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Book Review

Karnatak Law Society's

Institute of Management Education & Research

Belgaum, Karnataka

Call for Papers

International Conference on Innovations, Entrepreneurship and Strategy for Emerging Markets – [ICIESEM]

We are pleased to inform our readers that we are organizing an International Conference on Innovations, Entrepreneurship and Strategy for Emerging Markets on 12th & 13th February, 2015. We invite empirical research papers, conceptual papers, and case studies from academicians, research scholars, practicing consultants and corporate professionals, across different continents on the following themes:

Innovations

- Innovations in Finance
- Innovations in Marketing
- Innovations in Human Resource
- Innovations in Operations & IT
- Innovations in Library Science
- Frugal and disruptive innovations
- Emerging theories, models & concepts in innovation
- Grass root innovations

Entrepreneurship

- Social Entrepreneurship
- Emerging theories, models, concepts in entrepreneurship
- Corporate Entrepreneurship
- Women Entrepreneurship
- Intrapreneurship
- Entrepreneurship Development

Strategy

- Emerging theories, models, concepts in strategy
- Strategies for emerging markets
- Blue ocean strategy
- Strategic choices
- Strategic leadership
- Strategy formulation and implementation

And any other related subthemes

Important Dates	
Abstract submission	May 15, 2014
Notification of abstract acceptance	May 30, 2014
Submission of full length papers	September 30, 2014
Acceptance notification	October 31, 2014
Last date for registration	December 15, 2014
Conference dates	February 12 & 13, 2015

Registration Details

Delegate Type	Fees	Early Bird Offer Before November 15, 2014
Corporate Participant	Rs 4000	Rs 3500
Academician	Rs 3500	Rs 3000
Student	Rs 2000	Rs 1500
International Delegate	USD 250	USD 200

**** Registration fee does not include accommodation.***

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From the Editor's Desk.....

Dear Readers,

Greetings from the IMER family!

Our journal 'Tatva' is a platform for scholars, researchers and practitioners to share their knowledge and experience in the field of management. We are pleased to release the tenth volume of 'Tatva'. The issue contains scholarly research articles, case study and book review and we are sure that it will be meaningful and enjoyable to read.

The first article is about the growth of the Association of South East Asian Nations (ASEAN) and the economic integration of the countries in the region. Change has impacted the banking sector in India like never before. The second article discusses the impact of technology on bank operations and the third article deals with the challenges of managing nonperforming assets (NPA) in new generation co-operative banks. In recent years capital markets have attracted a large number of retail investors in India; however the volatility of the markets has exposed them to high risk. The fourth article is a study on equity derivatives as a risk management instrument.

Managing and developing human resources is a major challenge in today's knowledge economy. Article five is an attempt to predict the turnover intent among call center employees by examining the effect of employee engagement practices. The sixth article is a study on the motivational factors that influence plateaued faculty members and the seventh article discusses the challenges faced by recruiters in the technology driven business world.

Dr. APJ Abdul Kalam, our former president strongly believes that the role of a teacher is paramount in building a strong and vibrant India. The eighth article discusses the need for formulating sound motivational strategies to increase the quality and quantity of teachers in India. As has been our practice this issue also carries a book review in the area of entrepreneurship.

It has been our constant endeavor to promote research in management and we are happy to inform you that our Institute has been recognized as a research center by Rani Channamma University, Belagavi, and very soon we are going to launch doctoral programme.

We wish to express our sincere gratitude for the support and guidance received in our journey towards excellence. We thank the writers for their scholarly articles, case study and book review. We are grateful to all our readers for their patronage, encouragement and invaluable feedback. We are thankful to the reviewers and all the members of the editorial board for their constant guidance.

We take this opportunity to invite your contribution to Tatva through scholarly articles, case studies, book reviews, and suggestions for further improvements.

We wish you and your family a happy and prosperous new year!

Dr. Shashidhar G. Chiniwar

CONTENTS

Book Review

ASEAN – A Move Towards Positive Integration

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Abstract

The paper studies growth of Association of South East Asian Nations (ASEAN), especially after 1990s. The focus is also on the economic integration which distinguishes between negative integration (removing barriers to integrate, such as internal tariffs) and positive integration (creating union-wide markets and institutions by positive actions) of ASEAN. The main element of the paper is intra-industry trade for the year of 2000 and 2006 of 10 nations of ASEAN. The paper computed most traded thirty commodities with Harmonised System (HS) with two digit commodity classifications by using Grubel - Lloyd index which results in an increment in growth, trade, investments and subsequently raising standards of living of ASEAN member countries and other emerging and developing countries in Asia due to positive integration. This aspect should be highlighted to strengthen development of Asia in future.

Key words : ASEAN, Regionalism, Intra-industry trade, Tariff lines

Introduction

The pattern of world trade is changing with respect to production and consumption. Today developing and emerging countries in East Asia are the major supplier as well as buyers in the world. The change in pattern of trade is due to growing regional economic integration between the countries, and the growth of intra-regional trade which encourages countries to adopt trade liberalization policies to reap the benefits of specialization and economies of scale within industries. This changing trend is transforming the world trading system in which countries are in benefit from Regionalism rather than waiting for continuous negotiations in Multilateralism. In this regard, the growth of South East Asian countries is enormous. As per World Trade Organization (WTO, 2012) statistics, one third of the final goods are exported to the world from this ASEAN+6 (ASEAN, China, Japan, South Korea, India, Australia and New Zealand) region.

ASEAN established in 1967, by the five original member countries, the Philippines, Indonesia, Malaysia, Singapore and Thailand. ASEAN was extended in 1984 to include Brunei Darussalam, in 1995 to include Vietnam, in 1997 to include both Laos PDR and Myanmar and 1999 to include Cambodia. Even starting in 1967, ASEAN had very sluggish growth till 1990s, the actual growth of ASEAN was realised in 1990s, when many East and South East Asian countries (including India, China, South Korea, Australia and New Zealand) understood the importance of Preferential Trading Arrangements (PTAs) and wanted to be a part of ASEAN as a trading bloc with outward looking orientation. Therefore major PTAs and Free Trade Areas (FTAs) have developed after 1990s in East and South East Asia, when trade became the engine of growth. Countries started formulating their trade policies on the basis of Regional benefits than multilateral benefits. Moreover results had come in terms of continuous tariff reductions, growth of intra-industry trade, and free flow of factors of production and foreign direct investment (FDI) in the region.

The paper explores how ASEAN has taken number of initiatives to be close enough to achieve economic integration in the region since 1990. Das (2009) realised the importance of trade on the basis of PTAs/FTAs and growth of intra-regional trade in South Asian regional cooperation. To understand the intensity of the economic integration, the paper studies the tariff structure provided under Most Favoured Nation (MFN) and adhering to all those tariff lines by using applied tariff rates by ASEAN countries from the year of 2002 to 2006 in primary products, manufactured products and all products. The Paper has also considered the share of tariff lines with respect to specific rates which are attached to physical quantity in the primary products, manufactured products and all products. The result shows that every member country of ASEAN has understood the significance of WTO (MFN) and has done the implementation truthfully but still these countries have not received much benefit from MFN and therefore ASEAN moved towards its own region by providing equal opportunity and economic gains and the results were seen in terms of significant growth in trade among ASEAN.

At the end of the paper, it explores intra-industry trade for the year of 2000 and 2006. The paper has considered limited time period from 2000 and 2006 the reason being, the last country joining ASEAN was Cambodia in 1999. And after 2006-07, US financial crisis has affected growth, trade and investments in Asian markets to a great extent. This would require different method of analysis so; this paper focuses only till 2006. Siddiqui (2009) discussed the impact of the US financial crisis on the Asian stock markets, largely on China and India. Kawai (2009) discussed the impact of US financial crisis on the Asian and Pacific regions, particularly on their exports. Most of the countries like China, Japan, Korea, Singapore, Indonesia, Thailand, Malaysia and Hong Kong have been largely hit in terms of growth, exports and investments. The paper computed most traded thirty commodities with Harmonised System (HS) with 2 digit commodity classifications by using Grubel - Lloyd index, which measures the intra-industry trade between ASEAN countries. The results clearly indicate that ASEAN has high intra-industry trade in Automotive products, clothing, electronic data processing and office equipment, food, non ferrous metals, ores and other minerals, other food products, raw materials and textiles. In general, the less developed countries export mostly basic commodities, like clothing and food products, while the higher developed countries export lots of electronic components and consumer electronics.

ASEAN has understood the importance of complementarities within countries and reaping advantages by continuous reduction in tariffs, growing intra-industry trade and rising growth rates of the ten member nations. The impact of this bloc is also visible on the ASEAN+6 (ASEAN, China, Japan, South Korea, India, Australia and New Zealand) in terms of growth, trade and economic gains.

Research Methodology

This paper has used secondary sources of data for the analysis. As a country reduces their tariff lines for member nations, opportunities of intra-industry trade also increases. Chang discussed the patterns and determinants of intra-industry trade which studies vertical intra-industry trade and how it is different from horizontal intra-industry trade. This paper has considered Grubel – Lloyd index to measure intra-industry trade. Intra-industry trade flows are conventionally defined as the two-way exchange of goods within standard industrial classifications. The extent of intra-industry trade is commonly measured by Grubel-Lloyd indexes based on commodity group transactions. Thus, for any particular product class i, an index of the extent of intra-industry trade in the product class i between countries A and B is given by the following ratio:

Where, $\mathbf{IIT}\text{-}_{i,AB}$ is the Intra-Industry Trade of commodity classification i in between the two countries or trading partners A and B, Xi is the exports of commodity classification i from Where, $\mathbf{IIT}\text{-}_{i,AB}$ is the

$$IIT\text{-}_{i,AB} = \left[\frac{\{(X_i+M_i)-(X_i+M_i)\}}{X_i+M_i} \right] * 100 \qquad (1)$$

Intra-Industry Trade of commodity classification i in between the two countries or trading partners A and B, Xi is the exports of commodity classification i from country A to country B and Mi is the imports of commodity classification i from country A to country B.

This index takes the minimum value of zero when there are no products in the same class that are both imported and exported, and the maximum value of 100 when all trade is intra-industry (in this case Xi is equal to Mi). The indices reported in the paper have been computed according to equation (1) for each pair of trading partners of ASEAN (Association of Southeast Asian Nations), for each two digit Harmonized system product classes.

Growth of ASEAN as a BLOC

Kumar (2002), there is a growing recognition of the importance of ASEAN in pan - Asian level especially when the US and EU has been growing at a low rate in the medium term. In 1977 the Agreement on ASEAN Preferential Trading Arrangement (PTA) was introduced, this programme of action is to implement regional economic co-operation with the objective of encouraging closer regional collaboration through an expansion of intra-regional trade, the PTA was implemented through cutting trade restrictions mainly tariffs. Thereafter ASEAN has adopted a vision 2020 of ASEAN Economic Community (AEC) in which member countries are fully integrated with respect to goods, services and factors of production across the region. Table 1 in the end represents the significant change in intra-ASEAN trade in terms of exports and imports from the year 1980 to the year 2000. The recent statistics on intra-ASEAN trade has accounted for 26 percent in 2010. The statistics also shows that Japan (10%), China (11%) and India (3%) are also leading trading partners of ASEAN.

