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Global Spectrum

Chanderprabhu Jain College of Higher Studies & School of Law

**Chanderprabhu Jain College of Higher Studies & School of Law,
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From Chairman's Desk



Chanderprabhu Jain College of Higher Studies is committed to develop the culture of research and publication and thereby performs a leading role in the education by aiding to flourish the culture of change masters through nourishing the young generation who aspire for the best. For promoting qualitative research, publication and managerial trend, CPJCHS publishes a reviewed journal, **CPJ Global Review**.

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I am happy and proud to present the **second** edition of CPJ Global Review. I look forward to your comments and future contributions to make this journal our joint endeavour. With warm regards

Subhash Chand Jain

From Director's Desk



Besides, we have made a significant contribution towards dissemination of knowledge through our publishing programme. Our annual journal – **CPJ Global Review** has emerged as an important platform for the academia, professionals and social activists. **CPJ Global Review** is a scholastic platform to share innovative ideas, nourish and promote the culture of academic and industrial research and generate meaningful debates. Its objective is to guide the scholars to re-search and debate various dimensions of individual management issues, ideas or cases where there is scope for further improvement. While forging new paradigms in management and technological innovations and education, there is a need to prepare & train budding professionals to cope up with the opportunities and threats posed by the new economy. I sincerely believe that CPJCHS will continue to ascend to new heights, delivering to its customers the very best it has, and live up to their expectations, doing justice to the objectives it holds dear to itself.

I wish the second issue of “CPJ Global Review” every success in the future.

With Best wishes

Prof. J.P.Mohla

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EMPLOYEE ENGAGEMENT: TRENDS AND PROSPECTS

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Abstract:

Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. For this purpose, a survey has been conducted in an I.T. based organization to find out the degree of effectiveness of employee engagement in the organization under study. The organization has an open system of two way communication, but on the same part; the inputs from the people are not considered as a major decision making tool. The roles and responsibilities within the group are less understood and clear reporting structures are not established up to the mark. The employees are not getting new opportunity at work to learn and grow. Employees are not having shared understanding of what the organization is supposed to do by keeping a clear co-ordination set-up.

Keywords: *Involvement, Attitude, Commitment, Environment, Passion, Emotion, Loyalty*

Introduction

Towers Perrin (2006) defines engagement as 'the extent to which employees put discretionary effort into their work, beyond the required minimum to get the job done, in the form of extra time, brainpower or energy. According to Vazirani (2007), Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context and work with colleagues to improve performance within the job for the benefit of the organization. It is the positive attitude held by the employees towards the organization and its values. According to Derek (2006) employee engagement is as the extent that an employee believes in the mission, purpose and values of an organization and demonstrates that commitment through their actions as an employee and their attitude towards the employer and customers. Employee engagement is high when the statements and conversations held reflect a natural enthusiasm for the company, its employees and the products or services provided. Fleming (2005) uses the term committed employees as a synonym for engaged employees.

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Literature Review

Alan, (2006) conducted a study to test a model of the antecedents and consequences of job and organization engagements based on social exchange theory. A survey was completed by 102 employees working in a variety of jobs and organizations. Findings results indicate that there is a meaningful difference between job and organization engagements and that perceived organizational support predicts both job and organization engagement; job characteristics predicts job engagement and procedural justice predicts organization engagement. According to Richard, (2006), employee engagement is a useful recent concept in HRM: it is a composite construct that describes inter alia employees' commitment, job satisfaction and involvement. Increasingly, employee engagement has also come to be recognized as making a significant difference to performance at all levels within the company.

Charles (2007) in this paper identifies the 'Quiet Majority' of employees whose engagement is essential for the ongoing success our organization, and describes the separate but equally critical contributions that senior leadership and middle management must make in order to truly engage our workforce.

Cristina and David, (2008) conducted a literature search on employee engagement and pilot interviews with ten professionals. Based on the findings; environment, leadership, job, and individual factors are connected to employee engagement. Environmental engagement factors include congruency between organizational and individual values, the quality of the workplace relationships, and work-life balance. Leadership engagement factors include vision and integrity Job engagement factors include the meaningfulness of the job, its level of challenge, and the amount of control the employee has on the job. Finally, individual factors related to engagement include resilience, locus of control, active coping style, self-esteem, neuroticism,

and extraversion. Kate (2008) discusses ways to effectively measure employee engagement. The key recommendations when measuring employee engagement are ensuring the commitment of the senior management team to the engagement research, asking the right questions, comparing results, providing opportunities for managers to receive direct feedback on the perceptions of their team and their own personal effectiveness and ensuring that the survey leads to real improvements.

Maureen and Justin (2009) describe the results of a study about employee engagement. The study found that only one-third of employees were engaged. The three elements that drive employee engagement include contributions, connections and growth & advancement. Engaged employees are those who know that their work contributes to company success and who feel a sense of pride in the company's goals. Connections with other employees will lead to a better connection to the work, but connections with supervisors will result in a greater connection.

Ingredients of Employee Engagement

For this present research study, the following ten factors as the factors influencing employee engagement have been taken. By analyzing these factors we came to know the degree of clarity of these factors on employee engagement prevailing in the organization were studied.

1. Trust & Belief: Pareek and Rao, (1998) are on the opinion that, a minimum level of trust may be deemed necessary for the information of the performance appraisal system and other elements of the human resource system. George (1965) felt that, if distrust and conflict prevail, the human enterprise is devalued.

2. Involvement & Participation: Pareek and Rao, (1998) suggest that, counselling could be an effective instrument in helping people integrate with their organization and have a sense of involvement and satisfaction. Michel (2001) on the other hand says that workers' participation is

a means for mental and emotional involvement of workers in a group situation which encourages them to identify themselves with the group goals and share responsibilities in them.

3. Interpersonal Relation: The term 'interpersonal dynamics' is highly dynamic and is of paramount importance for managers as their success depends upon interpersonal relations, both with superiors and subordinates (Suri and Chhabra, 1999). Singh and Chhabra, (2002) suggest that, Transactional Analysis (TA) is a technique used to help people better understand their own and others' behaviour, especially in interpersonal relationships.

4. Career Development: According to Nair and (2001) career means the hierarchy of jobs in an organization, which a particular employee can hope to occupy as he gains experience, sufficient expertise, and competence, during the period of his engagement in the organization. Denzo and Robbins, (1993) say that career programme should look forward in developing people for the long time needs of the organization and be capable of dealing with the dynamic changes that will take place, overtime, in attempting to match individual abilities and aspirations with the needs of the organization.

5. Leadership: Leadership is the process of influencing the activities of an individual or a group in efforts towards goal achievement in a given situation (Paul and Blanchard, 1988). Wehrich and Koontz (1994) defined leadership as influence that is the area or process of influencing people so that they will strive willingly and enthusiastically towards achievement of goals.

6. Communication: According to Hudson (1970), communication in its simplest form is conveying of information from one person to another. Luthans (1977) defines communication as "the transmission of commonly meaningful information. Keith, (1997) says that communication the process of passing information and understanding from one person to another.

7. Organizational Structure: Organizational Structure defines how task are to be allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed (Robbins, 2003). Barry and Lodge (1999) say that an organization's structure is the framework which explains how its resources are allocated and managed, and lines of communication and decision-making.

8. Rewards & Recognition: Rao, (1992) recommends participative management, awarding and rewarding systems, congratulating the employees for their achievement, job enrichment, offering prestigious designations to the jobs, providing well furnished and decent work places, offering membership in clubs or associations, providing vehicles, offering vacation trips are some means to recognize the employees.

9. Work Environment: A safer work environment leads to more stable mental attitudes on the part of employees (Henry, 1970). According to Cromwell and Kolb (2004), four specific work-environment factors viz., organization support, supervisor support, peer support, and participation in a peer support network affect the work environment. Litwin and Stringer (1968) have sought to define organizational environments in terms of nine work-climate dimensions: structure, responsibility, reward, risk, warmth, support, standards, conflict and identity.

10. Employee Welfare: According to the report of the committee on Labour Welfare (1969), "such services, facilities and amenities as adequate canteens, rest and recreation facilities, sanitary and medical facilities, arrangements for the travel to and from work and for the accommodation of the workers employed at a distance from their homes, and such other services, amenities and facilities, including social security measures, as contribute to an improvement in the conditions under which workers are employed.

Objectives

The objectives of this study are:

1. To find out the overall employee engagement practices prevailing in the organization under study.
2. To find out the degree of influence of the factors (under study) affecting employee engagement.
3. To suggest certain healthy employee engagement practices, this can make organizations more effective.

In order to find out the degree of influence of the factors influencing employee engagement the following factors were addressed to the study.

They are: Trust & Belief, Involvement & Participation, Interpersonal Relation, Career Development, Leadership, Communication, Organizational Structure, Rewards and Recognition, Work Environment and Employee Welfare.

Hypothesis

This research paper tests the following ten hypotheses:

- H1: There is a significance relation between Employee Engagement and Trust & Belief.
- H2: There is a significance relation between Employee Engagement and Involvement & Participation.
- H3: There is a significance relation between Employee Engagement and Interpersonal Relation.
- H4: There is a significance relation between Employee Engagement and Career Development.
- H5: There is a significance relation between Employee Engagement and Leadership.
- H6: There is a significance relation between Employee Engagement and Communication.
- H7: There is a significance relation between Employee Engagement and Organizational

Structure.

- H8: There is a significance relation between Employee Engagement and Rewards & Recognition.
- H9: There is a significance relation between Employee Engagement and Work Environment.
- H10: There is a significance relation between Employee Engagement and Employee Welfare.

Note: In all the above hypotheses, the null hypothesis individually in every hypothesis is: There is no significant relation between Employee Engagement and Trust & Belief/ Involvement & Participation/ Interpersonal Relation/ Career Development/ Leadership/ Communication/ Organizational Structure/ Rewards & Recognition/Work Environment/ and Employee Welfare.

Research Methodology

To achieve the objectives of the study, primary data has been generated through structured questionnaire. The questionnaire used for the study comprised of ten dimensions mentioned above. Under each dimension, three questions have been framed. Thus, 30 questions have been designed. All these questions are close-ended questions on 5-point Likert scale with options as strongly agree, moderately agree, can't say, moderately disagree and strongly disagree with the score value of 5,4,3,2, and 1 respectively.

From sampling method, number of respondents responded in their concerned option have been noted and thereafter they have been multiplied with the allotted score given in the concerned option and finally it has been divided by the total sample. The score thus obtained has been taken note of. Personal interviews with some of the respondents provided some valuable insights on various aspects and issues.

Sampling Size: This questionnaire was distributed to 60 employees. However only 50 filled up

questionnaire were collected back from the employee concern. Hence my final sample size was 50. Based on the data collected, the analysis has been made and accordingly conclusion, recommendation were structured.

Statistical tools: Frequencies and percentages of the factors under study were reported. Chi-Square was used to determine the relationships between employee engagement and the ten factors considered for the study.

Major Findings

Table 1 Figure 1 reference

1. According to the survey that was conducted on 10 different factors, the result for *Involvement and participation* score was 3.16 (63%) score which was on the lower side as represented in Table 2 & Figure 2.

This has been proved by its sub-factors having the less average score value of the individual sub-factors, which is shown in Table 1 & Figure 1.

- 2a. **Voluntary participation:** The response shows that 6% of the employees strongly agree that voluntary participation is encouraged, 44% agree, 6% are neutral, 28% of them disagree and 6% strongly disagree. The average score value is 3.16 (63%).

- 2b. **Two way communications:** Here 26% of the employees strongly agree that there is an open two way communication, 26% agree, 14% are neutral, 18% disagree and 16% disagree with the statement. The average score value is 3.28 (66%).

- 2c. **Decision making process:** The response shows that 185 of the employees feel that employee suggestion are taken in decision making, 32% agree, 6% of them are neutral, 26% disagree and 18% of them strongly disagree with the statement. The average score value is 3.06 (61%).

The organization is having an open system of two way communication, but on the same part the inputs from the people are not considered as a major decision making tool.

Table 2 Figure 2 reference

2. Also there was one more factor where the score is 3.25 (66%) was lowest is the Organizational structure, which can be seen in Table 2 & Figure 2.

This has been proved by its sub-factors having the less average score value of the individual sub-factors, which is shown in Table 1 & Figure 1.

- 7a. **Clear roles & responsibilities:** The response shows 18% strongly agree that roles and responsibilities are understood, 38% agree, 8% are neutral, 30% disagree and 6% strongly disagree. The average score value is 3.32 (66%).

- 7b. **Clear reporting structure:** Here it shows 30% strongly agree that clear reporting structures are established, 22% agree, 14% are neutral, 26% disagree and 10% strongly disagree. The average score value is 3.4 (68%).

- 7c. **Co-ordination:** The response shows 6% strongly agree that they have clear coordination set up, 46% agree, 8% are neutral, 34% disagree and 6% strongly disagree. The average score value is 3.12 (62%).

It shows that the roles and responsibilities within the group are less understood and clear reporting structures are not established up to the mark.

Testing the hypothesis

1. Testing relationship of Employee Engagement with Trust & Belief:

As the calculated value i.e. 20.18 is greater than the table value i.e. 15.5 at 5% (0.05) level, the

result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Trust & Belief.

2. Testing relationship of Employee Engagement with Involvement & Participation:

As the calculated value i.e. 15.15 is less than the table value i.e. 15.5 at 5% (0.05) level, the result is not significant. Hence, the Null hypothesis is accepted i.e. there is no significance relation between employee engagement and Involvement & Participation.

3. Testing relationship of Employee Engagement with Interpersonal Relation:

As the calculated value i.e. 42.99 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Interpersonal Relation.

4. Testing relationship of Employee Engagement with Career Development:

As the calculated value i.e. 49.02 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Career Development.

5. Testing relationship of Employee Engagement with Leadership:

As the calculated value i.e. 38.42 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Leadership.

Table 3 reference

6. Testing relationship of Employee Engagement with Communication:

As the calculated value i.e. 39.06 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Communication.

7. www

As the calculated value i.e. 14.16 is less than the table value i.e. 15.5 at 5% (0.05) level, the result is not significant. Hence, the Null hypothesis is accepted i.e. there is no significance relation between employee engagement and Organizational Structure.

8. Testing relationship of Employee Engagement with Rewards and Recognition:

As the calculated value i.e. 31.64 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Rewards and Recognition.

9. Testing relationship of Employee Engagement with Work Environment:

As the calculated value i.e. 17.07 is greater than the table value i.e. 15.5 at 5% (0.05) level, the result is significant. Hence, the Null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is a significance relation between employee engagement and Work Environment.

10. Testing relationship of Employee Engagement with Employee Welfare:

As the calculated value i.e. 07.50 is less than the table value i.e. 15.5 at 5% (0.05) level, the result is not significant. Hence, the Null hypothesis is

accepted i.e. there is no significance relation between employee engagement and Employee Welfare.

Recommendation

Personnel should be given more opportunities to take part in decision making process; so that involvement with the organizational activities will improve. The roles and responsibilities within the group should be understood to a large extent, so that the employee know what are their exact roles and responsibilities in the organization. There should be clear co-ordination in the organization, such that the employees have shared understanding of what they have to do for the organization.

Conclusio

Engaged employees will stay a long time with the company and be an advocate of the company and its products and services, and contribute to bottom line business success. They form an emotional connection with the company. This impacts their attitude towards the company's clients, and thereby improves customer satisfaction and service levels. Engaged employees builds passion, commitment and alignment with the organization's strategies and goals and creates a sense of loyalty in a competitive environment and provides a high-energy working environment.

Table 1: Sub-factors score-wise in ascending order

S. No	Fac. No	Sub Factor	Score	%	Rank	S. No	Fac. No	Sub Factor	Score	%	Rank
1.	10c	Satisfaction of Benefits	4.52	90	I	16.	3a	Valued by Peers	4.02	80	XI
2.	8a	Rewards & Recognition	4.48	90	II	17.	1c	Hard work & Excellence	4	80	XII
3.	1a	Trusiful Environment	4.4	88	III	18.	6c	Interpersonal Communication	4	80	XII
4	8c	Nonmonetarymotivation	4.4	88	III	19.	9c	Balanced Work Life	4	80	XII
5.	4c	Opportunities to learn	4.32	86	IV	20.	3c	Resolving Disagreements	3.92	78	XIII
6.	10b	Comparable Benefits	4.32	86	IV	21.	5a	Leadership Roles	3.86	77	XIV
7.	9b	Enjoyment	4.32	86	IV	22.	6a	Job Support	3.66	73	XV
8.	4a	Equal Opportunities	4.3	86	V	23.	5c	Successful Leader	3.64	73	XVI
9.	5b	Respect	4.2	84	VI	24.	4b	Opportunity every time	3.6	72	XVII
10.	6b	Proper Information	4.18	84	VII	25.	7b	Clear Reporting Structure	3.4	68	XVIII
11.	1b	Trust on Information	4.16	83	VIII	26.	7a	ClearRoles & Responsibilities	3.32	66	XIX
12.	8b	Motivation	4.16	83	VIII	27.	2b	Two Way Communication	3.28	66	XX
13.	10a	Compensation Benefit	4.16	83	VIII	28.	2a	Voluntary Participation	3.16	63	XXI
14.	9a	Congenial Environment	4.14	83	IX	29.	7c	Co-ordination	3.12	62	XXII
15.	3b	Information Sharing	4.04	81	X	30.	2c	Decision Making Process	3.06	61	XXIII

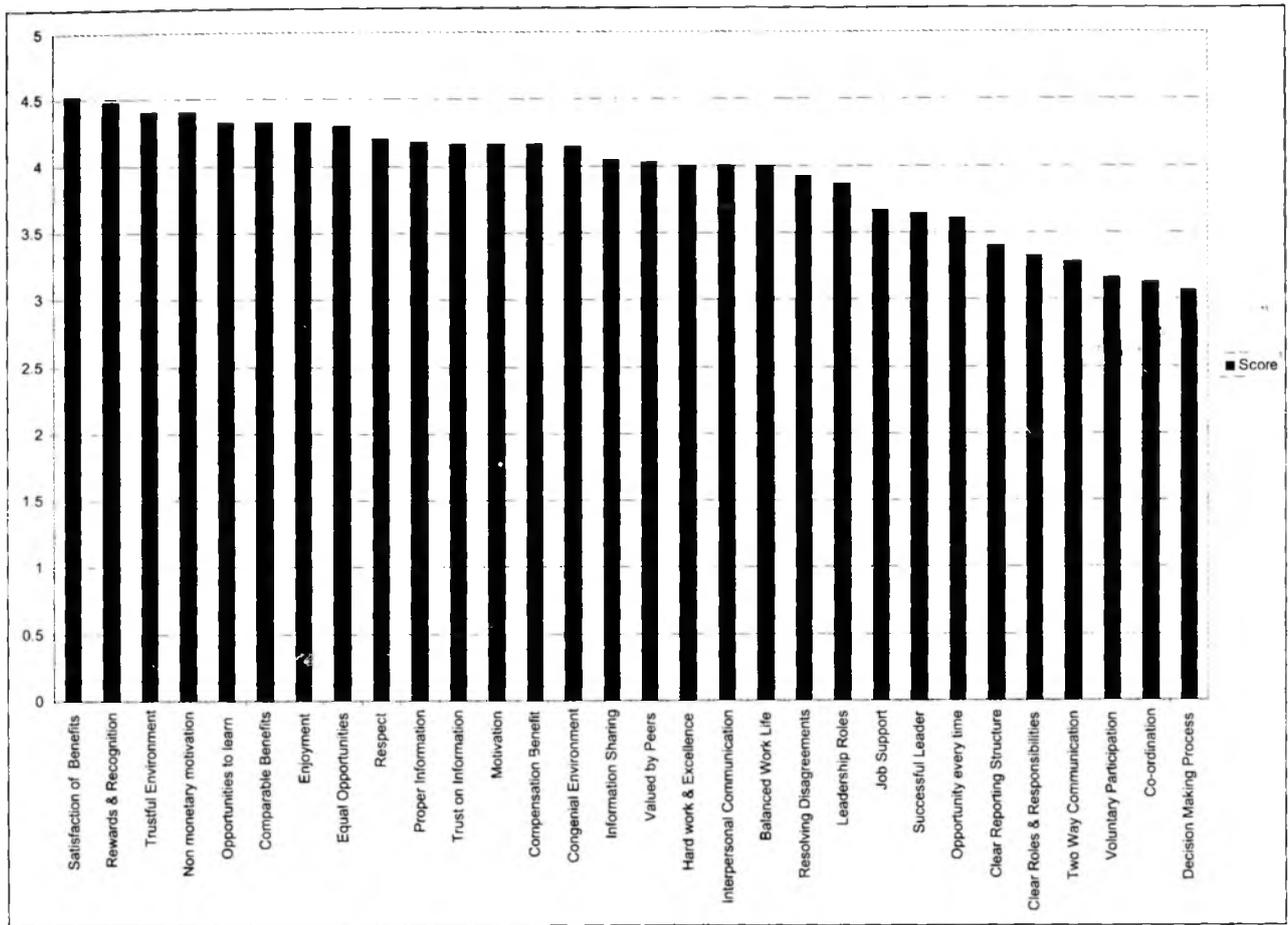


Figure 1: Sub-factors score-wise in ascending order

Table 2: Main-factors score-wise in ascending order

S.No	Fac. No.	Factor	Score	Score (%)	Rank
1.	8	Rewards & Recognition	4.35	87%	I
2.	10	Employee Welfare	4.33	85%	II
3.	1	Trust & Belief	4.19	84%	III
4.	9	Work Environment	4.15	83%	IV
5.	4	Career Development	4.07	81%	V
6.	3	Interpersonal Relation	3.99	80%	VI
7.	6	Communication	3.95	79%	VII
8.	5	Leadership	3.9	78%	VIII
9.	7	Organizational Structure	3.28	66%	IX
10.	2	Involvement & Participation	3.17	63%	X

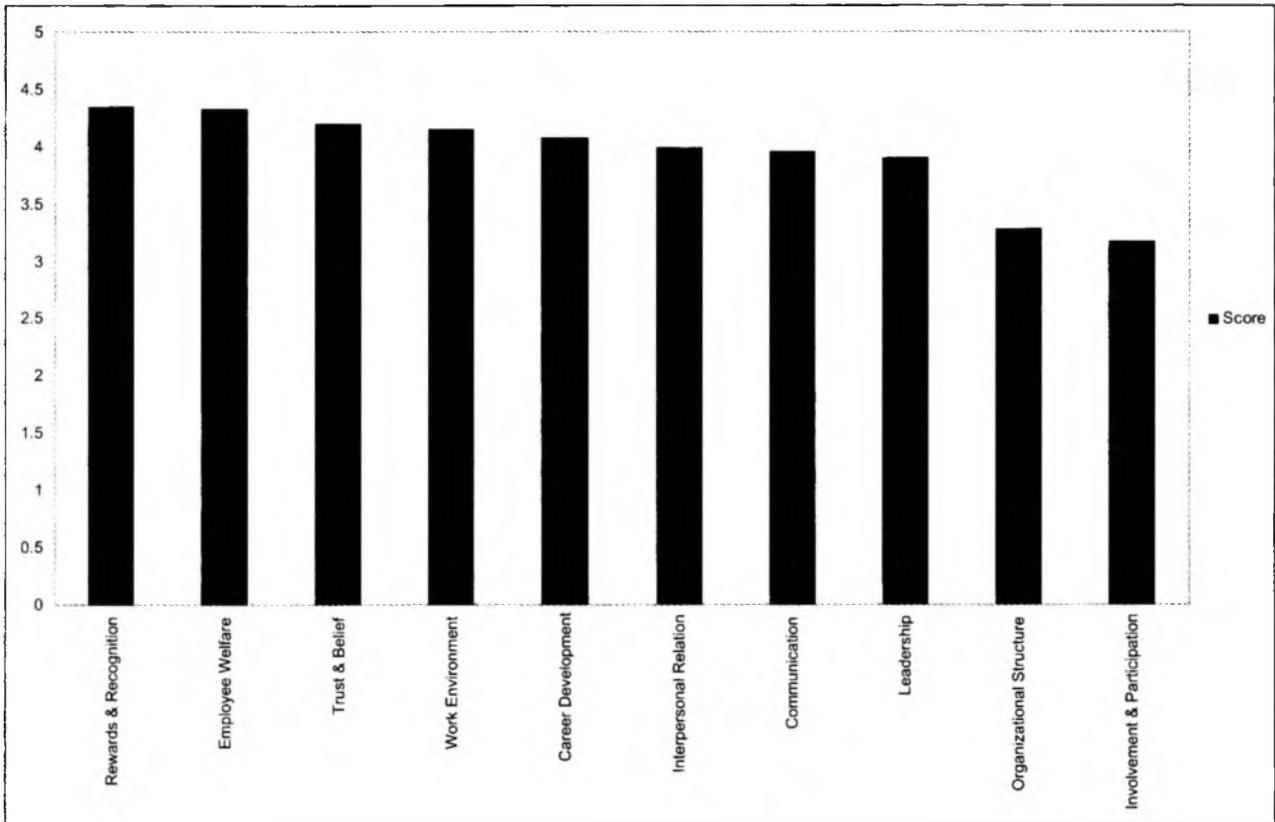


Figure 2: Main-factors score-wise in ascending order

Table 3: Chi Square Value Factor - wise

S.No.	Factor	Chi Square Value	Tabulated Value	Status
1.	Trust & Belief	20.18	15.5	Significant
2.	Involvement & Participation	15.15	15.5	Not-Significant
3.	Interpersonal Relation	42.99	15.5	Significant
4.	Career Development	49.02	15.5	Significant
5.	Leadership	38.42	15.5	Significant
6.	Communication	39.06	15.5	Significant
7.	Organizational Structure	14.16	15.5	Not-Significant
8.	Rewards & Recognition	31.64	15.5	Significant
9.	Work Environment	17.07	15.5	Significant
10.	Employee Welfare	07.50	15.5	Not-Significant

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STRUCTURE OF THE TEA MARKET IN KERALA

Dr. Noushad.P.M

Abstract: *The tea industry has a very prominent place in the Indian economy. Even the poorest of the Indian household buys tea for his daily consumption. Tea is the country's primary beverage (almost 85% of total households in the country buy tea), which makes India the largest consumer of tea in the world. The development of "marketing" is one of the outstanding achievements of human civilization. Tea is one of the most important agricultural as well as manufacturing products, like other products it also needs a proper marketing channel for disposal. The three main modes preferred for the disposal of tea are: (a) through auction (b) ex-factory or ex-garden sale and (c) forward contract. In India, marketing process of tea can be divided into two parts, i.e., primary and secondary markets.*

In this paper a detailed analysis is made on the auction trading which is one of the important constituent of primary marketing channel of tea.. The paper also looks into the defects of auction system in tea trading in India with special reference to the Kerala Tea Auction and finally some recommendations are made for the overall improvement of the marketing of tea in general and Assam tea in particular.

