highest and Indian Bank scored lowest rank in financial parameters. UCO Bank scored negative growth in productivity and profitability parameters while Vijaya Bank scored top level in profitability parameters and Union Bank of India got highest rank in productivity parameters.

Debasish and Mishra (2005) analysed the overall profitability and productivity in nationalised banks and State Bank of India from 1970 to 2000. Factor analysis and other multivariate techniques were used as the tools of analysis in the study. State Bank of India achieved excellent performance level while Indian Bank, UCO Bank and United Bank of India witnessed poor performance levels in profitability.

Mohanty (2006) discussed credit deposit ratio (for the period of March 1999 to Sep. 2005), spread (for the period of 2003-04 and 2004-05) and other financial indicators like income, expenditure, operating profit, net profit and net interest margin (for the period of 2002-03, 2003-04 and 2004-05). He stressed on portfolio management of customers to increase non-interest income. He also favoured the concept of social banking and planned priorities for the developing economies.

Pat (2009) made an assessment of the 'Reserve Bank of India's Report on Trend and Progress of Banking in India, 2007-08' which brought out the relatively healthy position of the Indian banking system. He revealed that various groups of banks reported improvements in net profits, return on assets and return on equity. Two basic indicators of a sound banking system namely capital to risk weighted assets and quality of assets also revealed considerable improvements over the years.

Sharma (2010) in her paper assessed the bank failure resolution mechanism to analyse the powers given by the countries to their regulators to carry out resolution of failed banks. She applied correlation and regression analysis. The results of the study revealed that countries which had faced systemic crisis were more prone to provide liquidation powers to their regulators. Systemic crisis were not significantly influencing regulators' powers for the restructuring of the banks.

Jha and Sarangi (2011) analysed the performance of seven selected public sector and new private sector banks for the year 2009-10. They used three set of ratios namely Operating Performance Ratios, Financial Ratios and Efficiency Ratios. In all eleven ratios were used and ranked accordingly. Their results revealed that Axis Bank took the first position followed ICICI Bank, next followed by BOI while PNB, SBI, IDBI and HDFC took fourth, fifth, sixth and seventh rank respectively.

Subbarao (2011) states that global financial crisis did affect Indian economy because India is more integrated into the global system than we tend to acknowledge. He outlines eight lessons that we can learn from the crisis. According to him in a globalizing world, decoupling does not work; global imbalances need to be redressed for the sake of global stability; global problems requires global coordination; and having a sense of economic history is important to prevent and resolve financial crisis.

Gupta and Tomar (2012) evaluated and compared the relative impact of the factors affecting image of banks namely SBI being the biggest public sector bank in India & ICICI Bank which represents the private sector bank in India. They stressed on the vast scope of improvements for customer satisfaction through customized and innovative products and services at reasonable cost and better speed. According to them diversified financial and banking services should be time & cost effective and user friendly.

Hypothesis of the Study

Keeping in mind the survey of literature and objectives of the study, the following hypothesis have been formulated to carry out the study.

H1. Profitability of new private sector banks is higher than the profitability of public sector banks in the post reforms period.

H2. Spread has more impact on bank profitability than burden.

Research Methodology

In the present study to curb the impact of inflation the analysis has been conducted at constant prices. For this purpose financial figures given at current prices have been deflated by using Gross Domestic Product: Banking and Insurance Index. For the study purpose banks have been segregated into four groups: namely nationalised banks (NBs), State Bank of India & its associates (SBI&A), public sector banks (PSBs) and new private sector banks (NPSBs). To evaluate the trends in profitability ratio analysis, Karl Pearson's correlation analysis, univariate regression analysis and t-test have been applied. In this multivariate analysis, the following twelve factors (ratios in percentage) have been selected which are affecting the profitability of the selected bank groups.

- Net Profit as percentage of Total Assets (Y1)
- Spread as percentage of Total Assets (X1)
- Burden as percentage of Total Assets (X2)
- Total Credits as percentage of Total Deposits (X3)
- Establishment Expenditure as percentage of Total Expenditure (X4)
- Provisions & Contingencies as percentage of

Total Liabilities (X5)

- Other Income as percentage of Total Income (X6)
- Priority Sector Advances as percentage of Total Advances (X7)
- Net Non-Performing Assets as percentage of Net Advances (X8)
- Fixed Deposits as percentage of Total Deposits (X9)
- Current Deposits as percentage of Total Deposits (X10)
- Saving Deposits as percentage of Total Deposits (X11)

Mean, standard deviation and coefficient of variation have been calculated for each variable and for each bank group. The degree of association between the selected variables (X1 to X11) and net profit as percentage of total assets (Y1) is studied at group level among the four categories namely nationalised banks, State Bank of India & its associates, public sector banks and new private sector banks through Bivariate Correlation Coefficient matrix. Then Univariate Regression Analysis is studied to look for different combinations of variables that explain variations in profitability among the above said banks in India. In the present study the analysis has been performed with the help of software packages namely MS Excel and SPSS 17.0.

Period of study

The post-reforms period of thirteen years has been selected for the identification of the factors affecting profitability of the selected bank groups in India. The years selected for analysis are 1999-2000 to 2011-12.

Data collection

The study is primarily based on secondary data. A plethora of data has been collected from the following sources.

1) IBA-Bulletins annual issues and monthly issues
2) Statistical tables relating to banks in India
3) Reserve Bank of India monthly bulletins and annual reports

Factors Affecting Profitability of Major Banks

Table 1.1 shows the trends in profitability through net profit as percentage of total assets in the liberalised era covering the period of 1999-2000 to 2011-12. Profitability in terms of average has exceeded the benchmark (more than 1%) only in NPSBs while for all other groups it is comparatively low due to deregulation and inter & intra bank group competition. Average return on asset is highest in NPSBs (1.18%) followed by SBI&A group (0.87%) and PSBs (0.77%) while it is comparatively low in case of NBs group (0.71%). Minimum consistency in profitability is observed in NBs group (55.97%) while maximum consistency is found in SBI&A group (21.81%).

Table 1.2 reveals provisions & contingencies as percentage of total assets during the study period of 1999-2000 to 2011-12. As per the accounting norms banks are required to make provisions for non-performing assets, income tax and interest tax. The average ratio is highest in SBI&A group (1.28%) followed by PSBs (1.18%) and NBs group (1.12%). On the other hand the average ratio is quite low in case of NPSBs (1.08%) which means that NPSBs have not apportioned much of their funds in maintaining provisions which is the reason for their increased profitability. The maximum variation in provisions & contingencies as percentage of total assets in terms of coefficient of variation is observed in NBs group (25.22%) while this ratio is more consistent with NPSBs (21.05%).

Table 1.1

Net Profit as percentage of Total assets				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	-0.25	0.50	0.02	1.80
2000-01	0.48	0.84	0.61	1.74
2001-02	0.67	1.07	0.82	1.54
2002-03	0.44	0.58	0.49	0.99
2003-04	0.51	0.87	0.64	0.88
2004-05	0.41	0.63	0.49	0.87
2005-06	0.78	0.86	0.81	0.50
2006-07	1.07	1.00	1.05	1.18
2007-08	1.28	1.11	1.21	1.32
2008-09	0.98	1.00	0.99	1.26
2009-10	0.90	0.95	0.92	1.09
2010-11	0.95	0.91	0.94	1.02
2011-12	1.01	0.98	1.00	1.10
Mean	0.71	0.87	0.77	1.18
SD	0.40	0.19	0.31	0.36
CV	55.97	21.81	40.99	30.83
Share(%)	20.15	24.67	21.81	33.38

Source: Calculated.

Table 1.2

Pro. & Con. as percentage of Total Liabilities				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	1.51	1.70	1.58	1.00
2000-01	0.89	1.35	1.06	1.24
2001-02	0.77	1.04	0.86	1.58
2002-03	0.90	1.16	0.99	0.96
2003-04	0.91	1.01	0.95	1.16
2004-05	0.99	0.94	0.97	0.91
2005-06	1.24	1.26	1.25	0.80
2006-07	1.44	1.45	1.45	1.38
2007-08	1.61	1.68	1.64	1.07
2008-09	1.40	1.62	1.48	0.83
2009-10	1.05	1.40	1.18	0.88
2010-11	1.02	1.05	1.03	1.01
2011-12	0.85	0.92	0.88	1.17
Mean	1.12	1.28	1.18	1.08
SD	0.28	0.28	0.27	0.23
CV	25.22	21.98	23.26	21.05
Share(%)	24.11	27.42	25.33	23.14

Source: Calculated.

Table 1.3 depicts spread as percentage of total assets during 1999-2000 to 2011-12. This ratio provides the cushion for meeting operating, administrative and managerial expenses. During the study period all the bank groups have shown lower average ratio than the benchmark (more than 3%). It is due to stiff competition from new players and deregulation of interest rates. This ratio on an average is maximum in SBI&A group (2.92%) followed by PSBs (2. 87%) and NBs group (2.84%) while it is least in NPSBs (2.19%). Although spread is low in NPSBs but at the same time burden is also very low as a result their profitability is high. Comparing the spread ratio with burden ratio the results reveals that on an average still NPSBs (1.08%) take the lead while NBs (0.62%) are at bottom.

Table 1.4 depicts burden as percentage of total assets during the study period 1999-2000 to 2011-12. Any effort to increase the banks' profitability will involve the management of burden because lower the burden higher would be the profitability. Group-wise analysis reveals that lowest average burden ratio is observed in NPSBs (1.11%) while it is maximum in NBs group (2.22%) followed by PSBs (2.19%) and SBI&A group (2.14%). The maximum consistency for this ratio is in SBI&A group (16.54%) while minimum consistency is observed in NPSBs (21.48%). The results indicate that the mean burden ratio is lower than the average spread ratio among all the groups.

Table 1.3

Spread as percentage of Total Assets				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	2.88	3.29	3.03	3.02
2000-01	2.89	3.30	3.04	2.84
2001-02	2.73	3.07	2.85	2.31
2002-03	2.73	2.82	2.76	2.21
2003-04	2.63	2.80	2.69	1.82
2004-05	2.83	2.77	2.81	2.06
2005-06	2.83	2.80	2.82	1.17
2006-07	3.09	2.85	3.00	1.77
2007-08	3.15	2.92	3.07	2.16
2008-09	3.11	3.15	3.13	2.23
2009-10	2.98	3.16	3.05	2.33
2010-11	2.75	2.68	2.73	2.16
2011-12	2.32	2.33	2.32	2.42
Mean	2.84	2.92	2.87	2.19
SD	0.22	0.27	0.22	0.46
CV	7.89	9.31	7.69	21.12
Share(%)	26.25	26.97	26.52	20.26

Source: Calculated.

Table 1.4

Burden as percentage of Total Assets				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	3.22	2.89	3.10	1.31
2000-01	2.50	2.55	2.52	1.19
2001-02	2.14	2.09	2.12	0.89
2002-03	2.38	2.33	2.36	1.31
2003-04	2.21	2.02	2.14	1.03
2004-05	2.52	2.23	2.41	1.28
2005-06	2.15	2.04	2.10	0.75
2006-07	2.11	1.94	2.04	0.68
2007-08	1.96	1.90	1.94	0.93
2008-09	2.22	2.25	2.23	1.06
2009-10	2.15	2.30	2.21	1.35
2010-11	1.89	1.86	1.88	1.23
2011-12	1.39	1.44	1.41	1.41
Mean	2.22	2.14	2.19	1.11
SD	0.42	0.35	0.39	0.24
CV	18.80	16.54	17.80	21.48
Share(%)	28.97	27.96	28.59	14.48

Source: Calculated.

Table 1.5 deals with establishment expenditure as percentage of total expenditure during the period of study 1999-2000 to 2011-12 which is the function of two factors namely number of employees and scale of their emoluments. Establishment expenditure as percentage of total expenditure constitutes nearly 13 percent to 22 percent of total expenditure in case of PSBs while it is about 3 percent to 8 percent in case of NPSBs. This ratio on an average is quite high in SBI&A group (18.95%) followed by PSBs (18.87%) and NBs group (18.84%) while it is least in NPSBs (5.01%). Minimum consistency and maximum variations are observed in NPSBs (41.07%) while it is vice-versa in PSBs (10.70%).

Table 1.6 depicts group-wise analysis of other income as percentage of total income over the study period. Higher share of other income will be in favour of the bank profitability. The analysis indicates that NPSBs (19.33%) take the lead in securing the maximum share of other income as percentage of total income followed by SBI&A group (15.64%) and PSBs (14.02%) while NBs group (13.04%) have the least share. The coefficient of variation is highest in NBs group (22.31%) while it is least in SBI&A group (13.36%).

Table 1.5

Establ. Exp. As percentage of Total Exp.				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	20.02	21.88	20.70	2.84
2000-01	20.01	20.23	20.09	2.73
2001-02	19.84	20.89	20.21	2.91
2002-03	19.68	19.79	19.72	3.16
2003-04	19.31	19.00	19.20	3.74
2004-05	21.28	21.17	21.24	3.87
2005-06	18.30	16.45	17.60	4.94
2006-07	18.28	16.81	17.72	4.29
2007-08	19.16	18.14	18.77	5.90
2008-09	19.87	18.95	19.52	7.50
2009-10	19.60	20.26	19.86	7.88
2010-11	16.42	18.68	17.21	7.66
2011-12	13.17	14.15	13.51	7.73
Mean	18.84	18.95	18.87	5.01
SD	2.06	2.16	2.02	2.06
CV	10.94	11.39	10.70	41.07
Share(%)	30.55	30.73	30.60	8.13

Source: Calculated.

Table 1.6

Other Income as percentage of Total Income				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	10.94	16.87	13.22	13.81
2000-01	10.64	14.49	12.10	16.19
2001-02	11.69	14.82	12.84	20.85
2002-03	10.62	14.48	12.06	12.76
2003-04	11.80	14.31	12.74	17.31
2004-05	11.25	13.69	12.18	14.48
2005-06	14.61	13.53	14.20	20.32
2006-07	16.71	16.47	16.62	23.93
2007-08	20.06	21.13	20.47	23.78
2008-09	15.97	17.78	16.66	23.26
2009-10	11.86	16.28	13.56	21.48
2010-11	11.34	15.07	12.64	22.14
2011-12	12.08	14.46	12.91	21.04
Mean	13.04	15.64	14.02	19.33
SD	2.91	2.09	2.47	3.94
CV	22.31	13.36	17.63	20.38
Share(%)	21.03	25.22	22.59	31.17

Source: Calculated.

Table 1.7 deals with group-wise analysis of priority sector advances as percentage of total advances over the study period of 1999-2000 to 2011-12. As per the guidelines of RBI every commercial bank of Indian origin will have to provide at least 40 percent credit for priority sector. From the analysis it is clear that this ratio in terms of average is highest in NBs group (38.11%) followed by PSBs (36.75%) and SBI&A group (34.33%) while it is lowest in NPSBs (22.80%) and as a result the profitability of NPSBs is very high. Minimum consistency and maximum variations are observed in NPSBs (32.56%) while it is vice-versa in SBI&A group (3.59%).

Table 1.8 depicts group-wise analysis of net non-performing assets as percentage of net advances during the study period 1999-2000 to 2011-12. The required benchmark for this ratio as per the guidelines of RBI is that it should be less than 1%. Among all the bank groups not even a single bank group is meeting the standard. This ratio on an average is lowest in NPSBs (2.04%) which gives hike to their profitability while it is highest in NBs group (5.28%) followed by PSBs (5.06%) and SBI&A group (4.54%). It is evident from the analysis that from the last two years all the bank groups especially the public sector banks are successful in maintaining the required benchmark.

Table 1.7

PSA as percentage of Total Advances				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	39.00	34.32	37.25	12.71
2000-01	37.18	33.58	35.83	22.88
2001-02	36.75	32.09	35.00	19.18
2002-03	36.18	33.62	35.24	17.39
2003-04	37.30	34.56	36.29	13.96
2004-05	36.43	33.68	35.43	25.03
2005-06	36.12	35.03	35.74	12.81
2006-07	38.66	34.21	37.12	21.70
2007-08	40.73	35.47	38.90	26.99
2008-09	40.81	33.98	38.41	25.85
2009-10	42.44	37.36	40.67	34.92
2010-11	38.60	34.67	37.23	33.48
2011-12	35.23	33.70	34.70	29.54
Mean	38.11	34.33	36.75	22.80
SD	2.17	1.23	1.75	7.42
CV	5.69	3.59	4.76	32.56
Share(%)	28.87	26.01	27.85	17.28

Source: Calculated.

Table 1.8

Net NPA as percentage of Net Advances				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	10.32	7.66	9.53	0.09
2000-01	10.44	8.79	9.95	1.57
2001-02	9.45	9.19	9.37	2.59
2002-03	8.48	9.00	8.63	4.12
2003-04	7.19	6.90	7.10	2.85
2004-05	6.60	6.03	6.43	2.55
2005-06	5.33	4.15	4.98	3.60
2006-07	3.98	2.75	3.62	3.15
2007-08	2.47	0.94	2.01	1.59
2008-09	1.73	1.12	1.55	1.44
2009-10	1.11	1.02	1.08	0.92
2010-11	0.83	0.78	0.81	1.02
2011-12	0.65	0.70	0.67	1.07
Mean	5.28	4.54	5.06	2.04
SD	3.72	3.49	3.63	1.19
CV	70.47	76.92	71.80	58.31
Share(%)	31.19	26.84	29.89	12.08

Source: Calculated.

Table 1.9 deals with group-wise analysis of fixed deposits as percentage of total deposits during the period of study 1999-2000 to 2011-12. The analysis reveals that this ratio on an average is highest in NPSBs (74.75%) followed by NBs group (64.30%) and PSBs (62.87%) while it is lowest in SBI&A group (60.03%). Fixed deposits provide more lock in period which ultimately results in more accessibility of cash to banks for a longer period of time and NPSBs are reaping benefits out of this. In terms of CV the maximum variation is found in NPSBs (8.40%) while the least variation is in PSBs (1.81%).

Table 1.10 depicts group-wise analysis of current deposits as percentage of total deposits during the study period 1999-2000 to 2011-12. This ratio on an average is highest in SBI&A group (17.20%) followed by NPSBs (15.65%) and PSBs (13.36%) while it is lowest in NBs group (11.37%). The mean percentage share of this ratio is highest in SBI&A group (29.87%) followed by NPSBs (27.19%) because of their quick and efficient services. In terms of CV the maximum variation is found in NPSBs (17.32%) while the least variation is in NBs group (14.87%).