Table 2 in the end represents the historical overview of the ASEAN relations and agreements, which clearly signify the deeper integration in ASEAN by announcing ASEAN Economic Community (AEC) which will be implemented by 2015; it will augment the relations by providing single market and production base, competitive economic region, equitable economic development and integration into the global economy. ASEAN has signed FTAs with China, India, and South Korea, which indicates deeper integration amongst Asian (East, North and South) countries especially after recession of 2007 and euro zone crisis.

Pattern of Tariff Structure in Ten Countries of ASEAN

ASEAN since 1992 is taking number of initiatives to achieve economic integration in the region. The market led process is encouraging ASEAN bloc in which the Multinational National Companies (MNCs) are growing within the region by means of reducing the tariffs and providing liberalised industrial policy in trade and investment. The institution led process is driving towards closer economic integration by reducing tariffs from 40 percent to 0 - 5 percent and non tariff barriers for intra-regional trade because of ASEAN Free Trade Area (AFTA). AFTA created an environment where MNCs are free to choose cross border bases and carry out their economic activities by taking gains from the factor price differences. ASEAN is also facilitating the sub-regional economic zones (SREZs); the main aim of SREZs is to attract the investment in contiguous areas by combining their competitive advantages, economies of scale and reaping benefits of economic complementarities in the region.

Most ASEAN countries have improved their trade performance in recent years and exports have been growing very fast. In most countries of ASEAN, exports have been growing faster than the imports thus improving the trade balance. The sectors that have been performing well in trading are among the likely winners of an FTA. Only Cambodia has an overall trade deficit which has been deepening. The trading patterns are, predictably very different, the Brunei Darussalam have highly concentrated trade portfolios whereas Indonesia and Vietnam have more sectors with high export levels and a more balanced mix of export products. In general, the less developed countries export mostly basic commodities, like clothing and food products, while the higher developed countries export lots of electronic components and consumer electronics.

Countries in ASEAN have drastically reduced tariff lines with respect to primary products, manufactured products and all products. The paper analysed the tariff rates in primary products, manufactured products and all products provided by the World Bank, by using simple mean, most favoured nation tariff rate, which is the unweighted average of most favored nation rates for all products subject to tariffs calculated for all traded goods. Data are classified using the Harmonized System of trade at the six- or eight-digit level. Tariff line data were matched to Standard International Trade Classification (SITC) revision 3 codes to define commodity groups. The paper also used weighted mean applied tariff rates, which is the average of effectively applied rates weighted by the product import shares corresponding to each partner country.

Data are classified using the Harmonized System of trade at the six- or eight-digit level. Tariff line data were matched to Standard International Trade Classification (SITC) revision 3 codes to define commodity groups and import weights. To the extent possible, specific rates have been converted to their ad valorem equivalent rates and have been included in the calculation of weighted mean tariffs. Import weights were calculated using the United Nations Statistics Division's Commodity Trade (UNCOMTRADE) database. Effectively applied tariff rates at the six- and eight-digit product level are averaged for products in each commodity group. When the effectively applied rate is unavailable, the most favored nation rate is used instead. Table 3, Table 4 and Table 5 in the end represent primary products, manufactured products and all products. These tables clearly show the comparison of MFN and tariff rates applied by the respective ten countries of ASEAN.

Table 3 in the end represents the comparison of tariff rates of primary products under MFN clause and effectively applied rates weighted by the product import shares corresponding to each partner country. It clearly indicates that all ten countries of ASEAN adhere to all the rates strictly and open their respective countries to have greater market access in primary products under MFN clause. Vietnam and Cambodia are less open in terms of primary products because of low income countries in ASEAN and the economies are more dependent on agriculture and allied activities. And Singapore being into the high income countries in ASEAN has more exports in petroleum products, food, chemicals, textile and electronic components and therefore lower tariff lines in the primary products.

Table 4 in the end represents the comparison of tariff rates of manufactured products by most favored nation and effectively applied rates weighted by the product import shares corresponding to each partner country. The table represents two things, one is, as compared to primary products the manufactured products have less tariff rates and secondly Singapore has 0% tariff rate as per MFN and applied tariffs. Therefore Singapore has the highest Gross Domestic Product (GDP), per capita income and investment as compared to any other country in ASEAN. By providing low average tariffs under MFN clause, it specifies the growing demand of manufactured products in the world and how countries are reaping the benefits of specialization and intra-industry trade.

Table 5 in the end represents the comparison of tariff rates of all products by most favoured nation and effectively applied rates weighted by the product import shares corresponding to each partner country. As per MFN clause all ten countries have implemented the applied rates and reduced the tariff rates for all products. Again Singapore has 0% tariff rates in all products signifying the importance of Singapore in ASEAN.

Table 6 in the end represents the share of tariff lines with specific rates which is the share of lines in the tariff schedule that are set on a per unit basis or that combine ad valorem and per unit rates. It shows the extent to which countries use tariffs based on physical quantities or other, non-ad valorem measures. It indicates two things, Firstly, the shift in pattern of world trade from primary products to manufactured products and mostly every country of ASEAN has 0 percent tariff lines on the physical quantities, Secondly it suggests more scope for intra-industry trade in manufactured products rather than the primary products. In the year of 2006, Indonesia and Thailand had 0.1 and 0.6 percent tariff lines on the physical quantities except any other country in ASEAN, it represents the disadvantage of market access, in which these two countries have competitive and comparative advantages.

Results and Analysis

Table 7 in the end, shows the intra-industry trade in ASEAN between the year of 2000 and the year of 2006, which has been collected from the UN Commodity trade (UNCOMTRADE). The paper has identified 30 most traded commodities in which intra-industry trade has taken place between the ASEAN countries and results have shown that the commodities (commodities considered on the basis of above 5 percent change in intra-industry trade) in which intra-industry trade has increased were automotive products, clothing, electronic data processing and office equipment, food, non ferrous metals, ores and other minerals, other food products, raw materials and textiles. The above commodities indicate the growth of manufactured products in the world and the impact of 0 percent tariff lines on the manufactured products. Table 7 also represents that almost every commodity has maximum level of intra-industry trade above 90 percent in ASEAN except few commodities like other transport equipment (67.48%), iron and steel (76.12%) and pharmaceuticals (79.85%).

The share of tariff lines with specific rates in manufactured products, clearly states that every ten countries of ASEAN promote intra-industry trade which reduced the tariff lines from higher rates to 0% or 0.1% in manufactured products, it clearly shows the growth of intra-industry trade in automotive industry, electronic data processing and office equipment, clothing, non-ferrous metals, ores and other minerals and textiles (Refer table 6). All ten countries in ASEAN reduced the share of tariff lines in manufactured products except Thailand; the reason is trade diversion in automotive industry and electronic data processing and office equipment especially from China and India. Therefore the tariff lines increased marginally from 0.3 to 0.6% in Thailand. The figure 1 of intra-industry trade within ASEAN has been formulated from the table 7.

After looking at the tables in the end (Table – 3, 4, 5, and 6), Singapore more or less goes with the ASEAN pattern because of the fact that it belongs to the high income countries of ASEAN . The highest growth rate in trade flows is found in the differentiated commodity set, which shows that Singapore's average share of intra-ASEAN trade in total trade is relatively high.Singapore's average share in trade is in computer or machinery and electrical equipments. The increase in trade flows may be because of the lowering of tariff rates; where imports from the World are manufactured and hence, value added, and re-exported to other ASEAN countries. But it might also be the other way round, where another ASEAN country exports commodities to Singapore, which then re exports those commodities. Singapore is gaining more from the establishment of ASEAN, since it enjoys a more advanced industrial production than the other member countries and can now take advantage of a greater market access, giving it a "competitive advantage" in scale-intensive and differentiated commodities.

Conclusions

The manufactured products are showing positive growth in ASEAN which in turn increases the GDP, income, employment, encourages FDI and capital flows in the country by a multiplier effect. The growth in manufactured products motivates countries of ASEAN to open up the gates with more positive integration with tax harmonisation and liberal industrial policies which will increase the standard of living of many low income and middle income countries of ASEAN. ASEAN has to come on a common platform to become a stronger regional community by avoiding few problems like firstly, the wide disparity in countries of ASEAN in terms of growth, per capita income, and resources. Therefore ASEAN still has to make some policies with regard to the uniform policy of market access and FTAs. Secondly the domestic policies of each member nations also should be opened for priority sectors like agriculture, textile and wood industry, because these constraints are not supporting the growth of ASEAN member countries. Thirdly, Many FTAs developed between the ASEAN member countries and it became difficult to find out which to follow and which to avoid. Similarly it should be noted that the developments after US crisis and global recession like situation caused disturbances in positive integration process.

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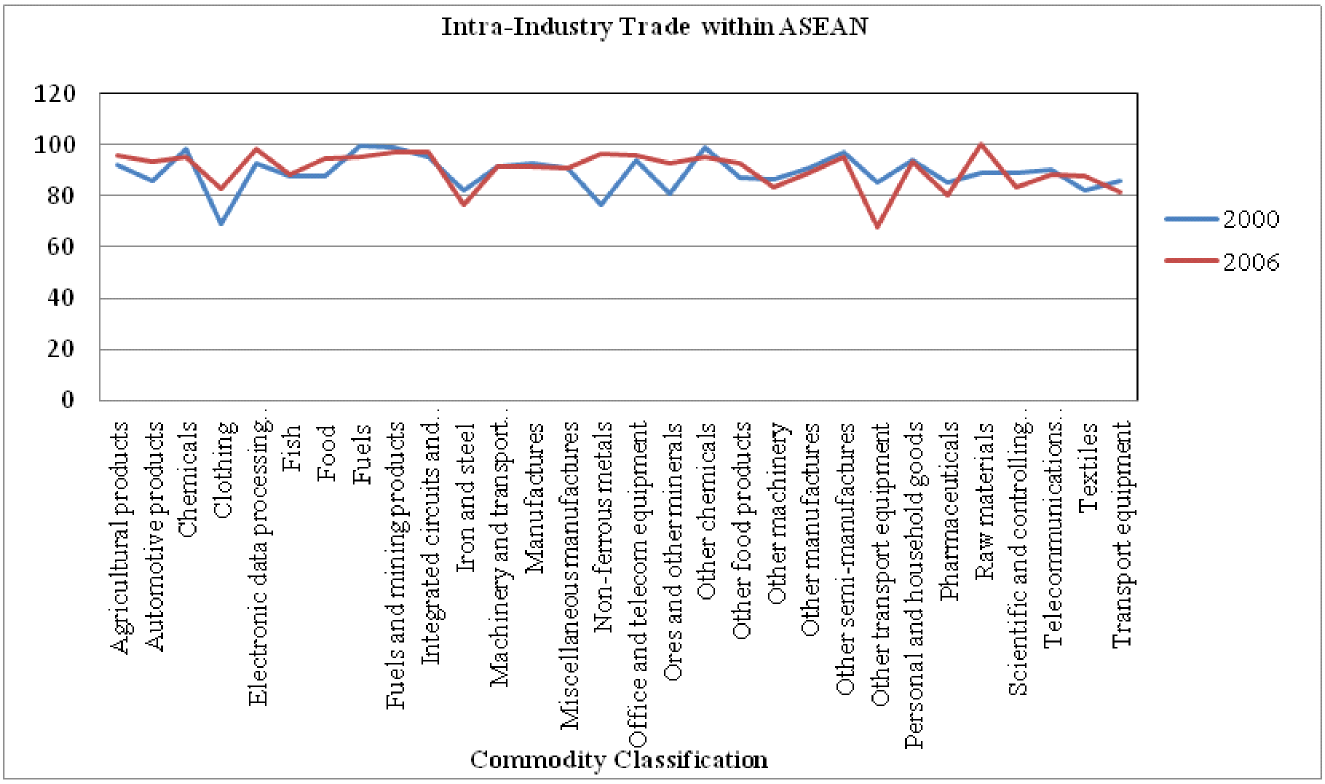
Figure 1. Intra-Industry trade within ASEAN