Key Words: *Tea Market, Auction, TMCA, Primary and Secondary Markets, Marketing Channels,*

Introduction

Marketing of tea, like any other commodity, requires expertise and intimate knowledge of the trade. There are two well-established modes of marketing of tea – Primary marketing and Secondary marketing.

There are three types of Primary marketing of tea in Indiaa.

- ***Ex-Garden Sales***
- ***Direct Export***
- ***Auctions***

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Ex-Garden Sales are made by producers directly to wholesalers who in this case are usually blenders or packers. Through this mode of sale, producers can immediately realise sale proceeds and higher value per unit. Moving tea to auction centres tends to raise the overall cost because of transportation, warehousing and handling cost. Direct exports are made through forward contracts, but tea is not an ideal commodity for forward sales since its quality is subject to climatic changes and cannot be definitely predicted in advance. Likewise, it is also difficult to trade tea in future because of the difficulty in standardising the produce from different Gardens.

Auction is the most suited mode of Primary marketing of tea. It is a century-old time-tested system, which has contributed to the development of the tea industry. Tea producers send their lots to an auction centre where tea from other Gardens is also stocked, tasted, catalogued and put up for sale. Through auctions, brokers and buyers decide the price of a tea in an overt-manner. Auctions are of two types, Domestic auction and London auction. London auction is basically meant for export.

Relevance of Auction

As a method of sale, auction is suited to tea because of the following factors.¹

- a) Tea being a perishable commodity, producers cannot stock it indefinitely expecting better prices. In fact, made tea, if stocked for more than a year, has to be repacked. Without auction, the individual producers would have difficulty in finding suitable customers.
- b) There are too many varieties of tea and variations in the quality of tea. Not only that, tea produced in different Gardens is not of the same quality; even the tea produced in the same Garden may vary in quality.

- c) Tea auctions bring the maximum number of buyers and sellers under one roof. This enables sellers to expose their offerings simultaneously to a large number of buyers and establish a reputation for their products. At the same time, it is convenient for the individual buyers to obtain tea of their exact requirements from a wide array of tea offered in the auction.
- d) Except for slight delay in payment, tea auctions have been quite open and transparent.

For the blender, auction offers many advantages. First, the auctions are a known source of supply. Indications of quantities to be sold are available well in advance, details of actual teas are printed some weeks before, and all the relevant details are available at the time of purchase. All this is of great help in planning stocks. Second, tea is sold against actual sample and the sales are supervised by the brokers. To the buyers, tea is available and can be shipped and delivered immediately to the chosen destinations. They are assured of quality. Third, the whole transaction is transparent and well documented with payment terms, and transfer of risk is clearly known and defined. Fourth, auctions generate a whole lot of important statistics for trade, which would not be known otherwise.

Auction Centers

Tea auctions were set up in the seventeenth century. The earliest record of auction sale of tea took place in London on March 11, 1679. It was on 10 Jan 1839 that the first auction centre was established. The London auction centre was closed in 1939 and reopened in 1951. Eventually, it ceased to operate from 29 June 1998.²

There are in all twelve auction centres for tea in the world. India has six auction centres.

Table 4.1. Tea Auction Centres

Country	Place	Year of establishment	Volume handled in 1999 (Million kg)
India	Calcutta	1861	89.10
	Cochin	1947	52.31
	Conoor	1963	79.28
	Guwahatti	1970	145.01
	Siliguri	1976	86.79
	Coimbatore	1980	20.26
Bangladesh	Chittagong	1949	38.62
Sri Lanka	Colombo	1883	260.45
Indonasia	Jakarta	1972	24.17
Africa	Nairobi	1957	-
	Mombasa	1970	210.79
Malawi	Limbe	1970	12.97

Source: Tea International, the Journal of the world tea trade, November 2003.

The auction centre at Amritsar in India operated for some time. The auction centre at in Nairobi was shifted to Mombassa in 1970.

Players in Auction

Auction is arranged by “organizer of tea auction”. Organiser of tea auction means any one including any person, body corporate, co-operative society or association, whether registered under Tea Board or not, under whose control or auspices public auctions of tea take place.³ The organiser of tea auction shall carry on the business of organizing, holding or condensing public tea auctions under its control or auspices under a licence obtained in accordance with the provisions of Tea (Marketing) Control Order 1984.

The Cochin Auction Centre is an association of tea traders. There are two types of membership in the Cochin Auction Centre.

1. Broker Member, and
2. Seller Member

Broker means any person, firm, company, corporate body, co-operative society, etc., engaged in the business of tea broking through the licensed auction systems and is licensed under the provision of Tea (Marketing) Control Order.⁴

There are six broker members in the Cochin Tea Auction Centre. The tea broker is virtually the main link between the planter and the buyer. Without his valuable services in the cataloging of the tea stocks, making samples, passing on the sample to the buying agent and valuation of teas, sale at auction is not possible. Even after the conclusion of auction, it is the responsibility of the broker to ensure that payments are made to the planters in accordance with the agreed conditions.

The services rendered by the brokers are of a specialised nature, and over the years it has developed into a well organised operation. For the services rendered, tea brokers charge a fee to the seller and this becomes a part of the purchase price of tea. The rates of brokerage differ from auction centre to auction centre, but normally do not exceed two percent of the value of tea. In the Cochin Auction Centre, brokerage is one percent. The brokerage rates have been the same for a number of years.

Seller member in a tea auction centre is a manufacturer including the owner of Estate Factory, Bought Leaf Factory and Co-operative Factory, who manufacture any product commercially known as tea derived from the leaves of the plant *Camellia sine sis*, or who

produces value-added products of tea such as packet tea, tea bags, instant tea, green tea, flavored tea and quick brewing black tea.⁵ There are 188 seller members in the Cochin Auction Centre as on March 31, 2005 as per auction centre records.

Buyer in a Tea Auction Centre means any person, firm, company, corporate body, co-operative society etc. with a place of business in tea in India, engaged in purchasing tea including value-added products of tea, either from public tea auctions or directly from the manufacturers of tea.⁶ There are 242 buyers registered with the Tea Auction Centre at Cochin as on March 31, 2005 as per auction centre records.

While the tea brokers represent the interest of sellers (planters), the buying agent represents the wholesale tea traders, spread over the entire country. In view of the fact that direct participation in the auction is restricted to registered bulk buyers, it is not possible for every wholesale tea trader in the country to take part in the auction. This necessitates the services of buying agents who effect the purchases on behalf of their clients.

The tea samples received from tea brokers are tested and valued, and information on arrivals, quality, quantity and the likely unit value of tea is passed on to the prospective trader buyers. On the basis of firm demand from the wholesale traders (buyers), the buying agent partakes in the auctions, makes bids and finalises the purchases. Once the purchases are finalised, tea stocks are collected from the warehouses, and arrangements are made to complete the formalities and forward the stocks to the traders. The services rendered by the buying agents also include ensuring prompt payment by the buyer. This system is so perfect that a buyer (wholesalers) operating in other parts of the country need not personally visit the auction centre, and the stocks of tea reach his place of operation automatically. For the services rendered, the agents charge a commission upto

2% of the value if tea sold, which in turn forms part of the purchase price of tea.

Conduct of Auction

On receiving tea, the warehouse keeper sends an "Arrival and Weightment Report" to the broker. This is an important document as it states the date of arrival and affirms whether the consignment has been fully received. Not all teas that arrive can be immediately catalogued by the brokers for auction. They have to restrict the total offerings each week depending on the demand and the ability of the trade (physical as well financial) to handle them.⁷

The teas are catalogued in the order of their arrival. The brokers inspect the catalogued teas, sample them and endeavour to deliver the catalogued teas, to the buyer, say, two weeks before the date of the scheduled auction sale. Correct and timely sampling is essential and important for the buyers because samples are not only the basis of purchase but also the seller's sole medium of sales promotion.

The brokers then value the teas lot-wise and report their valuation to the buyers, a week before the auction. This procedure gives the buyers adequate time to taste and evaluate samples prices to auction. Each lot is put up for sale and it goes to the highest bidder.

Primary Marketing of Tea and Auction

Auction plays a key role in the primary marketing of tea ever since the first auction centre was set up in Calcutta in 1891. After Independence, the tea auction system was further strengthened by the successive setting up of other auction centres in North India and South India, and now there are six main tea auction centres in the country. The auction system received strong regulatory support in the

early eighties when the Tea (Marketing) Control Order 1984 was effected. Clause 17 of TMCO stipulated that 75% of a producer's tea production should be sold through auction. Consequently, over the years, auction sales became the way of conduct for primary marketing of tea in India and 55-60% of tea production was sold through the auction system.⁸

Although Clause 17 of TMCO directive required that 75% of the produce be routed through auctions, only 50-60% of the produce was actually auctioned. This was primarily due to the fact that Clause 17 of TMCO had two notable exceptions, namely, plantation packed teas and bulk tea exports.

It should be noted that primary marketing of tea in North India and South India has traditionally followed different patterns. In NI, though auctions have been the major vehicle for primary marketing of tea (55-60% of total NI production sold through auctions), North India has traditionally also moved significant volumes outside the auction system, for the following reasons.⁹

- Significant quantities of NI tea are plantation packed at the garden itself and such garden packed teas have always been exempt TMCO directive.
- Bulk exports (directly by the producer) have also been exempt from the TMCO directives.
- Small quantities of private sales (up to 25%) were permitted under Clause 17 of TMCO.
- Small quantities of leakage in the system.

In contrast, South India has traditionally moved most (80.85%) of its tea production through auctions mainly due to the following.

- Viable alternative primary marketing channels remained under-developed

in SI, forcing producers to sell through the established auction centres.

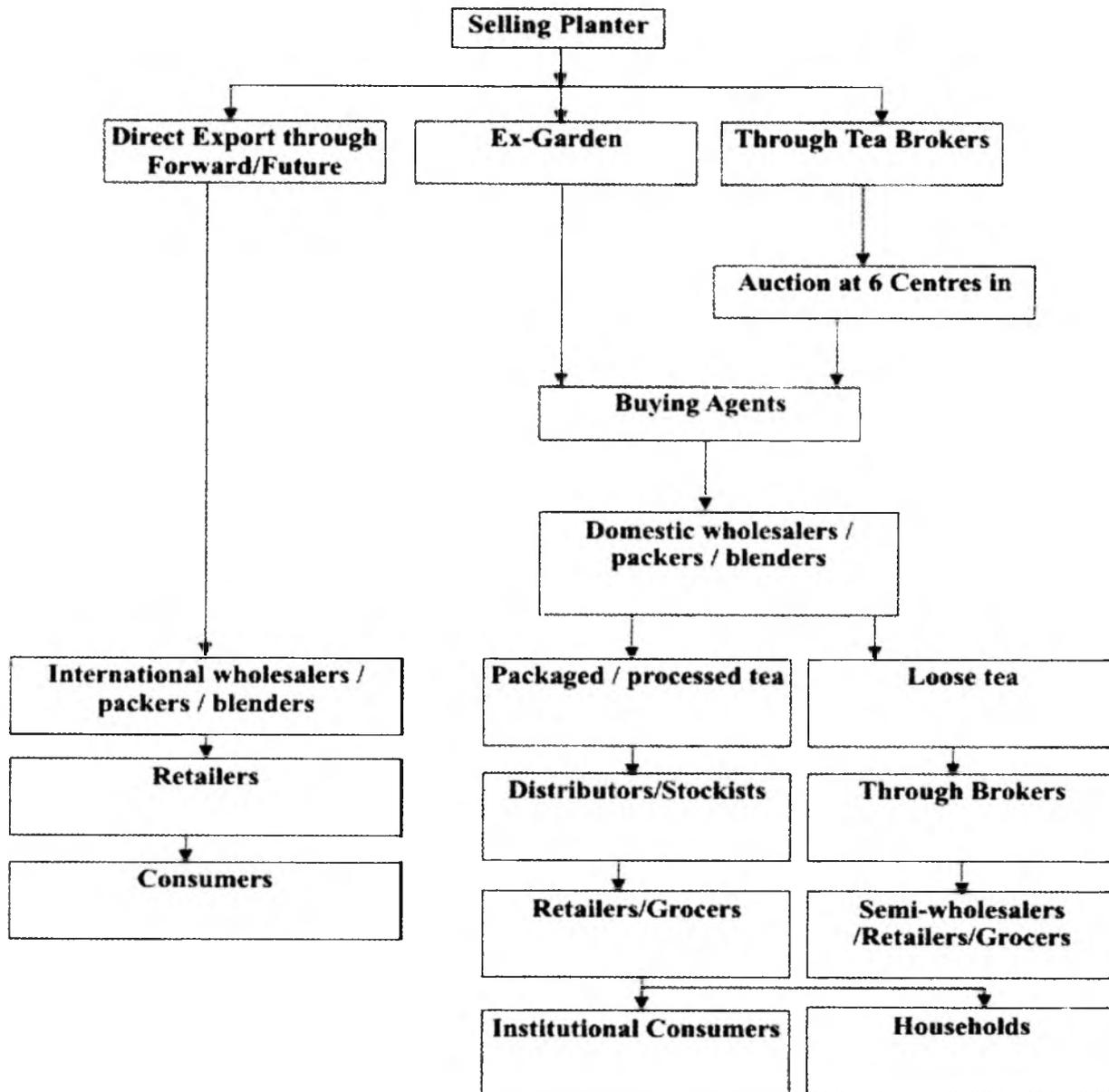
- The South Indian tea industry has a significant Bought Leaf Factory (BLF) Sector, which lacks the ability to invest in marketing. In Tamil Nadu, which has a large BLF Sector concentrated in the Nilgiris, over 95% of the state's tea production was sold through the auction system.
- Exports were dominated by merchant exporters rather than manufacturer exporters. So the exemption granted by Clause 17 of TMCO for bulk exports remained largely unavailed.

Post-Liberalization Scenario

The entire scenario of primary marketing of tea underwent a significant change in early 2001, when the Government amended Clause 17 of TMCO. Producers were now given the freedom to sell their teas as they desired with no stipulation of any minimum percentage to be sold through the auction system. In effect, the tea auction system lost the regulatory support that it had before. It should be noted that technically Clause 17 of TMCO has been liberalised but not abolished, and the Govt. through powers vested with the chairman, Tea Board, can specify an alternate minimum percentage to be sold through auctions if industry market conditions warrant the same. However, in keeping with the overall liberalisation scenario, the minimum percentage to be sold through auctions is currently zero.

Against the significant liberalisation that took place in primary marketing in early 2001, it is important to examine its impact on the auction system. It can be seen that subsequent to the Clause 17 liberalisation in early 2001. The auction volume as a percentage of total production has declined from the previous year, both in NI and SI. In NI, the reduction has been fairly significant

Fig. 2. Marketing Channels of Tea



(from 49% to 42%), whereas in South India this impact is less severe from (83% to 80%).

Secondary Marketing

The secondary market in the Indian domestic tea market has two major segments – Loose Tea and

Packet Tea. The principal difference in selling loose tea and packet tea is that while packet tea is handled relatively by a few well-organised agencies, loose tea distribution is undertaken by a large number of institutions and individuals. Although each segment has its own distinct distribution set-up, the source of procurement of

tea for both the segments remains the same. Teas are purchased either from the Gardens directly (ex-Garden) or from any of the six auction centres, where regular weekly auctions are conducted.

Loose Tea Segment

The basic marketing operations in the loose tea trade are carried out by the wholesalers who generally operate from towns, catering to a number of outlet points in the nearby urban and rural areas. The operation of the wholesaler comprises two activities.

1. Procurement of tea and
2. Distribution of tea

For both the functions the services of intermediaries are available and generally made use of by every wholesaler.

Procurement Stage

The wholesaler has the option of procuring tea supplies either directly from the Gardens or from the auctions. In the case of procurement of teas directly from the garden, marketing arrangements differ widely from garden to garden. Some Gardens directly deal with the wholesale buyers whereas some others, who have infrastructure, conduct regular minimum auctions in selected cities. There are also examples where Gardens have their own branch offices in different metropolitan cities to negotiate sales. Some leading Gardens also have retail outlets to sell Garden fresh teas directly to consumers.

Sale/purchase of tea at the auctions necessarily involves intermediaries like brokers and buying agents whose services are indispensable.

Distribution Stage

The wholesalers sell off their tea stocks procured from different sources, to semi-wholesalers, retailers and grocers. Generally, this operation is confined to a city and the expenses incurred are mainly on storage, handling and local transport.

In this process of sale between wholesaler and tea retailer or grocer, the services of a broker are also utilised if the retailers are not known to the wholesaler. Wherever their services are used in arranging and negotiating the sale, the brokers are paid by the wholesaler.

The last stage of marketing is at the level of retailers or grocers. The functions performed by them are the same. Both purchase stocks from the wholesalers in chest-loads and sell them in smaller quantities to the consumers, households and institutions, such as tea shops, in their respective areas.

The product does not undergo any further processing till it reaches the wholesalers. Depending upon the nature of his operation as a wholesaler-cum-retailer, the wholesaler prepares table blends to suit the needs of his customers. The tea retailers have the option either to buy the prepared blends from the wholesalers or prepare their own blends. In view of the small quantities handled by the grocer, he neither keeps too many grades of tea nor does any blending on his own. Tea is only one of the items of grocery sold by him and the proportion of the value of tea in his total turnover is generally very small.

Packet Tea Segment

The organizations engaged in the distribution of packet tea trade in India are Hindustan Lever, Tata Tea, Eveready Industries (India), Goodricke Group, etc. The company-wise trends in sales from 1998-99 to 2003-04 are inticated in Table 4.2.

Table 4.2. Company-wise Trends in Sales: 1998-99 to 2003-04(Rs. crore)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Hindustan Lever	1577.37	1321.18	1709.23	1624.25	1360.36	1414.74
Tata Tea	829.57	859.60	793.61	731.46	710.83	748.78
Eveready Industries (India)	316.66	315.40	458.13	333.04	327.07	547.66
Williamson Tea Assam	194.33	191.61	189.58	178.12	180.79	190.35
Goodricke Group	183.69	177.18	181.86	182.17	180.06	183.89
Gujarat Tea Processors & Packers	--	162.36	157.84	171.28	171.16	171.16
Assam Co.	142.01	147.81	141.00	119.64	108.28	131.71
Jay Shree Tea & Inds.	126.78	126.52	112.34	110.26	116.59	127.84
A V Thomas & Co.	--	118.56	113.45	113.45	--	121.22
Warren Tea	131.36	134.87	128.27	113.31	117.59	114.68
Total sales	5400.77	5554.09	5984.31	5675.98	5271.73	5751.03

Source: Industry Market Size and Shares Feb 2005, Centre for Monitoring Indian Economy Pvt. Ltd. Mumbai. p.39.

Although there are 340 companies engaged in the marketing of packet tea, only major companies like Hindusthan Lever, Tata Tea. etc., can cater to the needs of the domestic market. The trends in market shares of the major packet tea manufacturing companies are given in Table 4.3.

Table 4.3. Trends in Market Shares: 1998-99 to 2003-04(in percentage)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Hindustan Lever	23.15	19.08	24.09	24.36	20.53	22.05
Tata Tea	12.17	12.41	11.19	10.97	10.73	11.67
Eveready Industries (India)	4.65	4.55	6.46	5.00	4.94	8.54
Williamson Tea Assam	2.85	2.77	2.67	2.67	2.73	2.97
Goodricke Group	2.69	2.56	2.56	2.73	2.72	2.87
Gujarat Tea Processors & Packers	--	2.34	2.23	2.57	2.58	2.67
Assam Co.	2.08	2.13	1.99	1.79	1.63	2.05
Jay Shree Tea & Inds.	1.86	1.83	1.58	1.65	1.76	1.99
A V Thomas & Co.	--	1.71	1.60	1.70	--	1.89
Warren Tea	1.93	1.95	1.81	1.70	1.77	1.79

It is estimated that 10,000 tonnes of tea were marketed in Kerala every month. Out of this only

Source: Industry Market Size and Share. Feb 2005 CMIE Pvt. Ltd. Mumbai p. 39 & 40.