Table 1.9

Fixed Dep. as percentage of Total Deposits				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	66.66	59.10	64.16	76.32
2000-01	62.40	56.66	60.51	83.75
2001-02	63.77	57.44	61.70	83.74
2002-03	64.33	61.26	63.27	81.52
2003-04	64.13	60.83	62.99	75.55
2004-05	64.70	63.45	64.24	75.01
2005-06	64.64	63.59	64.26	78.29
2006-07	63.87	63.12	63.60	77.20
2007-08	63.27	60.47	62.28	68.43
2008-09	63.15	61.04	62.40	67.17
2009-10	64.26	58.17	62.17	70.65
2010-11	64.33	57.20	62.01	69.27
2011-12	66.35	58.12	63.68	64.80
Mean	64.30	60.03	62.87	74.75
SD	1.17	2.44	1.14	6.28
CV	1.83	4.06	1.81	8.40
Share(%)	24.55	22.92	24.00	28.54

Source: Calculated.

Table 1.10

Curr. Dep. as percentage of Total Deposits				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	14.83	22.87	17.49	22.35
2000-01	14.24	21.87	16.75	14.24
2001-02	12.56	20.41	15.12	13.18
2002-03	12.10	17.97	14.12	14.02
2003-04	11.95	17.81	13.99	18.20
2004-05	11.17	16.27	13.02	15.56
2005-06	10.74	15.26	12.38	12.75
2006-07	10.30	14.57	11.85	12.46
2007-08	9.87	14.69	11.58	17.11
2008-09	9.72	14.18	11.31	17.45
2009-10	10.65	16.24	12.57	15.24
2010-11	9.87	15.82	11.80	14.51
2011-12	9.79	15.62	11.68	16.44
Mean	11.37	17.20	13.36	15.65
SD	1.69	2.85	2.03	2.71
CV	14.87	16.58	15.16	17.32
Share(%)	19.74	29.87	23.20	27.19

Source: Calculated.

Table 1.11 deals with group-wise analysis of saving deposits as percentage of total deposits during the study period 1999-2000 to 2011-12. This ratio on an average is maximum in NBs group (25.44%) followed by PSBs (24.79%) and SBI&A group (23.59%). On the other side this ratio is lowest in case of NPSBs (10.11%). The analysis gives an indication that people still have more faith in public sector banks as compared to new private sector banks. In terms of CV the maximum variation is found in NPSBs (60.56%) while the least variation is observed in NBs group (6.95%).

Table 1.12 reveals total credits as percentage of total deposits during the period of study 1999-2000 to 2011-12. This ratio reveals that how much share of total deposits is utilized for advancing money to consumers. Higher the credit deployment higher would be the profitability and the standard benchmark for this ratio is 60%. The analysis reveals that on average basis only NPSBs (67.81%) have crossed the standard benchmark. SBI&A group (56.85%) captures the second rank while the third rank is secured by PSBs (54.50%). This ratio is least in NBs group (53.37%). Highest variation is observed in NPSBs (21.64%) while the lowest variation is found in PSBs (16.28%).

Table 1.9

Sav. Dep. as percentage of Total Deposits				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	25.36	23.43	24.72	1.59
2000-01	23.63	21.75	23.01	2.26
2001-02	23.94	22.42	23.45	3.36
2002-03	23.85	21.03	22.88	4.73
2003-04	24.19	21.63	23.30	6.52
2004-05	24.40	20.55	23.00	9.70
2005-06	24.91	21.42	23.64	9.23
2006-07	26.14	22.57	24.85	10.61
2007-08	27.07	24.62	26.20	14.73
2008-09	27.47	25.05	26.61	15.65
2009-10	29.58	28.48	29.20	17.48
2010-11	26.08	27.25	26.46	16.49
2011-12	24.13	26.53	24.91	19.03
Mean	25.44	23.59	24.79	10.11
SD	1.77	2.57	1.89	6.12
CV	6.95	10.90	7.63	60.56
Share(%)	30.31	28.11	29.53	12.04

Source: Calculated.

Table 1.10

Total Credits as percentage of Total Deposits				
(in Percent)				
Years	NBs	SBI&A	PSBs	NPSBs
1999-00	47.71	57.48	50.94	72.84
2000-01	45.66	56.14	49.11	57.99
2001-02	45.42	56.29	48.97	52.78
2002-03	45.04	49.54	46.59	50.61
2003-04	46.47	50.44	47.85	46.69
2004-05	48.37	48.27	48.34	46.94
2005-06	51.19	46.96	49.66	89.88
2006-07	52.30	48.47	50.91	79.81
2007-08	52.02	50.78	51.58	73.85
2008-09	57.41	56.40	57.05	78.00
2009-10	64.31	65.31	64.65	74.81
2010-11	68.06	76.22	70.71	77.50
2011-12	69.88	76.81	72.13	79.82
Mean	53.37	56.85	54.50	67.81
SD	8.80	10.08	8.87	14.67
CV	16.48	17.73	16.28	21.64
Share(%)	22.95	24.45	23.44	29.16

Source: Calculated.

Empirical Estimates of Bank Profitability: Correlation Analysis

Correlation study involves measuring the magnitude and direction of the relationship between two or more variables. In the analysis t-test is used as a parametric tool for testing the significance of bivariate correlation coefficients at 1 % and 5 % levels. The study is aimed at identifying role of different variables i.e. (from Y1 and X1 to X11) which have significant association among them. Table 2.1 indicates the bivariate correlation matrix of the selected variables with bank profitability for nationalised banks. Out of different possible correlation coefficients only three variables namely spread as percentage of total assets (X1), total credits as percentage of total deposits (X3) and other income as percentage of total income (X6) are observed to be significant and are positively correlated with net profit as percentage of total assets (Y1). The degrees of coefficients are 0.682, 0.479 and 0.394 respectively. On the other hand burden as percentage of total assets (X2), net non-performing assets as percentage of net advances (X8), provisions & contingencies as percentage of total liabilities (X5), establishment expenditure as percentage of total expenditure (X4), priority sector advances as percentage of total advances (X7) have negative but significant correlation with bank profitability (Y1). X2 is positively correlated with X5 and X8. The correlation coefficients are 0.639 and 0.747 respectively. Saving deposits as percentage of total deposits (X11) has high degree of negative association with fixed deposits as percentage of total deposits (X9) while it has positive association with X4 and X7. The correlation coefficients are -0.872, 0.639 and 0.564 respectively and these are significant at 1% level.

Table 2.1 Correlation Matrix of Nationalised Banks

	Y1	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11
Y1	1											
X1	.682**	1										
X2	-.874**	0.041	1									
X3	.479**	-0.01	-.413**	1								
X4	-.316**	.211**	.427**	-.493**	1							
X5	-.473**	0.031	.639**	0.081	-.271**	1						
X6	.394**	.145*	-.239**	.128*	-0.07	.438**	1					
X7	-.183*	.187**	.306**	-.259**	.199**	.170**	-.044	1				
X8	-.862**	-.415**	.747**	-.622**	.299**	0.085	-.259**	.133*	1			
X9	-.056	-.396**	-.252**	.166**	-.471**	0.052	0.01	-.325**	-.089	1		
X10	-.125	.167**	.260**	-.185**	0.074	-.007	-.249**	-.157*	.181**	-.192**	1	
X11	-.029	.285**	.246**	-.046	.639**	0.017	0.095	.564**	.047	-.872**	-.193**	1

Source: Calculated** Correlation is significant at 0.01 level (2-tailed).
* Correlation is significant at 0.05 level (2-tailed).

Table 2.2 indicates the bivariate correlation matrix of the selected variables with bank profitability for State Banks of India & its associates. Two variables namely burden as percentage of total assets (X2) and provisions & contingencies as percentage of total liabilities (X5) are observed to be highly negative and significantly correlated with net profit as percentage of total assets (Y1) and the degrees of coefficients are -0.834 and -0.613 respectively. On the other hand other income as percentage of total income (X6) is positively and significantly correlated with bank profitability having correlation coefficient of 0.389. Spread as percentage of total assets (X1) has positive association with X2 and establishment expenditure as percentage of total expenditure (X4) while it has negative association with fixed deposits as percentage of total deposits (X9). The correlation coefficients are 0.721, 0.702 and -0.633 respectively. X5 and X2 have positive and high correlation (0.782) with each other. X9 is negatively correlated with current deposits as percentage of total deposits (X10), saving deposits as percentage of total deposits (X11) and X4. The correlation coefficient are -0.912, -0.705 and -0.699. These are tested with the help of t-test and it is indicative of the fact that these are significant at 1% level.

Table 2.2 Correlation Matrix of State Bank of India & its Associates

	Y1	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11
Y1	1											
X1	.089	1										
X2	-.834**	.721**	1									
X3	0.016	-.384**	-.274**	1								
X4	-0.043	.702**	.442**	-.334**	1							
X5	-.613**	.396**	.782**	-.245*	-.075	1						
X6	.389**	.146	-0.130	-0.188	.070	.400**	1					
X7	.069	.287**	0.164	-0.074	.137	0.158	0.127	1				
X8	-.295*	.428**	.489**	-.528**	.520**	.0004	-.279**	0.075	1			
X9	-.073	-.633**	-.354**	.292**	-.699**	-0.054	-0.042	0.016	-.412**	1		
X10	-.126	.474**	.420**	-.438**	.478**	0.083	-0.152	-.115	.581**	-.912**	1	
X11	.252	.297**	0.054	0.151	.426**	-0.055	.223*	0.071	-.066	-.705**	0.066	1

Source: Calculated** Correlation is significant at 0.01 level (2-tailed).
* Correlation is significant at 0.05 level (2-tailed).

Table 2.3 indicates the bivariate correlation matrix of the selected variables with bank profitability for public sector banks. Out of different possible correlation coefficients only three variables namely spread as percentage of total asset (X1), other income as percentage of total income (X6) and total credits as percentage of total deposits (X3) are positively correlated with net profit as percentage of total assets (Y1). The coefficients are 0.621, 0.539, 0.417 and these are significant at 1% level. On the other side burden as percentage of total assets (X2), net non-performing assets as percentage of net advances (X8), provisions & contingencies as percentage of total liabilities (X5) and establishment expenditure as percentage of total expenditure (X4) have negative correlation with bank profitability which are significant at 1% level. The degrees of correlation coefficients are -0.803, -0.712, -0.512 and -0.211. X8 has high degree of negative and significant correlation (-0.669) with X3.

Table 2.3 Correlation Matrix of Public Sector Banks

	Y1	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11
Y1	1											
X1	.621**	1										
X2	-.803**	.219**	1									
X3	.417**	-.035	-.346**	1								
X4	-.211**	.282**	.423**	-.461**	1							
X5	-.512**	.193**	.560**	0.068	-.228**	1						
X6	.539**	.201**	-.183**	.135*	-.056	.474**	1					
X7	-.089	.217**	.265**	-.193**	.180**	.170**	0.015	1				
X8	-.712**	-.229**	.540**	-.669**	.347**	.039	-.271**	.117*	1			
X9	-.061	-.449**	-.283**	.157**	-.490**	-.009	-.037	-.241**	-.151**	1		
X10	-.059	.330**	.312**	-.127*	.158**	.128*	-.064	-.111*	.244**	-.418**	1	
X11	-.021	.224**	.187**	-.075	.502**	-0.06	.040	.357**	.045	-.685**	-.180**	1

Source: Calculated** Correlation is significant at 0.01 level (2-tailed).
* Correlation is significant at 0.05 level (2-tailed).

Table 2.4 indicates the bivariate correlation matrix of the selected variables with bank profitability for new private sector banks. Only one variable i.e. current deposits as percentage of total deposits (X10) is observed to be significant at 5% level and it is positively correlated with net profit as percentage of total assets (Y1) while burden as percentage of total assets (X2), net non-performing assets as percentage of net advances (X8) and provisions & contingencies as percentage of total liabilities (X5) are significantly and negatively correlated with bank profitability at 1% level. Their correlation coefficients are 0.389, -0.678, -0.513 and -0.408. Some independent variables have significant correlation with other independent variables such as spread as percentage of total asset (X1) has significant and positive correlation with X2 and current deposits as percentage of total deposits (X10). The correlation coefficients are 0.786 and 0.632. Saving deposits as percentage of total deposits (X11) is positively and significantly correlated with establishment expenditure as percentage of total expenditure (X4) and priority sector advances as percentage of total advances (X7) and their coefficients are 0.913 and 0.662.

Table 2.4 Correlation Matrix of New Private Sector Banks

	Y1	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11
Y1	1											
X1	.294	1										
X2	-.678**	.786**	1									
X3	.103	-.153	-0.191	1								
X4	-.060	.411**	.380**	.099	1							
X5	-.408**	.140	.398**	-.302*	-.120	1						
X6	.128	-.242	-.287*	.250*	.315*	.222	1					
X7	-.299*	.204	.383**	-.269*	.528**	.334**	.297*	1				
X8	-.513**	-.464**	-0.015	.004	-.462**	.253*	-.048	-.197	1			
X9	-.163	-.511**	-.309*	.168	-.710**	-.085	-.086	-.388**	.553**	1		
X10	.389*	.632**	0.190	-.311*	.412**	.105	-.083	.127	-.515**	-.972**	1	
X11	-.053	.371**	.343**	.045	.913**	.029	.253*	.662**	-.444**	-.928**	.483**	1

Source: Calculated** Correlation is significant at 0.01 level (2-tailed).
* Correlation is significant at 0.05 level (2-tailed).

Regression Analysis

The correlation no doubt provides an insight into the relationship between the two variables but it doesn't explain the casual analysis, which can be elucidated by regression analysis. Univariate regression analysis helps to study the impact of variables on profitability. It is done with the help of R2, which shows variation in percentage in profitability due to independent variables.

Table 3.1 shows that in case of Nationalised Banks three variables namely X1, X3 and X6 reveal positive and significant relationship with profitability. Among these variables spread as percentage of total asset (X1) shows 46.51% variations in the profitability. Variables X2, X8, X5, X4 and X7 have negative and significant relationship with the profitability out of which burden as percentage of total assets (X2) and net non-performing assets as percentage of net advances (X8) depict 76.39% and 74.30% variations in the profitability respectively.

In case of State Bank of India & Associates only one variable namely other income as percentage of total income (X6) shows positive and significant relationship with profitability and explains 15.13% variation in the profitability while four variables show positive but insignificant relationship with profitability. Rest all the other variables have negative and insignificant relationship with the profitability except X2, X5 and X8 out of which burden as percentage of total assets (X2), provisions & contingencies as percentage of total liabilities (X5) and net non-performing assets as percentage of net advances (X8) show 69.56%, 37.58% and 8.70% respective variations in the profitability.

In case of Public Sector Banks three variables namely X1, X6 and X3 reveal positive and significant relationship with profitability which explain 38.56%, 29.05% and 17.39% variation in the profitability. Rest all variables X11, X10, X9, X7, X4, X5, X8 and X2 have negative relationship with the profitability out of which burden as percentage of total assets (X2), net non-performing assets as percentage of net advances

(X8), provisions & contingencies as percentage of total liabilities (X5) and establishment expenditure as percentage of total expenditure (X4) show negative and significant relationship with profitability and explain 64.48%, 50.69%, 26.21% and 4.45% variations in it respectively.

In case of New Private Sector Banks variables namely current deposits as percentage of total deposits (X10), spread as percentage of total assets (X1), other income as percentage of total income (X6) and total credits as percentage of total deposits (X3) have positive relationship with profitability out of which only current deposits as percentage of total deposits (X10) shows positive and significant relationship with the profitability which explain 15.13% variations in the profitability. But variables X2, X8, X5 and X7 have negative and significant relationship with the profitability out of which burden as percentage of total assets (X2) shows maximum 45.97% variation in the bank profitability.

Table 3.1 Impact of various selected variables on the profitability

Banks	NB	SBI&A	PSBs	NPSBs
Variables	R2	R2	R2	R2
X1	0.4651	0.0079	0.3856	0.0864
X2	0.7639	0.6956	0.6448	0.4597
X3	0.2294	0.0003	0.1739	0.0106
X4	0.0999	0.0018	0.0445	0.0036
X5	0.2237	0.3758	0.2621	0.1665
X6	0.1552	0.1513	0.2905	0.0164
X7	0.0335	0.0048	0.0079	0.0894
X8	0.7430	0.0870	0.5069	0.2632
X9	0.0031	0.0053	0.0037	0.0266
X10	0.0156	0.0159	0.0035	0.1513
X11	0.0008	0.0635	0.0004	0.0028

Conclusions

The network of banking helps the economy to deploy its savings efficiently. The success of economic development depends on the mobilization of the resources and their investment in an appropriate manner. The ability of nations to improve the standard of living of the people depends upon the continuous increase in the profitability and productivity of the systems that provide services. From factors affecting profitability of banks (ratio analysis) it is evident that new private sector banks take the lead among all the bank groups in profitability. New private sector banks register higher net profit as percentage of total assets, higher fixed deposits as percentage of total deposits, higher current deposits as percentage of total deposits and higher total credits as percentage of total deposits which indicates that these banks are adopting very attractive policies to attract the potential customers. On the other side these banks have lower provisions and contingencies as percentage of total liabilities, lower establishment expenditure as percentage of total expenditure, lower burden as percentage of total assets, lower priority sector advances as percentage of total advances and lower net non-performing assets as percentage of net advances which boost up their profitability on the higher side. This gives the reason to accept the first hypothesis that profitability of new private sector banks is higher than the profitability of public sector banks. Group-wise correlation results reveal that burden as percentage of total assets (X2), priority sector advances as percentage of total advances (X7) and net non-performing assets as percentage of net advances (X8) are negatively and significantly correlated with net profit as percentage of total assets (Y1) among all the bank groups while spread as percentage of total assets (X1) is positively and significantly correlated with bank profitability among all the bank groups except in SBI& A group. Further Univariate regression analysis indicates that burden as percentage of total assets (X2) has negative and significant effect on return on assets (Y1) while spread as percentage of total assets (X1) has positive effect on profitability among all the bank groups. But burden explains more variations in profitability among all the bank groups which gives a room for curtailment of non-interest expenditure and augmentation of non-interest income. Thus, it can be concluded that to have excellent profitability performance banks need to excel in the management of burden. In the light of above the second hypothesis which affirms that spread has more impact on bank profitability than burden is rejected.