Source – Computed from the Table 7

Table 1. Intra ASEAN trade as share (%) of total ASEAN trade

	1980	1985	1990	1996	1997	1998	1999	2000
Exports	17.7	18.5	18.92	24.6	24.0	21.0	21.4	22.7
Imports	14.3	17.1	15.1	18.2	18.9	20.8	21.7	24.4

Source – Direction of Trade statistics, IMF

Table 2. Historical overview of ASEAN relations and agreements

Year	Overview
1967	ASEAN is formed by the Philippines, Indonesia, Malaysia, Singapore and Thailand.
1977	Agreement on ASEAN Preferential Trading Arrangement
1984	Brunei Darussalam joins ASEAN
1992	Agreement on the ASEAN Free Trade Area
1992	Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area
1992	Framework Agreements on Enhancing ASEAN Economic Cooperation
1995	Vietnam joins ASEAN
1997	Lao PDR and Myanmar join ASEAN
1999	Cambodia joins ASEAN
2007	Cebu declaration on the Acceleration of the establishment of an ASEAN Community by 2015 signed
2008	Entry into force of the ASEAN Charter as a foundation for achieving the ASEAN Community by providing legal status and institutional framework for ASEAN
2009	AFTA-CEPT became ATIGA (ASEAN trade in Goods agreement)
2009	Adoption of Cha-am Hua Hin Declaration for the 2009-2015 Roadmap for the ASEAN Community
By 2015	ASEAN Economic Community to fully implemented

Source: ASEAN secretariat

Table 3. Comparison of tariff rate, most favoured nation, weighted mean, primary products (%) with tariff rate, applied, weighted mean, primary products (%)

Sl. No.	ASEAN (10 Countries)	Tariff rate, Most favoured nation, weighted mean, primary products (%)					Tariff rate, applied, weighted mean, primary products (%)				
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
1	Philippines	6	5	5.3	5.9	5.9	6	5	4.7	5.3	5.3
2	Indonesia	4.3	3.7	4.5	4.6	4.6	4.1	3.1	3.6	3.3	3.3
3	Malaysia	2.4	2.5		2.2	2.7	2.1	2		2.2	2.4
4	Singapore	0.2	0.2	0	0.1	0	0.2	0.1	0	0.1	0
5	Thailand		5.6		2.7	2.5		4.7		2.3	2.1
6	Brunei Darussalam	4.8	13.8	25.5	7.8	8.1	4.8	13.9	25.5	7.9	8.1
7	Vietnam	19.5	17.4	15.6	16	11.6	19.2	16.7	14.9	14.6	10.3
8	Lao PDR			17.3	17.8	17.8			15.1	13.5	11.7
9	Myanmar	5.5	5	4.9	5.5	5.5	5.4	4.9	4.6	4.8	4.2
10	Cambodia	15	15.6		11.3		15	15.6		11.2	

Source – World Bank

Table 4. Comparison of tariff rate, most favoured nation, weighted mean, manufactured products (%) with tariff rate, applied, weighted mean, primary products (%)

Sl. No.	ASEAN (10 Countries)	Tariff rate, Most favoured nation, weighted mean, manufactured products (%)					Tariff rate, applied, weighted mean, manufactured products (%)				
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
1	Philippines	2.1	2	3.1	3.3	3.3	2.1	2	2.7	2.8	2.8
2	Indonesia	6.3	5.7	6.5	6.5	6.5	5.9	4.3	5	4.7	4.6
3	Malaysia	5.1	5.1		4.8	4.5	4.6	4.5		4.9	3.7
4	Singapore	0	0	0	0	0	0	0	0	0	0
5	Thailand		11.1		6.6	6.5		9.4		5.9	5.8
6	Brunei Darussalam	10.7	12.5	7	6.6	6.6	10.3	12	5.6	5.1	5
7	Vietnam	15.5	14	14.2	14.3	12.4	15	12.9	13.2	12.8	10.8
8	Lao PDR			11	12.3	12.3			9.8	8.9	8
9	Myanmar	4.7	4.1	4	4.1	4.1	4.6	3.9	3.8	3.8	3.7
10	Cambodia	16.8	16.9		10.9		16.6	16.7		10.6	

Source – World Bank

Table 5. Comparison of tariff rate, most favoured nation, weighted mean, all products (%) with tariff rate, applied, weighted mean, primary products (%)

Sl. No.	ASEAN (10 Countries)	Tariff rate, Most favoured nation, weighted mean, all products (%)					Tariff rate, applied, weighted mean, all products (%)				
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
1	Philippines	2.9	2.6	3.5	3.8	3.8	2.9	2.6	3.1	3.3	3.2
2	Indonesia	5.8	5.2	6.1	6.1	6.1	5.5	4	4.7	4.4	4.3
3	Malaysia	4.7	4.7		4.3	4.1	4.2	4.1		4.3	3.4
4	Singapore	0	0	0	0	0	0	0	0	0	0
5	Thailand		9.7		5.4	5.2		8.2		4.8	4.6
6	Brunei Darussalam	9.8	12.8	10	6.8	6.9	9.5	12.4	8.9	5.7	5.6
7	Vietnam	16.3	14.7	14.5	14.7	11.7	15.9	13.7	13.6	13.2	10.2
8	Lao PDR			12.9	14.2	14.1			11.4	10.5	9.3
9	Myanmar	4.9	4.3	4.3	4.5	4.5	4.8	4.1	4	4.1	3.9
10	Cambodia	16.3	16.5		10.9		16.2	16.3		10.7	

Source – World Bank

Table 6. Share of tariff lines with specific rates in primary products, manufactured products and all products

Sl. No.	Countries (10 countries of ASEAN)	Share of tariff lines with specific rates, primary products (%)					Share of tariff lines with specific rates, manufactured products (%)					Share of tariff lines with specific rates, all products (%)				
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
1	Philippines	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Indonesia	0.2	0.8	1.1	1.8	1.8	0	0	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3
3	Malaysia	2.3	2.4		2	5.5	0.3	0.1		0	0	1	0.9		0.7	0.8
4	Singapore	1.8	1.4	0	0.7	0.8	0	0	0	0	0	0.3	0.2	0	0.1	0.1
5	Thailand		4.3		4.6	4.8		0.3		0.5	0.6		0.8		1.1	1.1
6	Brunei Darussalam	7.2	6.3	9	9.3	11	0.2	0.1	0	0	0	1.7	1.4	1.2	1.2	1.5
7	Vietnam	0	0	1.4	0	0	0.2	0	0	0	0	0.2	0	0.2	0	0
8	Lao PDR			0	0.3	0.3			0	0	0			0	0	0
9	Myanmar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Cambodia	0.1	0.1		0		0	0		0		0.1	0.1		0	

Source – World Bank

Table 7. Intra – Industry Trade of ASEAN for the year of 2000 and 2006

Sl. No.	Commodity Classification	IIT in 2000	IIT in 2006	Change
1	Agricultural products	91.96	95.78	3.82
2	Automotive products	85.94	93.06	**7.12**
3	Chemicals	98.21	94.58	-3.63
4	Clothing	68.89	82.51	**13.62**
5	Electronic data processing & office equipment	92.75	98.31	**5.56**
6	Fish	87.76	87.99	0.23
7	Food	87.63	94.54	**6.91**
8	Fuels	99.76	95.11	-4.65
9	Fuels and mining products	98.85	96.58	-2.27
10	Integrated circuits and electronic components	95.4	96.58	1.18
11	Iron and steel	82.26	76.12	-6.14
12	Machinery and transport equipment	91.84	90.95	-0.89
13	Manufactures	92.84	91.24	-1.6
14	Miscellaneous manufactures	90.63	90.31	-0.32
15	Non-ferrous metals	76.27	96.03	**19.76**
16	Office and telecom equipment	93.82	95.59	1.77
17	Ores and other minerals	81.11	92.09	**10.98**
18	Other chemicals	98.88	95.14	-3.74
19	Other food products	86.93	92.62	**5.69**
20	Other machinery	86.75	83.19	-3.56
21	Other manufactures	90.77	88.89	-1.88
22	Other semi-manufactures	97.24	94.64	-2.6
23	Other transport equipment	85.34	67.48	-17.86
24	Personal and household goods	93.98	93.09	-0.89
25	Pharmaceuticals	85.22	79.85	-5.37
26	Raw materials	89.29	99.87	**10.58**
27	Scientific and controlling instruments	89.1	83.34	-5.76
28	Telecommunications equipment	90.17	87.81	-2.36
29	Textiles	82.31	87.44	**5.13**
30	Transport equipment	85.62	81.36	-4.26
31	**Total merchandise**	**93.34**	**95.2**	**1.86**

Source: Computed on the basis of Grubel Lloyd index by using the equation (1)

Technology in Banks : A Study on E-banking Channels and Formats

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Abstract

Commercial banks in India have occupied pivotal position in accelerating the growth of economy in general and inclusive growth in particular. They are instrumental for capital formation, promotion of trade and industry, and development of agriculture. All along, Indian banking has undergone a rapid transformation especially after initiation of the financial sector reforms. Entry of private players has heightened the competition. Technology has come to the rescue of the banks in facing the challenges of stiff competition and meeting the varied expectations of the customers. Technology has changed the face of Indian banking. It is impossible to think of banking operations today without technology. Against this backdrop, this paper highlights the significance of technology in banking operations. The paper discusses the evolution of technology in Indian banking and the progress made by the Indian banks in different E- banking channels like ATM, RTGS, ECS, EFT and card payments.

Key words: ***Internet banking, Mobile banking, Service delivery channels, Human intensive banking, Technology intensive banking***

Introduction

Technology has brought a paradigm shift in the banking operations particularly in the delivery of products and services. Gone are the days where branch banking was obvious for every transaction. Now technology has, obviated the concept of branch banking where most of the transactions are done comfortably without visiting banks. The adoption of technology has thus, freed the banks and their customers from the traditional constraints of time and place and created a shift from traditional brick and mortar branches to alternate channels and new models like 'Any where Banking' and 'Any Time Banking'. These new channels have lead to greater satisfaction of the customers' needs with minimum human intervention. The development of ATM, RTGS, Debit card, Credit card, internet banking and mobile banking have made the banking facilities available to customers on 24X7X365 basis across the world. These innovations have tremendous impact on the service delivery in the form of quick service with low transaction costs to the customers. Use of technology in a large way has enabled the banks to handle large volume of transactions with remarkable ease without any pressure. In addition, it has served as a cost cutting tool by replacing human intensive banking to technology intensive banking. Such radical progress has changed the contours of the banking industry and made remarkable achievement in reducing the manual labour and error free service. Regulatory authority (RBI) has also witnessed the technology in discharging the operations of the banks and has encouraged the banking industry to implement the technology in its multiple areas like funds management, human resources management (HRM), customer relationship management (CRM), risk management and data base management.