2000 tonnes were in the form of packet tea and the remaining 8000 tonnes in the form of loose tea. The major branded products in Kerala market are Kannan Devan, Agni, Chakra Gold and Tata Tea of Tata Tea Ltd; AVT Premium of A.V. Thomas & Company; A One, Three Roses, Red Label etc. of Hindustan Lever Ltd; Mountain Mist, Surya Tea of Harrisons Malayalam, and Nestea of Nestle, Assam Apple Valley from Kollam, Melam Tea of MVJ, Aban Tea of Aban Group, Chinnar Tea of Haleberia Estate, and Jay Shree and Manjasree of Birla Group are the other branded products sold in the market of Kerala.

In the Kerala Market, Kannan Devan has the largest market share with 20.25%, followed by AVT with 18-20%.¹⁰

The packet tea manufacturers purchase the tea mostly from the auctions and the teas are blended in their factories at various locations. The blended tea is distributed to the consumers through a network of distributors / stockist.

The packet tea manufacturers appoint distributors / stockiest on Taluk basis. Generally two to three

Taluks are covered by one distributional stockiest. The distribution system is arranged in a manner in which the stock shall reach the retailer at least once in a week.

The distributors and retailers operate on a commission basis, the rates of which are actually agreed upon between the packeting companies and the retail distributors.

Conclusion

The study is an attempt to analyze the current status and the entire supply chain management of tea sector in Kerala. It was conducted with the major objectives to study the trends in area under cultivation; production, productivity, export-import and price movements of tea in the domestic and international market; to identify different stages and issues in supply chain; to assess the role of credit in the supply chain; to assess the possibility of innovations in tea sector and to examine R&D efforts initiated by Tea Research institutions.

The management of supply chain of tea is complex involving intermediaries and the marketing margins are shared by the intermediaries as the consumer do not purchase made tea directly from the processing units or the auction centers. Price spread and marketing margins for different marketing channels identified have been worked out and indicated in chapter 6 of the report. The main constraints faced by the tea industry are low

price realization for GTL as well as made tea at the auctions, replantation not being undertaken extensively, lack of quality upgradation by the processing units, lack of adequate marketing campaigns, etc. The study recommends various measures for improving tea production, processing, marketing, export, R&D and bank finance.

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TRANSFORMATION STRATEGIES FOR POSITIONING E-GOVERNANCE - AN INDIAN PERSPECTIVE

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Abstract:

“Government’s foremost job is to focus society on achieving the public interest” “Governance” is a way of describing the links between government and its broader environment – political, social, administrative.”

Governments are specialized institutions that contribute to governance. Representative governments seek and receive citizen support, but they also need the active cooperation of their public servants.

Government is the custodian of the nation and its work spans from managing national resources to meeting citizen needs. Whereas, governance is the outcome of the interaction amongst government, public service agencies and citizens involving policy development, program design and service delivery.

In the Indian context various initiatives have been taken by state governments but have been restricted to a unit of operation. They have moved from mere information dissemination to transactions To reduce these operational intricacies the foundation of e-governance in India was laid in early eighties with the aim of electronically connecting the district headquarters. At a micro level, this ranged from IT automation in individual departments, electronic file handling, and access to entitlements, public grievance systems to provision of market information. Though such initiatives modernized the face of governance, few of them have ventured into the more complex areas that deal with the management concerns and effectiveness of the governments.

The objective of this paper is to identify the gap and suggest transformation strategies for effective e-governance. The intention is to provide a framework of solutions which could alter the concept of e-governance from the current realm of information dissemination & exchange to quality of governance

Key Words: E-Governance, Transformation, Government, E-Readiness, Strategies, Information, Policy Making, Electronic

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Introduction

Government (short for electronic government, also known as e-government, digital government, online government or transformational government) is a diffused neologism used to refer to the use of information and communication technology to provide and improve government services, transactions and interactions with citizens, businesses, and other arms of government.

The government today faces a plethora of challenges that involves transition to a knowledge-based economy. These challenges require a fundamental re-examination of the government's priorities, structure, processes, policies, and programmes to effectively address changing and increasing public expectations, needs, and fiscal pressures.

Electronic Governance (E-Governance) is therefore the application of Information Technology to the processes of Government functioning in order to bring about Simple, Moral, Accountable, Responsive and Transparent (SMART) Governance. [Report, GOI, 2001]. Evolution of E-governance is a highly complex process requiring not only provision of hardware, networking, and software and re-engineering of the procedures but transformation of the organization and the individual. Electronic governance therefore focuses on transformation of the role of the government from being a passive information and service provider to an active developmental partner involving citizen involvement.

E-Governance facilitates open and transparent governance, thereby supporting people's right to know - to know what their Governments are doing and how they are doing things. It is therefore, an important tool for citizens to access information. While connecting people to information, it also has a role to connect people to people. Thus E-Governance is the digitalization of the societal synthesis of politics, policies, and programs thereby involving citizens in the decision-making process and increasing the

accountability, transparency and effectiveness of the government.

E-governance therefore deals with the whole **spectrum of relationship and networks** within the government regarding the usage and application of ICT. Mere development of online services to the citizen, such as e-transportation, e-tax or e-health does not define E-Governance. E-Governance defines and assesses the impacts technologies are having on the practice and administration of governments and the relationships between public servants and the wider society. It encompasses a series of necessary steps for government agencies to develop and administer to ensure successful implementation of services to the public.

Scope of E-Governance

The scope of E-governance is broadly described as use of information technologies by government agencies to improve and transform relations with citizens, businesses, and other arms of government resulting in

- Better delivery of government services to citizens
- Improved interactions with business and industry
- Citizen empowerment through access to information
- More efficient government management

The scope is encapsulated in the following diagram.

Electronic service delivery (G2C): Delivering information and services electronically to citizens, citizens obtaining driver's licenses, permits, passports, submission of Tax Returns and property registration, birth and death registration, etc.

Electronic Commerce & Statutory Reporting (G2B): Delivering information and transacting electronically, government procurement and infrastructure projects, support businesses

Scope of E-Governance



The focus of each of these segments can be summarized as follows:

obtaining clearances, paying taxes, bidding for tenders, filing regulatory information.

Internal Operations between Government Departments and Employees: Improve efficiency, effectiveness, and transparency of intra-department and inter-department interactions within government, and with government employees and facilitate electronic communication, information sharing, and learning and encourage collaboration among government employees.

Foreign Trade & Tourism: Focus on increasing exports and tourism and requires linking IT infrastructure projects with other states and central government. Functions include online hotel booking, car rentals, repatriation of earnings, immigration and work permit filing and economic and taxation information, company incorporation, clearances, licenses.

To build such a system of governance and alter the traditional government structures, the authorities need to take initiatives for strategic transformation

leveraging the information and communication technology (ICT). Governments need to focus on innovation first and then use technology to achieve the outcome.

Effective E-governance

Before looking at strategies for effective e-Governance it is necessary to look at the government structures as they exist. The traditional government structure is a structure similar to multidivisional organization and has hierarchies in the form of a pyramid. The information flows up the chain of command and is processed at each level. The commands from top are transmitted down the hierarchy [Ojo, Estevez, Friedrich, 2003].

The pyramid consists of three tiers:

- Strategic management for decision making basically mapped to the political system
- Tactical management for basic management functions covering policy

- making units in the government Operation staff to carry out the basic tasksmap to the administrative departments executing programmes and implementing policies.

Each tier has its own level of control and different level of information requirement. However, public action in order to be effective and efficient has to be conceived and developed as a coherent and integrated system. In practice a dichotomy concerning policymaking occurs and the reasons of this dichotomy, termed “policy breach” [Tsekos, 2003], reside in the fact that design and implementation are two quasi- independent and loosely linked sub-processes. [Peristeras & Tsekos, 2003]

The mismatch between two complementary steps of a process which are ideally linear, leads to the disintegration of the overall rational policy making framework and produces incoherent, ineffective and inefficient applied policies.

There are three main actors inside the Governance System: the Political System, Public Administration (or Administrative System) [Chevallier, 1986] and Society divided into two sub-categories (businesses and citizens). Traditional structure exhibits high dependence on the middle management in processing internal vertical information flow and controlling and coordinating business activities of the government. As a result the system is rigid due to centralization of decision making and lacks flexibility leading to slow response to changes in the environment.

World Bank defines Good Governance as “a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to the public”. Some of the elements of good governance according to the World Bank are:

- The need for effective financial and human resource management
- Accountability in public service, including effective accounting, auditing and

decentralization

- Predictable legal framework with rules known in advance and an independent judiciary
- Availability of information and transparency to enhance policy analysis, promote public debate and reduce risks of corruption.

Effective E-governance transforms the existing forms of governance by changing the nature of citizen-government relationship by bringing in new agents and mechanisms to influence the governance processes. It fosters democratic control over the governments’ economic, social and welfare policies by citizens and civil society organizations on a continuous basis. The changes brought about in the effective E- governance are fourfold:

- Increased difficulty in making political gains at the expense of ignorance of citizens by capitalization of information
- Create avenues for flow of information both vertically and laterally to encompass a wider foundation of the civil society.
- Greater scope to influence policy-makers and members of civil society through collective opinion, direct participation, participation in public debates and use of advocacy

It impacts the organizational structure in the following aspects:

Information availability

Information can be accessed anywhere, anytime and by anyone authorized. People within the same business area or business process can share information through databases and networks

Control and coordination

Control and coordination of business activities can be carried out at the lower

tiers of the hierarchy, as there is access to required information. Information can be processed horizontally without moving through the hierarchy.

Decentralization

Decision making is decentralized i.e. done by persons with authorized access to information with knowledge of the relevant criteria and is facilitated by networked computers and a decision-support system.

Knowledge bases availability

Availability of knowledge bases enables decentralized decision making and strengthens the capacity of lower tiers in decision making, since they become more knowledgeable. Knowledge Management provides the capability to apply the learning for the benefit of the organization. It, therefore, involves two important aspects of connection and collaboration.

- Connection ---- People to information ----
 ---- People to business
- Collaboration ----- People to people -----
 -----People to communities

This is a clear transformation from the traditional structures described earlier.

All these changes are realized fully when the digital governance operates at the highest maturity level. It is then driven by well established management systems which generate an ability in the organization to evolve with time in view of new requirements.

Impact of E-governance

On a broad level E-governance provides three basic changes in governance for organized development:

Automation: Replacing current human-executed processes, which involve accepting, storing, processing, outputting or transmitting information, for example the automation of existing clerical functions.

- **Informatisation:** Supporting current human-executed information processes, for example, supporting current processes of decision-making, communication, and decision implementation.

- **Transformation:** Supporting new human-executed information processes, for example These can also be seen as three distinct levels of maturity in digital governance. Each of these levels in turn, possesses the power to bring five main benefits to governance for development on efficiency and effectiveness.

Efficiency gains:

Governance that is cheaper - producing the same outputs at lower total cost.

- Governance that does more - producing more outputs at the same total cost.
- Governance that is quicker - producing the same outputs at the same total cost in less time.

Effectiveness gains:

- Governance that works better: producing the same outputs at the same total cost in the same time, but to a higher quality standard.
- Governance that is innovative: producing new outputs at regular intervals.

Impact on Stakeholders

STAKEHOLDERS	IMPACT
Citizens	Quick redressal to grievances, hassle free payments of taxes and user charges. However they need to bring in more clarity in execution and also understand the pitfalls in wrong usage of technology.
Business Establishments	Easy access to Municipal services, hassle free payments of taxes and user charges. Need to have good internal systems with built-in security.
Regulatory Agencies	Need to develop regulatory mechanism in the provision of services in terms of access, data retrieval, clarity of norms and well-defined guidelines.
Bank and Financial Institutions	The need to integrate internal systems with governance processes.
Public Administration Departments	Need to have common terminology, guidelines for interfacing, well planned programmes, project management capabilities, training & hand-holding to remove the 'Tech fear' and identification of champions.
Public Administration Employees	Transformation from a lethargic to an energetic service provider – a change in the attitude.
Political system / Government	Need to relate to the society in terms of good governance i.e. bring in more compatibility between policy design and execution, have an 'Innovation agenda' and not an 'IT agenda'.
IT Service Provider	Provide innovative solutions with implementation support.

Strategic Transformation

The traditional approach to strategy implied reuse of past successful business models with an assumption that since it succeeded in the past, and is still succeeding today, it will continue to provide us with a foundation for success in the future with minor upgrades. This approach works well for organizations when there is a little change in the external environment, and when there is plenty of time to reflect and make minor course adjustments, as appropriate.

Today, we operate in a very different environment where the only way for governments to survive and successfully manage complexity is to strive for perpetual transformation. Today's style of governance needs to renew and reinvent

itself continually in order to stay ahead of the competition. The future state is always going to be unclear, so governance leaders need to access the information and knowledge that exists both within their departments as well as in related external bodies to find mutually acceptable solutions for strategic transformation.

Reframing - is the shifting of an organization's conception of what it is and what it can achieve. It addresses the corporate mind. One can get stuck in a certain way of thinking, and lose the ability to develop fresh mental models of what one is and what one could become. Reframing opens the corporate mind and infuses it with new visions and a new resolve.

Restructuring - is a girding of the corporate

loins, getting it to achieve a competitive level of performance. It deals with the body of the company, and competitiveness - the need to be lean and fit - is the primary consideration.

Revitalization - is about igniting growth by linking the organizational body to the environment. Everybody wants to grow but the sources of growth are often elusive, making the process of growth more challenging and protracted than restructuring. Of all the four R's, revitalization is the single greatest factor that clearly distinguishes transformation from mere automation.

Renewal - deals with the people side of the transformation, and with the spirit of the organization. It is about providing individuals with new skills and new purposes, thus allowing the organization to regenerate itself. It involves creating a new kind of metabolism, the rapid distribution of knowledge inside the organization, and it involves the cultivation of a reflex of adaptation to environmental changes.

Today most of the governments seem to stop at restructuring with respect to their e-governance initiatives, complacent and content by their "quick wins". In reality no government however, can gain true success unless it uses those wins to fuel long-term transformation programmes. Governance is a living organism. Like people it needs holistic medicine, not organ-by-organ treatments [French & Bell Jr.1999]. The four R's are to the biological corporation what the "three R's" of Reading, wRiting and aRithmetic are to schoolchildren: the life skills it needs if it is to survive and thrive. It represents a uniquely powerful way to tap an organization's vast hidden reserves of energy, and transform it into something far better than it had ever dreamed of being.

Critical success factors for managing transformation

The E-governance functional model has four

dimensions of strategic transformation- People Resource, Technology, Strategic Planning and Processes. Careful designing and implementation of each sub element within these areas can moves E-governance closer to citizens and aid the organizational transformation. The E-Governance Functional Model can therefore be used as a framework for managing transformation in E-Governance.

One can clearly identify a relationship with the dimensions of strategic transformation as described below:

- Visioning relates to the Reframing dimension
- People Resources relates to Renewal
- Strategic Planning relates to Restructuring

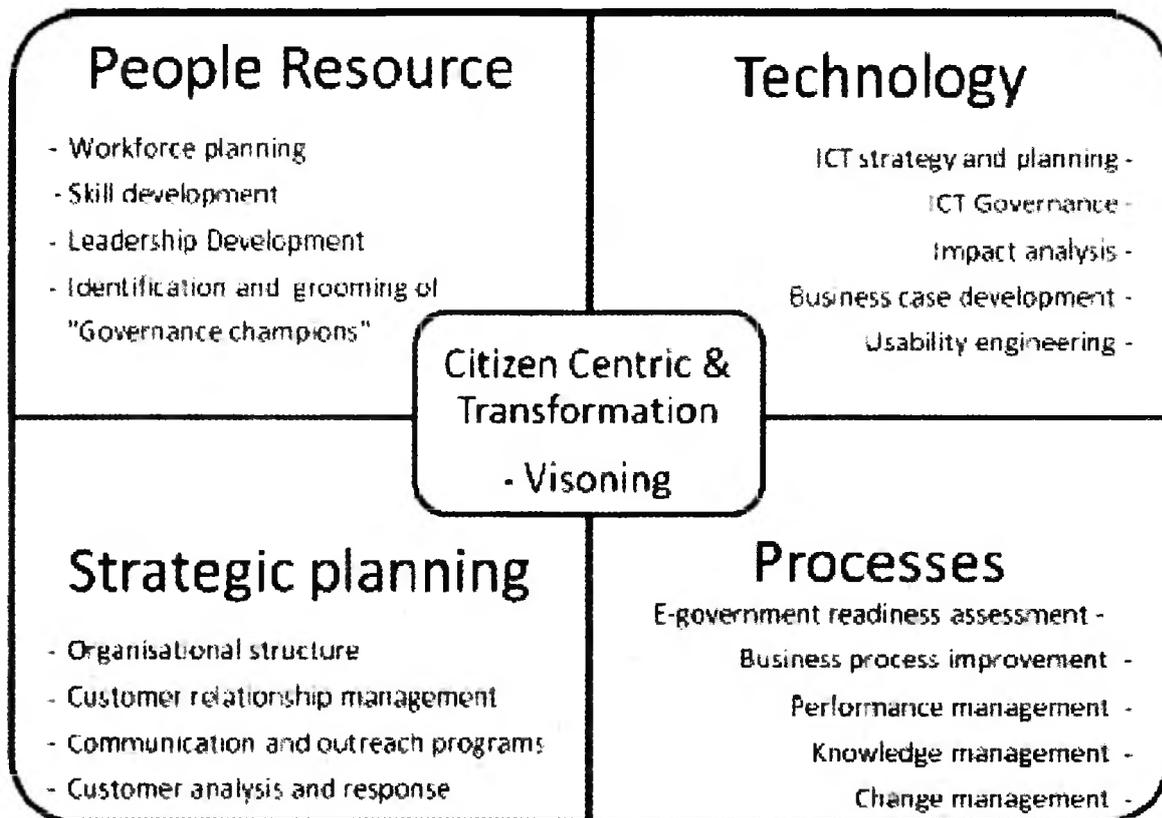
Technology facilitates the process of integration and that is why there is a transformation that takes place in all the entities of governance and at all levels in the hierarchy. Two critical factors that can make or mar the efforts are knowledge management and change management. Knowledge Management would address the critical issues of E-governance adaptation, survival and competence in a changing environment.

E-Governance in the Indian Perspective

In India, Andhra Pradesh with its Andhra Pradesh Technology Services (APTS) in 1986 laid the foundation stone for e-governance. Initiatives in Tamil Nadu by the M.S.Swaminathan foundation, Gyandoot in Madhya Pradesh and corporate initiatives like e-Choupal have had initial success and have successfully demonstrated proof of concept. Sustaining such efforts require strategic intervention at the government level.

The foundation of e-governance in India was laid in early eighties with the aim of electronically connecting the district headquarters. Attempts at e-governance in the country on a large scale

E-governance Functional Model



started only recently with the initial impetus from the Ministry of Information Technology (MoIT), which produced a concept paper, emphasizing the fundamental shifts in the concept, manner and method by which each state had to deliver its services in the information age. The concept of e-governance is articulated as "giving citizens and businesses the choice of when and where they access government information and services. The E-Readiness assessment report provides the following profile.

Source: INDIA: *E-Readiness Assessment Report 2004 for States/Union Territories, September 2004* Department of Information Technology (DIT)

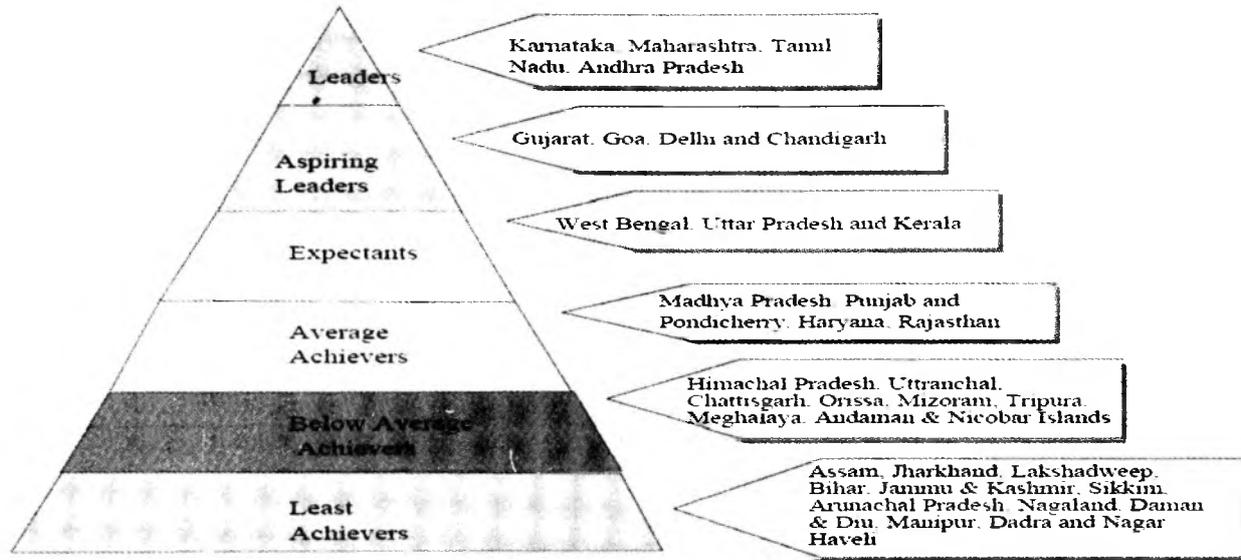
E-readiness assesses the preparedness in terms of the following parameters:

- Leadership and Strategic planning

- Institutional Infrastructure
- Legal Infrastructure
- Human Infrastructure
- Technological Infrastructure

The e-readiness comparison for states above is a measure of capacity to participate in the state level digital economy and further networking with the national level digital economy. It clearly highlights the current position of e-governance in the country. There are three main sub-systems participating in any *Integrated Policymaking Model*: Society (from where everything starts and ends), the administrative and the political sub-systems. What is lacking is the strategic intervention to bridge the gap between Society to Administration, Administration to Political subsystem, and Political subsystem to society.

E-Readiness: Indian States



A quick study of some of the Indian initiatives in E-Governance based on secondary data clearly indicates that a holistic assessment is not undertaken in spite of a National Policy.

Study of select E-Governance initiatives in India

While ICT enables the process of communication and information dissemination required to bring about clarity it also provides a base for speedy service delivery. However, it is essential to note that at every stage there is an individual to be transformed to play the required role in society, in public administration and in politics. It is therefore very essential to bring in this **transformation of the Individual** if success is to be achieved in E-Governance. By transformation we mean a change in the attitude, willingness to learn, accept transparency and above all question the action to determine the need for action.

Some of the reasons why change efforts fail even

in an effectively designed digital governance system can be summarized as follows:

- Allowing too much complacency
- No guiding coalition as individuals alone never have the power to carry out large changes
- Transformation will dissolve into confusing, incompatible, and time-consuming projects without a vision and more so with no alignment to the vision.
- Failing to create short-term wins or declaring victory too soon
- Neglecting to anchor changes firmly in to the culture as changes won't stick until they become "the way we do things here."

It is therefore necessary to monitor and reinvent at every stage of interaction by identifying variations between what societies has asked for and what society receives by the governance system. Three main touch points would be to check the following variations and take appropriate action to align ICT with the requirements.