So, the above analysis indicates that banks' profitability has improved, buoyed by increased net interest income although other income remains stagnant in the period of financial crisis. The macroeconomic fundamentals for Indian banking, however, continue to stay strong notwithstanding the prevailing inflationary pressures.

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“An Empirical Study of Consumer Preference in the Mid Sized Segment Car in Mumbai”

Mrs. Anjum Ara M K Ahmad
Dr. M.Z. Farooqui

ABSTRACT

India represents one of the world's largest and fastest growing automobile markets. De-licensing in 1991 brought revolutionary changes in the industry and provided well-deserved and timely growth impetus to the industry. This attracted foreign auto giants to set up their production facilities in the country in a bid to take advantage of various benefits offered by the industry. Large middle class population, improving income levels and strong technological capability have been boosting automobile demand in the country for past few years. Even in the wake of economic slowdown, the industry sustained its positive growth momentum mainly because of strong domestic demand for passenger cars.

We decided to survey mid-sized sedans in the range 7-10 lacs onwards buyers in Mumbai, a representative city in Western India. The main objective is to analyze preferences of consumers in the car market. The study finds that monthly income has a significant effect on whether a person owns a car or not. It is also instrumental in determining the budget in which a person wishes to buy a car. It is seen that higher income groups tend to buy cars with a higher price tag. While studying we find that majority of respondents own car which are in the range of 5- 10 lacs. The study picked up the five most desired car in this range and found the preferred factors in these cars. Various Statistical Tools like ANOVA, Correlations, Discriminant analysis, Wilks Lamda test are used in this study. Through Factor Analysis, it has been confirmed that people desire certain factors which play an important role in their decision to buy a new car. They have been compiled into four factor components as Name and facilities,Convenience and upkeep,External and internal features,Pricing. In this study, 49.9% of the respondents have chosen Honda City as their desired car in the range of 7-10 Lacs. While comparing with the least desired car the study found aesthetics, access to service stations, maintenance and replacement of spare parts to be significant desired factors whereas, brand name, power, fuel efficiency, comfort, boot space, price of spare parts and safety to be insignificant factors. The study ends with some recommendations to improve the least desired car.

Keywords: Car, Midsize, Mumbai

Introduction

India is emerging as one of the worlds fastest growing passenger car markets and second largest two wheeler manufacturer. It is home for the largest motor cycle manufacturer and fifth largest commercial vehicle manufacturer. The Indian Automotive Industry embarked on a new journey in 1991 with delicensing of the sector and subsequent opening up for 100 per cent FDI through automatic route. Since then almost all the global majors have set up their facilities in India taking the level of production of vehicle from 2 million in 1991 to 9.7 million in 2006.

The growth of Indian middle class with increasing purchasing power along with strong growth of economy over a past few years have attracted the major auto manufacturers to Indian market. The market linked exchange rate and availability of trained manpower at competitive cost have further added to the attraction of Indian domestic market. The increasing pull of Indian market on one hand

and the near stagnation in auto sector in markets of USA, EU and Japan on the other have worked as a push factor for shifting of new capacities and flow of capital to the auto industry of India. The increasing competition in auto companies has not only resulted in multiple choices for Indian consumers at competitive costs, it has also ensured an improvement in productivity by almost 20 per cent a year in auto industry, which is one of the highest in Indian manufacturing sector.

According to our new research report "India Passenger Car Market Analysis", the passenger car market, which constitutes around 78.5% of passenger vehicle sales (in FY 2010), has immense growth potential as passenger car stock stood at around 11.6 per 1,000 people in 2009. Realizing booming passenger car demand in the country, many domestic and foreign automobile giants are formulating capacity expansion strategies, and billions of dollar worth of investments are already in pipeline. Considering huge market potential, production of passenger cars is projected to grow at a CAGR of around 11% between 2010-11 and 2013-14 (RNCOS (2010)).

2. Scope of the study : Cars has now become the necessity of life. Mumbai is the capital of Maharashtra, a city which is said to be the financial capital of India. Mumbai along with its Suburban region covers 437.71 Sq. Km. According to the latest 2011 Census figure, it has a population of 2.10 Crore. The Vehicle population of Mumbai (RTO ,March 2011) is 19.38 Lac with Road Length 1941 Kms. According to the latest figures given by traffic police the number of cars in Mumbai is 448231 and it is rapidly increasing. Between 1991 and 2011, the number of motorised vehicles in Mumbai has more than tripled from 0.6 to 1.9 million. Hence it was decided to study the preference of midsize sedan buyers in the range 7-10 lacs in the city of Mumbai.The study was conducted during the period 2010-2011.

3. Research Methodology:

3.1 Aims and Objective of the Study:

After understanding the situation, the following objectives were finalized:

1. To understand the effect of a person's monthly income on his decision to buy a car.
2. To find out how people rate their present car.
3. To find factors that are important to a buyer before buying a new car.
4. To see which midsize sedan in the range of 7-10 lacs is most popular among the people.
5. To compare the factors of the desired car and the least desired car

3.2 METHODOLOGY

The methodology in which we conducted our survey consists of 3 main steps:

Step 1:

? Formulation of objective.

? Research on topic.

? Designing of questionnaire.

Step 2:

? Pilot survey.

? Improvising questionnaire.

? Data collection.

? Tabulation and Analysis.

Step 3:

? Report writing.

? Our findings.

Data Collection

The thirteen factors which were mainly considered in the study are: Aesthetics ,Brand Name, Power, Fuel Efficiency, Access to service stations ,Maintenance ,Pricing, Comfort, Boot space, Replacement / Availability of spare parts ,Price of spare parts ,Safety ,Option of fuel . But as the need arised we have added some more factors and also deleted some of these factors from our study.

Initially we conducted a pilot survey of 50. After pilot survey we improvised our questionnaire so that we get the information which we wanted. One more interesting fact observed from our pilot survey was that majority of the car owners / users did not opt for Ford cars. So we thought of going a step further to understand why people did not go for Ford cars.

The data was collected using Simple Random Sampling Without Replacement. The total sample comprised of 423 people, out of which 401 respondents own cars, 403 respondents expressed a desire to buy a midsize sedan in the range of 7-10 lacs. Number of respondents who own a car and did not desire a new one is 20. The study was conducted in the year 2010 -2011. The Pilot survey was started in September 2010 and the main survey was done in the year 2011.

In order to get true representation of our population, we stratified the car owners into North Mumbai, South Mumbai and Central Mumbai. To collect the data we approached many malls, housing societies and offices and got the questionnaires filled by the car users. We collected data from people belonging to various age groups, different professions and having different usage of cars. The details are given in the figures below.

Figure 1: The Distribution Of Occupation In The Population

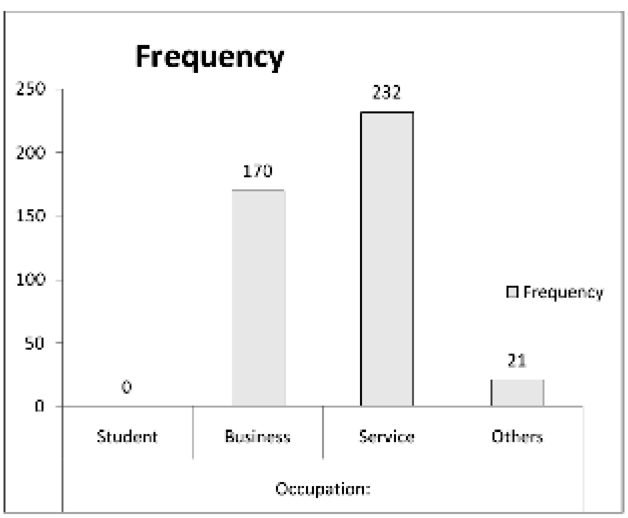


Figure 2 :The Distribution Of Monthly Income In The Population

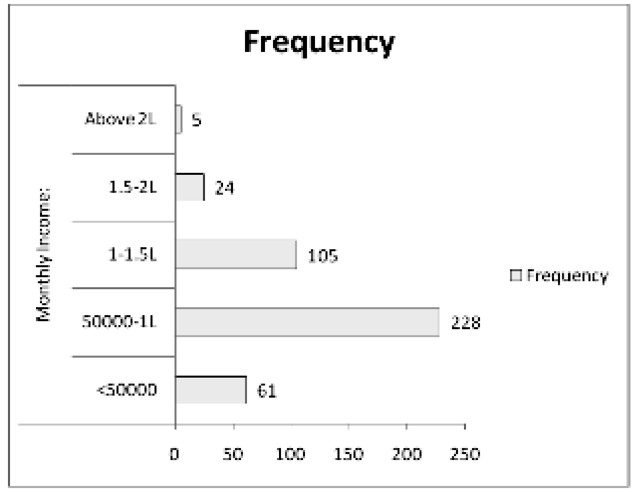
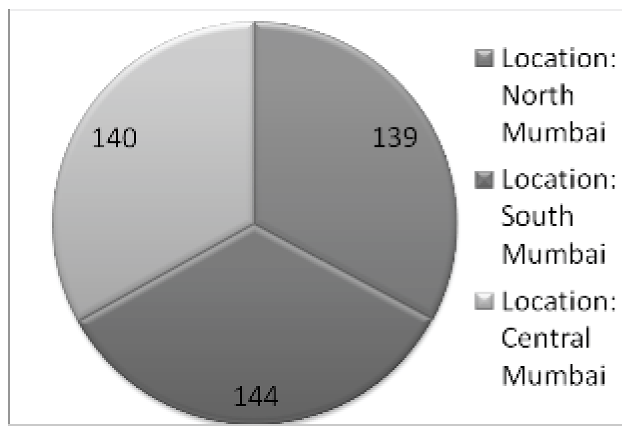


Figure 3 : The Distribution Of The Population Locationwise



4 Analysis , Results and Discussions:

Various Statistitical Techniques like ANOVA, Mean, Standard Deviation, Variance, Principal Component Analysis, Correlation Analysis ,Discriminant Analysis, Wilks Lamda Test is used in this study.

4.1 Testing of Hypotheses:

Hypothesis were tested to find the effect of monthly income on ownership of car and price of car

It was observed that the F-ratios are very large in comparison to F table values. Thus we rejected both the null hypotheses (Ho), which implies that monthly income has a significant effect on ownership of car. It also implies that monthly income has a significant effect on price of car.

4.2 To Find Average Rating Of Factors For The Cars In The Range Of 5-10 Lakh Which Are Owned By The Maximum Respondents In The Sample:

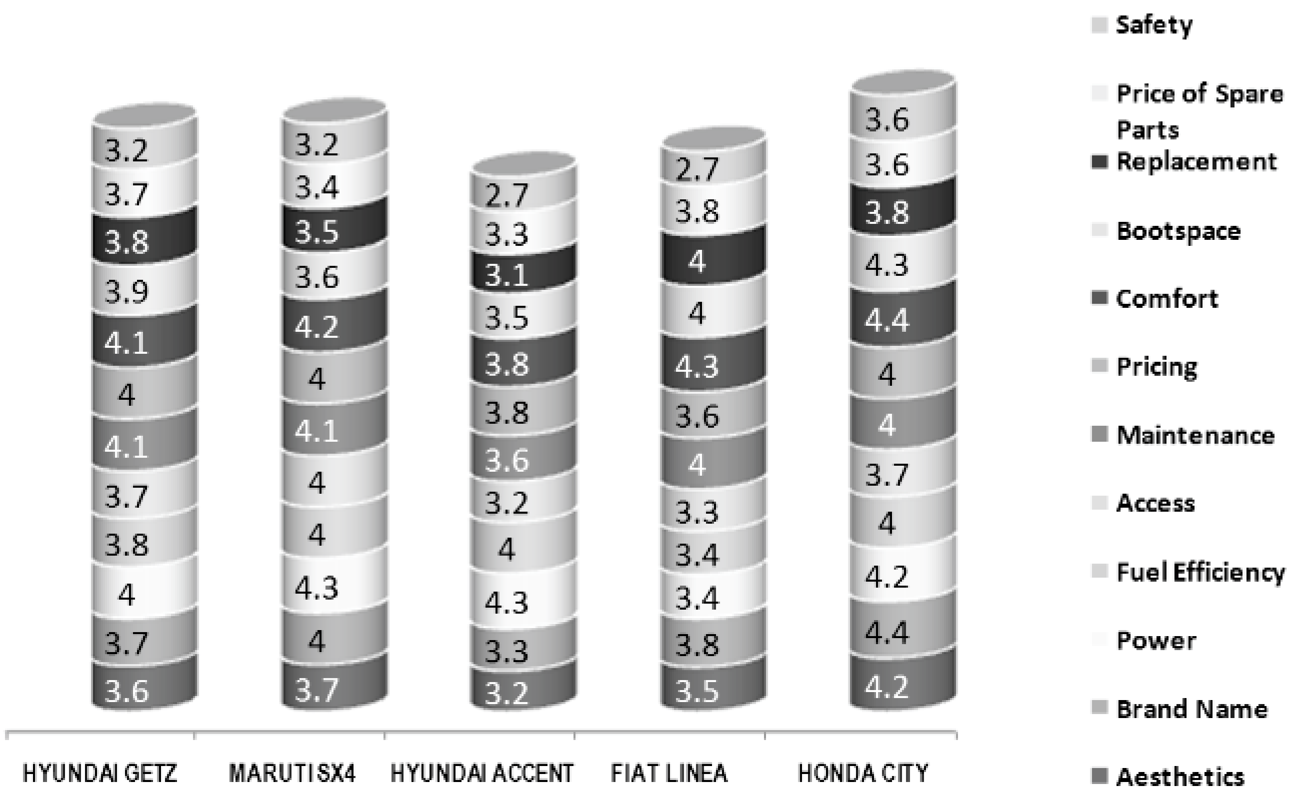
It was seen from the data that 145 respondents own cars in the below 5 lakh range, and 253 respondents own cars in the range of 5-10 lakh. Hence it was decided to study how factors are rated by respondents who own cars in the range of 5-10 lakh.

The respondents were asked if they owned a car, if yes then which car and asked them to rate the factors. Twelve factors were considered in this study. They were Aesthetics, Brand Name ,Power ,Fuel Efficiency ,Access to service stations ,Maintenance ,Pricing ,Comfort ,Boot space,Replacement / Availability of spare parts ,Price of spare parts and Safety.

The respondents were asked to rate each of these factors mentioned above as 'extremely important', 'very important', 'somewhat important', 'not very important', and 'not at all important' . The marks were accordingly given as 5,4,3,2,1 respectively for each response.

The Results of the preference of the Respondents are given in Figure 4:

Figure 4: Score Card of Customers Preference of Car Owners in the range of 5-10 lacs



In the range of 5-10 lacs, these cars have highest users (in decreasing order). Numbers in bracket are the number of respondents owning that car :

- ? Hyundai Getz (36)
- ? Maruti SX4 (35)
- ? Hyundai Accent (34)
- ? Fiat Linea (28)
- ? Honda City (27)

4 .3 Analysis of Factors of Each Car

The individual analysis of factors of each car was done. In this analysis the factor Monthly Income is added to the above mentioned twelve factors to access which monthly income group do these car owners generally belong to.The Mean, Standard Deviation and Variance are calculated of each factor for all the five cars.

1. Hyundai Getz

   The respondents who own a Hyundai Getz are mostly in the monthly income range of Rs.50000-100000. Comfort, maintenance, power, pricing are highly rated among other factors.

2. Maruti SX4

   The respondents who own a Maruti SX4 are mostly in the monthly income range of Rs.50000-100000. Comfort, power, maintenance, pricing, brand name are highly rated among other factors

3. Fiat Linea

   The respondents who own a Fiat Linea are mostly in the monthly income range of Rs.100000-150000. Comfort, boot space, price of spare parts and brand name are highly rated among other factors.

4. Hyundai Accent

   The respondents who own a Hyundai Accent are in the monthly income range of Rs.100000-150000. Pricing, comfort, maintenance are highly rated among other factors.

5. Honda City

   The respondents who own a Honda City are in the monthly income range of Rs. 100000-150000.

   Comfort, brand name, boot space, power, aesthetics, pricing, maintenance, fuel efficiency are

highly rated among other factors.

4.4 Statistical Techniques Used To Find Those Factor Components Which Are Important To Buyers While Buying A New Car in the Range of 7-10 lacs

4.4.1 FACTOR ANALYSIS

The essential purpose of factor analysis is to describe, if possible, the covariance relationship among the variables in terms of a few underlying but unobservable random quantities called FACTORS. Suppose variables can be grouped by their correlations. That is, all variables within a particular group are highly correlated among themselves but have relatively small correlations with variables of a different group. It is conceivable that each group of variables represents a single underlying construct or factor that is responsible for the observed correlations.

Orthogonal factor model with 'm' common factors:

$$X_{p*1}=\mu_{p*1}+L_{p*1}F_{m*1}+e_{p*1}$$

where, μ = mean vector of X,

e = vector of specific factor,

F = vector of common factor,

L = matrix of loadings,

L_{ij} i.e. loading of ith variable on the jth factor.

$i=1, 2 \ldots p, \quad j=1, 2 \ldots m.$

We assume that the unobservable random vectors F and e satisfy:-

F and e are independent i.e. Cov (e, F) =0.

E (e) = 0; Cov (F) = I.

E (e) = 0; Cov (e) = ψ, ψ is a diagonal matrix

$V(X) = LL' + \psi$ i.e. $V(X_i) = l_{i1}^2 + l_{i2}^2 + \ldots + l_{im}^2 + \psi_i$

$Cov(X_i, X_k) = l_{i1}.l_{k1} + l_{i2}.l_{k2} + \ldots + l_{im}.l_{km}$

$Cov(X, F) = L$, $Cov(X_i, F_j) = l_{ij}$

That portion of the variance of the ith variable contributed by m common factors is called ith communality.

$V(X_i) = l_{i1}^2 + l_{i2}^2 + \ldots + l_{im}^2 + \psi_i \qquad i = 1, 2, \ldots, p.$

Given observations X1, X2… Xn on p, generally correlated variables, factor analysis seeks to answer the question,"Does the factor model considered above, with a small no. of factors adequately represent the data?" In essence, we tackle this statistical model building problem by trying to verify the covariance relationship.

Factor Components Which Are Important To Buyers While Buying A New Car:

The thirteen factors which were considered in the study are:

Aesthetics ,Brand Name ,Power ,Fuel Efficiency ,Access to service stations ,Maintenance ,Pricing ,Comfort ,Boot space ,Replacement / Availability of spare parts ,Price of spare parts ,Safety ,Option of fuel .