This thinking compelled us to pursue a study on progress made by the banks in adopting technology in their operations. In this backdrop, this paper focuses on the evolution of technology in Indian banking and assesses the progress made by the Indian banks in e-channels over the years. The discussion on technological innovations and progress made by the Indian banks in this paper, cover paper Vs electronic transactions, progress in branch computerization, expenditure incurred on building IT infrastructure, growth of ATMs, paper based clearing Vs MICR clearing, progress made in RTGS, ECS, EFT/NEFT and card payments. The review of the literature on the chosen theme is made hereunder.

Review of Literature

Mallya (2009) concludes that the quality of customer service in banks has significantly improved especially due to the entry of IT in banking operations. Technology has enabled the banks not only to cut costs but also upgrade the range of e-banking services. Sonia Chawla and Ritu Segal (2010), point out that information technology allows banks to offer diverse services by utilizing wide ranging public network infrastructure and delivers many important benefits. Namita Rajput (2011) finds that Indian banks have improved efficiency and performance after the advent of IT in recent days. The evolving payment system and other IT enabled culture poses new challenges and opportunities to all the segments of this industry. To leverage on the opportunities provided by the new products, the banks need to ensure that the challenges are adequately addressed.

Swant (2011), demonstrated that the use of technology in expanding banking is one of the key focus areas of banks. The banks in India are using IT not only to improve their own internal processes but also to increase facilities and services to their customers. Narinder Kumar Bhasin (2012), opines that as customers become more sophisticated, it becomes imperative for banks to consider the use of technology to respond to their continuously changing requirements.

However, there are no comprehensive studies to examine the progress made by various e- channels. In view of these gaps the present study assumes greater significance.

Objectives, Scope and Methodology

The objectives of the study are as follows:

1) To present a perspective of the significance of technology in banking operations

2) To discuss the evolution of technology implementation in Indian banking industry

3) To examine the progress made by the Indian banking in various e- channels

The study is based on secondary data drawn from RBI Annual Reports, Report on Trends and Progress of Banking in India, journals and books. It covers a period of 7 years i.e. from 2006 to 2012. The paper is organized into four sections. The first section discusses the significance of technology in banks, second section focuses on evolution of technology implementation in Indian banks and the third section presents the progress made by Indian banks in various e-channels. The last section concludes the study.

Significance of Technology in Banks : A Perspective

Technology remains the key driver to all banking developments. It is impossible to think of banking business without technology. It serves the following purposes in banking operations :

1) Saving in manual labour: Introduction of technology in banks has made remarkable changes in reducing the manual labour. It has obviated the traditional operations of data using ‘pen and ink’ as tools for recording the data in several books, ledgers and registers. This manual service was cumbersome, slow and tardy. It also compelled the customers to wait in a long queue, forcing them to fill several forms involving varied information. Adoption of technology has helped in doing away with such problems and has enabled banking industry to save the manpower by reducing manual labour of both banks and customers.

2) Reduced errors Conventional manual operations of banking transactions are slow and lead to many errors in calculations. Application of technology has ensured the banks to reduce the errors in calculations and enabled them to provide error free services to their customers. Computerized documents like printed pass book, statement of accounts, and printed letters to customers etc make a big difference compared to hand written ones in understanding the contents and making an appeal to the customers.

3) Reduced transaction costs Cost control is one of the significant aspects where the banks are expected to give due attention so as to face the competitive environment. Savings in cost can be achieved through intelligent adoption and use of technology. Technology allows transactions to take place at a faster and reduced cost even to smaller customers. The cost of bank transactions on manual mode is estimated to be in the range of Rs 45 to Rs 50 while it is around Rs. 15 on ATM and Rs.4 on e-banking (Mally,2009). Banks will get mileage only if more and more transactions are handled through electronic mode.

4) Better customer relationship management (CRM) The concept of CRM in banks is playing a significant role in retaining and expanding the customer network. There is a sea change in the contemporary banking industry. Customers have been exposed to higher standards of service and customer orientation. The banks have focused on creating value to customers by building strong customer relations. Banks are providing top class services by offering e-banking products. Technology has enabled the banks to meet the expectations of customers by providing speedy, efficient and low cost services and thereby retaining the existing customers and expanding the new customer network.

5) Managing the challenges of competition In the deregulated era, banks are operating in a competitive environment. Technology is a strong weapon to combat the challenges of competition. It has come to the rescue of banks by way of technology to meet the varied expectations of the customers anywhere, any time and in anyway. The banks have taken lead in developing new innovative technology savvy products like debit card, credit card, and interest rate swaps etc that have enabled the banks to beat the competition.

6) Risk management It is another area where technology applications are widely used in banking operations. Technology has enabled the banks to sharpen their credit assessment skills. It lays more emphasis in gathering the necessary data for Internal Rating Based (IRB) approaches for credit risk and Advanced Management Approach (AMA) for operational risk. Technology is also used in measuring liquidity risk, forward risk and interest rate risk.

7) Source of advertisement and better marketability Technology has replaced the conventional form of approaching the bank customers through news papers and other media for marketing the products and services. Banks have realized that educating the customers makes a good business sense. The banks can now reach their customers and increase the publicity of their products and services and build their corporate image on national and global levels through internet, SMS, and other electronic media. The advent of technology has also enabled the customers to seek information without physically visiting the banks.

8) Increase in productivity and profitability Profitability is the function of productivity which directly depends on the use of technology. Operating expenses cost of intermediation, interest margin, deposit and advances per account are the factors on which productivity of banks depends. The business per employee has increased from INR 27.6 million (2006) to INR 62.7 million (2010) and the profit per employee increased from INR 0.12 million (2005) to INR 0.39 (2010) (IDRBT Report 2011). This progress shall be attributed, among others, to the better use of technology by the banks.

9) Meeting the regulatory requirements Adoption of technology is also needed by the banks to meet the regulatory requirements such as requirements indicated by the RBI for operation of Off-Site Monitoring Surveillances (OSMOS) Reports on regular basis in E format. Under section 42 of the RBI Act 1934, banks are required to work out their CRR and SLR obligations in electronic format. Adoption of technology was also needed to fulfill the stipulation made by the CVC (Central Vigilance Commissioner) for computerizing at least 70% of bank business by Janauary 2001.

Evolution of Technology in Indian Banking

The IT revolution had a great impact on the banking industry. It led to the introduction of online banking in India. Initiation on up gradation of technology in banks shall be traced back during the pre-reforms period.

Various committees have been constituted from time to time to explore the possibilities of adoption of technology in Indian banks. RBI appointed a committee in 1984 known as 'Committee on Mechanization in the Banking Industry' under the chairmanship of Dr. Rangarajan. The suggestions of the committee included automation in banks and total computerization of all the branches. The other important recommendations of the committee were setting up of service branches by the banks which had more than 10 branches. These service branches would exclusively be devoted to clearing operations of the bank at that articular centre. It had also suggested the introduction of Magnetic Ink Character Recognition (MIRC) technology in all the banks in metropolitan cities of India resulting in use of standardizing cheque forms and encoders.

The 'Committee on Communication Net-work for Banking and SWIFT Implementation' was appointed in 1987 under the chairmanship of TNA Iyer. The committee suggested for setting up of X 25 based Packet Switching net work called 'BANKNET' to be jointly owned by the RBI and PSBs.

'Committee on Computerization in Banks' was appointed again in 1988 under the chairmanship of Dr. Rangarajan. The committee focused on the computerization of the settlement operations in the clearing house managed by RBI, branch level computers and establishment of connectivity between branches. It has also suggested the modalities for implementation of online banking and introduction of one way collection of cheques drawn on the four metros received from Ahemedabad, Bangalore, Nagapur and Hyderabad.

In 1994 the 'Committee on Technology Issues' relating to payment system, cheque clearing and securities settlement in Banking Industry' was appointed under the chairmanship of W.S. Saraf. The committee suggested the establishment of Electronic Fund Transfer (EFT) system with BANKNET communication net work as its carrier, enactment of suitable legislation on the lines of the Electronic Fund Transfer Act of 1978 of USA, introduction of MIRC clearing at all centers with more than 100 bank branches, introduction of delivery Vs payment system for SGL transactions and introduction of ECS credit for low value of repetitive transaction such as interest, salary pension payment, electronic debit clearing for payment to utility companies.

The 'Committee for Proposing Legislation on Electronic Fund Transactions and other Electronic Payment' was appointed in 1995 under the chairmanship of Smt. K.S. Shere. The committee suggested for a new legislation for regulating, defining and determining the rights and obligations of the system providers and users. The other recommendations of the committee included, immediate introduction of EFT system by framing regulations under section 58 of the RBI Act, and adaptation of model customer contract agreement to govern the banker customer relationship with regard to EFT.

The Narasimham Committee Report (1998) pointed out the slow progress in implementing the technology by Indian banks. The committee suggested for implementation of the necessary legislative changes as well as addressing the issues such as electronic record keeping, data protection, and implementation of digital signature. In 1998 'Committee on Technology Up-gradation in the Banking Sector' was appointed under the chairmanship of Dr. A. Vasudevan. The committee suggested to expedite intra-bank net working and set up a net -work of regional data warehouse by RBI to enable updated data for risk assessment. Further, it also suggested for outsourcing of technology and services, computerization of government transactions and technology plan for banks.

The Government of India initiated steps for promoting Information and Technology Act of 1999. Further, RBI has taken measures to strengthen Information and Technology Act enacted by the Government of India which provided legal recognition to electronic transfer and other means of electronic communications. INFINE (Indian Financial Network) satellite based wide area of network using VAST technology was set up by RBI in 1999. To give fillip to the growth of E-payment system, the 'RTGS' (Real Time Gross Settlement) system was introduced in 2004. Further, the RBI waived off processing charges in 2006. NEFT (National Electronic Fund Transfer) as a replacement of EFT (Electronic Fund Transfer) was introduced in 2005. To ensure timely settlement of disputes between system providers and system participants, a Dispute Resolution Mechanism (DRM) was framed in 2007 and a time frame of maximum 15 days has been laid down for resolution of disputes.

Progress in Technological Innovations Made By the Indian Banks

Technology has changed the contours of the banking industry all over the globe. Indian Banking too witnessed tremendous transformation in reaching its customers through alternate channels and made rapid progress to meet the changing requirements of customers. The changing technological face of Indian banking is discussed from the point-of-view of the following:

Share of Paper Based Vs Electronic Transactions

There is a drastic change in the payment system of business and household transactions over the years. It is practically inconvenient to handle paper based transactions that need physical delivery of paper involving huge amount of funds with innumerable transactions. These manual oriented transactions are time consuming and costly. Slowly paper based transactions are replaced with electronic mode. Table 1 indicates that the paper based transactions have occupied a major share in terms of volume ranging from 82% (2006) to 52.4% (2012) over the period of 7 years. Though the paper based transactions constitute a major share, there is consistent decline in the volume of paper based transactions and a steady increase in e-based transactions. Further it is evident that there is remarkable increase in the value of electronic based transactions ranging from 70.8% (2006) to 91.6% (2012). There is a consistent decline in value of paper based transactions from 29.2% (2006) to 8.4% (2012). It is clear that the payment business in India has experienced a rapid change. There has been a growing acceptance of electronic payments system across the nation. The shift from paper based to non-paper mode of payment shall be attributed to the vigorous steps taken by the RBI to promote the usage of electronic mode of payment. These payments are safe, secure, cost effective and efficient.