- Variation between what society needs and

Factors/ projects	SETU	Gyandoot	FRIENDS	E-seva	GSWAN
Long term Commitment	Addressed	Partially Addressed	Partially Addressed	Addressed	Addressed
Identify processes to be re-engineered	Partially Addressed	Addressed	Partially Addressed	Addressed	Partially Addressed
Infrastructure	Not Addressed	Not Addressed	Not Addressed	Partially Addressed	Addressed
Stakeholder Analysis	Not Addressed	Addressed	Partially Addressed	Addressed	Partially Addressed
GPR	Addressed	Partially Addressed	Partially Addressed	Partially Addressed	Addressed
Project Financing & grant	Not Addressed	Addressed	Partially Addressed	Partially Addressed	Addressed
Hardware application design & implementation	Partially Addressed	Partially Addressed	Not Addressed	Partially Addressed	Addressed. Hardware issues partially addressed
Change Management	Not Addressed	Not Addressed	Addressed	Addressed	Not Addressed
Evaluation against objectives	Not Addressed	Not Addressed	Not Addressed	Not Addressed	Partially Addressed

what the political system thinks society needs. This assesses the effectiveness of the communication between political system and society.

- Variation between what the political system wants to provide to society and what society finally gets out of the administrative system. This assesses the quality of communication between political & administrative system and administrative capacity.
- Variation between what the political systems has received from society as demand and the final political plan which is communicated to the administrative system for addressing this demand. This checks the political visioning and policy **making capacity**.

Conclusion

In the Indian context various initiatives have been taken by state governments but have

been restricted to a unit of operation. In spite of strategies spelt out by the Government to enhance infrastructure and the Ministry of IT for replication of E-Governance initiatives across the country the transformation is not attained. What is required is the emergence of champions within the public administration at each level and the political system in every state who can drive the transformation. However sustaining the transformation is a challenge. Initiatives like E-Seva have created an environment which needs to be sustained with or without the champion (Chandrababu Naidu).

The goal of E-governance is to transform government interaction with its stakeholders and enhance its internal efficiency. This requires a total relook at the existing structures. Transformation is required at three levels- in the political

system, at the public administration level and the execution level. Organizational transformation cannot be achieved solely by ICT.

It requires a dedicated effort to defrost the hardened status quo, introduce new practices and ground the changes into the governance culture so that there is a sustained transformation.

E-governance is an evolutionary phenomenon, and requires a change in the mindset of one and all – citizen, executives or the government. With the support of the Internet, the government processes defined by specializations can be made efficient, effective, and citizen friendly. There are many challenging issues lying ahead. Security is the main concern for the citizen, and redefining rules and procedures, information transparency, legal issues, infrastructure, skill and awareness, access to right information, inter-departmental collaboration, tendency to resist the change in work culture, are the main concerns for the government to address.

The beneficial impact of ICT and of e-governance on the rural economy and quality of life is now widely recognized. An apex committee under the Cabinet Secretary is already in place for providing the strategic direction and management oversight. The need is to maintain a proper database of all the citizens and well developed infrastructure. Security issues need to be tackled very carefully supported by technical security. Most important is the strong political will power and the social acceptability of e-governance not only in urban areas but rural areas as well.

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TERRAIN OF PROSPECT- INDIA OR WEST

***D.Vardhani *D.L. Deepthi**

Abstract:

Topographic exploitation is limiting the attention on exotic resources, aver, and to evince substitute means of hiring through education. As the Indian promote is budding, the intercontinental were on track to set up the activities to place aliens from Europe and North America. Globally, corporate are ruthless in grooming the ample cream for universal poses and to overcome the challenges confronted by developing countries. However it is tarmac mode to transit the knowledge from UK and US Higher education for producing enlightened leaders at all levels. All these developments would support to reduce dependency on external resources and increase self-reliance.

Introduction

India envisioned being one among the economically monstrous countries in recent times. It comprises widely divergent culture, economic status, heritage, and trade expansion and career openings. The country has embossed as an imperative destine in business for global corporations, but expatriate professionals from all over the world were congregated to India to gain experience instead of working in more sophisticated countries. Perhaps, the leeway for populace to build up in diverse areas is the prospect that counts. India today is highly notable in its sky-scraping economic status and investments from all fortune – listed companies. A few progressive entities from steel, finance, insurance and pharmaceutical have carved distinct strategies for employing foreign workers. India is creating an entity for entire world and thus demanding newer kinds of skills and understanding that it does not hold in ample.

Prospects- India or west

Indian functioning has gone beyond being just a whim and it now become intentional which is deeply adapted for the exposure of country in operations, sock stance, and brand and accord tactic. The basic reason behind the surge is its veracity as a nation, mounting with no sufferings. Indian companies are keen and able to crust the salaries that expatriates look for. The country is striking due to siring the innovative deals such as information technology, telecom, airlines, steel, automobiles, and many more in the globalizing economy. West is the established sock in these sectors with stagnant growth besides a fast headed dissemination. In disparity, India attained maturity for industries such as telecom, auto manufacturing and research analytics in just six years as it took fifteen years in West to handle its escalation dynamically.

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The land of America is enormous! America is in the course of action of enthralling the best from all over the planet, where the faiths and cultures of all nationalities are integrating to fabricate an elevated perception in human race. In course of the socio civilizing change, immigrants from all cultures have to play a unique role in integrating Eastern Values in Western thought. Thus, twain of India or West happens to meet for the World's best and also for a realistic arena.

Growth of Indian Telecom during the period of 2008 to 2012

India is the third largest in telecom globally with 34.8% as grown to 9.3 million in 2007 from 6.9 million of 2006. According to the analysis for the period of 2008 to 2012, it is observed that the number of phones increases more than triple and total tele-mass is expected to rise from 5.1% to 18.2%, during 2003-2007. Total mobile connections observed to be 80.2% in 2007 and the telecom net work requirements in India is expected to be 330,000 by 2010. The Indian telecom sector is also provided with an analysis of the competitive environment, insights of team players in the landline, mobitel, Internet and broadband products, prospective subscribers, drivers for growth and opportunities, and forecasts. These analytics helped in describing the indicators to the prime leaders like Essar Ltd, BSNL, Bharti Airtel Ltd, MTNL, Vodafone, Idea Cellular Ltd, Reliance Communication Ltd etc. India, to its credit with the population of approximately one billion, has emerged as one of the dynamic telecom markets globally.¹

Analytics of Indian Auto manufacturing

India ranks second of automotive industry in the Asia Pacific Region with 63 percent rise in the output being above average during the forecast period. Several manufacturers are launching production maneuvers aiming at highest capacity utilization. Presently, Volvo Bus Body Technologies India has set up a production plant with joint venture of 70:30 between Sweden's Volvo and Jaico Automobile to produce completely built buses for export and domestic sale. There is also an agreement among the Tata motors and Brazil's Marco polo for building the world's largest bus plant in India.

India's new vehicle sales continue to grow in 2007 and 2008, though in a slow pace compared to that of past. The industry now projects total sales of 1.775mn units in the year 2007 and 2008. Passenger car sales for the month of September rose 11.6% to 105,822 units, while sales for the six months from April to September were up 13% to 569,621 units. Commercial vehicle sales increased by a little less than 1% to 42,770 units in September and by 2.92% over the six months to 212,181 units. Maruti Suzuki has growth of 18% during initial six months of 2007 with the launch of two new models like Swift compact and SX4 sedan and heavy discount offers. It had continued to be the market leader in 2006 and 2007. At the same time Maruti was lead by US giant General Motors with 140% rise against Indian sales in first six months of 2007 with the help of models like Chevrolet compact models, Spark and Aveo U – VA. Subsequently, data from the Society of Indian Automobile Manufacturers (SIAM) also described the decline of sales for prominent manufactures such as Honda and Ford.²

¹. *Indian Telecom Analysis (2008-2012)*, RNCOS, May 2008, web pages 1 to 70

². *"The India Autos Report 2008 including 5-year Industry forecasts"*, Business monitor International UK, Chapters 1 to 8

India's competence in Research Services and outsourcing

In India we have required technology, aptitude for superior analysis and intelligence in domain that creates high-levels of assessable business value to clients. Outsourcing is opportunistic in India with one third of the total seventeen billion dollars of global market as per expert's opinion. The research data analytics provide need based insights in to the critical strategies and policies that help industrial processes. Sectarian data analysis is required to pick up customer profitability, handle risks, deal with operating costs and offer improved services.

Opportunities for Research Analytics

1. Finance, Banking, Securities and Insurance sectors need the help of analytics for predictions on customer acquisition costs, fraud detection and measures for getting mileage from existing customers. Similarly, the statistical score cards also helps in evaluation of risks in the credit processes.
2. Retail sector utilizes the analysis to focus on strategic implementations such as traders, dealers, operations, inventories, sales and customers thereby facilitating supply chain management.
3. Manufacturing sector focus on data analysis for optimal inventory, logistics and stock levels related to all the processes from raw materials to finished goods. Research also analyses the yield, demand forecasting, and control of waste, shifts and quality measures.
4. Pharmacy sector requires the analytical data to assist the systems of security and discovery process of drug through the analysis of claims. It also needs analytics of prescription of drugs for the development of effective marketing strategies to the doctors and hospitals. The analyses of

medical cost, quality measurement, medical literature research and security are few more opportunistic research areas in the health sector.

5. Telecom Sector needs customer analysis to link the customer with appropriate management strategies like product delivery and customer retention. Subsequently, campaign analysis creates opportunity to optimize customer linkage with appropriate strategies for product delivery.

India has expert analysts in the fields of statistics, mathematics, life sciences, biotechnology, and pharmaceutical those are developing analytical approaches to optimize the business processes. Reputed firms like GE Capital, Citibank, Honeywell, American Express, Accenture and Prudential Insurance are already benefited with outsourcing of research data. According to the experts, the research analytics is expected to rise every year between 35 and 40 percent during the coming ten years. Hence, in the words of Steve Simpson, this is the "Golden age of Data Analytics".³

Carving the future of global business

The technological initiatives and efficient management startups paved way for vibrant opportunities in the world. It conjured the auxiliary states to ensue with novel maiden. The intrinsic facet like world-class amenities, wellbeing, profuse human capital, unbiased & multiethnic society, progressive & feasible environment and institutional principles have pulled the project promoters towards emerging sectors. Corporate establishments are welcomed to participate in scheduling, planning and project preparations of urban infrastructure. It inspired all other states in India to proceed with innovative initiatives. The exceptional climate and provisions in the metropolis has made entrepreneurs to group

the locale margins. The projects like Metro rail, International Airport, Fuel Transmission Line from Mangalore, Expressway project connecting Mysore, 1400MVV Combined Cycle power Project are a few latest initiatives. In upshot the sweeping vision has amplified the scope for endeavor in nation.

Panorama of facets

In our economy, we get to know that the productivity scenario go through an accelerated rate of growth today. On average when it comes for more explored opportunities and decisions on where to go, ought to be China or India! It is most imperative in food chain in happing up of employment flows towards divergent sectors of chip in and stipulates. The converging fiscal and demographic trends in India have laid the footing for prospects in nutritional regime. India is far away from being a fully industrial country, with modern principles, making significant profits with unique measures.

India, akin to China, has for centuries embraced the natural medicines as remedies. These recent changes are a sparkle for nutritional industries as government being effective and nippy at shoring up its intellectual property laws, growing productivity and outlay in R&D infrastructure to increase year by year. In principal, the conventional factors

are a motive for the buoyancy in the expansion of sustenance yield over the next twenty years. The Indian yield from nourishment sector is \$6.8 billion of yearly proceeds, and the same is expected to double subsequently in five years.

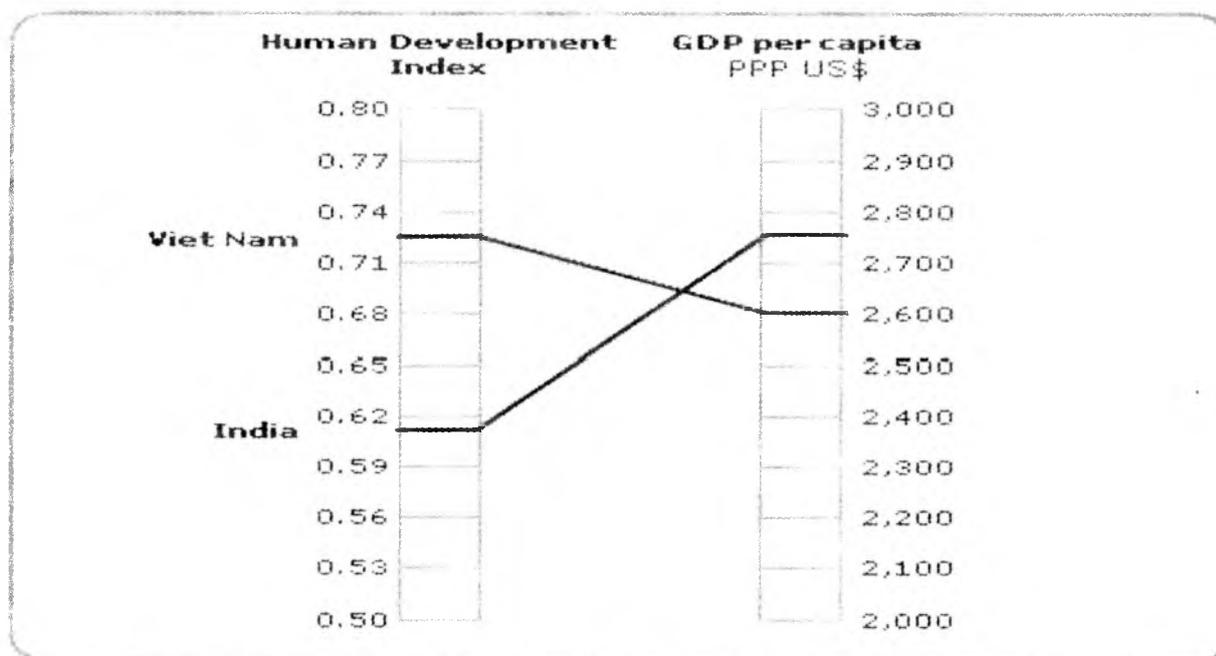
It was evident that the expansion sustained nutrition industry when it was flourishing at high rates by 1990s ultimate stages. The US curb was constant in the 1990s by terrific gains, which currently slowed. At the same time India seems to be roaring to the fore. India's contemporary gross domestic product per head is around \$620 today, which pales in contrast to the US' \$40,050 per head GDP. This reflects on India's escalation of outlook being genial. Indian output within five years (*by 2010*) will nurture for 68 % being more than twice the rate of production growth in the US. We heed about how US and Japanese food sectors are obliged by elderly populations as today people have long lives that need nutrition. Solutions can sustain their existence but in count there are senior people than young ones in the country. At present there are 516,000,000 people flanked by the above 25 aged, ascending to 800,000,000 in the coming forty years. Consequently above 25 aged affix for yearly heighten of 1.4% by 2045 with \$5.3 billion of fine rise of sales in India. In other words, India is with inimitable population challenge with more life expectancy. The Human Development Index- beyond income is depicted in the given table and diagram.⁴

The HDI for India is 0.612, which gives the country a rank of 134th out of 182 countries with data (Table 1).

Table 1: India's human development index 2007 [Source: Human Development Report 2009]

HDI value	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and above)	Combined gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Norway (0.971)	1. Japan (82.7)	1. Georgia (100.0)	1. Australia (114.2)	1. Liechtenstein (85,382)
132. Bhutan (0.619)	126. Turkmenistan (64.6)	118. Congo (Democratic Republic of the) (67.2)	132. Madagascar (61.3)	126. Cape Verde (3,041)
133. Lao People's Democratic Republic (0.619)	127. Lao People's Democratic Republic (64.6)	119. Egypt (66.4)	133. Trinidad and Tobago (61.1)	127. Guyana (2,782)
134. India (0.612)	128. India (63.4)	120. India (66.0)	134. India (61.0)	128. India (2,753)
135. Solomon Islands (0.610)	129. Yemen (62.5)	121. Ghana (65.0)	135. Morocco (61.0)	129. Viet Nam (2,600)
136. Congo (0.601)	130. Togo (62.2)	122. Rwanda (64.9)	136. Nepal (60.8)	130. Nicaragua (2,570)
182. Niger (0.340)	176. Afghanistan (43.6)	151. Mali (26.2)	177. Djibouti (25.5)	181. Congo (Democratic Republic of the) (298)

Either the countries on the same level of HDI can have different levels of income or countries with similar levels of income can have different HDI as illustrated in **Figure 2: The human development index gives a more complete picture with GDP per capita income:** [Source: Human Development Report 2009- United nations Development Program- UNDP]



Source: Indicator table H of the Human Development Report 2009

The above HDI diagram beyond the GDP provides a composite measure of 3-D odd human development for hankering and hale life with education and modest standard of living. India is glaring being 128th from 177 countries with 0.619 HDI of country with data table 1. *[Source: Human*

Development Report 2007/2008].

India's projected population in 2045: 1.56 billion

Age	Population totals
80+	40,278,000
75-79	39,422,000
70-74	54,487,000
65-69	69,592,000
60-64	84,023,000
55-59	95,993,000
50-54	101,668,000
45-49	105,740,000
40-44	106,948,000
35-39	107,850,000
30-34	109,114,000
25-29	109,753,000
20-24	109,446,000
15-19	108,473,000

India's projected population in 2045: 1.56 billion

10-14	107,724,000
5-9	107,206,000
0-4	106,824,000

US Census-Bureau's International Database

Prospective Indicators

In Indian economy, the productivity scenario is experiencing a faster rate of growth today. A few are listed below:

- As per the latest statistical analysis, the saving rate is 32% of total GDP and investments is 34%. It shows that both the indicators are growing at fast rate and expected to continue in the forth coming years.
- The distinctive profile of Indian's age in comparison with that of world countries is

better. It is observed as an indicator drawing rich dividends for the nation's growth.

- Measures taken by the government indicated the economic growth and educational augmentation
- Sectarian growth also resulted in creating more employment opportunities through activities of training and educate.
- With manifold objectives in mind, the government stepped forward with high investments on social sector development particularly on health, education and infrastructure related developments.
- India's GDP is growing at close to 90% (on Dec06-07) and is expected to grow 10 % (by Dec 07-08).⁵

Scenario of economies and knowledge prospects

According to the European Commission (2006), the developed economies performance is correlated to their ability to create, propagate and disseminate knowledge. The research, education and innovation are the three focused angles framing into 'knowledge triangle'. Unfortunately, European countries are lagging behind in these three focal points and needs significant improvement in its performance. The member states of the European Union spend 5% of their GDP public expenditure on education when compared to the U.S.A. This gap stems primarily from the low level of private funding of higher education in Europe.⁶

Shortcomings of Higher education in the Europe Union: (Source: Commission, 2003, pp. 14-15)

- 40 percent of average drop outs among students;
- discrepancy between the demand for qualified people and supply of qualifications;
- huge gap in the duration of study programmes;

5. CMIE Report, Financial Express.com, August 2008, Web pages

6. European commission Research Directorate, Policy Strategy Seminar on "knowledge for Growth", by Knowledge Economists, Nov 2007, Brussels, pages 1-16.

- differences in the status and conditions of recruitment and work for researchers;
 - lack of transparency in calculating the cost of research.
- The percentage of allocation for research and development in the European Union was 1.92% of GDP when compared to 2.59% in USA. (Source: Commission, 2006; Gines Mora, 2005) Table 1 and 2 (Source: Commission, 2006, pp. 12-13) make it clear that the EU is lagging behind the U.S.A.

Table 1: Gross enrolment rates (all students irrespective of age as a % of student-age population) in tertiary education Source: DG EAC based on UNESCO data, 2006

Year, Unit	EU 25	USA	Japan
All students as % of population in age group 20-24Year	57%	81%	50%
2003			

Table 2: Enrolment rates in higher education for adults. Source: EUROSTAT (LFS web pages)

Year, Unit	EU 25	USA	Japan
% of population 30-39 in higher education, Year	30-34: 4.1%	30-34 : 7.0%	n.a.
2004	35-39: 1.8%	35-39: 4.9%	

Table 3. Sources of funding for higher education as % of GDP Source: EU commission, Cohen, 2005, p. 6

Country	Public Funding	Private Funding	Total 2000	% private of Total2000
U.S.A.	0.9	1.8	2.7	67%
U.K.	0.7	0.3	1.0	30%
Netherlands	1.0	0.2	1.2	17%
Germany	1.0	0.1	1.1	10%
France	1.0	0.1	1.1	9%
Finland	1.7	0.0	1.7	0%
Japan	0.5	0.6	1.1	55%
Australia	0.8	0.7	1.6	44%

Table 2. Average Student fees (Euro) * (Source: EU Commission, 2006, pp. 12-13)

United States	3,000		
Denmark	0	Portugal	294
Sweden	0	France	418
Norway	0	Ireland	670
Finland	0	Belgium	700
Greece	0	Spain	720
Germany	0	Austria	727
Hungary	0**	Italy	750
Poland	0**	Netherlands	1,445
Slovak Republic	0	U.K.	1,630

Tune Ups for Training

According to the analytics of knowledge economists, the U.S.A. is top ranked for pursuing higher education in terms of students' enthusiasm and perception on innovation, whereas Europe is looked as conventional for its culture and art. In other words, U S and Australia are more preferred in Asia compared to Europe which was better perceived in Russia. Perhaps both the Europe and U S may have trouble due to the growing dynamics of Asia which can be seen as one of the best knowledge based economy in the world (Lisbon 2000). As per analysts, mostly every country in education had experienced positive relation among rate of return and investment. Economists calculate approximately the pay off to further education comparative to the cost of that education as similar to any investment. They are concerned about privileged earnings over the life span compared to the amount invested in education with those of more education. The greater contribution linked with high levels of returns and further investments are the indicators of economic growth. Hence, quality is more significant than quantity in this competitive environment and needs the support for strategic alliances like dual or joint degree programmes. Educated and anicteric population is an obligatory to sustain intense farm rate of any economy and it plays an important role in the transformation of our institutions and values.

Apex executives with crowned salaries had out done intercontinental remuneration scales, as it was classy offer of hiring expatriates in country preceding. At present day earnings and potentials for proficient are far above the ground, departing those with minor deviations among natives. Indian firms are investing in resources to conduct training program and are deeply ambitious in grooming the global leaders for international positions. These training programs for talent pool of cross - functional teams are organized to give exposure about world operations, market perspectives, branding and trade strategies. Corporations have started consultancies for conducting training in leadership management at international standards. They aimed to deliver across three continents and help the participants learn how to respond to a new environment. Further, companies also creates platform for strategic discussions in every batch by driving the team to draw a future strategy that's implementable. Infosys groomed 52 individuals who are mentored by the board of directors and prepared them for sharing future global responsibilities. They also have an assessment center for training all these experienced candidates who are expected to take up global postings to get a flavor of global operations. Thus, in the corporate world, specific and enthusiastic programmes are becoming popular with the prevalence of leadership training.

Conclusion

Strategy of self reliance requires correlative bearing with both the education system and industrialization reckon. Industries also facilitated the appropriate technical training and developing skills of employees. Our Indian Industries also made top progress due to the advancement of science in the recent times. Thus various development programmes try to achieve the goal of self-reliance on value-basis. Currently we have the soaring temporal spring up rate, with share of services and industry in our GDP reaching 80%. As a result, the global opportunities have widened the scope for Indian enterprise those contribute significantly to all aspects of economic and social developments. In other words, we can say that self-reliance is more significant than financial.

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E-BANKING, A WINDFALL OF ELECTRONIC ERA: ADVANTAGES AND ISSUES

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Abstract:

E-Banking in today's world is the drastic gift by the technology to every human. It is that facility which can be availed at any time, anywhere without much effort. In this electronic era it provides all such type of facilities and services with regard to banking products to the consumers directly through the electronic source. "Our Internet banking base has been growing at an exponential pace over the last few years. Currently around 78 per cent of the bank's customer base is registered for Internet banking." Several innovative IT based services such as ATMs, EFT (electronic funds transfer) smart cards, net-banking etc. are no longer alien concept to Indian. This paper focus on the advantages and issues of E-Banking, as banks in India are using IT to improve internal process and facilitates their customer.