The respondents were asked to rate each of the thirteen factors mentioned above as 'extremely important', 'very important', 'somewhat important', 'not very important', and 'not at all important' . The marks were accordingly given as 5,4,3,2,1 respectively for each response.

A Correlation Matrix of the responses of these 13 factors were constructed

4.4.2 Kmo And Bartlett's Test:

KMO TEST:

High value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy indicates that FACTOR ANALYSIS is useful for the data. The value of the Statistics came to be 0.512, which means the factor analysis for the selected variables is found to be appropriate to the data.

BARTLETT'S TEST:

This test is used to test whether there is correlation in the factors studied.

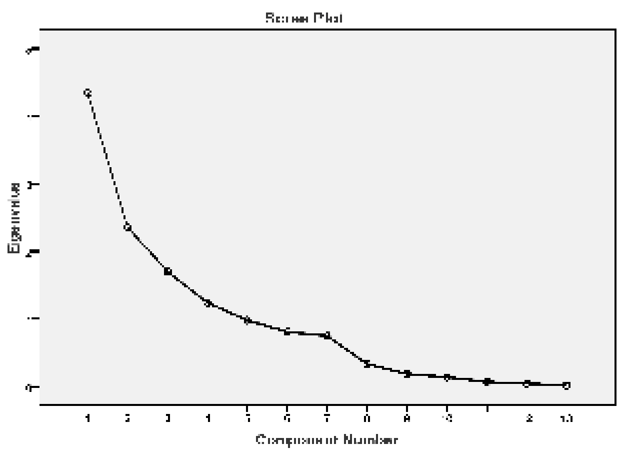
The p-value for the Bartlett's test is <0.05, hence we reject Ho. This indicates that the variables are unrelated.

4.4.3 Communalities: Communalities indicate the amount of variance in each variable that is accounted for. Initial communalities are estimates of the variance in each variable accounted for by all components or factors. For principal components extraction, this is always equal to 1 for correlation analysis. Extraction communalities are estimates of the variance in each variable accounted for by the components. The communalities in this table are all high, which indicates that the extracted components represent the variables well. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis.

In was observed that Total variation explained by the 4 Principal components which are extracted is 74.092%. So more than 50% variance is explained by only 4 Components.

4.4.4 Scree Plot: The screen plot was plotted to help us to determine the optimal number of components. The eigenvalue of each component in the initial solution was plotted. Generally, we want to extract the components on the steep slope. The components on the shallow slope contribute little to the solution. We can observe in Figure 5 that the last big drop occurs between the fourth and fifth components, so using the first four components is an easy choice.

Figure 5 :Scree Plot



4.4.5 Component Matrix: Factor loading obtained from the initial loading by an orthogonal transformation has the same ability to reproduce the correlation matrix. For this reason an orthogonal transformation for easy interpretation of factors was employed.

4.4.6 Rotated Component Matrix: A Varimax Rotation was used so that variable loads highly on a single factor and has small to moderate loadings on the remaining. Following is the matrix by which we multiply the unrotated factor matrix to get the rotated factor matrix. Each number represents the partial correlation between the item and the rotated factor. This is done by looking for a common thread among the variables that have large loadings for a particular factor or component. Since loading for variable "aesthetics" is highest in component 3. It has highest correlation with component 3. It will go to component no 3.Now loading for the variable "brand name" is highest in component 1. It will go to component 1.

All the 13 factors considered by prospective buyers before buying a new car can be classified into 4 factor components as:

? Name and facilities

? Convenience and upkeep

? External and internal features

? Pricing

The Factors can be classified as follows in the four Components are given in Table below.

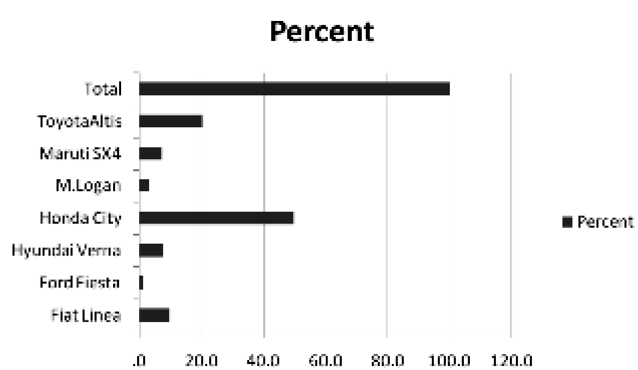
Table 1 :Factor Components

Component 1	Component 2	Component 3	Component 4
Name and Facilities	Convenience and Upkeep	External and Internal features	Pricing
Brand Name	Maintenance	Aesthetics	Pricing
Power	Comfort	Replacement/Availability Of spare parts	
Fuel Efficiency	Boot space	Price of spare parts	
Access to service stations	Safety		
	Option of fuel		

4.4.7 Popular Sedan in the Range 7-10 lacs.

Out of 423 respondents, 403 selected their desired car in the range of 7-10 lacs based on the above factors . The results are given in Figure 6

Figure 6: Preferred Car



We see that maximum respondents (49.9%) have chosen Honda City as their desired car in the range of 7-10 lacs. It can also be observed in the Figure (Figure) that Ford Fiesta was the least desired Car. Hence we decided to compare the Factors of the Desired car and Ford Fiesta factors.

4.5 To Test The Correlation Between Desired Car Factors And Ford Fiesta Factors:

The presence of Ford Fiesta on the roads of Mumbai is not very appreciable, even though it has been said to be a very good driving car. Therefore it has been thought of to investigate factors that may be responsible for this kind of trend. The respondents were questioned if they would want to buy the Ford Fiesta, and the ratings (on a scale of 1 to 5) they would give to each factor based on their response. The desired car ratings and Ford Fiesta ratings have been used to find correlation.The Pearson correlation coefficient measures the linear association between two scale variables. Eleven hypothesis are tested based on eleven factors Aesthetics ,Brand Name ,Power ,Fuel Efficiency ,Access to service stations ,Maintenance ,Comfort ,Boot space ,Replacement / Availability of spare parts ,Price of spare parts ,Safety.

1. Pearsons' correlation brought out significant as well as insignificant factors. They are listed below:

Table 2 :Correlation Between Desired Car Factors And Ford Fiesta Factors

SIGNIFICANT FACTORS	INSIGNIFICANT FACTORS
Aesthetics , Access to service stations, Maintenance, Replacement of spare parts	Brand name , Power, Fuel efficiency, Comfort, Boot space, Price of spare parts, Safety.

4.6 Discriminant Analysis

Discriminant analysis is used to model the value of a dependent categorical variable based on its relationship to one or more predictor. Given a set of independent variables, discriminant analysis attempts to find linear combinations of those variables that best separate the groups of cases. These combinations are called discriminant functions and have the form displayed in the equation.

dik=b0k+b1kxi1+...+bpkxip

Where,

dik is the value of the kth discriminant function for the ith case

p is the number of predictors

bjk is the value of the jth coefficient of the kth function

xij is the value of the ith case of the jth predictor

The number of functions equals min(#groups-1, #predictors).

The procedure automatically chooses a first function that will separate the groups as much as possible. It then chooses a second function that is both uncorrelated with the first function and provides as much further separation as possible. The procedure continues adding functions in this way until reaching the maximum number of functions as determined by the number of predictors and categories in the dependent variable.

The discriminant model has the following assumptions:

- The predictors are not highly correlated with each other.
- The mean and variance of a given predictor are not correlated.
- The correlation between two predictors is constant across groups.
- The values of each predictor have a normal distribution.

The respondents were questioned about the Ford Fiesta and their responses were collected.

We see that groups have been classified by responses. Respondents have given their responses as follows:-

Definitely yes: 1,Probably yes: 2,Not sure: 3,Probably no: 4,Definitely no: 5

The trends that were noticed are as follows:

- Aesthetics is rated similarly across all responses.
- Ratings for Brand name and Fuel Efficiency see a slight decrease.
- The ratings for Power goes down quite steadily in comparison to Brand name and Fuel Efficiency.
- Ratings for Access to Service Stations, Maintenance, Replacement & Price of Spare Parts are quite low across all responses.
- The ratings for Pricing and Boot space are steadily decreasing across responses.
- The ratings for Comfort see fluctuations across responses.

Observations deduced from Group Statistics:

The people who are interested in buying a Ford Fiesta are influenced by a few factors, namely: Power, Fuel efficiency, Pricing, Comfort, Boot space

The people who do not wish to buy a Ford Fiesta are influenced by these factors: Access to Service Stations, Maintenance, Replacement of Spare Parts, Price of Spare Parts

Factors like Aesthetics, Brand name, Safety do not influence the buyer's decision.

It is now imperative to check whether these claims hold any relevance or not. Therefore we check these claims.

4.6.1 Testing the contribution of each variable to the model.

There are several tables that assess the contribution of each variable to the model. They are:

1. Tests of Equality of Group Means
2. Structure Matrix
3. Discriminant Function Coefficients

1. TESTS OF EQUALITY OF GROUP MEANS:

The Tests of Equality of Group Means measure each independent variable's potential before the model is created.

Each test displays the results of a one-way ANOVA for the independent variable using the grouping variable as the factor. If the significance value is greater than 0.10, the variable probably does not contribute to the model.The table suggests that all the variables in this model are significant.

Wilks' lambda is another measure of a variable's potential. Smaller values indicate the variable is better at discriminating between groups. Large F-ratios indicate the variable is significant.

The table suggests that COMFORT is the best, followed by POWER, PRICING, FUEL EFFICIENCY, MAINTENANCE and BOOT SPACE.

2. STRUCTURE MATRIX:

- The structure matrix shows the correlation of each predictor variable with the discriminant function. It is unaffected by collinearity.
- When there is more than one discriminant function, an asterisk(*) marks each variable's largest absolute correlation with one of the canonical functions. Within each function, these

marked variables are then ordered by the size of the correlation.

- From the structure matrix we conclude that
- Power is the most correlated in the first function, and it is the only variable most strongly correlated with this function.
- Comfort is strongly correlated with the second function, although Fuel Efficiency is weakly correlated with all function.

Similarly the functions and the factors are tabulated in Table below

Table 3: Functions

FUNCTION 1	FUNCTION 2	FUNCTION 3	FUNCTION 4
Power	Comfort	Brand Name	Price of spare parts
	Fuel Efficiency	Boot space	Pricing
			Safety
			Aesthetics
			Access to service stations
			Replacement of spare parts
			Maintenance

3. DISCRIMINANT FUNCTION COEFFICIENTS :

The standardized coefficients allow you to compare variables measured on different scales.Coefficients with large absolute values correspond to variables with greater discriminating ability.We find that high coefficient values corresponds to PRICING, MAINTENANCE, SAFETY and POWER.

Wilks' Lambda:

Wilks lambda is a measure of how well each function separates cases into groups. It is equal to the proportion of the total variance in the discriminant scores not explained by differences among the groups. Smaller values of Wilks' lambda indicate greater discriminatory ability of the function.

- Wilks' lambda suggests that the first 3 functions discriminate better than the 4th function.
- The associated chi-square statistic tests the hypothesis that the means of the functions listed are equal across groups. The small significance value indicates that the discriminant function does better than chance at separating the groups. Here we see that all the functions are significant and contribute to the model.

5. Suggestions & Recommendations:

Based on the study the following Recommendations can be suggested for the least desired car (i.e. Ford Fiesta in this study)

- The Fiesta delivers on Aesthetics, Brand name, Power, Comfort, Safety and Fuel Efficiency. So these features need not be tampered with, because these factors are good enough to give confidence to the buyer that the product he is purchasing is good. These factors, or rather qualities, should be promoted well so as to put a positive impact on the consumer.

But the factors causing a negative sentiment among the consumer is :

- Replacement and price of spare parts
- Pricing
- Maintenance
- Access to service stations

These factors need to be improved, so that the public perception about the Fiesta changes for good.

6. Our Findings/Conclusions….

The Conclusions can be summarized as follows:-

Monthly income has a significant effect on whether a person owns a car or not. It is also instrumental in determining the budget in which a person wishes to buy a car. It is seen that higher income groups tend to buy cars with a higher price tag.

Present Car Users:

This study picked up the cars in the range of 5-10 lacs which are owned by maximum respondents. The details are tabulated below:

Name of Car	**Frequency**	**Monthly Income**	**Preferred Factors**
Hyundai Getz	36	Rs.50000-1Lac	Comfort, Maintenance, Power, Pricing
Maruti SX4	35	Rs.1-1.5 Lac	Comfort, Power, Maintenance, Pricing, Brand Name
Hyundai Accent	34	Rs.1-1.5 Lac	Pricing, Comfort, Maintenance
Fiat Linea	28	Rs.1-1.5 Lac	Comfort, Boot space, Price of spare parts, Brand Name
Honda City	27	Rs.1-1.5 Lac	Comfort, Brand Name, Boot space, Power, Aesthetics, Pricing, Maintenance, Fuel efficiency

Desired Car Factors:

Through Factor Analysis, it has been confirmed that people desire certain factors which play an important role in their decision to buy a new car. In was observed that Total variation explained by the 4 components which are extracted is 74.092%. So more than 50% variance is explained by only 4 Components.

The factors are compiled into four factor components stated as follows:

- Name and facilities
- Convenience and upkeep
- External and internal features
- Pricing

Popular Sedan In The Range Of 7-10 Lacs:

In this study, 49.9% of the respondents have chosen Honda City as their desired car in the range of 7-10 Lacs. Ford Fiesta is found to be the least desired Car.

Comparison Between Desired Factors And Factors Present In Ford Fiesta:

1. Pearsons' correlation brought out significant as well as insignificant factors. They are listed below:

Through Factor Analysis, it has been confirmed that people desire certain factors which play an important role in their decision to buy a new car. In was observed that Total variation explained by the 4 components which are extracted is 74.092%. So more than 50% variance is explained by only 4 Components.

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1. Pearsons' correlation brought out significant as well as insignificant factors. They are listed below:

SIGNIFICANT FACTORS	INSIGNIFICANT FACTORS
Aesthetics, Access to service stations, Maintenance, Replacement of spare parts	Brand name, Power, Fuel efficiency, Comfort, Boot space, Price of spare parts, Safety.

General Perception About Ford Fiesta:

1. The Ford Company has a reputation for making powerful, sturdy and beautiful cars. Also its brand name has a lot of credibility attached to it. So certain tests were conducted to check which factors have a negative and positive bearing on the consumer's mind.

2. The Tests of Equality of Group Means concluded that the consumer likes the Comfort, Power, Pricing, Fuel Efficiency, Maintenance and Boot Space of the Ford Fiesta.

3. The Structure Matrix detected the functions in their order of importance. From that the following was deduced:

Function 1: Power

Function 2: Comfort and Fuel Efficiency

Function 3: Brand name and Boot space

Function 4: Price of spare parts, Pricing, Safety, Aesthetics, Access to service stations, replacement of spare parts, Maintenance

4. From the Summary of Canonical Distribution Functions, we understand the first 3 functions lure the consumer towards buying the Ford Fiesta. The fourth function contributes very little in the decision to buy the Ford Fiesta. This is further proved by the Wilks' Lambda Test of Functions.

   From the Standardized Canonical Discriminant Function Coefficients, we see that the factors Pricing, Maintenance, Safety and Power discriminate the response groups better in comparison to other factors.

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Skills augmentation: Ready Made Garment Industry

Ms. Neelam Agrawal Srivastava
Dr. Anandita Chaterjii

Introduction

The Indian apparel industry has an overwhelming presence in the economic life of the country. The garment industry in India is one of the best in the world. An extremely well organized sector, garment manufacturers, exporters, suppliers, stockiest and wholesalers are the gateway to an extremely enterprising clothing and apparel industry in India.

In recent years, the readymade garment segment has seen vertical growth. It accounted nearly Rs. 20,000 crores which shows a growth rate of 20 % .The largest group of the readymade garment includes the age group of 16-35, which is very brand conscious and gives priority to high quality branded readymade garments. This segment only covers the 21% of the readymade garment industry.

Apparel manufacturing industry has varied product range. To manufacture such various categories of products trained work force is required, rather this trained work force runs the entire apparel manufacturing industry from stage one to final dispatch. This workforce or employees are the major role players and the crucial strategic resource to the organization success.

Even with increased mechanization and automation, apparel industry would continue to depend upon the skills of human workers for the bulk of its production for many years to come. As regards, 95% of the apparel manufacturing units hired educated/experienced work force as human resource is the most essential resource for this industry.

1.2 Skills of employees in Ready Made Garment:

F. Schumacher (2001) Development does not start with goods, it starts with 'people' and their education, 'organizing', and 'discipline'. Without these three, all other resources remain latent, untapped potential. Success in any field lies in educating and training people. Technology up gradation alone will not bring the desired results.

Premi 1997, Training is highly skilled and professional activity which helps in improving the overall performance of the organization. It is an important tool to develop 'human resource' and 'improve job knowledge and skills'. Training is a continuous process where optimum use of '3Ms' (Man, Machine and Material) should be the aim of training programmes.

Even with increased mechanization and automation, apparel industry would continue to depend upon the skills of human workers for the bulk of its production for many years to come. As regards, 95% of the apparel manufacturing units hired educated/experienced work force as human resource is the most essential resource for this industry.

1.3 Work Force division at various departmental levels in the Apparel Industry:

Apparel manufacturing firms hired experienced work force as they had practical experience and followed the work very fast. Therefore there was no loss of production time and money in hiring the experienced work force.

The work force engaged in the departments of production of readymade garments can broadly categorized as under mentioned heads.

Fabric Inspection: Fabric shade sorter, helper, shade matcher, record keeper.

Cutting Section: Band Knife operator, cutter man, mark man, Quality checker, numbering, bundling, fusing, laying, fabric quality checking, CAD operator, record keeper.

Cutting Line management: Supervisor, Incharge, manager.

Sewing Section: Sewing Operator, Sewing helper, Sewing Quality Checker, Sewing Supervisor, Sewing In charge. Button marking helper, Loop cutting, belt inserts, trimmers, hangers, and distributor.

Finishing Section: Alteration operator, Button Attachment, match box, Poly Bag packing, Carton packing, Hand Tag, Iron Man, shade match.

Quality Checking: Final Quality Control, Inside Quality Checking, roaming quality checker, auditor.

Line Management: Supervisors: Line supervisors, packing supervisors, hourly auditing, mending supervisor, sewing in charge, manager, finishing coordinator.