Computerization of Operations and Investments in Information Technology

As per the RBI guidelines, the banks have initiated various measures to foster the use of technology and the process of computerization in their operations. It is noticed that the technology has provided an opportunity to the banks to reach the customers speedily with lower cost. This compelled the banks to invest their sizeable funds in information technology. It is pertinent to note that on an average IT constitutes about 20% of the total expenditure of the bank (Sekhar 2008).

Table 2 demonstrates that significant progress has been made by the banks in computerization of their operations at branch level. It has reached almost 100%. The banks have recognized the importance of technology in their operations and have given utmost priority to implement the recommendations of the RBI relating to complete automation and branch computerization. From the table, it is also observed that investment made on technology by the banks are swelling from Rs.10676 Crores (2006) to Rs. 22052 Crores (2010) evidencing 1.06 times increase with an average annual growth of 15.9% over the period of five years. Thus, banks are spending a huge amount of their budget annually on technology to enhance their operational efficiency.

Growth in Automated Teller Machine (ATM)

ATM is an electronic device that provides financial services to the bank customers without the presence of bank employees. It provides a variety of transactions such as cash withdrawal, cash deposit and placement of service requests for banks. It also updates the accounts of the customers after completion of the transactions. ATMs are weather proof and can be installed in shopping malls, busy commercial centers and even in the remote places. They have reduced the transaction and operational costs of the banks as well as of customers. In addition to cost reduction, ATMs have helped banks in customer reach and customer satisfaction etc.

Table 3 indicates rapid progress made by scheduled commercial banks in installation of ATMs, The number of ATMs has increased from 7165 (2006) to 95686 (2012) reflecting an increase of 12.3 times with an average annual growth of 60.28% over the period of seven years evidencing the positive efforts made by the banks to popularize the ATMs. Further, there is also significant increase of ATMs both, in on-site 4812 (2006) to 47545 (2012) and off-site 2353 (2006) to 48141 (2012). The growth in off-site ATMs shall be attributed to the steps taken by the RBI in allowing the banks to open off-site ATMs without obtaining its permission. It is interesting to observe that the number of ATMs have registered an increase of 12.3 times as against the number of branches of 1.38 times over the period of 7 years. The phenomenal increase in ATMs over the branches is the reflection of moving away of customers from ‘branch banking’ to ‘bank banking’.

Manual Paper Based Clearing Vs Paper Based Magnetic Ink Character Recognition (MICR) Clearing

Documentation is the utmost priority in banking particularly in paper based transactions. To obviate the limitations of manual paper based clearing, Magnetic Ink Character Recognition (MICR) clearing is introduced. It is a new innovation which can be used for automatic identification or character recognition to read text and diagrams. Under this, the cheques and documents can be scanned. Customers are the biggest beneficiaries of MICR clearing. It has reduced the time involved in clearing, check frauds, minimises cost and reduces liquidity risk. It has also contributed to shorter clearing cycle. There are 66 major MICR technology centers in India.

As shown in Table 4 there is a marginal increase in the volume of transactions from 1015.9 million (2006) to 1114.5 (2012) with an average annual growth of 5.02%. Whereas the MIRC transaction registered growth from 44.92 trillion (2006) to 80.2 trillion (2012) representing an increase of 0.78 times with an average annual growth of 9.14% over the period of 7 years. Non-MIRC transactions witnessed decline in volume from Rs 254.92 million (2006) to Rs 227 million (2012). In addition the volume of transactions has registered a decline from 18.54 trillion (2006) to 18.3 trillion (2012). This shall be attributed to the receding importance of manual paper based transactions and accelerated growth of paper based MIRC clearing. The increase in volume of MIRC payment is due to enhanced efficiency of paper based electronic clearing transactions that has eliminated the need for physical movement through cheque with introduction of CTC (Cheque Truncation System).

Real Time Gross Settlement (RTGS)

RTGS refers to the technology adopted by the banks for transfer of huge financial transactions instantly both at the national and international levels. In this system, funds shall be transferred from one bank to another on a 'real time' and on 'gross' bases. It means the transaction is settled on one to one basis without bunching of other transactions. RTGS system serves as a faster and convenient mode for settling high value transactions and the beneficiary will receive the funds on the same day of effecting the transactions. This facility is found more useful in case of corporate bodies where they are benefited by instant transfer of funds from different parts of the globe. As on May 2012, there are 84638 bank branches which are providing the RTGS facility which settles on an average 1.8 lakh transactions with value of INR 4 trillion on a daily basis (Narinder kumar 2012).

Table 5 demonstrates that there is a spectacular growth both in volume and value of RTGS transactions. The volume of transactions has registered tremendous growth of 1.77 million (2006) to 55 million (2012) evidencing 30 times with an average annual growth of 24.7% over the period of 7 years. There is also robust increase in the value of RTGS transactions from Rs 115.41 trillion (2006) to Rs 484.9 trillion (2012) representing 3.2 times with an average annual growth of 24.48% during the study period. Thus, RTGS is one of the widely used modes of transfer of funds. It is the reflection of better use of technology by banks which serves as a cheaper mode of funds transfer.

Electronic Clearing Service (ECS)

Electronic clearing service is a mode of transfer of funds through the services of a clearing house using technology. In this system, the remitter and the beneficiary may be of the same or different branches and locations. This facility is more useful to transfer the bulk funds from an account to the various beneficiaries as well as collect funds from various remitters to a single beneficiary. ECS (credit) is used to give credit to various beneficiaries making single debit of an account of the remitter and ECS (debit) is used to give debit to the accounts of various remitters making single credit of the account of beneficiary like institutions. Average monthly volumes are 8.05 million transactions (ECS Credit-NECS, Regional and local) and 13.4 million transactions (ECS Debit-Regional and local,) while monthly values are averaging about INR 126.43 billion and INR 60.6 billion for ECS Credit and ECS Debit respectively (Narinder kumar 2012).

Table 6 reveals that there is a tremendous growth both in volume and value of ECS Debit and ECS Credit transactions. The volume of ECS (credit) witnessed a growth from 44.21 million (2006) to 121.5 million (2012) reflecting an increase of 77.3 times with an average annual growth of 16.7% over the period of 7 years, where as the value of transactions registered growth from Rs 0.323 trillion (2006) to

Rs 1.8 trillion (2012) reflecting an increase of 1.5 times with an average annual growth of 52.54% over the study period. In addition, the volume of ECS (debit) increased from 35.96 million (2006) to 164.7 million (2012) showing 128.7 times increase with an average annual growth of 29.62% over the study period, in terms of value, the ECS (debit) witnessed an increase from Rs 0.129 trillion (2006) to Rs 0.8 trillion (2012) reflecting an increase of 0.68 times with an average annual growth of 35% over the study period. This is the clear indication of spectacular increase in the use of ECS mode of payment that facilitates for the timely settlement of payments as per the standing instructions.

Electronic Fund Transfer / National Electronic Fund Transfer (EFT/NEFT)

EFT was introduced in 2005. It is an online system for transfer of funds of Indian financial institutions. It involves transfer of funds from one account to another account of any bank branch through electronic mode. The exchange takes place between single financial institutions or across multiple institutions through computer based system. It provides 11 hourly settlements on week days and five settlements on Saturday. In this system, it is mandatory to confirm the successful credit given to the beneficiary account. As on May 2012, NEFT facility is introduced in 86449 bank branches settling 1.4 million transactions on a single day (Narinder kumar 2012).

Table 7 indicates that, EFT mode of payment has grown in terms of volume and value. The volume of transaction has swelled from 3.07 million (2006) to 226.11 million (2012) showing an increase of 223 times with an average growth of 85.6% over the study period. It is also observed that there is a spectacular increase in the value of EFT payments from Rs 0.61 trillion (2006) to Rs 17.9 trillion (2012) reflecting an increase of 17.3 times with an average annual growth of 67.18% over the study period. The marked progress shall be attributed to the steps taken by the RBI to strengthen the technology in banking operations.

Progress in Card Payments

Debit and Credit cards are plastic cards used to store information related to customer’s account and can be used as alternative method of payment for cash. Such cards reduce cash handling expenses and provide safety by avoiding the risk of loss of cash in transit. They provide the facilities like cash withdrawals from ATM, online purchase, fund transfer and balance check.

Table 8 reveals that the transactions in card payment both in credit and debit has shown a spectacular growth. The volume of credit card payment has registered growth from 156.08 million (2006) to 320 million (2012) reflecting an increase of 164 times with an annual average growth of 11.59% over the study period. In terms of value, it has grown from Rs 0.33 trillion (2006) to Rs 1 trillion (2012) showing an increase of 62 times with an annual average growth of 18.09% over the study period. It is also observed that the volume of debit and credit card transactions registered growth from 45.68 million (2006) to 327.7 million (2012) reflecting an increase of 281 times with an average annual growth of 33.4% over the study period. The value of transactions has also witnessed growth from Rs 0.06 trillion (2006) to Rs 0.5 trillion (2012) with an average annual growth of 36.64% over the study period. It is evident that the card mode of transactions has proved to be advantageous and is widely accepted by the customers all over the country.

Conclusion

Rapid progress has been made towards implementation of technology in Indian banks and several alternate channels have been innovated. Technology has brought key changes in the banking operations and has paved the way for new opportunities in the banking sector. It is proved that E-based transactions are safe, secure, efficient, and cost effective. It is found that there has been a growing acceptance of E-payments across the nation and shift from paper based to non-paper based mode of payments. RBI has recommended several measures for automation and total branch computerization. Accordingly, almost 100% branch computerization process is completed and banks are spending huge amount of their budget annually on technology. ATM is now the most powerful e-banking channel which has witnessed a rapid progress. The number of ATMs have increased from 7165 to 95986 over the study period. This phenomenal increase is the reflection of the moving away of customers from branch banking to bank banking. As far as manual paper based clearing Vs paper based MIRC clearing is concerned, manual paper based transactions witnessed declining trend against an accelerated growth in paper based MIRC clearing mode of transactions. RTGS has shown a robust increase of transactions both in volume (1.77) million to (7.55) million and value from 115 million to 484 million. ECS mode of transfer of funds showed an enormous increase in debit and credit card transactions both in terms of volume and value. The volume of ECS debit increased from 35.9 million to 164.7 million as against the ECS credit from 44.21 million to 121.5 million. In terms of value, ECS debit has increased from 0.129 trillion to 0.8 trillion against the ECS credit from 0 .323 trillion to 1.8 trillion. RBI has taken several steps to strengthen the EFT mode of payment and the EFT mode of transactions swelled from 3.07 million to 226.11 million in terms of volume and 0.61 trillion to 17.9 trillion in terms of value. The study found that the transactions through card payments have emerged as one of the popular modes of E-banking channels. Innovations in the field of e- banking service have made banking safe, secured, efficient and cost-effective. Technology is considered as a boon both, to the bankers and customers. It is a driving force that has enabled the banks to improve the quality of customer services and to enhance their productivity levels.