Keywords: E-Banking, Internet Service Provider, ATM, EFT, Banking Customer, PDA, AFT, Credit Card, Debit Card, Telephone Banking, Electronic Cheques.

Introduction

The lifestyle of emergent India has changed drastically in the last decade. As the facilities are increasing so is the pace of life. With double income pattern in families, the one has hardly any time for his/her family. The people are away from their homes for long time due business trips and didn't get time to pay the bills and sometimes have to pay the penalty. In this scenario, e-banking emerges as their escape goat. Indian banks are trying to make life easier. The concept of banking has drastically changed from a business dealing with money transaction alone to business related information on financial transactions. This implies that IT will play a critical role in the years to come by providing better customer services, presumable at a lower cost. (Uppal & Rimpi, 2006). Not just bill payment, you can make investments, shop or buy tickets and plan a holiday at your fingertips. In fact, sources from ICICI Bank, "Our Internet banking base has been growing at an exponential pace over the last few years. Currently around 78 per cent of the bank's customer base is registered for Internet banking." Several innovative IT based services such as ATMs, EFT (electronic funds transfer) smart cards, net-banking etc. are no longer alien concept to Indian banking customers (Rangarajan. C.2000). customer can have a statement of his transaction from the ATMs. (Banerjee,S.2005). Internet

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banking can mean the setting up of a web page by a bank to give information about its products and services. At an advance level, it involves provision of facilities such as assessing accounts, transferring funds, and buying financial products or services online (Sathey M 1999).

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. While the risks and controls are similar for the various e-banking access channels.

E-banking in India

In India, information Technology is playing a significant role in banking sector. Banking sector switching over from traditional paper based transactions to electronic means. Indian banking system is broadly divided in to three categories-

- Public sector banks
- Private sector banks
- Foreign banks

Private sector banks and foreign banks were using e-banking since there entry in Indian banking system, while use of internet by the public sector banks is recent development.

Computerization in Indian banking

Banks in India are using information technology (IT) to improve internal process and to facilitate their customers IT also facilitate banks for their timely and accurate transaction major achievement in banking industry in India is increase in computerized branches. The process of computerization is almost in final stage.

Table No.-1
Computerisation in Public Sector Banks
(As at end-March)

(Per cent of total bank branches)

Category	2008	2009
1	2	3
Fully Computerised Branches (I+II)	93.7	95.0
i) Branches Under Core Banking Solution	67.0	79.4
ii) Branches already Fully Computerised #	26.6	15.6
Partially Computerised Branches	6.3	5.0

: Other than branches under Core Banking Solution.

Source- RBI REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2008-09

Source- RBI REPORT ON TREND AND PROGRESSOF BANKING IN INDIA 2008-09

Forms of e-banking

E-banking can be performed in various ways like:

- Telephone Banking
- Net Banking
- ATM
- Debit/Credit Cards
- EFT (Electronic Fund Transfer)
- Maestro Cirrus and Visa Plus
- AFT (Automated Fund Transfer)

Phone Banking: It is service provided by a financial institution which allows its customer to perform transaction over the telephone.

Net or Online Banking: It allows the customer to conduct the financial transaction on the website operated by their retail. It is fast, efficient and effective. It provides 24 hours a day and 7 days week accessibility.

Credit Card: A plastic card having a magnetic strip, issued by a bank or business authorizing the holder to buy goods or services on credit. Bank issues credit card to the customer up to certain limit.

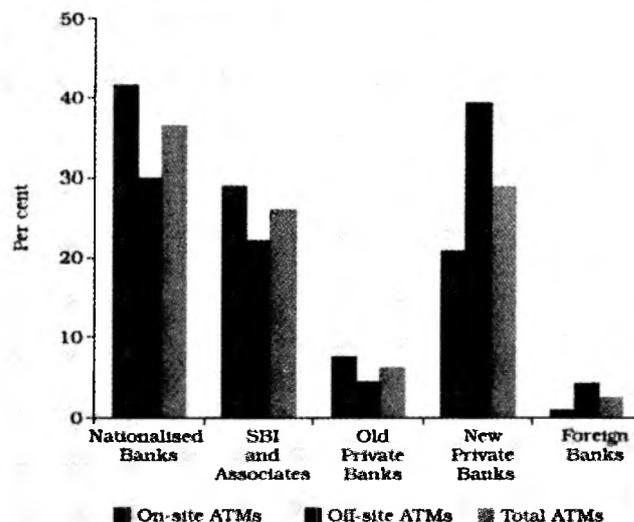
Debit Card: It is a card used to access money in the saving account. Debit cards can be used at ATM.

Automated Teller Machine (ATM): It is a computerized telecommunications device that provides the clients of financial institution with access to financial transactions in a public space without the need for the cashier, human clerk or bank teller. ATM in India has become an important channel for delivering transactions. At the end of March 2009, total 43651 ATM were working in India. As per the guideline of RBI banks have to re-transfer amount debited due to failed transaction, within 12 days. From the year 2009, there are no charges on ATM .

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Chart 1 : ATMs - Bank Group-wise Share (As at end-March 2009)



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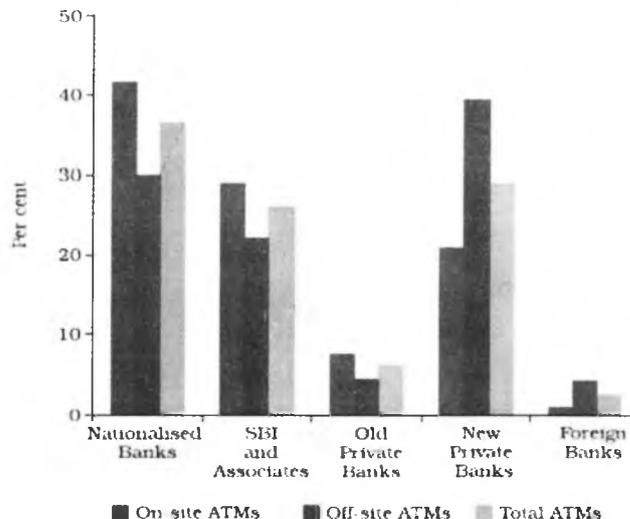
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Chart -1 : ATMs - Bank Group-wise Share (As at end-March 2009)



Source- RBI REPORT ON TREND AND PROGRESSOF BANKING IN INDIA 2008-09

Table -2 Branches and ATMs of Scheduled Commercial Banks (As at end-March 2009)

Bank Group	Number of Bank/Branches				Number of ATMs			Off-site ATMs as percent age of total ATMs	ATMs as percent- age of Branches	
	Rural	Semi-urban	Urban	Metro-politan	Total	On-site	Off-site			Total
1	2	3	4	5	6	7	8	9	10	11
i) Nationalised Banks	13,381	8,669	8,951	8,375	39,376	10,233	5,705	15,938	35.8	40.2
ii) State Bank Group	5,560	4,835	3,043	2,624	16,062	7,146	4,193	11,339	37.0	29.0
iii) Old Private Sector Banks	842	1,554	1,344	933	4,673	1,830	844	2,674	31.6	56.9
iv) New Private Sector Banks	271	1,084	1,371	1,478	4,204	5,166	7,480	12,646	59.2	296.6
v) Foreign Banks	4	4	52	233	293	270	784	1,054	74.4	357.3
Total (i to v)	20,058	16,146	14,761	13,643	64,608	24,645	19,006	43,651	43.5	67.0

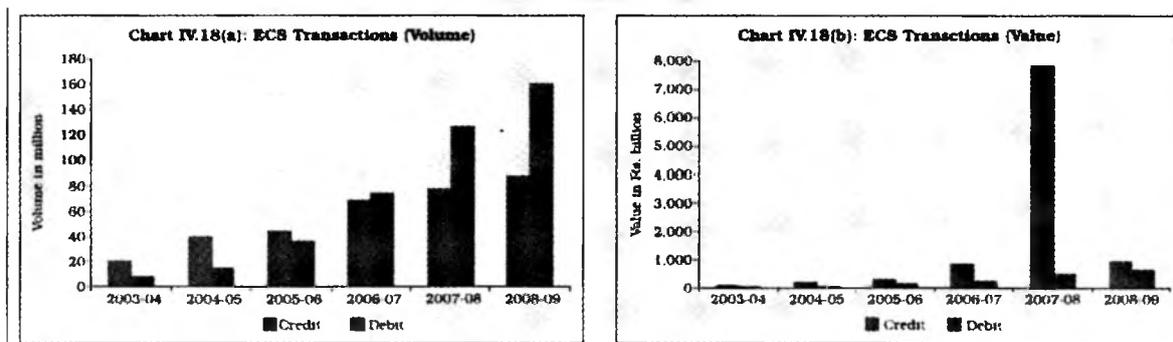
Source- RBI REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2008-09

Electronic Fund Transfer: It involves transfer of funds from bank account of one customer to bank account of another customer electronically. In recent year payment through electronic has manifold increase. Branches providing core banking solution (CBS) increase during recent years. CBS branches of all scheduled banks working in India was on 31 march 2009 total 44304.

Table-3 : Transactions through Retail Electronic Payment Methods

Type	Volume of transactions (000's)			Growth in volume (per cent)		Value of transactions (Rs. crore)			Growth in value (per cent)	
	2006-07	2007-08	2008-09	2007-08	2008-09	2006-07	2007-08	2008-09	2007-08	2008-09
1	2	3	4	5	6	7	8	9	10	11
1. ECS-Credit	69,019	78,365	88,394	13.5	12.8	83,273	7,82,222	97,487	839.3	-87.5
2. ECS-Debit	75,202	1,27,120	1,60,055	69.0	25.9	25,441	48,937	66,976	92.3	36.9
3. EFT/ NEFT	4,776	13,315	32,161	178.8	141.5	77,446	1,40,326	2,51,956	81.2	79.6
4. Credit Cards	1,69,536	2,28,203	2,59,561	34.6	13.7	41,361	57,984	65,356	40.2	12.7
5. Debit Cards	60,177	88,306	1,27,654	46.7	44.6	8,172	12,521	18,547	53.2	48.1
Total	3,78,710	5,35,309	6,67,825	41.4	24.8	2,35,693	10,41,090	5,00,322	342.1	-52.0

Chart-2 : Electronic Transactions



Source- RBI REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2008-09

Credit Card: A plastic card having a magnetic strip, issued by a bank or business authorizing the holder to buy goods or services on credit. Bank issues credit card to the customer up to certain limit.

Debit Card: It is a card used to access money in the saving account.

Electronic Cheques: Electronic cheque is based on the idea that electronic documents can be substituted for paper and public key cryptographic signatures can be substituted for handwritten signatures.

According to Federal Financial Institutions Examination Council's (FFIEC) following table lists some of the common retail and

wholesale e-banking services offered by financial institutions.

Kamiya Jani(2006) has suggested that to get started with ebanking, all one need is a computer with a modem or other dial-up device, a checking account with a bank that offers online service and the patience to complete about a one-page application--which can usually be done online. The following services can be availed:

Bill payment service

Each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. You can facilitate payment of electricity and telephone bills, mobile

Table 4: Common E-Banking Services

Retail Services	Wholesale Services
Account management	Account management
Bill payment and presentment	Cash management
New account opening	Small business loan applications, approvals, or advances
Consumer wire transfers	Commercial wire transfers
Investment/Brokerage services	Business-to-business payments
Loan application and approval	Employee benefits/pension administration
Account aggregation	

phone, credit card and insurance premium bills.

Fund transfer

You can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. Once you login to your account, you need to mention the payee's account number, his bank and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days. ICICI Bank says that online

bill payment service and fund transfer facility have been their most popular online services.

Credit card customers

Credit card users have a lot in store. With Internet banking, customers can not only pay their credit card bills online but also get a loan on their cards. Not just this, they can also apply for an additional card, request a credit line increase and God forbid if you lose your credit card, you can report lost card online.

- Security controls for safeguarding customer information;
- Authentication processes necessary to initially verify the identity of new customers and authenticate existing customers who access e-banking services;
- Liability for unauthorized transactions;
- Losses from fraud if the institution fails to verify the identity of individuals or businesses applying for new accounts or credit on-line;
- Possible violations of laws or regulations pertaining to consumer privacy, anti-money laundering, anti-terrorism, or the content, timing, or delivery of required consumer disclosures; and
- Negative public perception, customer dissatisfaction, and potential liability resulting from failure to process third-party payments as directed or within specified time frames, lack of availability of on-line services, or unauthorized access to confidential customer information during transmission or storage.

Railway pass

Indian Railways has tied up with ICICI bank and you can now make your railway pass for local trains online. The pass will be delivered to you at your doorstep. But the facility is limited to Mumbai, Thane, Nashik, Surat and Pune. The bank would just charge Rs 10 + 12.24 per cent of service tax.

Investing through Internet banking

Anyone can now open an FD online through funds transfer. Online banking can also be a great friend for lazy investors.

Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their demat account. Moreover, some banks even give the facility to purchase mutual funds directly from the online banking system.

There is no need to fill those big forms for mutual funds; they will now be just a few clicks away. Nowadays, most leading banks offer both online banking and demat account.

Recharging your prepaid phone

Now there is no need to rush to the vendor to recharge your prepaid phone, every time talk time

runs out. Just top-up your prepaid mobile cards by logging in to Internet banking. By just selecting your operator's name, entering your mobile number and the amount for recharge, your phone is again back in action within few minutes.

Shopping at your fingertips

Leading banks have tie ups with various shopping websites. With a range of all kind of products, you can shop online and the payment is also made conveniently through your account. You can also buy railway and air tickets through Internet banking.

Security Precautions

Since transactional websites typically enable the electronic exchange of confidential customer information and the transfer of funds, services provided through these websites expose a financial institution to higher risk than basic informational websites. Wholesale e-banking systems typically expose financial institutions to the highest risk per transaction, since commercial transactions usually involve larger dollar amounts. In addition to the risk issues associated with informational websites, FFIEC has issued few suggestions for the examiners reviewing transactional e-banking services should consider the following issues:

Customers should never share personal information like PIN numbers, passwords etc

with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorised before destroying the mailers.

Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also ensure that the logged in session is properly signed out.

Conclusion

In spite of so many facilities that Internet banking offers us, we still seem to trust our traditional method of banking and is reluctant to use online banking. But here are few cases where Internet banking will turn out to be a better option in terms of saving your money. 'Stop payment' done through Internet banking will not cost any extra fees but when done through the branch, the bank may charge you Rs 50 per cheque plus the service tax. Through Internet banking, you can check your transactions at any time of the day, and as many times as you want to.

If the fund transfer has to be made outstation, where the bank does not have a branch, the bank would demand outstation charges. Whereas with the help of online banking, it will be absolutely free for you.

As per the Internet and Mobile Association of India's report on online banking 2006, "There are many advantages of online banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a miniscule cost."

"In a country like India, there is a need for providing better and cost-efficient banking services to mass, internet provides the banks with a distribution channel, which can be leveraged for increasing the scope of services as well as adding new customers '(Geetika, Tanuj Nandan and Ashwani k Upadhya) .

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HUMAN RIGHTS IN GLOBAL AND REGIONAL PERSPECTIVE

Dr. Sanjay Kulshreshtha

Abstract:

Democracy, as Lincoln defined it, is a government of the people, for the people and by the people. It allows every citizen some basic human rights to pursue his career, express his views and pursue his happiness. Thomas Jefferson remarks,

“We hold these truths to be sacred and undeniable; that all men are created equal and independent, that from that equal creation they derive rights inherent and undeniable, among which are the preservation of life and liberty, and the pursuit of happiness.”

Thus the people who do not enjoy such rights and liberties are scarcely better than slaves. Abraham Lincoln opposed slavery system in America and put efforts to abolish slavery system. He was of the view:

“Just as I would not like to be a slave, so I would not like to be a master.”

The basic human rights enshrined in the Universal Declaration are the foundation of justice, peace and freedom in the world and the recognition of the individual’s dignity and equality with his fellow citizens. According to this declaration, every human being has a right to lead a life of dignity and respect. He is free to follow any political ideology; and to express it freely in speech and writing. He is free to choose his trade or profession and to realize his potential through hard and honest means. He has a right to food, health, shelter and other basic necessities of life. India, like other countries of the world, is a signatory to the Universal Declaration of Human Rights.

Key Words: *Human Rights, Fundamental Rights, Universal Declaration, Freedom, Human Rights council and International covenants*

Introduction

Human rights are “basic rights and freedoms to which all humans are entitled.”[1] Proponents of the concept usually assert that all humans are endowed with certain entitlements merely by reason of being human.[2] Human rights are thus conceived in a Universalist and egalitarian fashion. Such entitlements can exist as shared norms of actual human moralities, as justified moral norms or natural rights supported by strong reasons, or as legal rights either at a national level or within international law.[3] However, there is no consensus as to precise nature of what in particular should or should

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be regarded as a human right in any of the preceding senses, and the abstract concept of human rights has been a subject of intense philosophical debate and criticism.[4]

Before World War II, the issue of Human Rights rarely appeared on the politics of International agendas. Most states violated human rights systematically. Racial discrimination pervaded in United States. The Soviet Union was a totalitarian secret –police state. However, neither the Greeks nor the Romans had any concept of universal human rights; slavery, for instance, was justified both in ancient and modern times as a natural condition.[5] Medieval charters of liberty such as the English Magna Carta were not charters of human rights, let alone general charters of rights. They instead constituted a form of limited political and legal agreement to address specific political circumstances, in the case of Magna Carta later being mythologized in the course of early modern debates about rights.[6]

Britain, France the Netherlands, Portugal, Belgium and Spain maintained colonial empires in Africa, Asia and the Caribbean. And the Political History of most Central and South American Countries was largely a succession of military dictatorships and civilian oligarchies. Although such phenomenon troubled many people in other countries, they were not considered a legitimate subject for international action. Rather Human Rights were viewed as an entirely internal (domestic) political matter, an internationally protected exercise of the sovereign prerogatives of states.

The Catalyst that made human rights an issue in world politics was the Holocaust, the systematic murder of millions of innocent civilians by Germany during World War-II. Human Rights really emerged as a standard subject of International Relations, though, in the United Nations (UN). The Covenant of the league of

Nations did not mention human Rights. The Preamble of the Charter of the United Nations, by contrast, includes a determination “to reaffirm faith in fundamental Human rights.” Article 1 lists “encouraging respect for Human Rights and for fundamental freedoms for all” as one of the organizations principal purposes.

On December 9, 1948, the convention on the Prevention and Punishment of the crimes of Genocide was opened for signature. On the following day, the General Assembly unanimously adopted the Universal declaration of Human Rights. The **Universal Declaration of Human Rights (UDHR)** is a non-binding declaration adopted by the United Nations General Assembly [07] in 1948, partly in response to the atrocities of World War II. Although the UDHR is a non-binding resolution, it is now considered to be a central component of international customary law which may be invoked under appropriate circumstances by national and other judiciaries. [08] The UDHR urges member nations to promote a number of human, civil, economic and social rights, asserting these rights are part of the “foundation of freedom, justice and peace in the world.” The declaration was the first international legal effort to limit the behaviour of states and press upon them duties to their citizens following the model of the rights-duty duality.

Some of the UDHR was researched and written by a committee of international experts on human rights, including representatives from all continents and all major religions, and drawing on consultation with leaders such as Mahatma Gandhi.[10][11] The inclusion of both civil and political rights and economic, social and cultural rights[09][12] was predicated on the assumption that basic human rights are indivisible and that the different types of rights listed are inextricably linked. This principle was not then opposed by any member states (the declaration was adopted

unanimously, with the abstention of the Eastern Bloc, Apartheid South Africa and Saudi Arabia), however this principle was later subject to significant challenges.[12]

The Universal Declaration was bifurcated into two distinct and different covenants, a Covenant on Civil and Political Rights and another Covenant on Economic, Social and Cultural Rights. Over the objection of the more developed states [Capitalist], which questioned the relevance and propriety of such provisions in covenants on human rights, both begin with the right of people to self-determination and to sovereignty over their natural resources. Then the two covenants go different ways.[13]

Modern international conceptions of human rights can be traced to the aftermath of World War II and the foundation of the United Nations. Article 1(3) of the United Nations charter set out one of the purposes of the UN is to: “[t]o achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion”.[14]

The two main sources of International laws are treaties and custom. Other sources for example are, the writings of publicists, general principles of law recognized in the domestic law of most states, National and international judicial decisions, (overriding international norms, very much like the classical idea of the natural law) are either of lesser importance or their status is a matter of controversy. Customary rules of International law are well established state practices to which a sense of obligation has come to be attached. In 1966, the International Covenant on Civil and Political Rights (**ICCPR**) and the International Covenant on Economic, Social and Cultural Rights

(**ICESCR**) were adopted by the United Nations, between them making the rights contained in the UDHR binding on all states that have signed this treaty, creating human rights law.

Since then numerous other treaties (pieces of legislation) have been offered at the international level. They are generally known as *human rights instruments*

In 1967, ECONOMIC AND SOCIAL COUNCIL Resolution 1235 authorised the Commission on Human Rights to discuss Human Rights violations in particular countries. In 1968, a special committee of Investigation was created to consider Human Rights in the territories occupied by Israel after the 1967 war. In the same year, the Security Council imposed a mandatory blockade on the white minority regime in Southern Rhodesia. The 1965 racial discrimination convention, which requires parties to file periodic reports on implementation, came into force in 1969. And in 1970 Economic and Social Council Resolution 1503 authorised the Commission on Human Rights to conduct confidential investigations of communications (that is Complaints) that suggested “a consistent pattern of gross and reliably attested violations of human rights and fundamental freedoms”. [15]

The 1970s was also the decade in which human rights non governmental organizations(NGOs), private associations that engage in political activity, emerged as a notable international political force, as symbolized by the award of the Noble Peace prize to Amnesty International in 1977.[16]

International Nongovernmental human rights organizations such as Amnesty International and Human Rights Watch promote and monitor human rights around the world. Human Rights organizations “translate complex international issues into activities to be undertaken by concerned

citizens in their own community”[17]

By the late 1970s, about 200 U.S. NGOs dealt in same way with International Human Rights. Multilateral, bilateral and non- governmental human rights activity continued to increase, more or less steadily, through the 1980s. Several normative instruments were completed by the United Nations. In December 1979, the convention on the elimination of Discrimination against Women was opened for signature and ratification. The convention against Torture and other cruel Inhuman and degrading Treatment or Punishment was opened for signature in 1984. The general assembly adopted a declaration on the Rights to development in 1986. The decade came to a close with the Convention on the Rights of the Child in November 1989.

The 1980s also saw a dramatic decline in the fortunes of repressive dictatorships. Throughout Latin America, military regimes that had appeared unshakable in 1970s crumbled in the 1980s. By 1990, elected governments held office in every continental country in the Western hemisphere (although the democratic credentials of some, such as Paraguay, remained extremely suspect.)

The International law of human rights, as an ideology, provides sweeping but still ambiguous standards for evaluating governmental policies in the civil-political and socio-economic areas. As such, the law is an important factor in the mobilization of concerned individuals and groups who desire more freedom, or more socio economic justice or both.

Human Rights Institution Revisited- Global-

In the preamble of the Charter, the people of the United Nations determined not merely to save succeeding generations from the scourge of war, but to reaffirm faith in fundamental human rights, in the dignity and worth of the human person,

and in the equal rights of men and women and of nations large and small. The kind of language associated with revolutions within the member states of international society, notably America and France, was now asserted on behalf of world society as a whole.