As per the previous studies conducted, 56% apparel manufacturing unit's train their work force as they understood that like all other resources, human resources needs to be properly managed, developed and motivated through training before it can be put to effective use. The remaining 44% of the units did not provide training to their work force because either they considered training to be unnecessary and expensive or even if they realized the benefits of training, they found it to be an expensive proposition.

1.4 Sources of training

According to the information generated from the earlier studies conducted by Dr. Navneet Bawa 2002, It was also observed 19% hired workers who had taken training from ITI (Industrial Training Institute).

Qualification of Work Force

Sr.	Qualification	%
1	Experienced	38
2	ITI trained	19
3	ATDC trained	15
4	Fashion Design Diploma / Degree	15
5	Computer Diploma	8
6	Inexperienced / uneducated	5

ATDC (Apparel Training and design Centers) have been set up through AEPC (Apparel Export Promotion Council) to cater the objectives of future needs of trained work force of the apparel manufacturing industry. Therefore 15% of the units hired work force trained from ATDC. Another 15% of the work forces were the degree or diploma holders from various other institutes like NIFT, home science colleges etc. and take up the profiles like merchandisers, designers etc.

Computer training holders were hired by 8% of the units, and the work force is handling work of computer related operations like marker planning, stock keeping, documentation etc.

1.5. Organisational Training

In the Apparel industry, training plays a very important role because large work force is employed and various processes and methods are involved.

Narendra 2001 stated that one should recruit fresh people and train them to be operator as the person developed to become an operator can produce at least 30% faster than an experienced operator within a span of 6 months from the start of training as he is more conscious.

S No.	personnel	%
1	Operator and Supervisory Level	34
2	Management Level	2
3	All Levels	20
4	None	44

Table as taken from system approach to sustainable development of apparel industry, 2002, pg., 200, Dr. Navneet Bawa

As the table depicts that out of 56% of the organizations imparted training to their work force only 34% trained their operator and supervisory staff, whereas, 20% of the units trained their staff of all levels.

Only 2% units invested in training to their mangers as they has acquired some king of diploma or degree in the concerned field and were found appropriate to perform the job.

1.6Types of Training

Trained and highly motivated employees are the best assets of any of the organization and so the training plays an important role apparel industry in labor intensive industry and various process and methods are handled by this work force.

In order to complete this study and to find out the level of skills among the work force of all cadres in the ready made garment industry, certain parameters were worked out. These parameters are as mentioned here.

A. Parameters applied for measuring skill level for Semi skilled and Skilled sewing operators and shop floor helpers.

1. Experienced in any garment or specific garment like trouser.
2. Experienced in any garment and specific garment like trouser both.
3. Certified training from institute in specified garment like trouser with and without experience.
4. Certified training from institute in specified garment like trouser as well as any other garment with and without experience.
5. On the job training taken for specified garment like trouser with and without experience.
6. On the job training taken for specified garment like trouser and have training for any other garment than trouser with and without experience.
7. On the job training taken for any other garment than trouser with and without experience
8. Non certified training and only experience in specific garment like trouser.
9. Non certified training and only experience in garment other than trouser.
10. Non certified training and only experience in specific garment like trouser as well as any other garment.

B. Parameters applied for measuring skill level for Production Manager, Designer, Merchandisers, and Managerial level of work force

1. Graduate in apparels
2. Graduate in apparels along with post graduation in apparels
3. Graduate in apparels along with post graduation in apparels along with experience.
4. Graduate in apparels along with on the job training with and without experience.
5. Graduate in other and post graduate in apparels with and without experience
6. Graduate and post graduate in non apparels with and without experience.
7. Graduate in apparels and post graduate in others with and without experience.

C. Parameters applied for measuring skill level for Line Supervisors, Quality Checkers, technicians and Pattern Masters.

1. High School education along with on the job training. With and without experience.
2. High School training along with certificate course from an institution and on the training with and without experience.
3. High school training along with certificate

course with and without experience.

4. High school training, graduate along with on the job training and with and without experience.

5. High school training, certificate in specific skills and graduate in others with and without experience.

1.7 Objective and Methodology:

The purpose of the study is to gather information of the total number of employees engaged in the manufacturing of branded trousers in Delhi NCR region. To collect and analyze the core skills acquired by the work force employed to perform various skilled and non skilled functions. The study will reflect the existence and requirement of the training in terms of core skills and soft skills specially imparted on the job and the requirement of further training through specially designed modules to meet the need of the job functions for branded trouser manufacturing.

To fulfill the requirements of the objectives of the study, selection of manufacturing units producing branded trousers serving domestic market was done on the following parameters:

- Location of the factory
- Involvement in the Branded trouser manufacturing
- Organization structure
- Number of employees
- Work level of employees
- Skill level of employees

Thus, an interview schedule was formulated for obtaining the relevant information about the knowledge of core skills and soft skills utilized in the production processes. It was administered by the heads of the respective departments and General Manager of the factory.

A detailed study of the skills aspects of the workers at shop floor level and managerial level of apparel manufacturing unit was required and so to collect the relevant data required for the study.

The final interview schedule covered the following areas:

- General information of the factory
- Departments
- Number of work force
- Basic education
- Details of core skills
- Type of training

1.8 Findings and Recommendations: Study was conducted in factory engaged in the manufacturing of branded bottoms for men at Maensar, Gurgaon, Haryana. This unit has a total work force of 800. Out of this 800, 770were distributed over shop floor as sewing skilled operators, semi skilled operators, helpers, shop floor staff and 30 managerial staff which include 25 merchandisers, 5 production managers at different grades.

For the study the staff of the factory was divided in four cadres.

1. Skilled
2. Semi Skilled and helpers
3. Supervisors and Quality Controllers
4. Managers , Merchandisers

For skilled work force out of total 50, 70 % were the operators who trained at the factory and had experience in the specified garment and 10 % were the operators who were trained on the job and had experience the garment other than trousers whereas, 20% were the staff who were trained on the job with experience on specified garment as well as other garment. Details as mentioned in figure 1.1

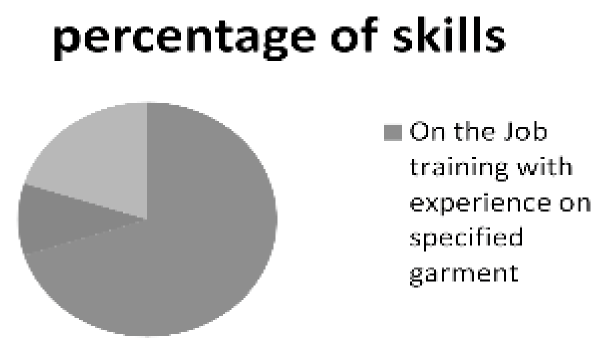
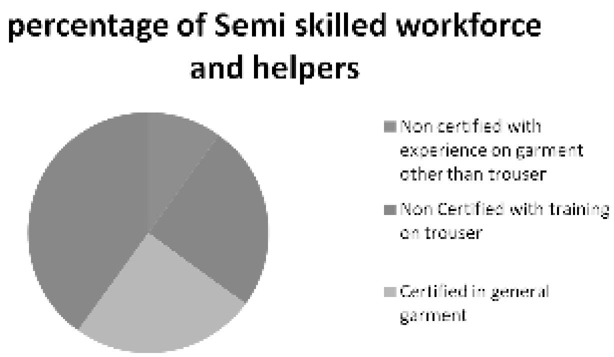


Figure 1.1

From the rest staff of 650 of the semi skilled and helpers of the shop floor level, 40 % of the staff were non certified experience holder in trouser as well as other garments, 25 % of the staff were non certified experienced in garment other than trouser, another 25 % of the staff were non certified having experience in trousers and rest 10% were the cases observed for certified in garment other than trouser manufacturing. Details as in fig.1.2



The same factory was also studied for skills study of managerial work force for merchandisers and production managers. Study revealed an interesting fact that 83 % of the employees at managerial level were graduates, post graduates along with diploma in Apparels whereas, only 17 % were found having plain graduate degree and plain MBA in non apparel subjects. Details as in Fig 1.3

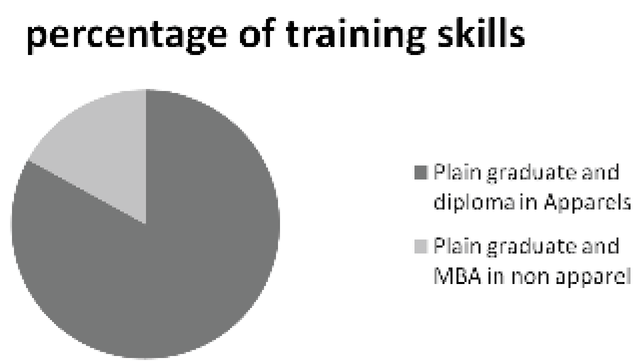


Fig. 1.3

Study was further conducted to know the level of trainings of the employees at junior management level that is supervisors and quality controllers. Study revealed that out of total staff of 50, study was conducted on 5 staff members and it was found that all the staff was graduates, experience holders and having training for the specific role to handle. No changes in scale are required in this cadre of staff of shop floor. Details as in Fig. 1.4

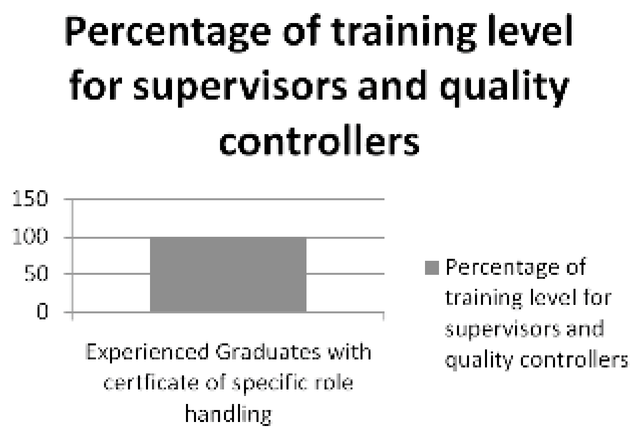


Fig. 1.4

Study revealed that factory has trained sewing operators to perform the specific functions in house in their own training unit. These skilled operators however, have prior training to perform the function on other garment. It was also found that the sewing, quality and line supervisors are well trained to perform their job responsibilities. They have taken certificates or diploma in specific role function. However, when the test of soft skills was performed on this work cadre it was also found that this they were lacking in English communication and other soft skills. It is there for recommended that they should be provided with training on soft skills and interpersonal skills. Further, the test was conducted on managerial work force revealed the fact that not 100% was found well qualified in apparel management trainings.

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FDI in Indian Retail: Effect on small retailers

Mr. Vilas Nair

Abstract

The changing contour of the Indian retail industry during and post slow down draw interesting parallels with the entire build up to the FDI bill .With the announcement of 51 percent FDI permitted in multi-brand retail, with certain caveats, is subject to the final approval of the respective states. The retail sector in India has been plagued with problems in all the areas of its cycle – backend, technology, supply chain, real estate and human resources. Consequently, it has not been able to match the pace of other growing sectors of the economy.

Recently, a great debate has cropped up against the government's plans for FDI in the Indian retail sector. The important ones being that FDI in retail trade may create job losses and displacement of traditional supply chain. Also, FDI in retail trade will certainly disrupt the livelihood of the poor people engaged in small retail trade. Foreign retailers may try to establish the monopoly power in the country. However, there are so many positive factors in favour of FDI in Indian retail service.

The present study makes an attempt to study the likely impact of FDI on Indian retail sector, with the focus on small retailers.

Keywords

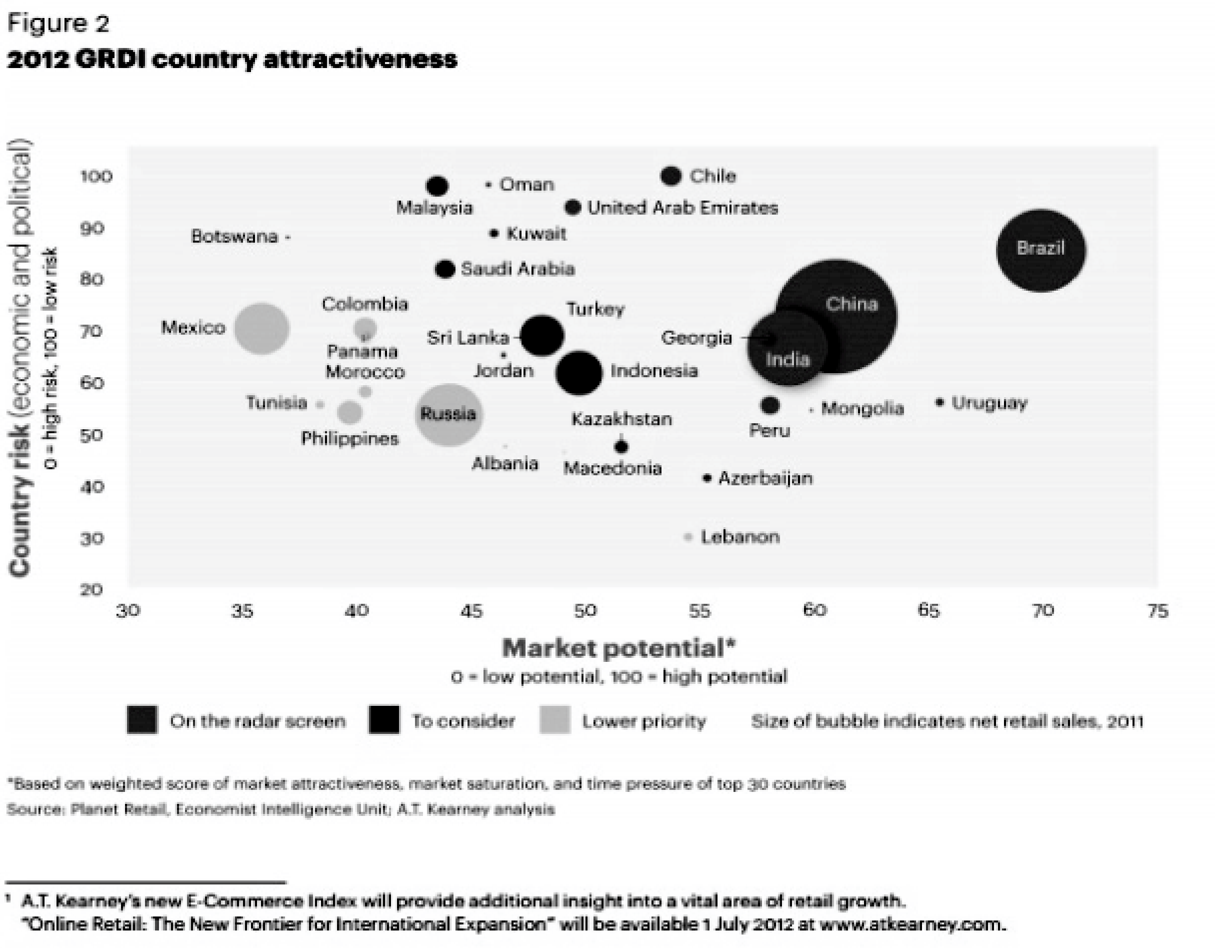
Supermarkets, small retailers, retail trade, product categories, opportunities

Introduction

The FDI announcement has come not at a moment too soon to inject new hope into the Indian modern retailer who are still struggling to get their operation right, FDI will be a game changer for the nascent modern retail segment of India. The benefit to the country will not be restricted merely to the inflow of funds from abroad but will radiate in all direction to positively impact every aspect of the retail industry and the society.

Economic development, rise in purchasing power, growing consumerism and brand proliferation has led to retail modernization in India. With high economic growth, per capita income increases which has led to a shift in consumption pattern from necessity items to discretionary consumption. Consumer awareness increases and consumers tend to experiment with different international brands. The proliferation of brands leads to increase in retail space. According to the A. Kearney Annual Global Retail Development Index (GRDI) for the year 2012.India has been placed in the Fifth Rank after Brazil, Chile, and Uruguay on the basis of retail investment attractiveness (Figure 1).

Figure 1: Annual Global Retail Development Index (GRDI) for the year 2012



The growing Indian retail market has attracted a number of foreign retailers and domestic corporate to invest in this sector. Being encouraged by India's retail boom, many multinational companies also started to enter Indian market .According to the investment Commission of India, the retail sector is expected to grow almost three times its current level to $ 600 billion by 2015. In opposition to liberalization, FDI in this sector raises concern about employment losses, promotion of unhealthy competition among organized domestic retailer resulting in closure of small retailer.

1.1 Expectation from FDI

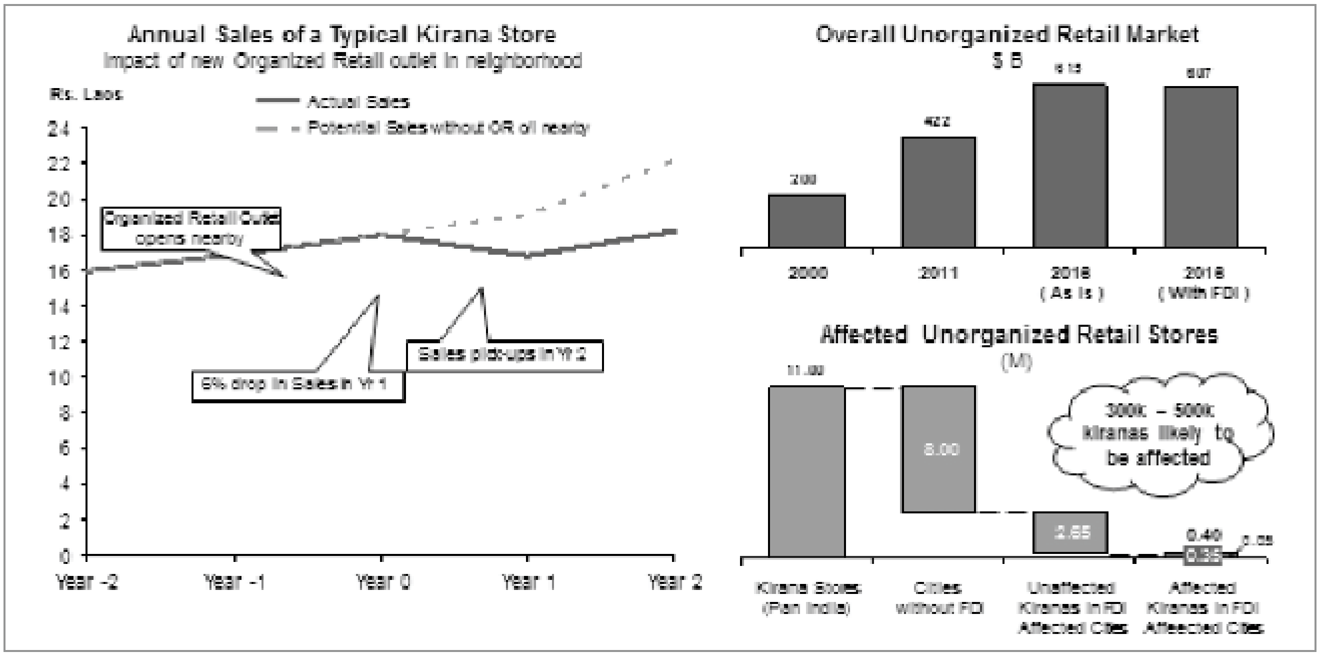
The expectation from FDI policy is high that the common man (the consumer) will benefit economically, employment generation will be huge, the supply chain will be transformed to large number of small producers and farmers will gain. The FDI will energise the top 33% of urban house-holds. The major concern which holds true to the current situation prevailing in India is the Kirana or the small shop keepers who are the Indian staple will die after the bill on 51% investment in Multiband retail has been passed. It is expected that the FDI in modern retail would lay the foundation for new industry, guaranteed to grow for at least five decades.