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Table 1. Paper based transactions Vs electronic transactions

Year	Volume		Value	
	Electronic mode	Paper form	Electronic mode	Paper form
2006	18%	82%	70.8%	29.2%
2007	22%	78%	76%	24%
2008	27.1%	72.9%	80.4%	19.6%
2009	32.8%	67.2%	83.9%	16.1%
2010	35.3%	64.7%	88.3%	11.7%
2011	40.9%	59.1%	89.7%	10.3%
2012	47.6%	52.4%	91.6%	8.4%

Source : RBI Annual Reports for the related years

Table 2. Branch computerization and investment on information technology in PSBs

Year	Fully computerized Branches	Investment on Information Technology (In Crores)	% of growth of investment
2006	77..5%	10676	-
2007	85.6%	12826	20.13%
2008	94.6%	15o16	17.07%
2009	95.7%	17897	19.8%
2010	97.8%	22052	23.2%
2011	NA	NA	-
2012	NA	NA	-

Source : Report on Trends and Progress of Banks in India for the related years.

Table 3. Branches and ATMs of Scheduled Commercial Banks

Year	Branches	ATMs	% of growth of ATMs	ATMs On site	ATMs Off-site
2006	34012	7165	-	4812	2353
2007	57042	27088	278%	14796	12296
2008	61132	34789	28.42%	18486	16303
2009	64608	43651	25.47%	24645	19006
2010	69160	60153	37.8%	32679	27474
2011	74130	74505	23.85%	40729	33776
2012	81240	95686	28.42%	47545	48141

Source : Report on Trends and Progress of Banks in India for the related years.

Table 4. Manual paper based clearing Vs Paper based MICR clearing

Year	MIRC				Non MIRC			
	Volume (Million)	% of Growth	Value (Trillion)Rs.	% of Growth	Volume (Million)	% of Growth	Value (Trillion)Rs.	% of Growth
2006	1015.9	-	44.92	-	254.92	-	18.54	-
2007	1125.37	9	54	20.26	223.18	-12.5	16.06	-13.3
2008	1201.4	6.28	60.28	11.62	237.6	6.61	18.67	16..2
2009	1140.5	-1.78	58.49	-2.96	233.6	-16.8	20.61	10.7
2010	1143.16	8.14	66.64	13.91	230.5	-1.34	18.78	-8.83
2011	1155.1	16.36	83	24..56	232.3	0.78	18.3	2.13
2012	1114.5	-2.8	80.2	-3.37	227	-2.28	18.3	-
Average		5.02%		9.14%		-1.5%		0.98%

Source : RBI Annual Reports for the related years.

Table 5. Progress in RTGS transactions

Year	Volume (Million)	% of Growth	Value (Trillion)	% of Growth
2006	1.77	-	115.41	-
2007	3.88	123.7	184.81	60.13
2008	5.84	50.5	273.18	47.8
2009	13.37	128.9	322.7	18.13
2010	33.24	148.6	322.8	0.03
2011	49.3	48.3	394.5	22.21
2012	55	11.56	484.9	22.91
Average growth		24.71%		24.48%

Source : RBI Annual Reports for the related years.

Table 6. Growth in Electronic Clearing Services (ECS)

Year	ECS Credit				ECS Debit			
	Volume (Million)	Growth %	Value (Trillion)Rs.	Growth %	Volume (Million)	Growth %	Value (Trillion)Rs.	Growth %
2006	44..21	-	0.323	-	35.9	-	.129	-
2007	69.02	56.36	0.832	157.58	75.2	109.12	.254	96.89
2008	78.36	13.56	7.822	840.14	127.12	69	.489	92.51
2009	88.39	12.85	0.974	-703	160.05	25.92	.669	36.8
2010	98.55	11.49	1.2	23.2	150.21	6.11	.698	4.33
2011	117.3	19.02	1.8	50	156.7	4.32	.70	1.44
2012	121.5	3.58	1.8	-	164.7	5.1	.80	14.28
Average		16.69		52.56		29.62		35.17

Source : RBI Annual Reports for the related years.

Table 7. Progress in EFT / NEFT transactions

Year	Volume (Million)	Growth %	Value (Trillion) Rs.	Growth %
2006	3.07	-	0.61	-
2007	4.77	1.7	0.77	26.22
2008	13.31	179	1.4	81.81
2009	32.16	141.6	2.52	80
2010	66.35	106.3	4.1	62.7
2011	132.3	100	9.4	129.2
2012	226.11	70.9	17.9	90.4
Average Growth		85.6%		67.18%

Source : RBI Annual Reports for the related years.

Table 8. Progress in Card Payments

Year	Credit Cards				Debit Cards			
	Volume (Million)	Growth %	Value (Trillion)Rs.	Growth %	Volume (Million)	Growth %	Value (Trillion)Rs.	Growth %
2006	156.08	-	0.33	-	45.68	-	0.06	-
2007	169.53	8.67	0.41	24.24	60.17	31.72	0.08	33.3
2008	228.2	34.61	0.58	41.46	88.3	46.75	0.12	50
2009	259.56	13.74	0.65	12.06	127.6	44.5	0.18	50
2010	234.2	-9.77	0.63	-3	170.1	33.3	0.26	44..4
2011	265.1	13.19	0.80	26.98	237.5	39.7	0.40	53.84
2012	320	20.75	1.00	25	327.5	37.8	0.5	25
Average Growth		11.59%		18.09%		33.4%		36.64%

Source : RBI Annual Reports.

NPA Management in New Generation Co-operative Banks : A Case study of BZRC Mahila Sahakari Bank Ltd, Belgaum

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Abstract

The introduction of NPA norms in banks in India in 1991-92 resulted in great changes in the banking field. NPA norms considered to be major highlights of banking reforms have resulted in more stringent policies to be adopted by all banks while sanctioning and recovery of loans. However NPAs are still mounting and eroding the profits and financial strength of banks. The present study was initiated to study how the new generation co-operative banks, which commenced their business after the introduction of NPA norms, managed their NPAs. BZRC Mahila Bank Ltd, an ideal institution under the co-operative set-up which started its operations in the year 1996, when the NPA norms were already applicable to all the co-operative banks was chosen for the study. The study relates to 5 years NPA position of the bank from 2008 to 2012. The study is based on the secondary data provided by the annual reports of the bank and NPA statements provided by the bank. Primary data is also collected by oral discussions with the Bank CEO. It is evident from the study that the Bank has made continuous efforts to keep the NPAs under control and to a maximum extent it has succeeded.

Introduction

The introduction of NPA norms in the banks in India in the year 1991-92 as a result of the recommendations of the Narasimham Committee Report resulted in great changes in the banking field. NPA norms are considered to be the major highlights of the banking reforms which took place after the introduction of LPG in the Indian Economy. The banks earlier to these reforms and NPA norms treated the interest accrued as income without bothering about the receipt of such interest in cash. They conveniently adopted the double entry system of bookkeeping and credited the loan accounts with interest due (whether it is received from the borrower or not). This actually led to increase in the loan balances on the one hand and false profit on the other. Both were dangerous and could prove fatal to the banks.

With this background, the Government of India accepted some international standards for the Indian financial sector and banking sector. As a result, NPA concept came to be introduced for the first time in all the commercial banks. Later on it was introduced to co-operative banks also. Though the size of the co-operative banks is comparatively very small with a small area of operation and limited number of branches, their role in the economy which is inhabited by poor rural mass cannot be underestimated. They play a significant role in the economy by catering to the needs of common people in India. The Government of India and RBI thought that it would be proper to elevate these small banks from their original get up to transform into a new era co-operative banks, competitive and confident enough to face the problems and competition, yet survive to benefit lakhs of small agriculturists, sole traders, salaried people, housewives etc. If they have to play a significant role in the society, they need to adept to the changing circumstances and changing needs of the hour. Hence the NPA norms are equally applicable to all the co-operative banks at par with commercial banks.

The NPA norms which are also popularly known as Prudential norms specifically include the following: Income recognition, Asset classification and Provisioning.

If at all the interest is actually received in cash, it can be taken into account as income otherwise it cannot be recognized as income, only on the basis of accrual. If the installment/interest or both are not received for more than 90 days, the loan account has to be classified into different categories such as sub-standard, doubtful, bad and loss assets as per RBI guidelines. According to the status of the asset, the NPA provision has to be made by charging it to Profit & Loss Account. All this exercise leads to decrease in profits, low rating of the banks' assets and an alarm to take measures for recovery.

This has resulted into more stringent policies by all the banks while sanctioning the loans, for recovery of the loan installments along with interest, OTS schemes etc. All the banks make continuous and endless efforts to recover the loan installments in time. Special recovery personnel are appointed for the purpose. Still it has been a cause of concern to most of the banks. NPAs are mounting and eroding the profits and financial strength of the banks.

The present study was initiated because there was a quest as to how the new generation co-operative banks, which commenced their business after the introduction of NPA norms, managed their NPAs. Were they well equipped with the trained staff having clear idea about NPA guidelines issued by the Reserve Bank of India? Was it easy for them to come out of the orbit of the influence of their powerful – most of the times – politically powerful directors, while sanctioning the loans? Were they able to follow strictly the guidelines on exposure norms? How these banks are managing their NPA accounts? Are they different from their old and seasoned counterparts in the industry in managing the overdue accounts and controlling them? Have they become successful in managing their NPA accounts efficiently and maintain the NPAs at a lower level? To get answers to these and many other questions, BZRC Mahila Bank Ltd was an ideal institution under the co-operative set-up which started its operations in the year 1996, when the NPA norms were already applicable to all the co-operative banks.

Research Methodology

Sources of Data

The primary data is collected from the General Manager (CEO) of the bank through interview and oral discussion and the secondary data is collected through Bank's published annual reports, audited income statements, balance sheets for a period of 5 years starting from 31-03-2008 to 31-03-2012, RBI circulars and bulletins. The other sources of secondary data are books, periodicals and websites.

For the purpose of analysis, the overall NPA position of the Bank, NPA position as per status of the loan accounts and security-wise NPA position are taken into consideration which will throw light on the risk involved in each category of loan accounts.

Review of Literature

A review of literature available on the subject reveals that both empirical and non-empirical studies have already dealt with the problem of NPAs and their impact on the performance of banks from the angle of profitability, liquidity, equity. A brief review of these studies is presented here.

A study done by Maji.S G and Dey Soma (2003) showed that it is a paramount task for the banks to manage their NPAs more efficiently so that they can change their character from NPAs to performing assets. This study makes an attempt to analyse the loan amount-wise, age-wise, head-wise and sector-wise classification of NPAs and to identify the factors responsible for the growth of NPAs of the Khatra People's Co-operative Bank Ltd., UCB, in the district of Bankura in West Bengal. Rajendran. K. (2004) in his article "Non-performing assets" concluded that increasing NPA exercises a major impact on the DCCBs. DCCBs shall have to educate their employees on NPA and its effect on the bank. Change in NPA norms and credit monitoring and recovery mechanism should be strengthened.