The United Nations Human Rights Council, created at the 2005 World Summit to replace the United Nations Commission on Human Rights, has a mandate to investigate violations of human rights.[18] The Human Rights Council is a subsidiary body of the General Assembly [19] and reports directly to it. It ranks below the Security Council, which is the final authority for the interpretation of the United Nations Charter. [20] Forty-seven of the one hundred ninety-one member states sit on the council, elected by simple majority in a secret ballot of the United Nations General Assembly. Members serve a maximum of six years and may have their membership suspended for gross human rights abuses. The Council is based in Geneva, and meets three times a year; with additional meetings to respond to urgent situations.[21]

The concern here is with placing human rights on a global map, showing, first institution, then principles and finally measures of implementation. The acceptance of human rights as a general part of the business of international society was signaled institutionally by the establishment- by the Economic and Social Council in 1946- of the United Nations Commission on Human rights. A second set of Human rights institutions whose range is global, at any rate potentially, is that composed of committees of review setup under various conventions such as that on the elimination of racial discrimination, and that on elimination of discrimination against women.. Then third there are political organs of the United Nations which have an official interest on the human rights, notably the third (social, humanitarian and

cultural), fourth (trusteeship) and sixth (legal) committees of the General Assembly. Finally, human Rights are entrenched in the global Bureaucracy: in the division of Human Rights of the United Nations Secretariat.

Regional Level- The United Nations has directly encouraged the development of Human rights institutions at regional level, and the regions in turn have identified themselves as the local bearers of a global burden. This is most notable in Western Europe, America and Africa. Of the three regions, Western Europe has the best established human rights institution. The three principal regional human rights instruments are the African Charter on Human and Peoples' Rights, the American Convention on Human Rights (the Americas) and the European Convention on Human Rights.

The African Union (AU) is a supranational union consisting of fifty-three African states. [22] Established in 2001, the AU's purpose is to help secure Africa's democracy, human rights, and a sustainable economy, especially by bringing an end to intra-African conflict and creating an effective common market.[23]

The African Commission on Human and Peoples' Rights (ACHPR) is a quasi-judicial organ of the African Union tasked with promoting and protecting human rights and collective (peoples') rights throughout the African continent as well as interpreting the African Charter on Human and Peoples' Rights and considering individual complaints of violations of the Charter. The Commission has three broad areas of responsibility: [24]

- Promoting human and peoples' rights
- Protecting human and peoples' rights
- Interpreting the African Charter on Human and Peoples' Rights

The Organization of American States (OAS)

is an international organization, headquartered in Washington, D.C., United States. Its stated priorities now include the following:[25]

- Strengthening democracy
- Working for peace
- Protecting human rights
- Combating corruption
- The rights of Indigenous Peoples
- Promoting sustainable development

The American Convention is more ambitious. It lists more rights. It adds duties to the rights in the spirit of the American Declaration of the Rights and Duties of Man of 1948. And it incorporates the economic, social and cultural rights which the European chooses to hive off to the European Social Charter. The Banjul Charter, by no means abandons individual rights; but it adds to them a rather comprehensive set of duties to family, nation, state and continent. And it stress on the importance of people's rights add to this a collectivist dimension in a way which is studiously different from the European and American Conventions. Under the European Convention, [26] implementation is self institutionalized. The Commission is empowered to resolve differences, the court to make authoritative judgments where resolution is not possible, and the Committee of Ministers to supervise compliance with the courts judgements⁹ as well as the judicial roles in certain circumstances). Similarly in America, the Commission has the power to settle disagreements, and the court to judge infractions of human rights.

There are no Asia-wide organisations or conventions to promote or protect human rights. Countries vary widely in their approach to human rights and their record of human rights protection.

The Association of Southeast Asian Nations (ASEAN)[27] is a geo-political and economic

organization of 10 countries located in Southeast Asia, which was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. [28] The organisation now also includes Brunei, Vietnam, Laos, Myanmar and Cambodia. Its aims include the acceleration of economic growth, social progress, cultural development among its members, and the promotion of regional peace.

The South Asian Association for Regional Cooperation (SAARC) is an economic and political organization of eight countries in Southern Asia, representing almost 1.5 billion people. It was established in 1985 by India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan. In April 2007, at the Association's 14th summit, Afghanistan became its eighth member.^[29]

The Cooperation Council for the Arab States of the Gulf (CCASG) is a trade bloc involving the seven Arab states of the Persian Gulf, with many economic and social objectives. Created in 1981, the Council comprises the Persian Gulf states of Yemen Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.^[30]

The Asia Cooperation Dialogue (ACD) is a body created in 2002 to promote Asian cooperation at a continental level, helping to integrate the previously separate regional organizations of political or economical cooperation.

There are no regional approaches or agreements on human rights for Oceania, but most countries have a well-regarded human rights record. However, incorporated into the 2005 Pacific Plan, is the commitment to a plan of "defence and promotion of human rights" in the region. The idea of an institutionalized regional human rights framework is ongoing, with an objective to establish an ombudsman and security structures that goes beyond the Pacific Islands Forum.^[6]

[31]

Australia is the only western democracy with no constitutional or legislative bill of rights, but a number of laws have been enacted to protect human rights and the Constitution of Australia has been found to contain certain implied rights by the High Court. However, Australia has been criticized at various times for its immigration policies, treatment of asylum seekers, treatment of its indigenous population, and foreign policy.

Non- Governmental organizations- Just as regional institutions in the field of human rights have seen themselves as the local promoters of global principles, so non-governmental institutions have taken their cue from the most widely endorsed international declarations. International Nongovernmental human rights organizations such as Amnesty International and Human Rights Watch promote and monitor human rights around the world. Human Rights organizations "translate complex international issues into activities to be undertaken by concerned citizens in their own community"^[32] Human rights organisations frequently engage in lobbying and advocacy in an effort to convince the united nations, supranational bodies and national governments to respect human rights. Many Human rights organisations have observer status at the various United Nations bodies tasked with protecting human rights. The principles which these non-governmental organizations seek to uphold are predominantly those associated with the western list of civil and Political rights. Amnesty International concentrates on freedom of opinion, the rights to a fair trial, and freedom from torture and death penalty. The International committee of the Red Cross is concerned with the rights in armed conflict, and with the rights of Political prisoners. The non specialist organizations, like the International Commission of Jurists, have also been primarily concerned with the civil and political rights.

Non- governmental Organizations in the field of human rights belong, then in liberal tradition of belief in the power of opinion. They believe that standing well in the eye of the public both at home and abroad is important to all governments, though they recognize at the same time that some are more sensitive to opinion than others.

Third World in Human Rights Scenario- Most Third world countries including India and more than 20 Sub Saharan African States later adopted constitutions which enshrined the principles of the Universal Declaration of Human rights (UDHR). Human Development Indices(HDI) are the ones presented annually by the United Nations Development Programme and good governance would be measured by the concerns of governments for public good, respect for human rights and one generally beneficial to peoples under its jurisdiction, and also the levels of political freedom, that is assured to its people. In Latin America and in the Caribbean countries the HDI values are the highest as compared to the other developing regions.

Human rights violations occur when any state or non-state actor breaches any part of the UDHR treaty or other international human rights or humanitarian law. In regard to human rights violations of United Nations laws. Article 39 of the United Nations Charter designates the UN Security Council (or an appointed authority) as the only tribunal that may determine UN human rights violations.

Human rights abuses are monitored by United Nations committees, national institutions and governments and by many independent non-governmental organizations, such as Amnesty International, International Federation of Human Rights, Human Rights Watch, World Organisation Against Torture, Freedom House, International Freedom of expression Exchange and Anti-

Slavery International. These organisations collect evidence and documentation of alleged human rights abuses and apply pressure to enforce human rights laws.

Only a very few countries do not commit significant human rights violations, according to Amnesty International. In their 2004 human rights report (covering 2003), the Netherlands, Norway, Denmark, Iceland and Costa Rica are the only (mappable) countries that did not (in their opinion) violate at least some human rights significantly.[33]

On any discourse on human rights, it is too often hurrying to consecrate a common standard of mankind for human rights. Throughout the world at all stages of history there seems to have been difficulties for evolving a concrete and particular theory and model for human rights. This is true for the developed west and shall be true for developing countries Events and new possibilities can affect existing rights or require new ones. Advances of technology, medicine, and philosophy constantly challenge the status quo of human rights thinking.

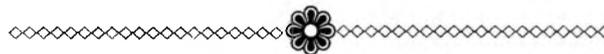
Conclusion

It is realized that if proper implementation is given to these rights, an equal platform can be provided to every citizen as these rights are the creation of god. Differences are only in the mind and not in actual life. Therefore it seems that International experiments are considered as model which can be tried in other parts of the world to protect these human rights.

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MARKETING LIFE INSURANCE IN RURAL SECTOR: CASE STUDY OF TWO VILLAGES IN HARYANA

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Abstract:

In present scenario, Insurance sector is gaining rapid growth and is considered one among the most attractive and booming sectors in terms of job openings as well as contributor to overall financial sector growth. Not only individuals but also the banking and Non Banking Financial Corporations (NBFC) are raising revenues and thereby profits by selling life insurance policies. They are either selling their own products of life insurance like Kotak Mahindra Bank selling Kotak Life Insurance or working as an agent like Corporation Bank selling LIC products.

Lewan and Rathdhana are two villages located in Haryana where the study was conducted. The focus of Insurance players in such rural markets has gained momentum due to the increase in disposable income of people. The rise in disposable income can be attributed to purchase of local lands by corporate houses at lucrative prices. Although the villagers are having surplus money, still it is a big challenge as to how they can be encouraged to invest this money in the life insurance sector.

The paper focuses to give an insight to success and failure of marketing strategies adopted by life insurance companies in rural sector.

The study helps us to understand buying behavior of the villagers for which opinion of the villagers has been collected personally and analyzed. Also the opinion of some managers from insurance companies has also been taken by means of open ended questionnaire. This helps us in acquainting with the popularity of life insurance schemes in the rural sector along with all the difficulties they face while promoting such schemes among the rural masses.

The study also focuses on viable solutions, which will help companies in popularizing and selling the life insurance schemes to rural people with ease.

Key Words: *Insurance, Buying Behavior, Disposable Income, NBFC*

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Introduction

India's emergence on the world map as a strong global and economic power is widely acknowledged. The country is marching ahead with rapid growth and development. Foreign investors are getting lured because of huge growth in almost all vital industries and sectors and insurance sector is one of them. India's rally towards becoming an economic superpower in coming years is inevitable but experts opine that there is a great need for a change in the mindset of people at every level from decision makers to the common man.

Objectives of the study

The study is exploratory in nature pertaining to following objectives:

- 1) To understand buying behavior of villagers with respect to life insurance.
- 2) To compare strategies adopted by life insurance companies in rural and urban sectors
- 3) To find the viable solution to sell life insurance products in rural India.

Research Methodology

Two villages in the state of Haryana were chosen to find out buying behavior of people. Since literacy level is low, opinions were sought in unstructured manner from these villages. One of the co-authors closely worked with the villagers to find out ways to promote life insurance among rural folks. The findings of the study are presented in case-study format.

Understanding Rural Markets

Lot of change has been observed in consumption and buying patterns of people in rural pockets of India with the change in brought by agricultural revolution, education, awareness campaigns, improved infrastructure, focused policies and plans. Stagnating urban markets, increased awareness in

rural markets with increasing disposable incomes resulted in emergence of rural markets as strong marketing hubs.

Life Insurance

The instinct to secure business and oneself against loss and disaster is very primitive. The beginning of life insurance can be traced back to almost 6000 years but the concept has seen tremendous growth and development in recent past. The concept of life Insurance in its contemporary form came to India from England in 1818. During that period, the first life insurance companies were started by Europeans in Calcutta. These companies focused on the needs of the European community and did not focus on the Indians citizens. Later with much efforts, the foreign insurance companies started covering Indians but with extra premiums. In 1870, Bombay Mutual Life Assurance Society was the first Indian life insurance covering Indians lives at normal rates. The following era saw lot of Indian insurance enterprises carrying the message of insurance and social security through insurance to various sectors. Year 1912 became a landmark year in the history of insurance when Life Insurance Companies Act and the Provident Fund Act were passed. The Life Insurance Companies Act 1912 made it necessary that the premium rates and periodical valuation of companies should be certified by an actuary. Insurance business saw a lot of growth in the initial decades of twentieth century and in 1938, the number of insurance companies mushroomed to 176; many were financially unsound which failed miserably.

The Insurance Act 1938 came out as first insurance governing both life insurance and non-life insurance with a provision for strict state control over insurance business. With repeated demand for nationalization of life insurance industry reaped results in 1956, and at that time about 154 Indian Insurance companies, 16 non-Indian companies and 75 provident were operating. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later,

the ownership too by means of a comprehensive bill. Life Insurance Corporation of India was created in 1st September 1956, through Life Insurance Corporation Act passed by Parliament of India. The primary objective of the act was to spread life insurance more widely and in particular to rural pockets with a view to reach all insurable persons in the in the country, providing them adequate financial cover at a reasonable cost.

Rural India accounts for nearly seventy percent of the country's more than one billion population (Census of India, 2001); rural India is witnessing an increase in its income along with consumption and production. Rural Economy was given a boost by Union Budget for 2009-10 with hike in allocation for the National Rural Employment Guarantee Act (NREGA) amounting to nearly US \$8.03 billion. Bharat Nirman Program also gave an impetus to improving rural infrastructure with an outlay of US \$ 34.84 billion. According to a whitepaper by CII-Technopak, the rural consumer market is expected to reach US \$ 425 billion in 2010-11 with a customer base exceeding 750 million. The rural markets are showing a growth of double the pace of urban markets and account for well over 60 percent of the national demand.

Life Insurance Market in India

Life Insurance market in India is booming with high potential. From a single company a decade ago to more than 18 players active today, the market growth has been a CAGR of 24% over the past five years. This industry is pays more than thirty percent as commissions and incentives to the agents for the amount collected as premium from the customers. This industry on an average provides more incentive to sales force as compared to any other sector. The governing body of life insurance , IRDA (Insurance Regulatory and development Authority), tries to safeguard the interest of people opting life insurance by providing guidelines to be followed by insurance companies.

However the major contributor to this growth

is from urban areas. This increase in cut-throat competition in urban areas has forced the insurance providers look towards rural areas of India where only 3% of the population of more than 720 million populations has any kind of insurance coverage. According to a study by Associated Chambers of Commerce and Industry of India (ASSOCHAM), nearly 200 million people in rural India are looking for alternate saving channels for their surpluses provided insurance companies can provide innovative schemes at affordable premium.

Looking at the rural life insurance sector, only 8-10% rural households are covered under life insurance schemes and remaining 90% can be targeted for new innovative schemes.

Till date Corporate India was focused on urban market or they sold their products/services with the same models that were predominantly urban-market oriented. However, there is a significant shift in practices due to focus on much talked about "Bottom of the Pyramid" model. The focus of the companies is on understanding low-income people as important consumers and makes the product affordable to that market. Understanding the significance of the model the companies have started to remodel their product/services accordingly.

Key Characteristics of Rural India

The rural market of India is largely scattered with low standard of living, traditional outlook and diverse socio-economic backwardness (Pareek,1999). Some of the factors which characterize rural markets are:

- a) **Rising rural prosperity:** India is now seeing dramatic shift towards rural prosperity, an effort of five year plans, land reforms, rural electrification, rural network, micro credit etc
- b) **Increasing Consumption:** a consequence of rising rural prosperity is increase in purchasing power. It is evident in increasing consumption levels of rural markets.
- c) **Changing Aspirations:** lifestyle changes are also changing in rural areas. With the FMCG products invading rural India, aspiration of

rural household is increasing, from local unbranded to national brands. The rural youth are now better educated and aspire similar to those of urban India. The products who have achieved near maturity in the urban markets of India are breathing fresh in rural markets.

Life Insurance in Rural India: a detailed study of Lewan and Rathdhana Villages

In North India, there are villages namely Rathdhana and Lewan in district Sonapat, Haryana. These villages are approximately 16 km from Delhi-Haryana border. The total population of Lewan is near about 1500 and that of Rathdhana approximately 2000 people.

The primary occupation in these villages is agriculture the level of literacy is poor. Thus the people are living with conservative outlook, traditional mindset and not fully aware of the market scenario.

In past two years there has been significant improvement in the disposable income of these villagers because of more subsidies by the government as well as acquisition of their lands by the private developers on circle rates. Although inhabitants of these two villages have larger disposable income in their hands but their awareness level is quite low with respect to investment or utilization of that money for better returns in future.

People residing in these villages are vulnerable to groupthink, a phenomenon commonly observed in rural pockets of India when the group is insulated from outside opinions, and there are no clear rules for decision making. Factors like culture, subculture, and influence of opinion leaders (Panchayat heads and socially respectable persons in villages), reference group influence, demographic factors, exposure to urban ways of living, urban lifestyle aspirations and so on also play a key role in shaping

the opinion of villagers. With the impact of external factors influencing decision making, it has been observed that people in these villages do not take decisions on rationality and put their money in alternatives opted by others in the village.

The spotlight of banks and insurance companies has of lately shifted towards these villages because of increase in disposable income of villagers. The Life insurances companies are interested in covering large and scatter areas with both long and short term insurance plans. However, the inhabitants, because of their average literacy level are not in a position to clarify themselves about the pros and cons involved while investing in the life insurance sector.

The companies who have already approached successfully in the initial stages of growth are LIC, ICICI Prudential, SBI Life Insurance and Kotak Mahindra Life insurance.

Practice followed by insurance companies in these villages

LIC and ICICI Prudential are the first companies to take away the large share of the life insurance industry in these villages by en cashing on the needs of the villagers as to where to put the money, bank fixed deposit or Life insurance. And by promising high expected returns, they could find good investors amongst villagers.

Promotion strategies Adopted by Insurance Companies

A creative and integrated mix of promotion strategies in required to promote life insurance and understand consumer behavior.

A comparative analysis of marketing strategies adopted in urban and rural markets of India shows following differences.

Point of Distribution	Urban sector	Rural sector
Distribution Network	In urban sector the life insurance companies various distributing networks involving individual with good reputation and influence, corporate houses including banks, already established non life insurance or financial service providers. The companies in fact also tie up with direct marketing companies like Amway or any other MLM company.	In Rural sector since people are not adequately literate, so there is a limit with respect to their understanding level, but since they rely on educated people in their village area, companies prefer to get associated with some of these fellows like post office agents, doctors or teachers and try to sell their products via them
Promotion strategy	In urban sector huge advertisements are done via print or electronic media. Advertisements are designed focusing on educated people in these sectors so that they can empathize and act accordingly. Product benefits are self explanatory since people in urban sector are educated enough to understand the same.	In rural sector, promotion is dependent not on advertisement, but on the publicity by common people in these areas. People rely more on word of mouth publicity since door to door connectivity is more and people prefer to share their financial decisions with each other. But this involves high risk in case misrepresentation of fact is done by companies
Awareness Programs	In urban sector, life insurance companies conduct time to time programs in school, colleges or near by areas involving students and parents to spread the benefits of their respective insurance plans. Also people can be educated more about the comparison of various investment tools which they can opt, thereby gaining faith of investors.	In rural sector, however these awareness programs are having limited scope because of limited no. of educated audience, so they have to go for one to one awareness among the villagers since people do not prefer the ladies to attend such programs in mass
Use of marketing tools	In urban all types of marketing tools can be effectively used like, print ad, Internet ad, emails to specific users, banners and hoardings at malls and public places, third party vehicle, road shows etc.	While in rural sector these tools have limited scope and companies prefer to use door to door distribution of printed brochures in their regional language, rickshaw ads, big banners placed at short distances but in bulk because of less public places, canopies, loudspeakers etc

Table 1: Urban Vs Rural Sector Marketing Strategies adopted by Life Insurance companies

Challenge faced by Life Insurance Companies in these Villages

1. People are afraid to invest in life insurance schemes because of lack of awareness.
2. Due to inadequate information, people compare the life insurance offerings with bank offerings such as fixed deposits.
3. They are interested in high fixed return and not ready to understand the concept of expected returns in unit-linked insurance plans (ULIPs).
4. People are not willing to understand the implication of risk cover and charges attached to same.
5. They are looking for short term returns in life insurance as well which is a long term investment.

Suggested Promotion Strategies to Life Insurance companies in rural India

1. Advertising

- * Local language television channels
- * Cinema-it's a favorite entertainment for rural people
- * Radio- it has proved to be very effective in villages
- * Mobile phones
- * Stickers at prominent places
- * Posters / leaflets

2. Sales promotion

- * Tie up with other distribution networks
- * Gift Schemes- very popular with consumables

3. Publicity

- * Speech by socially respectable person (maybe associated with companies selling life insurance)
- * Sponsorships
- * Endorsement by leading rural leaders

- * Publicity in village fairs and other gatherings
- * Company contribution to development of roads, provision of dispensary, drinking water and other infrastructure
- * Charitable Programs (Bima Gram of LIC of India)
- * Rural Art forms (dance, theatre, puppet shows, bhajans)

4. Personal communication

- * Presentations (preferably by educated local youth)
- * Personal communication to opinion leaders (desired for social sanction)
- * Partnership with NGO's, self-help groups
- * Special village gatherings

5. Directmarketing

- * Interactive communication (LIC has a partnership with ITC e-choupal network for educating and selling life insurance in rural areas)
- * Catalogues/Mailing(for educated ones)

Recommendations

On the basis of the study conducted, it can be easily observed that people in these villages have limited knowledge of concept of life insurance and the benefits attached to it. People are skeptical about investing because of some sour experiences in the past.

6. Based on the above discussion, it is of high relevance to quote that if an insurance company wants to succeed in these villages, then they will have to think long term and not for any short term benefits. Some of the recommendation to the life insurance providers trying to penetrate rural markets in India:

* Life insurance companies have to understand cultural, socio-economic and demographic differences in the urban and rural population and thus the marketing strategies adopted in urban areas may not necessarily be applicable elsewhere. It is highly desired to conduct primary hands on study of these villages to understand the mindset of people before entering these markets.

* The company should conduct awareness program with the help of local opinion leaders like Gram Panchayats, teachers, socially respectable persons and retailers to educate the people about insurance schemes and benefits attached with them. The companies can build on their distribution network by tying with the educated people like teachers, doctors or post office agents.

* The major problem associated with companies offering life insurance is the uneven chain of distribution. Existing channels which are already in existence can be utilized, for example, telecom retail distribution chains. Structural efficiency can be attained in such a manner in order to reduce the costs.

* The insurance providers should first sensitize villagers to the concept of life insurance instead of pushing them to buy their policies. They should try and explain the actual pros and cons of their existing policies, and generate enough confidence where decision-making is trustworthy

* Life insurance policies should be flexible enough to let the customer choose on his/her own. Life insurance can be offered as a combination with other insurances like health insurance, vehicle insurance, farm insurance etc. Moreover the concept of free-look

period must be emphasized, where one has option to cancel the policy if not found as per requirement.

* Most of the people in rural areas live in joint a family which is evident from their consumption patterns, such as marriage, festivals and gatherings. Life insurance policies can also be offered as group oriented policies because in rural India, opinions are made and can be modified as group think.

* Life insurance companies must think this as investment and concentrate on building their brands by adopting integrated communication strategies and subsequently modifying their marketing mix according to the need of local people.