2. Selected reviews

2.1 Impact of FDI in retail on unorganized retail Federation of Indian chambers of Commerce and industry (FICCI), reveals

For unorganized retail, at a store level there can be some be short-term loss of sales for stores in vicinity of new organized retail outlets, overall market will continue to grow significantly (see Figure). This is based on a study of impact of organized retail on 300 kirana stores over the last three years. Given that about 18 cities have shown keenness to allow in foreign retailers, the number of kiranas that get affected is likely to be 300,000-500,000 (from a total India number of 12 million stores).

Figure 3: Impact of FDI in retail on unorganized retail

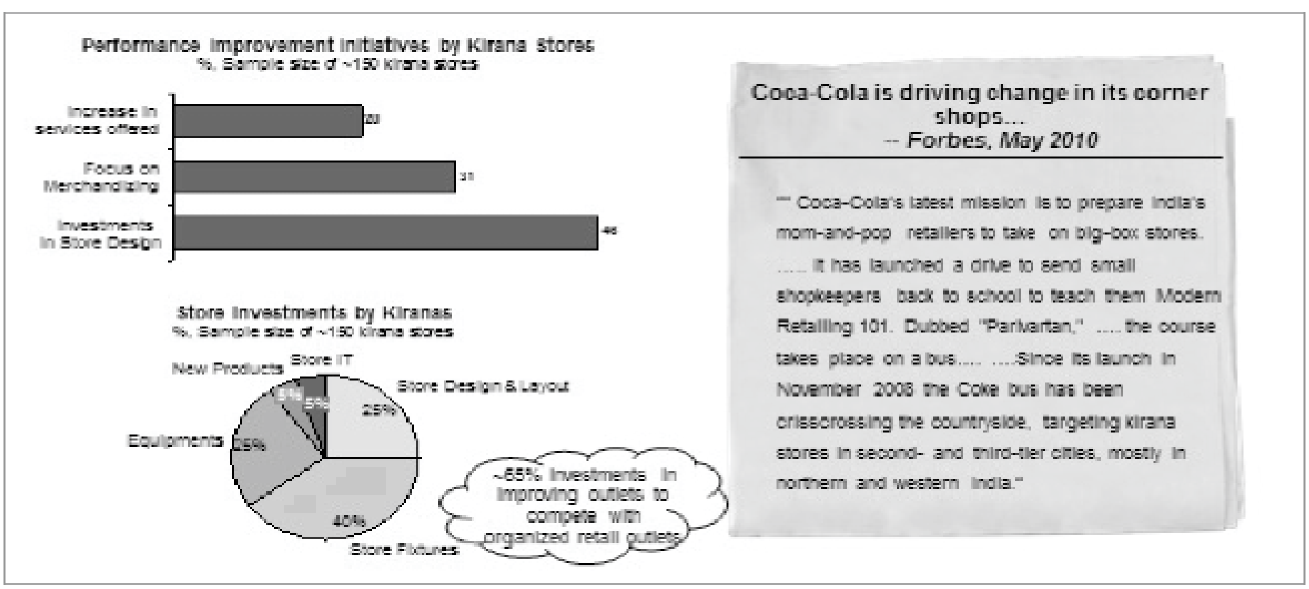


Source: Booz & Company analysis

3. Performance improvement initiatives by kirana stores

Past trends also show that many un organized retailers reinvent themselves – independently or with help from large FMCG players, and are well placed to manage any challenges organized ret ail throws up in their catchments (see Figure).

Figure 4 : Performance Improvement Initiatives by Kirana Stores



Source: Booz & Company analysis

Consumers will benefit most from FDI in organized retail as prices of essential product s are lower, with 6-8% realization of annual savings. Also, with increase in number of organized outlets, aspects such as convenience and overall shopping experience will improve rapidly in the country.

4.SMEs for FDI in multi-brand retail: Survey

CII survey finds 66.7 p.c. SMEs see the new FDI policy as an opportunity while around 21 p.c. perceive it as a threat. About 12.5 p.c. are of the opinion that the decision will have little or no impact on their business.

The survey further reveals that almost 96 per cent of the respondents surveyed are aware of the government's earlier decision to allow 100 per cent FDI in single brand retail and 51 per cent FDI in multi-brand retail and also of the latest notification in January this year.

On the question of how the SME industry considers entry of MNC retailers as a threat or opportunity, majority of respondents (66.7 per cent) see it as an opportunity for their sector while around 21 per cent of respondents perceive it as a threat. About 12.5 per cent of respondents are of the opinion that the decision would have little or no impact on their business.

Majority of the respondents (98.6 per cent) are of the opinion that the opening of the FDI in retail will augment growth of sales of their products. Of them, around 21 per cent respondents foresee the growth of sales of their products to escalate in the excellent range of more than 20 per cent, 31 per cent expect the impact on growth of sales to be in the high range of 10-20 per cent while 33 per cent expect it to be in moderate range 5-10 per cent.

As much as 8 per cent of the respondents perceive the growth to remain in a low range (0-5) category while 6 per cent feel that the decision would have a negative impact on the growth of sales of their products. "India's growing retail boom is a success story. The 51 per cent FDI in multi-brand retail and its early implementation would give a major boost to the all round growth of the organized retail sector and it will have a substantial positive impact on the growth of SMEs,

5. Purpose of the study:

In the light of finding of the above studies at all India level it was felt that an initial reaction of the retailers and customers had to be analysed in Kochi, as this city is the commercial capital of Kerala, and major national retailer include Reliance, Aditya Birla, Future group etc. Regional player include Supply Co, Margin free, Priyom Sulabh, Triveni etc

6. Objectives of the study

The objective of the study is to analyse the current retail scenario in India, explore the controversial views and to evaluate the likely challenges and threat of FDI to the small sector.

The study also aims to know the preferences of customers regarding kirana stores and supermarkets and analyse the customers buying pattern in kirana and supermarket

7. Methodology:

The data for the study has been collected from primary and secondary sources. The first objective of analysing the current scenario and evaluating the impact of FDI on the small sector has been studied through talks and write-ups, statistical data, comparative studies, and analytical logic developed through the understanding from various research papers, reports, books journals, news papers etc. For the second objective, a survey was done with 100 customers in and around Kochi with a structured open-ended questionnaire. The data was analysed with percentages and descriptive.

8. Analysis

8.1 Impact of Retail on different segments of the small sector

Impact on Small Manufacturer Limited	Impact on Kirana Very little
Impact on cold chain Very little	Jobs / employment Big

As the debate is on the impact of modern retail on small sector, Figure 2 below explains the benefits of the impact.

Figure 2: Impact of modern retail

Impact on small Manufacturers: Limited

Because of the regional diversity and consumption pattern, retailers across the world like to work with small group of select vendors for economies of scales.

Impact on the Kirana stores: Very little

The impact is very little because they operate in small town and rural India and they serve the lower social class. Modern retail targets the upper strata of the consumer base in urban areas. In Urban areas many kirana stores are customizing and specialising on the product and service they offer, e.g. .phone-in home delivery, credit and monthly EMI on the purchases.

Infra-structure and cold chain: Very little

The impact is very little because the retailer will invest only for what his own business require to his own need of operation.

Impact on jobs

The impact is very big. A new category of jobs will be created and would improve the wages in retail.

Boost to the back end operations.

Increased investment in the back end operations will help to reduce wastage of farm produce, improve the livelihood of farmers' lower prices of products and ease supply side inflation.

8.1.1 The current scenario

In India many people buy a little bit each and that adds up to a lot. What works in retail instead is a few people buy a lot. The economies of retail business are severely challenging because of the structure of demand and the heterogeneity of consumers preferences. The problem with Retail is

- Sales per Sq ft
- Gross margin return of investment per sq ft.

These problems are compounded by two other factors, such as

The real estate prices. The prices of the real estate are on the rise there are no or less space available in the city. By setting up stores in far flung location on the outskirts of a city is not a viable option because the public transport options are poor and rise in fuel prices.

The heterogeneity in living style. In India, for every hundred kilometer there is a different eating habit, different pulses, oil, and even different brands. This makes the scaling of business harder.

8.1.2 Factors affecting the consumer purchase behavior.

Discount - a deciding factor. Indians are price sensitive. A kirana store can never compete with the kind of discount and deals a supermarket offers to consumers. A kirana stores provide discount to the consumers who are frequent buyers. A bulk purchase comes with discounts and deals. The offers are also offered by vendors. Most of the offers are period based, situation based, (such as budget week offer, this is focused on the basic grocery item that consumer tend to buy for a month- usually at the beginning of the month as the super market follow the purchase cycle of the consumers). Other than these offers there are combo offers cross promos price offs, theme based, seasonal based, festival based, festive special and so on. The best program offered by the retailer is the loyalty card, the concept to share the margin with the loyal customers.

The one stop shopping

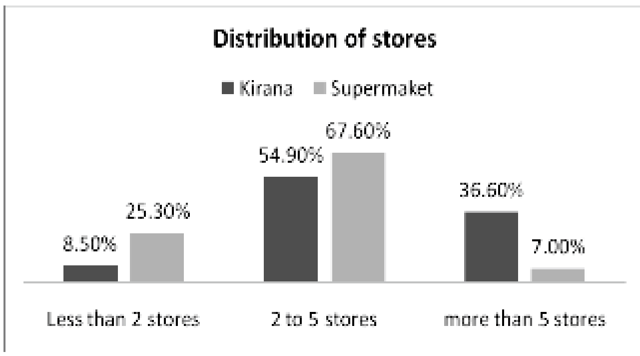
Today Indian shoppers are looking for more brand options that they can buy by putting in minimum effort. Super markets fulfill this need by selling both national and international brand at one place. The study reflects that most of the consumers prefer to visit a supermarket because they find enormous product range and brands under one format.

What makes the small family store score?

The lack of personalization is the key reason behind consumers not buying from supermarket despite that day to day customer's footfall in large retail format is higher than kirana store. The kirana shopkeeper extends a personalized treatment to their customers. The credit facility offered by the kirana store is an advantage to the monthly salaried consumers. The kirana store also provide with the loose and small quantity required by the consumers.

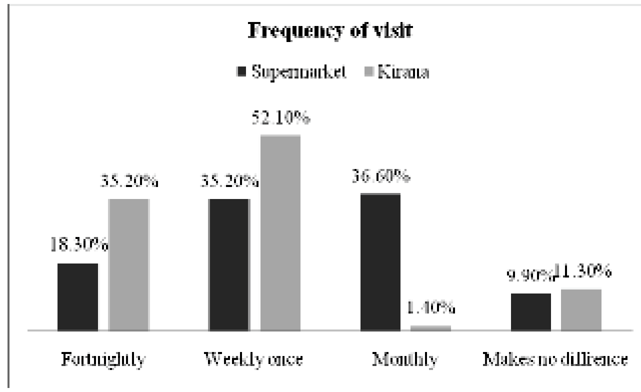
8.2 Survey findings:

Figure 3: Distribution of stores in urban and rural areas



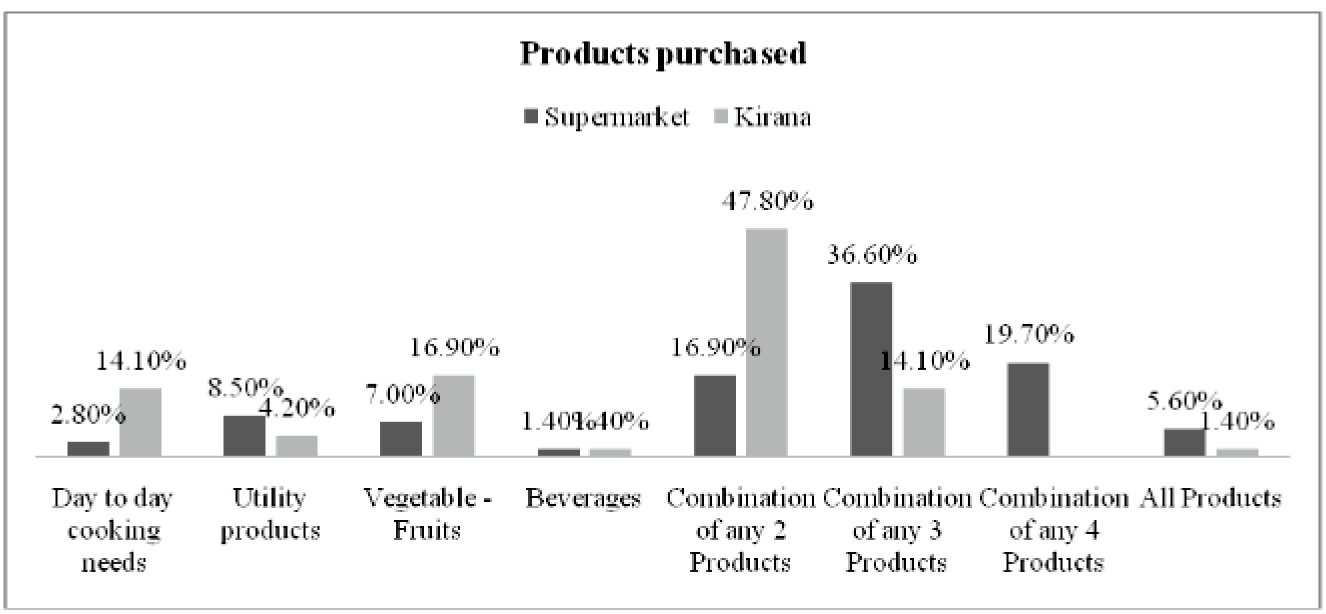
According to the figure 3, respondents are concentrated in the surrounding areas of Kochi where there are more kirana stores as compared to the Kochi city where supermarkets are more in number.

Figure 4: Frequency of visit



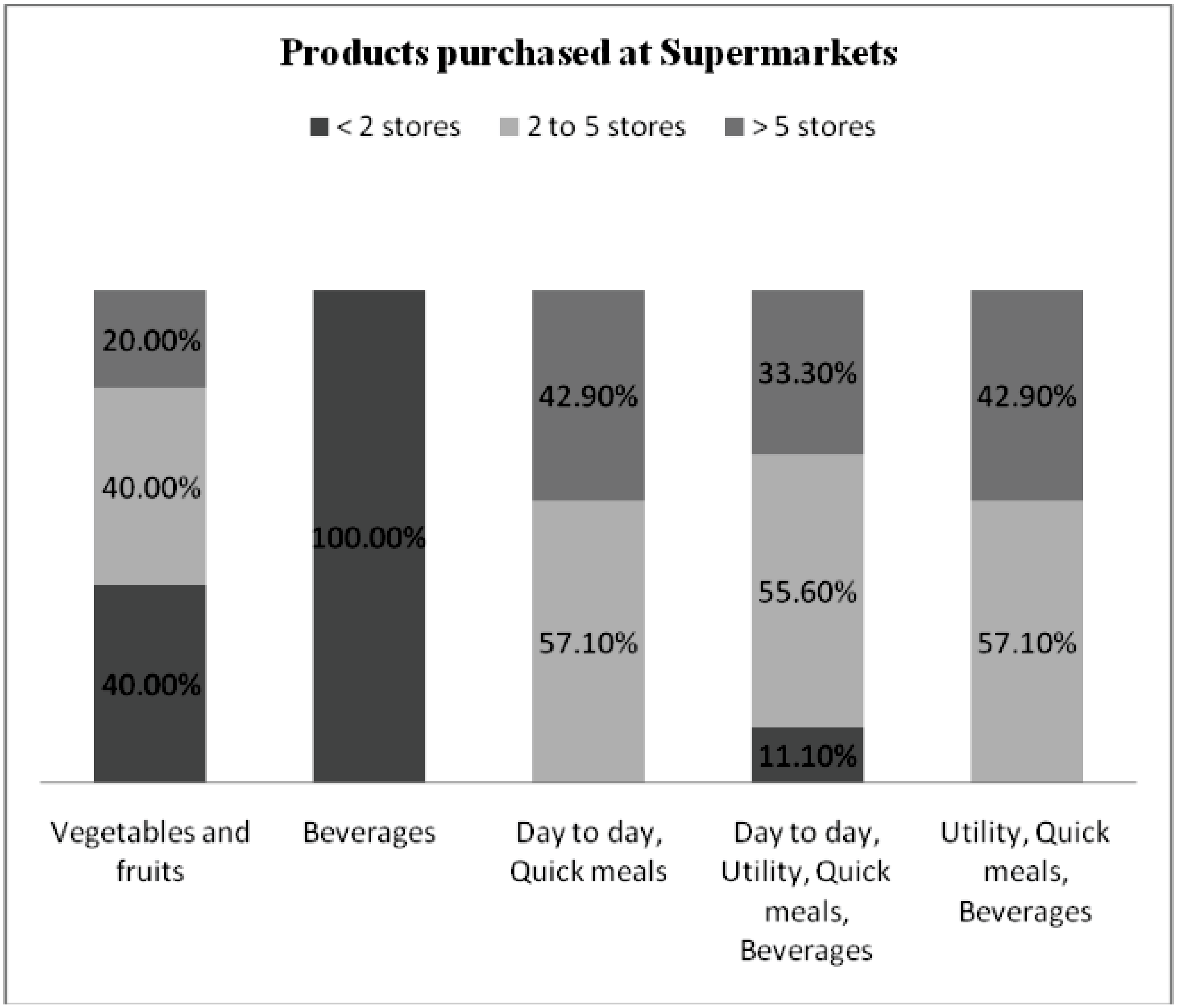
The above figure 4 shows that irrespective of the number of supermarkets, customers frequent kiranas weekly and fortnightly and supermarkets once in a month. A significant 9 - 12% of customers do not make a choice between kirana and supermarket.