Lakshmanan.C. and Dharmendran.A. (2007) in their article said that the problem of Non–Performing Assets (NPAs) is less in the Chennai Central Co-operative Bank as compared to the other CCBs in Tamil Nadu. They also focused on the impact of NPAs on the Net Profit, Investment, Legal Expenses and Spread of the bank. The study concludes that the effective management of NPAs is essential to strengthen the financial position of the bank.

Ramu. N. (2008) in his article concluded that the NPAs of sample banks chosen for study is within manageable level, but the Thirumangalam Cooperative Urban Bank Ltd (TCUB) has to face severe recovery problems. As per CAMELS rating model the highest weightage (i.e. 25 per cent) is given to asset quality component by RBI. The solution to the problem of NPAs lies in strengthening the credit management in banks. Over a period by removing the present deficiencies observed in the standards of credit appraisal, monitoring and improving the overall lending policies of the banks. The process of NPA management does not start after filing a suit, but starts from identification of a right borrower.

The studies already done on the subject have not analysed the efforts done by new generation co-operative banks and the genuine problems faced by the officials in NPA management. With this background, the present study is an attempt to find out the root causes of loans becoming sub-standard and fall further into doubtful, bad and loss asset category and to offer simple and feasible solutions which may be typically applicable to the new co-operative banks.

The BZRC Mahila Sahakari Bank Ltd, Belgaum

Belgaum Zilla Rani Channamma Mahila Sahakari Bank Niyamit, Belgaum was registered as a Mahila Bank having only ladies as its regular members, all lady directors and more than 90% of the employees being ladies. Mrs Asha P. Kore is the chairman of the bank since its inception. There are 13 lady directors out of which one director is a Chartered Accountant. The bank has 3908 regular members and a share capital of Rs 211.55 lakhs as on 31-03-2012. It has made spectacular growth in deposits and loans. It has also judiciously managed its SLR and surplus funds by investing into Government securities and other investments. A snapshot of the growth of the Bank over the last 10 years is depicted in Table No 1.

The bank has continuously secured 'A' grade in the audit conducted by Co-operative department. There is continuous growth in the deposits, loans and working capital. There was a sharp fall in the profits in the year 2004-05 due to heavy provisions to be made for erosion in the prices of Government securities. But the bank recovered from the plight and thereafter continuously improved its profit position.

NPA Position of the Bank

For the study of bank's NPA position, a period of 5 years starting from 31-03-2008 to 31-03-2012 is taken. The bank has been successful in maintaining the NPA loans at an average of 2.7% of the total outstanding loans. Table No 2 shows the NPA position of the bank. It is evident from Table No 2 that the bank has managed its credit portfolio and maintained the gross NPA level much below. It has become successful in reducing the gross NPA percentage from 3.0% to 2.0% in the years 2011 and 2012. It speaks about the efficiency of the bank in managing its NPA loans as well as standard loans.

Classification of NPA as per the Status

The NPA accounts are classified into Sub-standard, Doubtful and Loss assets. If the installment and interest remain overdue continuously, the sub-standard assets have to be shifted into the category of Doubtful assets. Under Doubtful category there are 3 sub-categories as D1 (Doubtful 1), D2 (Doubtful 2) and D3 (Doubtful 3). It means, as the loans slip into the next category, the possibility of their recovery becomes remote and the quality of these assets goes on eroding. Thus it is not just the total NPA percentage that matters but the composition of NPA accounts that really matters. Table No 3 gives us the idea about the status of bank's NPA accounts.

From Table No 3 we can see that the total number of NPA accounts have come down from 169 in the year 2008 to 105 in the year 2012. Of course taking into account that there will be fresh NPA accounts every year and existing NPA accounts slipping into next worst category, the management of NPA accounts is remarkably excellent, because both the number and percentage of NPA accounts in D3 category have reduced. In the year 2008, the number was 32 and the percentage to total NPA loans was 17.7%. After increasing to 42 in number, it has come down to 31. The percentage of D3 has increased to 21.1% in 2011, but has reduced to 14.4% in 2012 which is a good sign and clearly shows that the bank has been successful in recovering some very bad loans, because they have not fallen into next category. The decrease in D1 and D2 can be analysed as either recovery or falling into the next worst category. But the increase in sub-standard from 34.3% in 2008 to 61.8% in 2012 shows that more number of fresh accounts are becoming NPA and utmost care must be taken at this stage because once an account is classified as NPA, it cannot be brought back to the status of standard asset easily. The Bank must take all necessary steps to prevent the accounts from becoming sub-standard.

It is encouraging to know that the number of unsecured NPA accounts has reduced continuously from 127 to 79 within a period of 5 years under study. The percentage of unsecured NPA advances has also come down from 39.4% in 2008 to 27.9% in 2012. (Table No 4). Secured NPA loans have reduced in number from 48 to 26 in 5 years but the percentage to total NPA has increased from 60.6% to 72.1%. The bank must check rigorously that the securities offered for the loans are easily marketable and whether any collateral security is there to support the loan. Otherwise the bank should insist the borrower to give some additional liquid securities like insurance policies, NSCs etc so that the bank can fall upon such securities eventually.

The General Manager (CEO) of the bank said that they are strictly following the RBI guidelines while sanctioning the loans. The exposure norms are stringently followed to avoid NPAs later. The bank has formulated teams to visit borrowers and recover dues. The Gross NPA for the year ended 31-03-2013 is 1.3% of the total advances i.e. Rs 58 lakhs for a total loan portfolio of Rs 45 crores according to the unaudited Balance Sheet of the Bank. This shows that there is further improvement in the NPA management of the bank. Following steps are taken to manage the loan accounts in general and the NPA accounts in particular.

1) The employees are sent for training whenever they are arranged by institutions like state co-operative federation, College of Agricultural Banking run by RBI, etc.

2) RBI guidelines for sanctioning loans are followed rigorously. All possible precautions are taken at the time of sanctioning loans. The present income of the prospective borrower is given more weightage than the security.

3) Directors are well educated in the field of banking and credit, hence they never exercise unnecessary influence over the manager for loan sanctioning which is otherwise a common feature in almost all co-operative banks.

4) Regular reminders will be sent to borrowers on a routine bases.

5) Bank makes effective use of Securitisation Act for recovery of mortgage loans.

6) Bank will seize the vehicles and other movable securities to recover the loans. Cheque bouncing cases are promptly lodged.

7) The bank is progressively discouraging unsecured loans. Only the salaried people are sanctioned surety loans after taking post dated cheques or standing instructions.

As per the General Manager the problems faced by the bank are as follows

1) The funds generated by co-operative banks are very meager due to which they have to face several problems. Technology improvement is a big challenge without which the banks cannot survive.

2) The bank cannot attract well qualified personnel due to their small means. Even the bank cannot afford to give intense training to the existing staff in the areas of credit management and NPA management.

3) Training facilities to the employees of co-operative banks though improving are not sufficient to cope up with the modern requirements of banking industry.

4) Since it is a Mahila bank, loans are to be given primarily to lady members of the bank. But the basic problem is that many ladies do not have their own income and properties in their own name to offer as security which poses the biggest problem for the BZRC mahila bank.

5) There are some chronic NPA accounts which are a cause of concern

6) As far as unsecured loans are concerned, their number accounts for 80% of the total NPA loan accounts but amount wise they are 28% of the total NPA accounts. Hence most of the time and effort is to be devoted towards big number of small accounts. Hence, the bank is encouraging other kinds of secured loans like gold loans, loans against Life insurance policies, FDs etc.

7) Competing with big nationalized and private banks is another challenge the bank is facing. Canvassing good and quality loans becomes very difficult due to the attractive terms and conditions offered by the big banks. The bank is trying its level best to make its loans quite attractive to the borrowers so that standard borrowers will get the loan facility.

Findings

Running a mahila bank in itself is a big challenge to anybody due to its inherent limitations. But the new generation BZRC mahila bank has been trying its best to cope up with the present day requirements and survive in the competitive world which has to be recognized and appreciated.

The researcher has arrived at the following conclusions after studying the NPA position of the bank for five years.

1) The bank is managing its credit portfolio and the NPA accounts efficiently as a result of which it has managed to maintain the NPA level continuously below 3% and at a continuously decreasing level.

2) Considering the growth of the loans from Rs 1668.45 crores in 2008 to Rs 3663.71 crores in the year 2012 which is 119.6%, the growth in NPA is very less, from Rs 50.23 lakhs it has increased to Rs 74.38 lakhs which is 48.1% of the NPA loans of the base year which is a good sign.

3) The number as well as percentage of NPA accounts in D1, D2 and D3 categories has shown a declining trend which is again a sign of efficient NPA management, because it shows that the bank has made enough efforts to prevent the loans from slipping into the next worst category.

4) Over a period of 5 years both the secured and unsecured NPA loans have reduced in number which explains the efforts made by the bank to recover such loans. From 127, the unsecured loans have come down to 79 where as the secured loans have reduced from 42 to 26 in number. The percentage of unsecured NPA loans to total NPAs has come down from 39.4% to 27.9% where as the secured NPA loans have increased from 60.6% to 72.1% which shows that the bank is safe as far as the securities offered are concerned.

5) The overall NPA management of the bank is satisfactory because the bank is a new generation bank started after the introduction of NPA norms by the Reserve Bank of India and it has clearly understood the consequences of NPA accounts on the financial position of the bank, the profitability and general rating of the bank in the eyes of the public as well as in the co-operative banking industry.

Suggestions

However to further improve its NPA management following suggestions are made by the researcher.

1) Bank should train the staff rigorously in the field of credit management so that they can together build up a quality portfolio of loans which will prevent NPAs at the very beginning. Bank should also encourage the employees by announcing incentives, increments and other kinds of benefits for the efficient employees who put in their efforts in recovery.

2) The bank can arrange recovery melas, converse with the defaulters and understand their genuine problems and find solutions for them.

3) The bank should try to get rid of its chronic NPA accounts through the means of OTS, making effective use of Securitisation Act, sale of securities to recover the amount, pressurizing the guarantors etc.

4) Bank should also avoid extending loans without margin or very low margin just to compete with other banks.

5) Sharing of credit information is becoming more and more important from the bankers point of view. Hence the bank should build up data base of all the borrowers and readily share it with other bankers and get help from other banks at the time of loan appraisal.

6) The bank should try to attract people towards secured loans and discourage unsecured loans. Loans on policy assignments pledge of gold and NSCs will be risk free. Hence the bank should educate the borrowers to take loan on such securities and it can make such loans more attractive by lowering the interest rate on such secured loans.

7) Taking the defaulters into confidence and listening to their genuine problems in repayment of installment and interest may also help the bank in a qualitative way. If required, rescheduling the repayment will also help both the borrower and the bank in proper recovery.