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PERFORMANCE APPRAISAL EFFECTIVENESS AND EMPLOYEES PERCEPTION IN CORPORATION BANK

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Abstract:

The study postulates the employees' perception towards the effectiveness of performance appraisal report (ACR) and to recommend the changes to be done to improve the effectiveness of performance appraisal so that motivation level will be enhanced. The Research includes various topics serving the related purposes like identification of employee talents and behavioral tendencies; useful feedback; control of employee behavior; importance of supervisors understanding tasks; beneficial influence on human relations of an organization, value of effective performance appraisal in Corporation Bank. This article will explore the potential benefits and problems associated with performance appraisal in the Corporation Bank and discuss ways to improve this pervasive practice. The study includes the two modern performance appraisal techniques (360 – Degree and MBO). It also considers the difficulty associated with

Key Words: *Employee's perception, MBO, 360-Degree, Promotion, ACR, Performance Appraisal, Feedback*

Introduction

Performance Appraisal has long been one of the most hotly debated topics in personnel management circles and fortunately has also been the subject of a great deal of research. It occurs in every organisation, even when the formal process may be no more than continuing to the issue paychecks to employees on a regular basis. The most productive companies are those which put a significant amount of managers in conducting performance appraisals, and which work with employees so that the entire organisation receives the maximum benefit possible from the process. Gabris & Ihrke (2001) believe that performance appraisal serves many purposes within the organisation, among which the provision of periodic, formal feedback of individual staff members figures significantly.

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The intense competitiveness of the current marketplace in banking has forced firms to reexamine the performance of employees. The performance of employees can lift the whole organisation to compete in the market and make a position in the competition of grabbing maximum part of market. For this performance appraisal should be effective so that the performance of employees effectively measured and should help to motivate the employees for performing them better than the best. According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward.

Literature Review

In an increasingly competitive global market place, organizations are dedicated to continual individual and Organisational improvement. Performance appraisal is considered to be an important tool in accomplishing this improvement.

Till the end of 80's, though there was a large body of research in aspects of performance appraisal concerning accuracy of measurements and other areas, there was no substantial research that specifically linked increased job performance and effective performance measurements with the performance appraisals. Then in 1994, a study conducted by Bruns and Mckinnon studied the following hypothesis and determining the link between performance appraisals and increased job performance through them. The first hypothesis stated that employees in organisation with well-defined, regular performance appraisal systems have more knowledge of their daily activities in more specific precise terms than employees in corporation where this is not the case. The study further concluded that the organisation hence experience increased performance. The second hypothesis stated that employees in

companies with well – defined and periodic performance appraisal systems concentrate their tasks on areas on which they are evaluated. In other words, such performance appraisals effectively measure the employee performance. The literature on performance appraisal generally concludes that the appraisal process can: 1) provide managers with a useful communication tool for employee goal setting and performance planning; 2) increase employee motivation and productivity; 3) facilitate discussions concerning employee growth and development; 4) provide a solid basis for wage and salary administration; and 5) provide data for a host of human resource decisions. This study has further been used throughout this paper.

Research Methodology

A descriptive research was conducted on Corporation Bank's, performance appraisal. Some dimensions were formulated into an eight item questionnaire designed to assess manager and subordinate perceptions of appraisal effectiveness on each issue. The questionnaire employed a five point numerically rating scale as 0%-20%, 20%-40%, 40%-60%, 60%-80% and 80%-100%. The data used for research was conducted from primary and secondary sources. The final item on the questionnaire was an open ended question designed to solicit the respondents' views on how to improve the appraisal process: "Based on your experience, what could be done to improve the effectiveness of the formal appraisal process?"

The questionnaire was administered to 20 members of the professional staff of the Corporation Bank located in the Zonal Office, Rajendra Place, New – Delhi, Primary data was collected by distributing questionnaires to the employees and secondary data from published articles and books. The study based on questionnaire and interviews conducted

to have an understanding of the employees' perception about their performance appraisals of the bank.

Need for the Study

Most of the time organisations become prisoners of their own system and their thinking. A lot much goes between production point and selling point. But employees are the only one that moves forward on the direction to achieve the target of the organisation. The organisation should also focus on the improvement of the performance of the employees and accordingly give time to time training and other motivational packages to improve the performance.

Common outcomes of an effective performance appraisal process are employees' learning about themselves, employees' knowledge about how they are doing, employees' learning about 'what management values' (Beer, 1981). Dobbins, Cardy and Platz-Vieno (1990) told five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards. Nurse (2005) viewed provision of information for the development of managerial strategies for training and development as an outcome. Teratanavat, Raitano and Kleiner (2006) found outcomes like reduced employee stress, review of overall progress, linkage between current performance and employee's goals, and development of specific action plans for future.

Objective of the Study

The objective is to understand and check the effectiveness of the performance via Performance Appraisal in Corporation Bank. Study is conducted in two phases as follows:

PHASE I

The aim of this part of study is to find the effectiveness of Performance appraisal criteria's or report of the employees which comprises of the officers of Zonal Office, Corporation Bank in Rajendra Place, New Delhi.

PHASE II

The aim of this part of the study is to analyze the different perceptions of the employees in the Zonal Office of Corporation Bank, Rajendra Place.

Thus in a nutshell, this study has the following components in it:

1. To know the "Effectiveness of Performance Appraisal" and "Employees Perception".
2. To present the outcomes of survey in a simplistic manner.
3. To recommend changes that can be done to improve the effectiveness of Performance Appraisal and to enhance the employee's perception of Performance Appraisal Report (ACR).

Company's Guidelines of Performance Appraisal in Promotion

S.No.	Basis	Promotion from Junior Management Grade Scale I to Middle Management Grade Scale II	Promotion from Middle Management Grade Scale II to Middle Management Grade Scale III
1	Eligibility		
	Channel I & II	12 years completed	8 years completed
	Channel III (FastTrack Channel)	5 years, but less than 7 years completed	3 years, but less than 5 years completed
2	Mode of Selection		
	Channel I	Eligible shall undergo a process of interview	Eligible shall undergo a process of interview
	Channel II	40% in written test + interview	40% in written test + interview
	Channel III (Fast Track Channel)	65% in written test + interview	65% in written test + interview
3	Ranking		
		On the basis of aggregate marks secured under Performance Appraisal, Educational/Professional Qualification, Written Test, Interview	On the basis of aggregate marks secured under Performance Appraisal, Educational/Professional Qualification, Written Test, Interview

Weightage for Various Factors in Promotion from Junior Management Grade Scale I to Middle Management Grade Scale II:

Weightage Factors	Channel I	Channel II	Channel III
Marks for Merit/Performance of the officer through Appraisal	60	40	40
Professional Qualification	10	10	10
Written Test	-	30	30
Interview	30	20	20
Total	100	100	100

Weightage for Various Factors in Promotion from Middle Management Grade Scale II to Middle Management Grade Scale III:

Weightage Factors	Channel I	Channel II	Channel III
Marks for Merit/Performance of the officer through Appraisal	50	50	40
Professional Qualification	10	10	10
Written Test	-	-	30
Interview	40	40	20
Total	100	100	100

Note: An officer should secure a minimum of 40% (35% in the case of SC/ST candidates) marks in the Performance Appraisal to become eligible for participating in the promotion process, in respect of all three channels.

LIMITATIONS

Nothing is perfect in this world. So the survey is conducted to know the "Performance Appraisal Effectiveness" and "Employee Perception" in Corporation Bank.

The project has limitations of its own that are expected to influence the final findings of the survey to a certain degree though not much.

1. These various limitations are listed below:-
2. The respondents were under the influence of questioning process.
3. Behavior of the respondents was different in formal environment than that in informal environment.
4. Time availability with the respondent and the interest of respondent in filling the forms played an important role in deciding the quality and biasness of their reply.
5. Time constraint played an important role in restraining surveyors from protesting all recommendations in a comprehensive manner.

Analysis and Findings

The researchers designed a survey questionnaire for managers and operatives working with corporation bank of Delhi. As suggested by Fink (1995b), only purposeful statements based upon research objective were included. All questions were closed to elicit standardized response. Medium of communication was English with focus on use of conventional language. Wording of survey questions/statements was kept simple and unbiased (McClelland, 1993) and questions of trivial nature were avoided (McClelland, 1994).

After a careful analysis of Questionnaire, following findings have been drawn out.

S.No.	Questions	Employees' Perception				
		0% - 20%	20%- 40%	40%- 60%	60%- 80%	80%-100%
1	Employees that fill their ACR regularly					✓
2	ACR is important:					
	- For keeping records of employees performance.		✓			
	- For employees' introspection & self appraisal		✓			
	- For Succession Planning	✓				
3	- For promotion and career development		✓			
	Relationship (Personal or professional) with superior affects ACR			✓		
4	Superiors discuss the matters of ACR before recording his opinion	✓				
5	Awareness about RTIs				✓	

6	Need of any kind of training to improve their current performance					
	- Employees are satisfied with their performance and not in need of any kind of training		✓			
	- They think that they need	✓				
	- They think that it will help to improve their performance		✓			
	- Don't know for the need of their training	✓				
7	Employees that are not satisfied with their ACR's one – sided pattern				✓	
8	According to the employees, which one is better for their organisation					
	MBO				✓	
	360 Degree	✓				

Conclusion

- 100% of the employees are aware about their ACR, but 55% of them mostly take part in filling their ACR. 35% of the respondents think that the ACR is important for keeping record of employee's performance, 25% thinks that it is important for employee's introspection & self appraisal, 25% for promotion & career development & 15% for succession planning. 60% of the respondents think that the relationship (Personal or

Professional) with superior affects their ACR.

- Mostly the superiors do not take opinion of employees for giving comments on their ACR. As the pattern of ACR is one – sided, the employees are not able to know about their falling points and accordingly are not able to correct them for the further assignments. 100% respondents say that they should have the right to record their comment on the remarks that has been recorded by their superior in ACR.

- 90% of the respondents say that the superior doesn't discuss the matters of ACR before recording their opinion. 70% of the respondents are not aware about the act of RTI. 45% of the respondents say that if any kind of training based on ACR is provided to them then, it will help to improve their performance. 80% of the respondents are not satisfied with their ACR's one sided pattern. 70% of respondents think that their appraisal should be according to MBO. 55% respondents say that their appraisal should be according to 360 Degree. 80% of the respondents think that MBO is better than 360 Degree.

Humanistic development reflecting current trends with regards to performance appraisal systems are twofold in nature: 1) to realize the employee's production level and 2) establish a sense of personal appreciate beyond today's automated business community.

There is no such thing as an "ideal" appraisal format and system. Every organization must design an appraisal instrument and process that supports the organizational goals that it wishes to accomplish. In addition, participant acceptance of an organization's performance appraisal system is perceived to be a critical factor in appraisal effectiveness. Suggestions

Suggestion to Corporation Bank for a better and effective appraisal, leading to a better and improved employees perception regarding Corporation Bank are as follows:-

- The Standards or Key Responsibilities, on the basis of which the performance appraisal is measure, should be clear, understandable, motivating, time – bound and measurable, so that the employee can aware of the points on which he is measured.
- There should be a two – way communication between the Employee and Superior, so that the employee can understand his negative and

positive points and accordingly work for improving their results.

- On the basis of survey, it was found that the training on the basis of ACR is rarely provided to the employees, due to which they are not able to improve their current performance. So regular training should be provided to the employees so that they can help the organisation to move forward to achieve the Organisation's Goals.

- On the basis of the employee's performance, Motivational Packages are also provided to them. (Motivation can be either Monetary or Non – Monetary, i.e. Incentives or self – esteem, respectively). So that the employees who are performing better, try to give their best and the employees who are not performing well, try to improve their performance.

- Managers and subordinates must have a shared perception of the purposes and functions of the process and the belief that the appraisal process is useful to them on an individual basis. To this end, an effective appraisal system is one that satisfies the needs of the parties involved in the process. In addition, an effective appraisal system requires that managers not only have the skills necessary to conduct the appraisals, but also the willingness to do so.

Public sector performance appraisals are a significant aspect of making employees more productive and are the "tool of choice" in such performance enhancing efforts. It has been said that "anything worth doing is worth doing well." Given the goals of most appraisal systems, this saying appears to be quite appropriate and, yet, effective appraisals are not assured by a technically sound system alone. Other elements, such as managers' and subordinates' attitudes toward performance appraisals, and expectations also play a significant role in achieving effectiveness of performance appraisal. Organizations must continually look for ways to keep effective management and appraisal behav-

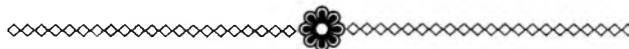
ior in the forefront of managerial consciousness or the things worth doing will not be done well. Appraisals are no exception.

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TATA MOTOR'S LONG TERM FINANCIAL BEHAVIOUR: A RATIONALE

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Abstract:

Long term financial behaviour reflects in financial policy of company, of which major part is capital structure decision i.e. composition of debt and equity. Various theories suggested how optimal capital structure can be achieved but a big gap is found between theory and practice. Adoption of the culture of indebtedness in India initiates the companies to use the debt more and more to take the advantage of imperfect market, and asymmetric information between managers and investors. As Tata Motors is largest as well as high-leveraged company in automobile industry having total capital employed amounting Rs 25,559.83 cr of which debt proportion (long-term) is 52%, so this article tests the validity and appropriateness of target capital structure of Tata Motors, which reflects in long-term financial behavior of company in terms of its value maximization.

Present study reveals that optimal capital structure decision is multidimensional which is not outcome of only economic variables like tax shield, agency costs, financial distress costs, signaling, subsidy etc., but non- economic variables i.e. flexibility, dilution of control, job security, management reward, credit rating, and corporate governance etc., have impact on such crucial decision.

Introduction

Capitalization i.e. long-term funding to support company's growth and related assets, measures the strength of Balance Sheet and of which composition is known as capital structure. Capital structure is a sum of proportion of debt and equity where equity consists of company's common and preferred stock plus retained earning. Being a part of long-term financial policy of a company, capital structure can be determined as per company's desire subject to willingness of investors and other hard constraints. There are no scientific

criteria to determine optimal capital structure, so it lacks exactness but target capital structure can be determined at trade-off between risk and return, which have the scope of adjustment over time as conditions change. Financial policy aims at maximization of firm's wealth, which reflects in market value of equity shareholders. In financial literature, it is one of the most controversial issues that capital structure decision contributes in stock price's maximization of company and various researches and theories.

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Generally a big gap is found between theory and practice. As India is adopting the culture of indebtedness, which initiates the companies to use the debt more and more to take the advantage of imperfect market, and asymmetric information between managers and investors. As Tata Motors is largest as well as high-leveraged company in automobile industry having total capital employed amounting Rs 25,559.83 cr of which debt proportion (long-term) is 52%, so this article tests the validity and appropriateness of target capital structure of Tata Motors, which reflects in long-term financial behavior of company in terms of its value maximization. In previous financial literature most of the studies provided the management approach regarding determination of capital structure but we are going to consider both management approach as well as investor's views regarding financial leverage.

About the Tata Motors Limited

Tata Motors Ltd, established in 1945, is a multinational corporation headquartered in Mumbai India. Part of the Tata Group, it was formerly known as TELCO (TATA Engineering and Locomotive Company). Tata Motors has consolidated revenue of USD 16 billion after the acquisition of British automotive brands Jaguar and Land Rover in 2008.

It is India's largest company in the automobile and commercial vehicle sector with upwards of 70% cumulative Market share in the Domestic Commercial vehicle segment, and had a 0.81% share of the world market in 2007 according to OICA data. The OICA ranked it as the 19th largest automaker and the second largest manufacturer of commercial vehicles in the world. Tata Motors is also the designer and manufacturer of the iconic Nano, which at INR 100,000 or approximately USD 2300, is the cheapest production car in the world. Tata Motors is a dual-listed company traded on both the Bombay

Stock Exchange, as well as on the New York Stock Exchange. Tata Motors in 2005 was ranked among the top 10 corporations in India with an annual revenue exceeding INR 320 billion. It is highly leveraged company adopting pecking order theory of capital structure theory as a part of its financial policy. Given the importance of large companies in the economy, and their social value in creating jobs, it is worthwhile studying the reasons for their financial behaviour.

Review of Literature

As long term financial behaviour is a major part of capital structure decision, so various studies have been conducted in this regard. First According to Modigliani – Miller Approach (1958), the total pie does not change as it is divided into debt, equity and other securities. M& M (1977) introduced personal income tax into the analysis and that for wide range of value of dividend, interest and corporate tax rates, “the Gain from leverage vanishes entirely or even turns negative.”

According to trade-off theory, Capital structure is determined by a trade off between the benefits of debt and costs of debt (Jenien and Meckling 1976, Jensen 1986).

While the pecking order theory has long roots in the descriptive literature, it was clearly articulated by Myers (1984) Consider three sources of funds available to firms-retained earnings, debt and equity. Equity has serious adverse selected, debt has only minor adverse selected and retained earnings, avoid the problem. Market timing, a relatively idea is having a renewed range of popularity in the academic literature. In surveys, such as these by Graham & Harvey (2001) managers continue to offer at least some support for the idea.

Das Gupta and Ying (2001) have argued that the pecking order hypothesis and the trade-off theory of capital structure choice should be

viewed as complementary rather than alternative ideas. Graham & Harvey (2001) survey fortune 500 companies and revealed that the earnings volatility, tax advantage of interest on debt and credit rating are the important determinants of debt policy in large firms. Myers (2001) emphasized that higher leverage ratios tend to be associated with a high proportion of tangible assets as well as low profitability.

In a study by Bhandari (2002) capital structure choices have been found to be influenced by such factors as growth, cash flow, and size product and industry characteristics. In a study by Anand (2002) retained earnings were the most favored (89%) sources of the finance loans from financial institutions (59%) and private placement (32.9%) of debt were the next most widely used source of finance. Only 16.9% of the respondents considered equity as the most preferred source of finance.

Bhole (1980-200) has shown that the leverage ratio is positively related with tax deductibility, supply factor, cost of equity, growth rate, financial balance and inflation rate and is negatively related with the profitability and cost of borrowings Bhole and Manakud (2004) in their study of trends and determinants of capital structure in respect of public and private companies developed the panel data model. Mehrotra (2005) concluded that make conscious decisions to match assets and liabilities with the aim of limiting expected cost of financial distress and protecting their companies ability to carry out their investment plans. Seetanah, Padachi and Ronoowati (2007) in their study of 38 firms of stock exchange for the period of 1995-2004 showed that important factors influencing, capital structure choice are profitability, size, tangibility and liquidity. Sinha & Ghosh (2008) study concluded that the determinants of corporate capital structure change their signs and magnitudes with respect to the orders of the determinants, the time period

and capital structure components. A study of Karam Pal & Monika Verma (2009) concluded that profitability, asset composition and growth rate, which can play an extensive talk in shaping the capital structure of Indian textile firms. While Frank and Goyal examined the relative importance of many factors in the capital structure decisions of publicly traded American firm from (1950 to 2003) and found most reliable factors for explaining market leverage are: median industry leverage (+effect on leverage), market to book assets ratio (-), tangibility (+) profits (-) log of assets (+) and expected inflation (+).

However, no exclusive study has been carried on a large company, which is high leveraged, to test its long-term financial behaviour (capital structure) in terms of its value maximization, which provides the researcher an opportunity and rationale to undertake such a study.

Research Methodology

Research Methodology of this study contains following procedures:

Research Design: The design of the research helps to get the ways for doing the ways for doing the work. It is the fact that if the researchers want to establish truth and gain, wide acceptability for his work for research, necessary devotion on a lot of consideration to the procedure of conducting the study, should be given. As the purpose of the research is to discover answers to questions through the application of scientific procedures, present study is of exploratory in nature. Summary of the proposed research work is given as under.

Source of Data: Study is mainly based on secondary data but in case of its insufficiency, visiting will collect primary data to officials of company as well as investors through a survey to know the taste and preference towards financial leverage.

Time Period: To make the intra- firm comparison of Tata Motors, study is based on the data for 5 years started from the year 2004 to 2008.

Hypothesis

H1: Long-term financial behavior of Tata Motors is outcome of long term Financial Policy adopted by company.

H2: Long-term financial policy represents the designing of capital structure of company.

H3: Non-economic factors have also effect on optimal capital structure of company.

H4: Not being the satisfactory financial behavior of company, capital structure of company is not optimal.

H5: Company has adopted Pecking Order Theory.

Objectives of the study

To test validity and appropriateness of target capital structure of Tata Motors.

To assess the long-term financial behavior of Tata Motors in term of value maximization.

To know the implications of Pecking Order Theory adopted by company.

To find the relationship between capital structure and value of company.

To suggest the measures to be taken by the Tata Motors to improve its long term financial management.

Theoretical Relevance of long-term financial behavior

Earlier it has been stated that financial structure of company is determined on the basis of trade off between risk and return. M.M. Theory says that there is a positive relationship between volume of debt and cost of equity. As volume of debt increases, financial risk rises consequently cost of equity (expectations of shareholders) goes up. As per Pecking Order Theory asymmetric information between managers and investors, can be used to maximize the net present value of company if marginal cost of debt is less than the benefit derived from debt securities. So company will not prefer to choose the issue of any securities, which is undervalued, to finance any new project.

Tata Motors is high leveraged company which believes in Pecking Order Theory which suggest the company to rely on the internal sources and but if external financing is required than preference to debt should be given instead of equity.

Implications of Pecking Order Theory

Pecking Order Theory states that appropriateness of capital structure of Tata Motors Ltd that reflects in financial behavior of company can be tested on the basis of cost and benefit analysis. The following tables explain the cost and benefit analysis of high leverage of Tata Motors:

Table 1: Cost Analysis of Tata Motors Capital Structure

Year	k_d	k_e	Debt (%)	Equity (%)	WACC
2004	16.07	29.05	78.11	21.88	20.69
2005	8.73	30.22	87.34	14.50	12
2006	9.99	28.76	88.47	13.04	12.59
2007	9.19	29.25	91.23	9.61	11.20
2008	6.78	29.26	94.22	6.14	8.18

Table 2: Benefit over Capital Structure

Year	WACC	ROI	Difference
2004	20.69	30.82	10.13
2005	12	28.30	16.30
2006	12.59	27.78	15.19
2007	11.20	27.11	15.91
2008	8.18	21.30	13.12

Table 1 indicates that Tata Motors has the trend of increasing the debt proportion in total capitalization and vice-versa in case of equity, consequently over all cost of capital (WACC) is decreasing over the years excepting the year 2006. It seems that high financial leverage used by company, is contributing in shareholder's value maximization as shown in Table 2 where ROI is exceeding the WACC and such difference indicates the benefits over use of high debt in capital structure.

Testing of Hypothesis

Following table explains discrepancy between theoretical value of share and observed value of equity share of company from shareholder's point of view, using χ^2 -test at 5% level of significance:

Table 3: Table showing the χ^2 value

Year	Theoretical value of share (Expected)	Observed value of equity share (Adjusted)	χ^2 value
2004	12.30	11.92	14.37
2005	13.52	14.37	0.05
2006	17.28	20.86	0.74
2007	21.48	18.86	0.32
2008	24.73	4.74	16.17
			$\chi^2 = 17.30$

χ^2 value is 17.30 which is significant at 5% level of confidence with degree of freedom i.e.4. So, null hypothesis has been proved wrong that means being fitness of Pecking Order Theory (being excess of benefits over cost of capital shown in Table 2), capital structure of Tata Motors Limited is not optimal and there is no perfect co-relation between capital structure and market value of equity shares of company, so other variables have also impact on market price of share of company.