Figure 5: Choice of products purchased



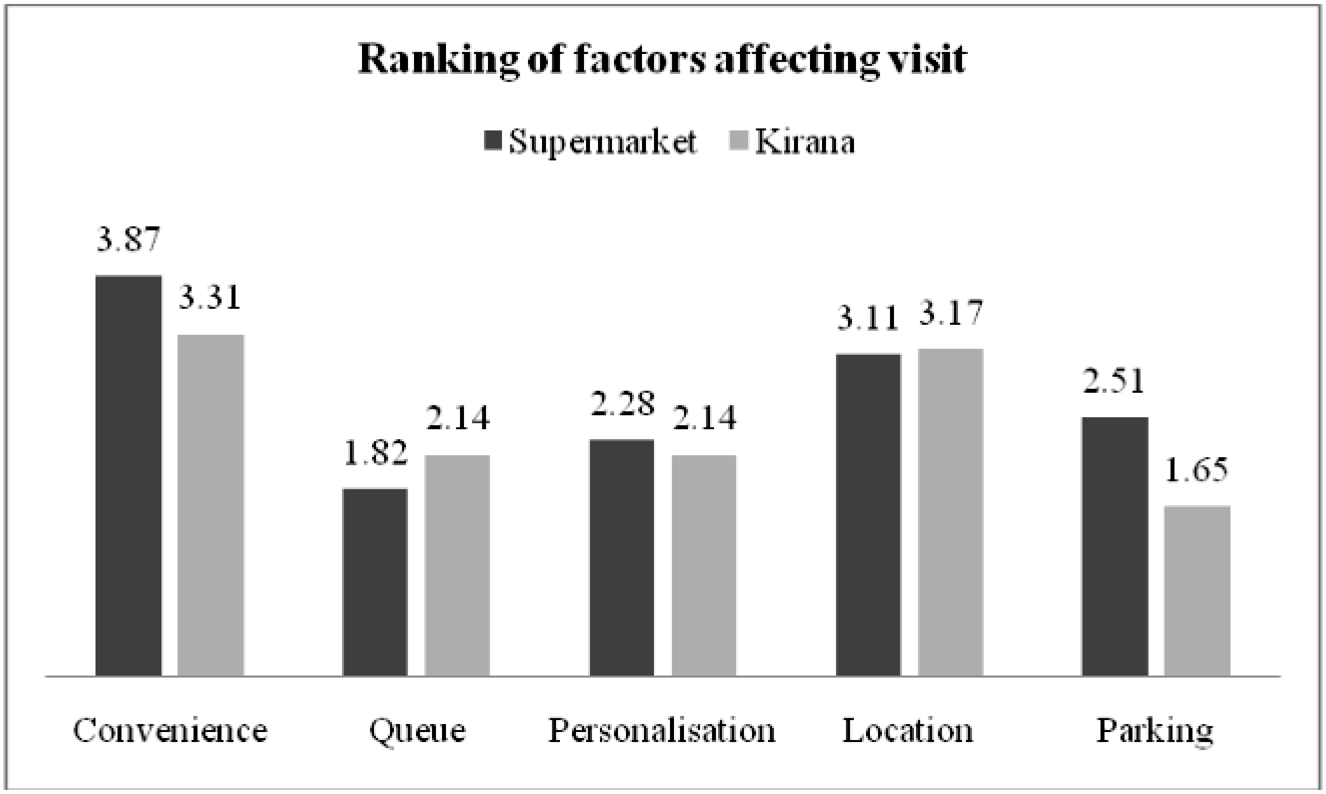
According to Figure 5 respondents preferred to buy day to day cooking needs and vegetables / fruits (individually or in combination) from kirana stores. Utility products and beverages formed the bulk of purchases from supermarkets. Large basket size purchases were done at supermarkets only. A sizeable number of respondents (more than 5 %) preferred the supermarkets for all purchases.

Figure 6: Products purchased by Kirana shoppers at Supermarkets



An interesting fact to notice in figure 6 is that Kirana shoppers prefer to buy a combination of Day to day cooking needs, Utility products, quick meals and beverages rather than individual products from supermarkets. They purchase beverages only from supermarkets but these kirana shoppers do not at all purchase quick meals alone from supermarkets.

Figure 7: Factors effecting Visit

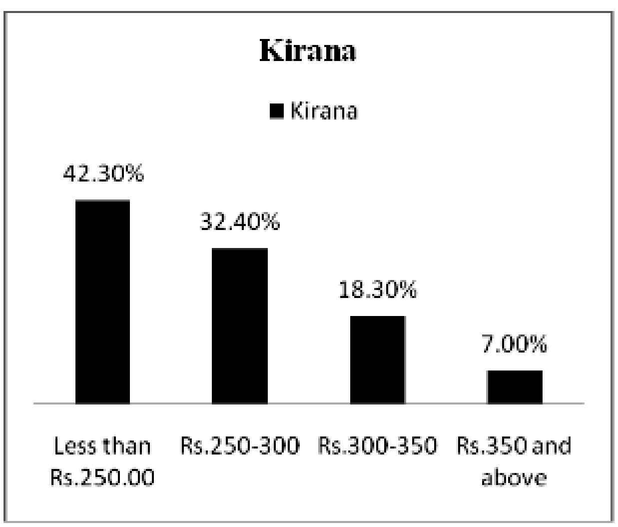


The above figure 7 shows the ranking of factors (using mean values) affecting visit to stores. Supermarkets were most preferred for more convenience (M = 3.87), parking facility (M = 2.51) and least preferred for long queues (M = 1.82) at billing and packing sections.

Kiranas were most preferred for location near residence (M = 3.17), less or no waiting time (queue) (M = 2.14) and least preferred due to less parking facility (M = 1.65).

Interestingly, respondents had approximately equal opinion about personalised services provided at both the stores, i.e., Supermarket (M = 2.28) and kirana (M = 2.14).

Figure 8: Average bill value



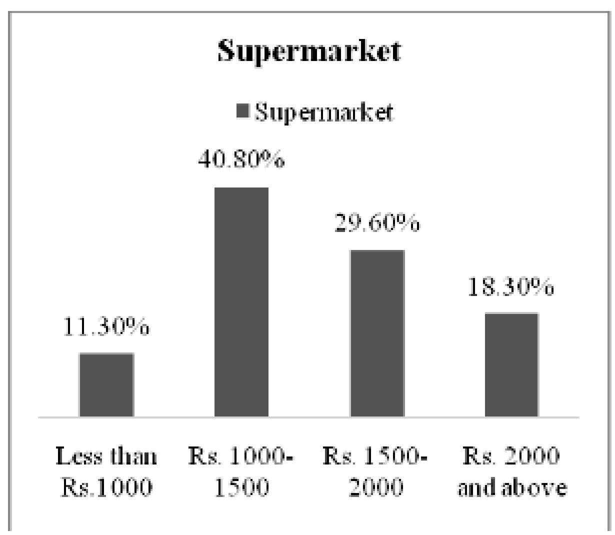


Figure 8 above compares the average bill value for the purchases done by respondents at kiranas and supermarkets. As weekly and fortnightly purchases are done more at kiranas, the average bill value is Rs. 250 and above. Purchases for a month is done more at supermarkets and the average bill value is above Rs. 1000

Figure 9: Factors for opting a store

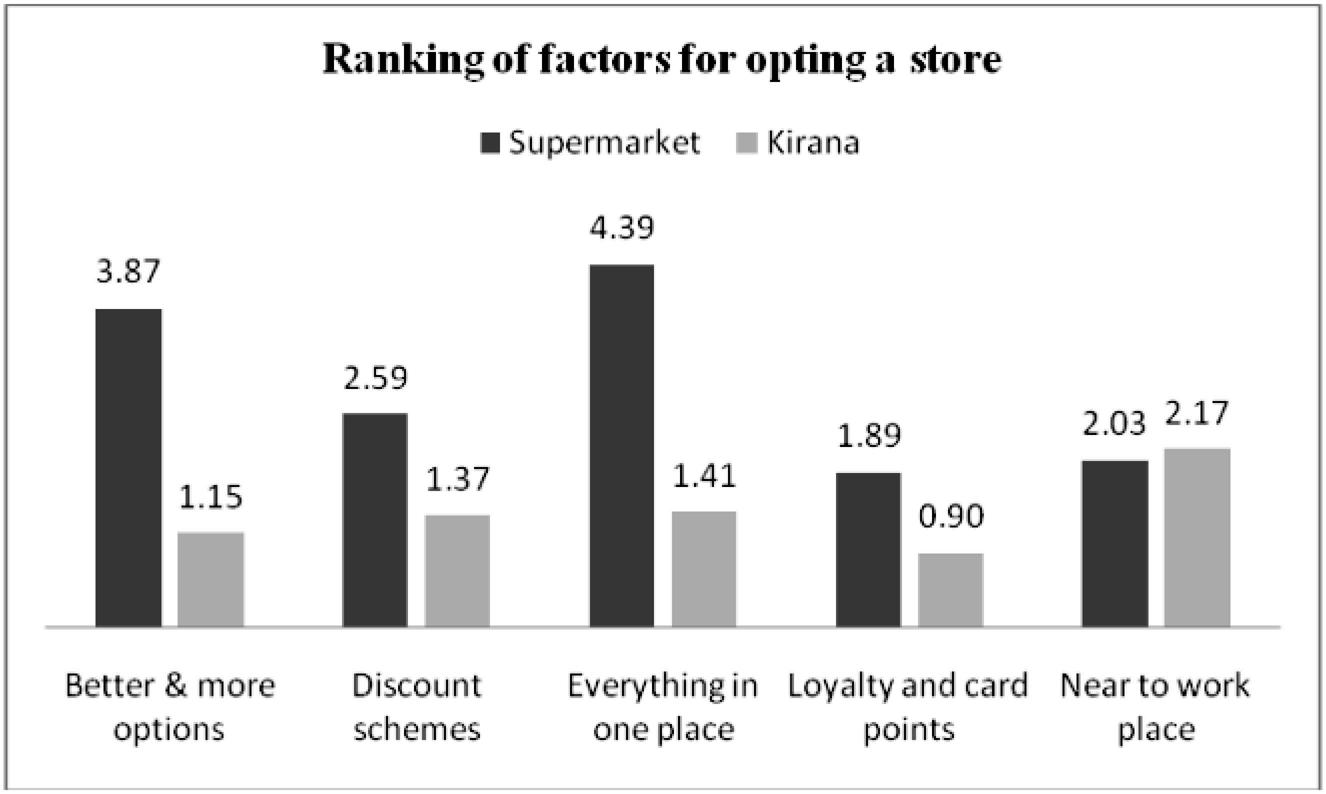
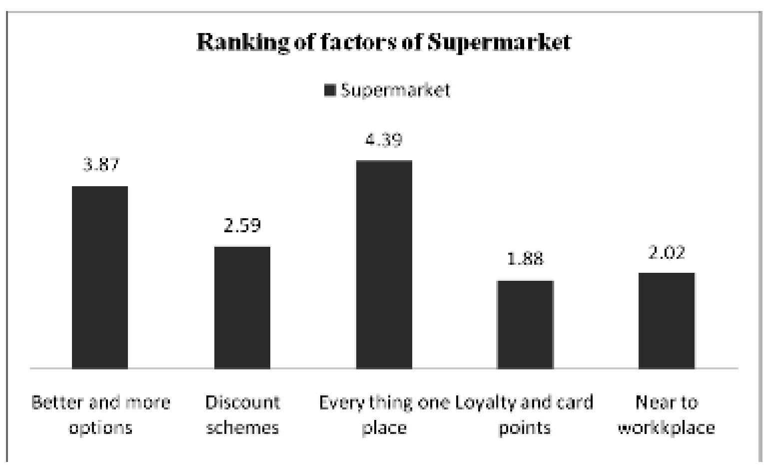


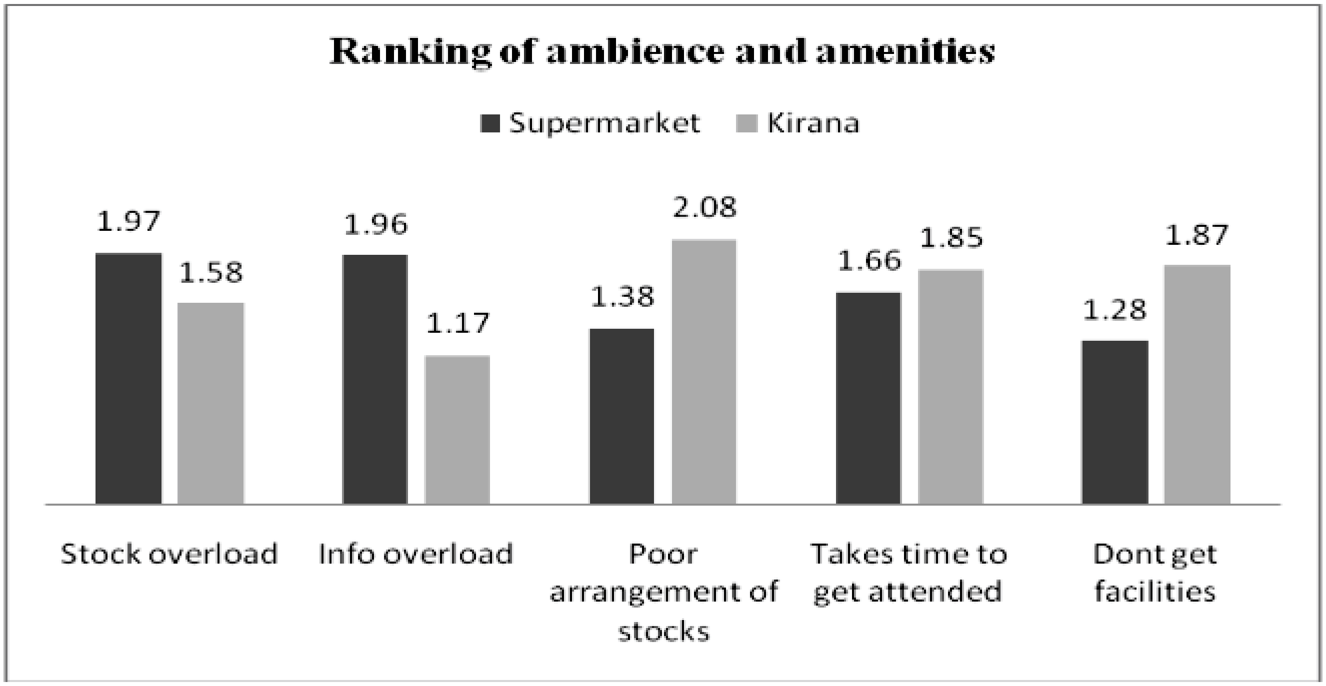
Figure 9 shows the ranking of factors (using mean values) by respondents for opting a store. Respondents opted for supermarkets for easy availability of all products at one place (M = 4.39), better and more options (M = 3.87), discount schemes (M = 2.59) and loyalty and card points (M = 1.89), whereas kiranas were opted for nearness to work place (M = 2.17) and least preferred for loyalty option (M = 0.90).

Figure 10: Ranking of factors for opting supermarket by kirana shoppers



Kirana frequenting respondents and also purchasing from supermarkets provided the following ranks to factors (using mean values) of supermarkets (figure 10). Among the factors, everything at one place was ranked the highest by 47% of the kirana shoppers followed by better and more options (34%), discount schemes (28%), near to work place (21%) and loyalty and card points (28%).

Figure 11: Ranking of ambience and amenities



As per the respondents shown in figure 11, supermarkets were better placed than kiranas (using mean values) on factors such as arrangement of products (M = 1.38), more facilities (M= 1.28) and prompt service by store personnel (M = 1.66).

Kiranas were ranked higher than supermarkets on factors such as adequate stocking of products (M = 1.58) and adequate information on products (M = 1.17)

9. Findings

The all India level study conducted by Federation of Indian chambers of Commerce and industry notifies that Kirana store have taken performance improvement initiatives by investing in store design, focus on merchandising, and increase in service offered, to manage any challenge by the organized retail in their catchment area. The CII survey reveals that there would be little or no impact on the unorganized retailer.

The study revealed that kirana stores are more spread out than supermarkets. Customers make purchases every week at kirana stores and once in a month at supermarkets. Day to day cooking needs and fruits / vegetables are purchased more at kiranas whereas large basket size purchases are done at supermarkets. Kiranas are preferred for location near residence and less or no waiting time. Kirana shoppers preferred supermarkets for easy availability of all products at one place, better options, discount schemes and loyalty card points. These shoppers found that kiranas have adequate stock of products, adequate information on products and provide customised services. Hence with FDI, small stores do not seem to be affected much as originally feared.

10. Implication

The findings above point to the fact that the small retailers will still survive in the market, serving lower social class. The small kirana shops will morph and specialise. FDI will help integrate the Indian retail market as large retailer have to source 30% output from SMEs which will in turn make SMEs more efficient. SMEs may form cooperative to sell to large retailers. This may enhance the growth rate of SMEs in India in terms of capacity addition.

11. Conclusion

Globalisation has propelled urbanization growth and has resulted in high GDP growth rates but failed to promote an inclusive growth for the population. In this light the government should approach the issue of FDI in multi brand retail in a calibrated manner. Over the next ten years the strong foundation of a new industry with enormous potential will get put into place, new skilled and semi skilled job categories will be created. A set of new sized suppliers companies will emerge, huge joint ventures will be forged; a model for large corporate middlemen buying directly from farmers and transmitting consumer preferences will be established. Its time to gauge how valid is the debate on FDI in multiband retail. The reality check is with the hope for more good things for future that the traditional retailer co-exists even after big foreign retailers enter the market.

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Mass Personalization: The Sensation of Baba Ramdev

Ms. Sonam Jain

Abstract

Human beings are ruled by philosophies and principles. Consumers of today no longer purchase products and services but experiences. Mass Personalization is the new prototype that substitutes long-standing philosophy of market segmentation; a notion which is no longer sets up appropriate for today's tempestuous marketplaces, altering customer requirements as well as increasing product diversity. Mass personalization proactively manages product diversity in the atmosphere of speedily developing marketplaces, products and services. This study efforts to learn the causes which have headed to the remarkable realization of Baba Ramdev's marketing stratagem of mass personalization and that also in an period of great individual personalization. Baba Ramdev himself emerges as a product and his services such as Pranayam and Yoga are getting a positive response among people. For this purpose semi-structured interview method was adopted being it a method for social science research. Semi-structured interview was designed and conducted over twenty-five different individuals of different age group and profile so as to learn and collect various views of individuals on Baba Ramdev. The questions were asked on Pranayam, Yoga, Pantanjali Yog Peeth Products and their awareness about Baba Ramdev. The replies of interview and pre-published text on Baba Ramdev are the base of the research paper.

Keywords: Mass Personalization, Consumers, Products and Services, Market, Marketing Mix

Introduction

To begin with it lets read this quote from the movie, "Miracle On 34th Street", “Faith is believing in something when common sense tells you not to.”

Market is a place where everything and anything can be sold provided one has the capability to sale out those things. Today another aspect of buying and selling has emerged in the form of faith, beliefs and experiences. The pronouncement of Mass Personalization is "Aham Brahamasmi"; senses that I am ever-present and all-powerful. Providing to the desires of all, notwithstanding of sexual category, age, caste, dogma, culture, religious conviction, nationality the concoction of mass personalization is supposed to work miracles. Organizations pick out from mostly three importance disciplines to structure their value proposals:

1. Product Management,
2. Operative Brilliance, and
3. Customer Familiarity.

The product management discipline leads to the ‘finest product’ value proposition-a declaration that the organization's products have the utmost performance influence or empirical influence for its consumers. The operative brilliance discipline leads to the ‘finest total cost’ proposal - a declaration that the blend of the organization's costs, product dependability, and hassle-free service is incomparable. The customer familiarity discipline leads to the ‘finest total solution’ arrangement – a declaration that the organization helps its customers recognize their thorough problem and the finest solution, and then takes charge of applying it. Baba Ramdev speaks all the three importance disciplines and he has established an exceptional combination of Ayurveda as well as Vedic values to provide, to generate value for his customers.

Mass Personalization and Marketing Mix Components: An Assessment: With the intention of knowing accurately the cause for accomplishment of Baba Ramdev, it is vital to bring into light the marketing mix principles. To be a prosperous marketer it is significant that all the marketing mix components have to be polish up to upkeep and reinforce brand personality.

1. Product: Familiarizing the Value Discipline: The community in which we live today is a brand-passionate community. Tag a product or service and the brands concerning to them are immeasurable that cannot be counted on fingers. Therefore, generating, emerging, realizing and preserving effective brands are regularly at the heart of marketing strategy. (McEnally,M. and Chernatony,L. De, 1999) Effective branding necessitates a strategic viewpoint (De Chernatony 1998) whereby strong brand perceptions are accessible and interconnected to target segments causing in promising brand images which replicate the brand's individuality (Gardner and Levy 1955, Reynolds and Gutman 1984, Kapferer 1997). The brand of Baba Ramdev has a wide spread plea, is partaking and cooperative, and the consumers range barrage from all age groups and constituencies. The brand is a consequence of constant hard work and cautiously and methodically trailed strategy.

The service that Baba Ramdev is marketing is the product. To provide quality service, it is indispensable to understand customers' prospects. To evaluate the quality of service, customers relate their prospects with discernments of the service suppliers' performance. Henceforth it becomes vigorous for the service suppliers' to comprehend and encounter consumers' requirements and desires. Customer prospects of service can be of two types:

i. Desired Service and

ii. Adequate Service.

Desired service is the service that a customer desires and supposes to get. While an adequate service is one which is the negligible level of service which a customer is enthusiastic to accept based on his insight of service suitability.

The service that is being delivered by Baba Ramdev is fine coordinating with the desired service prospects. Patanjali Yogpeeth, a multi-million Rupee undertaking, Ramdev's vision plan, set as a competitor to World Health Organization only on the foundation of complete service that it claims of providing. Divya Yoga Mandir Trust in Haridwar, Uttaranchal is equipped with all the most recent and most urbane implements see a systematic stream of devotees who wait to be named by a doctor in the Out Patient Department (OPD). There are 40 doctors in the OPD who deal with 2,000 people every day. Some days the clinic vends medicines worth Rs. 3,000 in a minute and for a second time this can only be conceivable if the waiting tie is reduced by quality service. The atmosphere of Patanjali Yogpeeth is superb. Built in almost 100 acres; it has been intended to have buildings, car parking, and a countryside to compete the best of metro's housing projects. The entire value proposition can be said to be a hard work and the outcome of willpower of this one man army.

In addition to this we know that looking well is everyman's delusion. In the period when cosmetic surgical procedure is the order of the day; getting good looks by just regulating the way one breathe in and breathe out is something everyone would favor doing. With his deep-rooted belief that we all are a share of beauty aware world, Swamiji's exclusive involvements has been in assisting usual people resolve their problems and lead a vigorous life through the practice of simple inhalation workouts. The product "Pranayama" is well appropriate for all regardless of class, creed, culture and hereafter this success.

When the question regarding the awareness of Baba Ramdev and Patanjali Yogpeeth products was asked all of the respondents replied same that "Yes, they are aware of Baba Ramdev and the product range that it offers from FMCG to Yoga. Respondents of age-group 40+ practice Yoga and Pranayam daily to free themselves from diseases of this age whereas respondents of age group in between 20-30 practice these to keep their body fit, flexible and fine. Majority of respondents who daily practice Pranayam were of the view that it helps them in Cough and Cold and relaxes their body."

The outcome of the replies could be summarized as people are familiar with Baba Ramdev and his foremost considered product Yoga and Pranayam and have accepted them on a positive note.

2. Pricing Strategy: Developing an operative pricing strategy relic the most significant as well as problematic part of the marketing procedure. Such as, a nominal one per cent rise in price comprehension will lift net income by 6.40 per cent for Coca-Cola and 28.70 per cent for Philips. The price-positioning and the value-delivery contrivances should be done with one rule in mind; "the performance of the product, or the value connected with it should every time be higher than the price." Well accustomed with this, Baba Ramdev's medicine of Pranayama is economical. He impulses people not to drop optimism or suffer and depend on costly treatments. Indian Pranayama Yoga is there to assist in treating all the sicknesses totally deprived of expensive medicines, operations or surgery. It is astounding, but it is demanded to be true that this is the inexpensive and the only comprehensive treatment to most of the so-called incurable diseases like Diabetes, Cancer, and HIV AIDS too.

When the question regarding the awareness of Baba Ramdev's medicine of Pranayama being economical was asked the respondents with a pleasant smile replied that, "it costs them nothing but gives them a lot." "Practicing Pranayam kills their short-term diseases and hence in the course of time they are safe from the long-term diseases as well."

Hence the pricing strategy emphasized by Baba Ramdev is perfect as per the theories given by research scholars, views of Yoga and Pranayam practitioners and enonomical point of view.

3. Package For various Diseases: Swami Ramdev's Divya Medicines are appealed to be one hundred percent natural, made from effective herbs accessible in the Himalayas and having no or very little side effects. They have confirmed tremendously operative for fighting all forms of illness and ailment. Along with these medicines, Swamiji endorses patients to also implement the practice of Pranayama, which will reinforce the invulnerable system and accelerate the healing process. Ramdev Baba addresses that Pranayama Yoga is the whole Antediluvian Indian Therapy, which is a Medical Science in itself that preserves any Physical or Mental medical condition entirely, devoid of any side effects. Swami Ramdev has verified and acknowledged on Indian and International Television Channels, "Pranayama Yoga is the complete natural cure for all Physical and Mental Ailments". But if medicines are compulsory they are also obtainable and these packages of medicines are obtainable at a very low cost. The medicines can antidote all the diseases from a simple cold to cancer. In a proposal to promote Ayurveda, Ramdev's Trust has tied up with 600 qualified Ayurvedic medical practitioners who are proposing treatment to masses for a diversity of diseases, some of them termed irredeemable by the modern system.

When the question regarding the consumption of Ayurvedic medicines at the time of illness, the respondents replied, "Yes, they are cheaper than Allopathic and Homeopathic medicines but they cures diseases slow and steadily and have no or less side effects," "Consuming Ayurvedic medicines asks them to take dietary precautions in the period of consumption which is applicable in routine diet."

When asked about the treatment for complex disease Diabetes, Cancer, and HIV AIDS respondents of age group in between 20-30 were in less confidence about the treatment but respondents of age-group 40+ were more confident.

Here, satisfying the third P of Marketing Mix, Baba Ramdev have packaged Pranayam and Ayurvedic medicines as the economical and affordable for people being it beneficial as well.

4. Promotional Strategy: Edwin L. Artzt citing the Chairman and CEO of P&G has likened promoting to exercising saying that "Think of advertising and promotion as exercise and recreation. Advertising is exercise. It's something you need and it provides long-term benefits, but it's awfully easy to either cut or postpone because there's no immediate penalty for not exercising.... When you want your brand to be fit, it's got to exercise regularly." And here is a condition when exercising in itself becomes the object of promotion.

It is a deep-rooted fact that advertising touches consumers. The literature on advertising has conventionally highlighted the convincing nature of advertising; its determination is to change consumers' palates for recognized brand names or organization statuses (Bagwell, 2007, Dixit and Norman, 1978). But there is dissimilarity in estimation and Stigler and Becker (1977) and Becker and Murphy (1993) contend that advertising is share of consumers' favorites in the same way as goods and that there are complementarities between advertising and goods. Henceforward, a more-promoted good is ceteris paribus favored over a less-promoted good. Whatsoever be the case, Baba Ramdev has knockout both the opinions as he is promoting and at the same time not promoting. Baba Ramdev's live yoga classes became a desire.

And it all inaugurated in the year 2002 when Sanskar television channel started airing Baba Ramdev's yogic classes; instantaneously, Baba Ramdev became a sensation. He had hundreds of admirers who transformed into thousands. Then Sanskar channel's rival Aastha channel signed him. In two years' time he was a sensation and with him also the channel promoted. His TV shows have the largest TRP. Currently he is one of the biggest attractions on Indian television. He can be seen not only on religious channels like Aastha, but also news and features channels like India TV and Sahara One. Millions everywhere in the country follow his programs conscientiously and consume Ayurvedic medicines recommended by him.

Also, Baba Ramdev's pack one DVD, two Video CDs written three books on Yoga, Pranayam, Herbal Remedies and Magazines are obtainable. This set of four promotional constituents with a Research Oriented Monthly Magazine of Yoga, Spiritualism, Ayurveda, Culture and Tradition-Yog Sandesh available in 5 languages can do much to appeal customers. Even healthy people are following his Yoga Pranayama routine, as available in his DVDs, VCDs, books and magazines etc., to stay fit.

It is a firm fact that; "brands set the product and the producer of that product apart from the competition". There are unusual however very understandable facts that this Brand has also mass personalized itself to gratify all and accordingly have made a separate place for itself. In a period when the marketers are confronted with the contest of getting their message received by consumers who are hard to find and even harder to effect, this Brand has worked miracles and all because of its comprehensive appearance.

To the question that how they came to know about Baba Ramdev and his Pranayam and Yoga respondents replied that "Eight years back from now they saw Baba Ramdev's Yoga show on a TV channel Sanskar and were more influenced by him when they were also informed by others about benefits of practicing Yoga and Pranayam. Baba Ramdev organized several "Yoga Shivirs" from one week to one month wherein huge number of people participate and learn to perform Yoga. Other way of promotion such as DVDs, Video CDs and written books are also proved to be effective way of promotion and attracting people. Many respondents reply that either they have a DVD or CD or book from where they learn more insights of Yoga.

5. Customer Management: Building a "Disease Free Society - Medicines Free World", Swamiji's valued dream. He has been everyday announcing on Indian TV Channels, from the year 2002 that patients of supposed irredeemable diseases similar to Diabetes, AIDS, and Cancer should instantaneously start performing recurring control of breath for thorough treatment without medicines. It is appealed that after all-encompassing research of the appreciated effects of Pranayama Yoga during last frequent years, on millions of people in India, it has been proved now that proper Breathing Method's practice can treat all diseases wholly without medicines or surgery. And this is the exceptional vending proposal of Baba Ramdev.

Apart from this the consumer is managed well and they ultimately become brand evangelists. Yoga Guru Baba Ramdev is working towards making yoga a mass movement in the country. He claims to have trained 35,000 persons that are well prepared to hold yoga classes in dissimilar parts of the country. To train the yoga instructors, Patanjali Yog Ashram has set up 535 branches and 15 more centers are in the process of being established. This is again working towards creating a new USP in which any obligation of the customers can be outfitted to without postponement.

A respondent replies that they can easily find Yoga Trainers in their nearby locality areas and in cities. Hence Baba Ramdev has made it easy for people to learn Yoga and Pranayam.

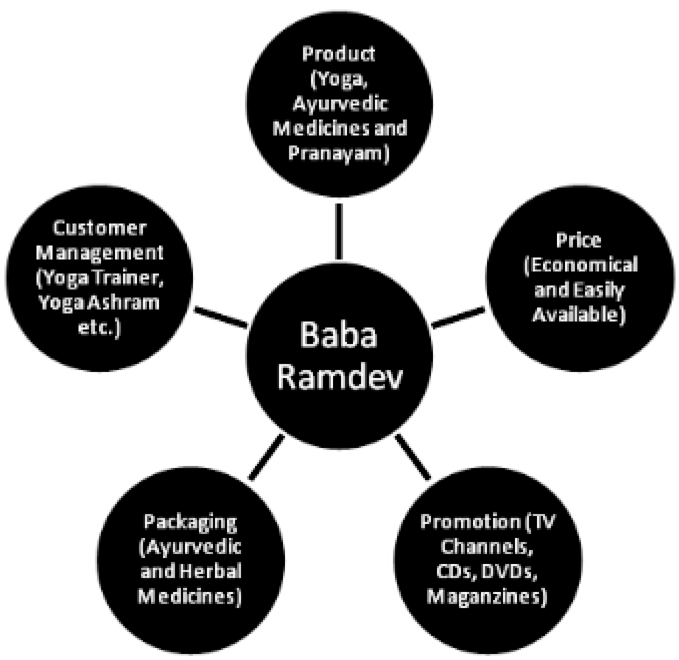

Figure 1 Marketing Mix and Baba Ramdev

Epilogue: Two words summarize today's consumer market is “limitless choice”. Over the earlier decade, organizations have hurried to take market share by generating an ever-ending stream of new products to come across the requirements of consumers. How can organizations generate awareness of their products? One thing is convinced: Mass marketing no longer works. Marketers are no longer capable to influence a "mass market." Even if they could, there is no longer a "one-product-fits-all" mentality that would appeal to consumers." This is what people and even marketers supposed, but Baba Ramdev has on the conflicting proved these claims to be wrong. All he has done is got the pulse of the rudimentary requirements of people which is not only limited to food, clothing and shelter but also comprises a healthy life style, and has managed to fine tune his offerings to suit the requirements of all. He has become skilled at the art of mass personalization and practices the art quick-wittedly so much so that each individual feels that he is talking to him independently. But the one question that leftovers is so far so good, but will it last the course?

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Ms. Sonam Jain: Academic Associate - Marketing Department, Indian Institute of Management Indore

Book Review on The Ultimate Question 2.0

Dr. K.Venkatasubramanian

Name of the Book: The Ultimate Question 2.0

Author of the Book: Fred Reichheld with Rob Markey (Bain & company)

Publishers: Harvard Business review press, Boston, Massachusetts

No of Pages:

Price:

The Ultimate question 2.0 is about how Net promoter companies thrive in a customer driven world.

This book deals with the question as to how real growth for companies can come from customers and other stake holders who love to deal with the company. Those stake, who have praise for the company is bound to talk to others, friends, neighbors etc which will bring future customers for the company.

NPS the abridged form for Net promoters system basically tells us the measurement of net promoters for the company and is effectively used by many companies to ensure that they grow faster than others. NPS is a business philosophy and a leadership commitment. Some of the companies that have adopted this system are Apple, American express, GE, E bay, Face book etc.

The basics of the system are well explained in the introductory chapter which deals with the beginning of the system and explain the scoring system by identifying the promoters, passives and detractors.

In the chapter of the fundamentals of the Net promoter system, the author has explained the concept of bad and good profits. The bad profits means the profits earned at the expense of customer relationships. This makes an interesting reading.

The author further goes about explaining the system and the measurement criteria etc. The book has easy to understand illustrations and the language is simple and easy to understand.

Real world examples of Charles Schwab Corporation, apple retail Ascension health and many other companies are well written and described. The book also deals with NPS for employees. The printing of the book is an easy format which does not strain reader and this book can be well recommended for any business managers.

This book is a must read for the Heads of organizations. The book is available as an Asian edition for selected countries.

Dr.K.Venkatasubramanian, Venkat Associates, International Trainer

BEST PAPER OF THE YEAR AWARD 2012-13

Details of the Issue	Title of the Paper	Name of the Author	Details of the Author
Vol 5, No.1; July- Dec 2012	Training and Development Practices in Small and Medium Enterprises (SME) in Nagpur Region	Dr. Rajiv Khaire	Assistant Professor in Shri. Ramdeobaba College of Engineering and Management, Nagpur 440013.
Vol 6, No.1; Jan- June 2013	Monetary Approach to Exchange Rate Determination for India	Satish Kumar and Ritesh Tiwari	Research Scholars, IBS Hyderabad

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04	Management Development Programme I	17 August 2013
05	Industry Institute Partnership Summit (IIPS)	7th September 2013
06	Ozone Day	16th September 2013
07	Placement Week	21 to 26 September 2013
08	International Students Meet	26 September 2013
09	Management Development Programme II & Faculty Development Programme II	12th October 2013
10	Alumni Meet	20th October 2013
11	Placement Week	11 to 17 December 2013
12	International Conference	22 – 23 December 2013
13	International Management Fest	8 – 10 January 2014
14	Faculty Development Programme III	15th February 2014
15	Placement Week	17 to 28 February 2014
16	Management Development Programme III	22th February 2014
17	Women's Day Celebration	8th March 2014
18	Placement Week	10 to 15 March 2014
19	Ph.d & Research Conference	15th March 2014
20	Annual Day	9th April 2014
21	FDP & MDP IV	22th April 2014
22	Foundation day of BVDU	26th April 2014
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IMED JMSR (ISSN No. 09758429): Call for Papers for January 2014 Issue

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