Multiple dimensions of capital structure

As we have discussed above that there is a variation between theoretical value and market value of share of Tata Motors which means framework of financial policy of company is multi-dimensional consisting of economic and non-economic values from management as well as investor's point of view. Sometimes more weightage is given to economic variables (given Table 4) in evaluation of any financial proposal but discrepancy between theoretical value and actual market value of equity share indicates the importance of non-economic variables (shown in Table 5) in shareholder's value maximization, as financial risk increases due to increase in debt proportion in total capitalization.

Table 4: Table showing economic variables affecting Capital Structure

S. No.	Economic variables
1.	Tax shield: <ul style="list-style-type: none"> - corporate level - personal level
2.	Financial distress cost
3.	Agency cost equity debt <ul style="list-style-type: none"> - underinvestment - assets substitution - refusing to contribute equity capital - cash in and run - playing for time - bait and switch
4.	Non financial stakeholders: <ul style="list-style-type: none"> - Customers - Employers - Suppliers - Community
5.	Agency cost equity management: <ul style="list-style-type: none"> - residual claim - reduction free cash flow - corporate control shareholders - corporate governance
6.	Signaling
7.	Subsidy

Figure 1: Relationship of shareholder’s value with economic values (as per neoclassical view)

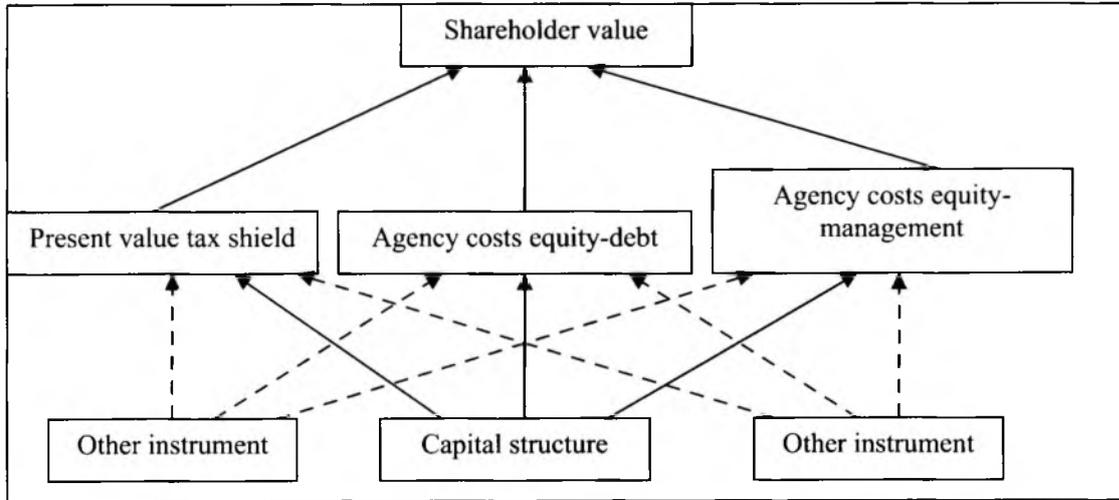


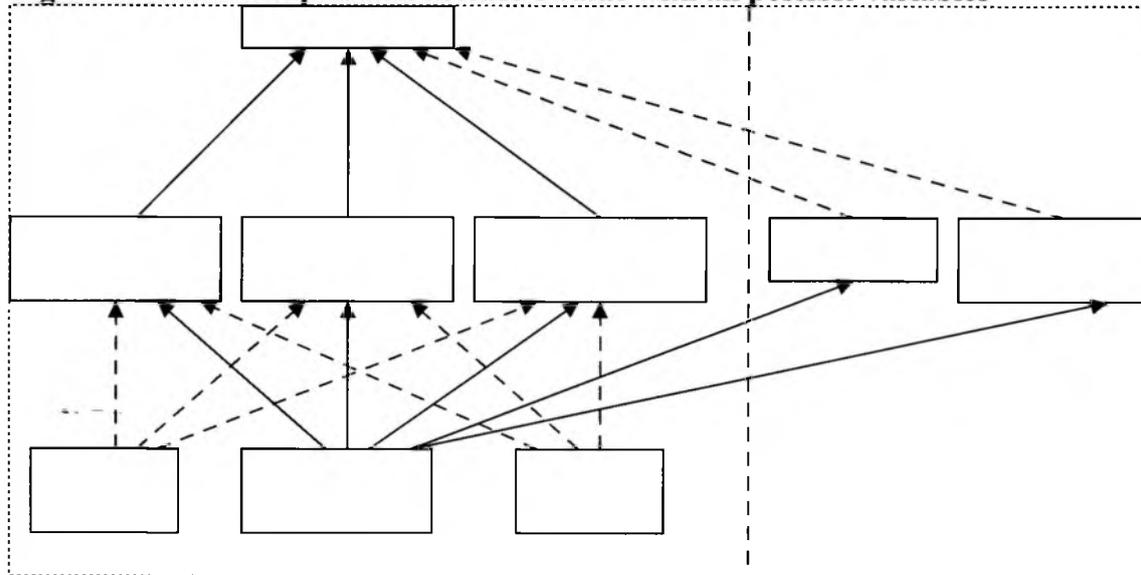
Figure 1 shows that the shareholder’s value of Tata Motors Ltd. is related to present value of tax shield with agency costs as stated in Table 4. The financing decision now is an instrument that influences the value of these variables. Higher leverage gives the higher present of tax shield; in addition to this other instruments could have also an impact on financial decision as shown in Figure1. The financing decision influences agency costs as

well.

The financial problem even in neo-classical context is very complex. There are some variables, which cannot be translated into quantifiable costs, and benefits of which possible effect can not be neglected known as non- economic variables as shown in Table 5 and Figure 2 given below:

Table 5: Table showing non-economic variables affecting Capital Structure

S. No.	Non economic variables

Figure 2: Relationship of shareholder's value with all possible variables

Findings and Conclusion

Appropriateness of capital structure i.e. long term financial behaviour of Tata Motors reflects in market value of company's share, which has not been moving as various theories including pecking order theory, stated that use of debt i.e. financial leverage will contribute in value maximization. Table 2 & 3 explain that on the one hand, increase in financial leverage is reducing the over all cost of capital (WACC) of company and on the other hand, being reduction in WACC, the market prices of equity share have not been gone up consistently, it started to decline in the year 2007 even crashed in the year 2008. There is also

a discrepancy between theoretical value of equity share and it's market value which is significant at 5% level of confidence under x2-test. So it can be concluded that optimal capital structure decision is not outcome of only economic variables like tax shield, agency costs, financial distress costs, signaling, subsidy etc., but non- economic variables i.e. flexibility, dilution of control, job security, management reward, credit rating, and corporate governance etc., have impact on such crucial decision. It is suggested that Tata Motors should liquidate its some debts to bring down high level of leverage and to reduce the financial risk that can lead the personal leverage to be made by investors.

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Cost of Equity Capital

Dividend forecast approach,

$$P_e = D_1 = D_1$$

$k_e - g$

Where,

P_e = Price per equity share

D_1 = Expected dividend per share at the end of one year

k_e = Rate of return required by the equity shareholders

g = Growth rate of dividends

Overall capitalization rate of the firm

$$k_o = k_d \frac{B}{B+S} + k_e \frac{S}{B+S}$$

Where,

k_d = The cost of debt

B = The market value of the outstanding debt

S = The market value of equity

k_e = The cost of equity

k_o = The weighted average cost of capital

$$\sum \frac{(O-E)^2}{x^2} \text{ value} = E$$

Appendix:

List of Formulas

The Value of Equity Share:

$$P_0 = \frac{D_0 (1 + g)}{k_e - g}$$

Where,

D_0 = Current dividend per share

g = Expected constant growth rate in dividends

k_e = Expected rate of return or required rate of return

Cost of Debt = $I(1 - T)$

Net proceeds from debt

Where,

I = Annual interest payment per debenture capital

T = Corporate tax rate

A CASE STUDY ON KOTAK SECURITIES: COMPARATIVE ANALYSIS OF MUTUAL FUND SELLING BY PRIVATE BANKS IN INDIA

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Abstract:

The Indian mutual fund industry has witnessed significant growth in the past few years driven by several favourable economic factors such as rising income levels, the increasing reach of Asset Management Companies (AMCs) and the exponential growth of distribution channels including banks. India has been amongst the fastest growing markets for mutual funds since 2004, in the five-year period starting from 2004 to 2008. The Indian Mutual Fund Industry grew at 29 % CAGR as against the global average of 4%. This explains the wide potential which is still untapped & far-reaching scope of Mutual Fund Industry with respect to Indian scenario. Keeping in view the growth trajectory of Indian Mutual Fund Industry and the fact that Mutual Funds form a very essential part as an asset class in the overall Wealth Management portfolio of Banks, the research was undertaken with an attempt to study the marketing strategies adopted by Kotak Securities vis-à-vis other leading private banks so as to identify the key areas of improvement for Kotak Securities.

Keywords:

Mutual Funds, Distribution, Private Banks, Wealth Management, Relationship Managers

Introduction

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund.

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There are many entities involved and the diagram below illustrates the organisational set up of a mutual fund:

Literature Review

The area of Mutual Funds research is clearly an important one to the financial services industry. Further, the scope for banks as a growth driver for distribution of mutual funds is huge. The concept of all financial services under one roof and relationship banking have contributed a lot in building up of Mutual Funds business. The literature on Mutual Funds indicates the success story of this new channel in most of the Developing Countries. Above all, the reputations of the banks is also stated to have played a key role in popularizing the concept of providing all financial services under one roof in the developing countries. There are several studies that have related cross-selling opportunities to the development of common acquisition patterns of financial products and/or to the identification of specific customer segments as best prospects for successful cross-selling. The research studies have shown customer's demographic data such as income, education, life cycle; financial sophistication, age and gender can predict the probability of acquisition of financial products and services and may affect customer's likelihood of purchasing another product from the same financial service provider.

Black et al. (2006) examined Customer's choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant. Morrison and Roberts (2007) highlighted the significance of product channel interactions and the need to consider the degree of congruence between a product and a channel when evaluating the factors influencing the decision to adopt or use a channel for a purchase.

Anand and Murugaiah (2004) studied the strategic issues related to marketing of financial services and concluded that financial services providers require new strategies to survive and continue to operate. They have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks so as to enable them to survive and face the stiff competition from both domestic and foreign players.

Mutual Fund Industry in India

Mutual funds in India have come of age to cater to the needs of investors. SEBI, which also controls the stock market operations, is the regulatory body of the Indian mutual fund industry. Mutual funds can be classified into open-ended funds, close-ended funds, and interval funds, based on the fund structure. Based on the investment objectives, they are divided into growth funds, income funds, balanced funds, and money-market funds. Based on the specific purpose of use, mutual funds are classified into tax savings schemes, index funds, and theme-based funds (including industry-specific or sectoral funds). Many fund marketers have come out with innovative and customer friendly products that aim at satisfying the investors' financial goals.

Some funds attract entry and exit loads. Such loads are used to recover the costs spent on distribution and other marketing costs.

The primary distribution channels for mutual funds in India are (1) banks (approximately 80), (2) national and regional distributors (approximately 3000), and (3) independent financial advisers (approximately 40,000).

[Insert Chart 1 here]

Mutual fund distribution by banks is emerging as a key element. Banks have huge potential to build and improve the retail segment, which needs to become as strong as its institutional counterpart. Even among banks, there are two models of distribution that may be adopted.

Model 1: Here, the banks handle wealth

management of their clients and, on their behalf, manage portfolios wherein investment in mutual funds is one asset class. Such banks have sophisticated wealth management practices with qualified staff and well-heeled clients. MNC banks, private banks and a few niche players (like HSBC, Citi, ICICI, HDFC, Kotak etc) are examples.

Model 2: These banks use their networks to sell MFs as just another financial service. Most of the PSBs and other commercial banks including large cooperative banks fall under this category. For the banks the existing customer base serves as a captive prospective investor base for marketing mutual funds. They have the advantage of having already won the trust of the customer. There is no other distribution channel that can have a more effective retail penetration across Tier-II and Tier-III cities as well as across rural India. This channel has slowly realized its own potential and is now emerging as a big player. Abroad banks are among the leading fund supermarkets. This paper is an attempt to study in-depth Model-1 particularly. A comparative analysis has been done to study the efficiency of distribution strategy adopted by Kotak Securities for selling Mutual Funds to its niche segment vis-a-vis its near most competitors such as HDFC Bank, HSBC, CitiBank, ABN AMRO Bank.

Factors Influencing Performance of Mutual Funds

The performances of Mutual funds are influenced by the performance of the stock market as well as the economy as a whole. Equity Funds are influenced to a large extent by the stock market. The stock market in turn is influenced by the performance of the companies as well as the economy as a whole. The performance of the sector funds depends to a large extent on the companies within that sector. Bond-funds are influenced by interest rates and credit quality. As interest rates rise, bond prices fall, and vice versa. Similarly, bond funds with higher credit ratings

are less influenced by changes in the economy.

Objective of the study

To understand and analyze the services offered by Kotak Securities vis-à-vis private banks selling Mutual Funds.

To prepare a SWOT Analysis for Kotak Securities (Financial Planning Group) vs. other Major Banks selling Mutual Funds.

To suggest key areas of improvement for Kotak Securities.

Research Methodology

This study is a comparative study undertaken with an objective to analyse the Model-1 Type distribution channel (as specified above) adopted by leading Indian private banks. The data collected for the study is for the period 2008-2009. Grounded methodology has been adopted for conducting the research. For the study, primary data was collected from the Relationship Managers. An exhaustive questionnaire with open ended questions was prepared for the same.

Findings and Discussions

A) Kotak Securities

Company Profile

Kotak Securities Ltd. 100 % subsidiary of Kotak Mahindra Bank is one of the oldest and largest broking firms in the Industry. The company's offerings include stock broking through the branch and Internet, Investments in IPO, Mutual funds and Portfolio management service.

Basis Of Recommending A Mutual Fund

The relationship manager recommends a mutual fund by having an interaction with the prospective client whereby he discusses with the client his risk profile, investment objective, investment horizon, age, income, amount of spare income, existing portfolio and client's knowledge about mutual funds.

The relationship managers also receive a daily mutual fund tracker in which the research team

gives point to point returns for various classes of mutual funds. So while recommending a mutual fund the relationship manager refers to this tracker. They also receive a Mutual Fund Advisor on quarterly basis which contains the research team's outlook on various categories of mutual fund, thematic funds and index performance funds. The advisor gives a comprehensive report on performance of mutual funds which contains the total corpus, stock holdings, performance on index, the fund manager and research team outlook for the next quarter.

Services Rendered

Dedicated relationship manager is provided to service the client and recommend him from time to time when to buy or sell. Hardcopy of the statement is mailed to the client as and when requested for in addition to this an audited tax statement is given at the end of the financial year.

The client does not enjoy access to web except **Kotak Freedom** clients, for any assistance relationship manager will help the client with his respective problem.

KOTAK FREEDOM is a specialized product launched by Kotak Securities with salient features like :

The client can buy or sell the mutual fund units via a single phone call or an e-mail or a fax or by logging into his online account.

They provide the client with wide range of funds of almost 21 asset management companies.

Apart from online reporting the client would be sent monthly MIS to help track the invested funds. For online account compatibility Kotak Securities has tie up with five banks namely, KMBL, HDFC, UTI, ICICI and Citibank.

The client enjoys one point contact with his relationship manager so he does not have to talk to someone new every time.

B) HDFC Bank

Company Profile

HDFC-Private Banking Group

HDFC Bank offers Private Banking Services to select high net worth individuals and institutions. The service is provided by an advisory team specialized in financial and investment services. The Bank has been rated as the

'Best Private Bank in the Super Affluent Category in India'

Basis Of Recommending A Mutual Fund

The advisor will understand client's profile, correlate it with the existing asset allocation, analyze the existing investment vis-à-vis available market opportunities and will then rebalance the portfolio across the agreed profile and in-line with the client's cash flows and risk aptitude. This is supplemented by ongoing portfolio tracking / rebalancing to suit market conditions. All this is done through communication on email and meetings with the client in the advisor's home city.

The questionnaire contains few relevant questions like age of the client, liquidity requirement, investment horizon, goals and cash flows which help the advisor in deciding the asset allocation.

Services Rendered

The client is provided with dedicated relationship advisor who is a seasoned finance professional and adds value to the client's portfolio by keeping him up to date with financial markets and investment opportunities.

C) HSBC Bank

Company Profile

HSBC's origins in India date back to 1853, when the Mercantile Bank of India was established in Mumbai. The Bank has since, steadily grown in reach and service offerings, keeping pace with the evolving banking and financial needs of its customers. In India, the Bank offers a comprehensive suite of world-class products and services to its corporate and commercial banking clients as also to a fast growing personal banking customer base.

Basis of Recommending a Mutual Fund

HSBC Relationship Manager helps to plan clients finances, based on their needs, goals and

risk appetite. The relationship manager plans out everything starting from retirement planning, property purchase to financing children's education. The client will have the opportunity to review the progress of his investment portfolio at least twice a year to ensure his finances are kept up-to-date.

To decide the most appropriate structure of client's portfolio the Financial Planning software is used which is a comprehensive tool to decide the initial asset allocation i.e. in sync with his risk appetite and returns requirement. This software comprises of all the relevant questions like age of the client, investment horizon, liquidity requirements, objectives, short term and long term requirements, monthly income, amount of spare income and the percentage it constitutes of his total wealth.

HSBC enjoys the support of a strong research team which monthly issues a research report on performance of mutual funds called White Listed Funds.

Services Rendered

A dedicated relationship manager and service team is there to serve the client and render the best possible services/solutions in each given situation.

To update the client about his portfolio on daily basis, HSBC Premier has now facilitated online viewing of their clients' portfolio by using their respective user id and password. But online buy and sell of funds is not possible. They have a unique system called QNIS for buying and selling a fund before 2 PM everyday. So, whenever a client wants to enter or exit from a fund he has to inform the Relationship Manager before 2:00 PM.

The personalized financial review is done once in every year and this is ensured by the sales quality check team. The purpose of this review is that the funds of the clients are parked in the right scheme and are moving in the right direction to meet his goals. A key feature document is given to the client which contains basic information about

mutual funds, the products offered, and client's commitment to stay invested with the bank.

E) CITIBANK

Company Profile

Citi is today's pre-eminent financial services company, with some 200 million customer accounts in more than 100 countries. Citi group's history dates back to the founding of Citibank in 1812, Bank Handlowy in 1870, Smith Barney in 1873, Banamex in 1884 and Salomon Brothers in 1910.

CITI GOLD

Citigold offers the access to world class research on the global and local economy through a team of experts from Citigroup. Citigold Wealth Management is an innovative feature to complement Citibank and their range of banking services in India.

Citigold Wealth Management processes have been designed keeping the long-term benefits and convenience of the customer in mind. Citigold Wealth Manager, backed by a team of experts in the field of investments, insurance, treasury and foreign exchange services provides the client with expert advice through the CitiGold Wealth Management Process and helps keep track of customers portfolio on a regular basis.

Basis of Recommending a Fund

Citigold follows a **two step process** for managing client's wealth-

The first step begins with *Citipro*, the Financial Managing Tool. It helps to assess clients existing wealth, cash flow requirements, risk appetite and investment horizon. The profile and cash flows will determine the optimal portfolio allocation into liquid assets, medium term and long term investments. It also helps the client to rationalize existing liabilities and determine insurance requirements so that his family can continue to avail the same benefits and fulfill their dreams even in case of an unfortunate eventuality. It thus enables customer to preserve, protect and grow wealth.

The second step pertains to *product selection* and

portfolio review and rebalancing with CitiChoice. The client can select from a shortlist of top performing mutual funds in each of the liquid, debt and equity funds asset classes from leading fund houses in India. Depending on his risk appetite and investment horizon, he can also invest in Government of India fixed income securities, treasury bills and corporate bonds/ debentures/ commercial papers.

For recommending a mutual fund, the wealth manager assesses his risk appetite by using a questionnaire called

CITIPROFILE-which consist of few relevant questions like age of the client, investment horizon, amount of money parked in mutual fund, percentage of total wealth, need to invest, return requirement, liquidity, goals, existing portfolio and magnitude of loss that can be sustained. This helps in deciding the asset allocation and the respective fund and scheme that should be chosen.

Citigold has a strong research team in Mumbai which issues every month a detailed report on performance of mutual fund every month-this is known as MUTUAL FUND FACT SHEET. In this FACTSHEET, the wealth manager looks for point to point returns(1 week, 10 days, 30 days & 6 months), how well these funds have performed on index, alpha, beta and few other relevant ratios .A synopsis is given where the top 10 holdings in each fund are mentioned-which influences the Relationship Manager decision.

Services Rendered

An exclusive CitiGold telephone line at *CitiPhone*, *Citibank Online* and *Citibank Banking Centers* enables the customer to conduct their banking transactions 24 hours a day, 7 days a week.

The clients are given a *username and password* for accessing their online accounts anytime-they can check their holding statement and transaction statement anytime.

Hardcopy of the *statement* is mailed to the client once in a month or a quarter as per his request.

After every transaction a *transaction advice* is sent

to the client from Chennai Head Office-giving him full details of the transaction, the holding of the new portfolio and is sent independent of the relationship manager and branch manager.

The relationship manager every week calls the client and discusses the portfolio details with him and keeps him aware of the new investment opportunities from time to time.

For clients information, CITICHOICE – a list of top performing funds is mailed to the client every quarter along with a monthly factsheet which contains the latest market happenings and economy news.

SWOT ANALYSIS: Kotak Securities **Strengths**

Brand Value of Kotak in the market

Synergy in the group and every business unit under one Umbrella Brand - Kotak

One of the best players in research

Largest broker in terms of volume

Dedicated Relationship Managers – 200 RMs nation wide

Weaknesses

Rigidity with processes and less flexibility

High fee structure as compared to other players

Less focus on existing clients

Opportunities

Good performance in equity markets

Continuously growing investments

Increased awareness about financial planning and wealth management

Threats

Stiff competition from the established domestic players like ICICI, HDFC & foreign players like CITI, HSBC etc.

High Employee turnover

Conclusion

This paper made an attempt to critically evaluate the factors influencing the selling strategies adopted and services provided by Kotak Securities vis-à-vis other leading private banks both domestic and foreign. After conducting a SWOT analysis of Kotak Securities along with other private banks distributing Mutual Funds, it can be concluded that the financial services space is rapidly growing in India. Yet, organisations also face the challenges of mounting competition, more complex regulation and ever more exacting customer expectations.

Key priority areas for Kotak Securities include ensuring that the business model takes full account of customers' needs, tax, financial and regulatory considerations and the organisation's capacity to change the way it does business. For this purpose, the Relationship Manager should ideally be equipped with a Financial Management Tool which enables him to study and analyse the customer profile & needs and accordingly suggest the most suitable product. Efforts should be taken to provide the clients with separate and exclusive lounges where they can discuss their transaction and investment needs in comfort and confidentiality.

The underlying product that is being sold is similar with other banks and broking houses, therefore the difference lies in sales pitch and services rendered to lure the customer. The company can have a tie up with its parent bank -Kotak Bank to provide privileges like internationally accepted debit card, gold credit card, loans at preferential rates and reduced paperwork and tax advisory services.

For better relationship building seminars, workshops and events should be organised more frequently. Events like movie shows, art of living classes, free dining, contests and lucky draws, ghazal nights, exhibitions and theatre shows may be organised regularly.

To ensure that clients are satisfied with the Relationship Manager and services offered in general, sales quality check may be done to ensure that Relationship Managers are servicing

the clients in best possible manner, all his needs are being looked into and the fees structure is well understood by him.

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