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Table 1. Growth of the Bank in the last 10 years (Rs in Lakhs)

Year	No. of members	Share Capital	Reserve Fund & other reserves	Deposits	Loans Outstanding	Working Capital	Net Profit
2002-03	3820	52.14	98.71	827.64	461.74	962.86	35.82
2003-04	4161	60.94	137.90	1059.56	497.97	1231.54	40.39
2004-05	4370	70.26	198.31	1303.35	678.80	1531.18	4.10
2005-06	4537	77.51	224.61	1548.63	827.10	1808.04	14.64
2006-07	4807	97.81	255.46	2571.38	1459.10	2872.63	20.76
2007-08	4835	107.38	282.06	2946.30	1668.45	3275.22	38.19
2008-09	4865	122.23	324.73	3986.96	1929.80	4365.59	51.61
2009-10	4870	138.73	382.86	4335.48	2210.48	4837.16	58.62
2010-11	4934	169.67	446.30	4455.77	2878.82	4982.61	63.96
2011-12	5202	211.55	527.27	6318.93	3663.71	6952.30	121.03

Table 2. Overall position of NPA of the Bank (Rs in Lakhs)

As on	Total Loans	Gross NPA	% of Gross NPA
31-03-2008	1668.45	50.23	3.0%
31-03-2009	1932.48	62.70	3.2%
31-03-2010	2209.47	68.33	3.1%
31-03-2011	2878.83	58.04	2.0%
31-03-2012	3663.71	74.38	2.0%

Table 3. Classification of NPA accounts as per status (Rs in Lakhs)

As on	Sub Std.		Doubtful D1		Doubtful D2		Doubtful D3		Loss Assets		Total	
	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
31-03-2008	63	17.33 (34.3)	33	11.42 (22.7)	41	12.70 (25.3)	32	8.88 (17.7)	-	-	169	50.23 (100)
31-03-2009	63	28.65 (45.7)	21	5.24 (8.4)	25	16.01 (25.5)	41	12.80 (20.4)	-	-	150	62.70 (100)
31-03-2010	58	24.66 (36.1)	27	14.69 (21.5)	24	16.71 (24.5)	41	12.27 (17.9)	-	-	150	68.33 (100)
31-03-2011	26	24.57 (42.3)	22	8.15 (14.0)	27	13.10 (22.6)	42	12.22 (21.1)	-	-	117	58.04 (100)
31-03-2012	34	45.98 (61.8)	13	3.89 (5.2)	27	13.83 (18.6)	31	10.68 (14.4)	-	-	105	74.38 (100)

(Figures in the brackets indicate the percentages to total NPA)

Table No 4. Classification of NPA accounts as Secured and Unsecured loans (Rs in Lakhs)

Year	Unsecured NPA loans			Secured NPA loans			Total NPA loans		
	No.	Amt.	%	No.	Amt.	%	No.	Amt.	%
31-03-2008	127	19.77	39.4	42	30.46	60.6	169	50.23	100
31-03-2009	110	21.29	34.0	40	41.41	66.0	150	62.70	100
31-03-2010	108	26.33	38.5	42	42.00	61.5	150	68.33	100
31-03-2011	90	21.20	36.5	27	36.84	63.5	117	58.04	100
31-03-2012	79	20.78	27.9	26	53.60	72.1	105	74.38	100

Equity Derivatives as Risk Management Instruments : A Study of the Level of Satisfaction of the Investors

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Abstract

In India, the significance of capital market as a contributor for the growth of the economy is increasing day by day. The growth in global trade, technological advances and the market deregulations are the factors influencing this development. With the increasing awareness about the capital markets, a large chunk of investors are entering the markets to invest their funds and earn profits. But, as a by-product of this market, there is market volatility which is likely to cause the risk of loss to the investors. As a result there has been a corresponding increase in such financial products which enable the investors to minimise or hedge the various risks associated with the capital markets. Derivatives are the financial instruments which are widely used by the investors for this purpose. The study is an attempt to identify the strategies of risk management which the retail investors can use to minimise the risks associated with stock market investments.

Keywords: *Equity Derivatives, Risk Management, Investment, Hedging*

Introduction

It is important to understand the risks involved in investments in the stock market in India and the ways in which these risks can be minimised through the usage of Equity Derivatives. The various techniques available for risk management using Equity Derivatives and also ascertaining the primary intention with which the investors trade with these instruments. A derivative is a financial instrument whose value is determined by the underlying asset such as a stock, commodity etc. The various types of derivatives available in India include the futures, options, swaps etc. Besides, they include index linked derivatives.

The purpose of the study is to apprise the various risks involved in the capital markets and the way these risks could be effectively minimised using the equity derivatives. Also, the study seeks to examine the basic purpose for which investors usually trade in equity derivatives.

Significance of the Study

The derivatives are understood to be the instruments that help in hedging, transfer or minimising of the risk to the investors. Many studies have been previously conducted to study how the companies use derivatives for their benefits, especially the use of commodity derivatives to minimise the risk from fluctuation in material prices, use of currency derivatives to hedge the foreign exchange risks. These instruments are used not only by the corporate, but also by the retail investors. Even the retail investors who wish to transfer their risk to the ones', who are willing to take risk, may make use of the derivatives, especially the equity derivatives. Hence this research aims to study the ways in which retail investors can use equity derivatives for reducing risks involved in investing in equity market. The study is an attempt to identify the strategies of risk management which the retail investors can use to minimise the risks associated with stock market investments.

Objectives of the Study

(i) To make an overall study of the derivatives market in India, and more specifically the trading of derivatives in a typical stock broking firm.

(ii) To study the major risks involved in trading securities in the capital markets, and to examine the strategies involving the use of equity derivatives being used to minimise such risks.

(iii) To assess the extent to which investors use strategies involving the use of equity derivatives, and also to identify the primary objective behind their use of equity derivatives.

Methodology, Scope, Data Sources and Analytical Tools

The duration of this study was limited to two months, and was conducted at Motilal Oswal Securities Ltd., Mangalore, Karnataka, India. The sample size was 30. Primary sources of data include official records available with the dealers at Motilal Oswal Securities Ltd, Mangalore. These sources also include data collected from the customers of Motilal Oswal, through the use of Questionnaire. Secondary sources of data include various authentic publications on finance, research journals, and official websites, relevant regulatory authorities and government departments.

The data collected as above was analysed using common statistical and mathematical tools. SPSS (Statistical Package for Social Sciences) has been used extensively for the statistical analysis.

Literature Review

S.M. Lokare, in his research paper titled *Commodity Derivatives and Price Risk Management: An Empirical Anecdote from India, (2007),* concludes that, by taking a position in the derivatives market, a producer can potentially offset losses in the spot market. This argument of risk reduction through hedging rests on the fact that the spot and future markets move together so that losses in one market can be made good through gains in another market. David Walsh in his journal article Risk Management Using Derivative Securities (1995) has said that, hedging risk of any sort using derivative securities has become an important part of any financial manager's job. He has discussed the strategies that can be used for hedging the risks using derivatives like forwards, futures, options and swaps.

An article by Srivastava, Sandeep, Surender S. Yadav and PK Jain, "Derivative Trading in Indian Stock Market: Broker's Perception", in IIMB Management Review, 2008, Vol 20, states that in India 25-30 percent of the total trading turnover of the derivative segment is contributed by the retail investors. The maximum trading was done in futures on individual shares. The study found that the investors use these securities for different purposes like risk management, profit enhancement, speculation and arbitrage.

Data Analysis and Interpretation

The analysis of the data collected from various sources and its interpretation are presented in the following paragraphs, with a view to draw meaningful conclusions from the analysis.

Table 1 shows the age group of respondents who trade in the derivatives market. The highest number of respondents (53.33 percent) belong to the age group of 25-40 years and the minimum share comes from those who are below 25 years. The reason for this could be lack of practical knowledge about derivatives or comparatively lesser amount of investible funds in the hands of these investors.

Table 2 reveals that nearly 80 percent of the respondents fall within the income range of Rs. 2 Lakh to Rs. 6 lakh. The derivatives have to be traded as per the minimum quantity specified by the exchange (lot size), and generally the minimum contract size that has to be traded is Rs. 2 lakh. The investor in derivatives must have sufficient investible funds in hand, which is possible only if he has sufficient income out of which he has to set up investible corpus. Added to this factor, the brokerage cost on the derivatives may seem to be costlier for the investors with low income groups.

As per Table 3,historically stock markets have been one of the high return yielding investment avenues. The BSE's SENSEX and the NSE's NIFTY have given the returns as high as 24.5 percent and 25.5 percent respectively in the year 2012. This fact is reflected in the response of the respondents where, 57 percent of them agreed that the stock market is one of the high return yielding investment avenues, and 20 percent of them strongly agreed to this fact. About 20 percent of the respondents took a neutral stand.

It is a known fact that, to earn a high rate of return the investor must take the risk. Therefore, when stock market has been proved to be one of the high return yielding investment avenues, there has to be a risk factor in it. And this has been proven by the survey results in Table 4 in which 20 out of the 30 respondents (66.7 percent) have agreed to the fact that stock market investments are risky and another 30 percent of the respondents have strongly agreed to this fact. So in total almost 97 percent of the respondents have sensed this fact about the stock markets, the rest of them (3 percent) have taken a neutral stand and not even a single respondent has denied this fact.

The main intention of this question is to find out the different meanings of the word 'Risk' in the stock markets as perceived by the investors. Through the survey (Table 5) it was evident that around 47 percent of the respondents understand risk as the loss due to market volatility. Hence, majority of the respondents believe that, there are high risks of loss in the stock markets when the markets fluctuate wildly, which is nothing but the systematic risk. Another 27 percent of the investors perceive risk as the variability in the rate of returns for which the reason might be any factor affecting either the entire market or an individual company. About 20 percent of the investors have perceived it as similar to the unsystematic risk i.e. attached to individual scrip.

Though the exchange traded derivatives are the recent developments in Indian stock markets, which were introduced about a decade ago, they have been well accepted by the investors, and this is evident with the increasing trade volume in the Indian derivative markets. Therefore an attempt to find out the advantages, for which the exchange traded derivatives have become popular, was made through the survey. Hence it is evident from Table 6 that major advantage of derivative trading is the opportunity to hedge risks (opted by 37 percent of the respondents). Similarly, availability of leverage and opportunity to make profits through speculation are the other advantages of trading in derivatives (opted by 30 percent and 33 percent of the respondents respectively).

The main aim of introduction of derivatives in Indian stock exchanges is perceived to be risk minimisation. To find out the relevancy of this perception, a question regarding this was asked in the survey and it is evident from Table 7 that, 53 percent of the respondents believe that derivatives are useful for risk minimisation and 16.7 percent of them have strongly agreed to the fact. A fair proportion of the respondents (16.7 percent) have taken a contrary position by saying that derivatives are not much useful for hedging risk. And about 14 percent of the respondents have taken the neutral stand.

An effort was made to find out the type of derivative which is widely traded by the respondents. It is evident from (Table 8) that a majority of the respondents (86.7 percent) trade in Equity Derivatives and only 13.3 percent of the respondents trade in Commodity derivatives. It is also evident that none of the respondents trade in currency derivatives and the reason for this may be that, the retail investors do not prefer to trade in currency derivatives as they are less exposed to foreign exchange risks and they may also find it difficult to understand the way in which the currency derivatives operate.

Table 9 shows the data regarding the cross comparison of two variables viz time period which the respondent had been investing in stock markets and the other variable is whether they are aware of the risk minimising strategies using equity derivatives. The above table shows that, there are 10 respondents who have been investing for more than a year ,but less than 3 years, and out of them only 3 (i.e, only 30 percent) are aware of the risk minimising strategies. Whereas under the category of respondents who have been investing for more than 3 years, there are 19 respondents, among whom 14 (74 percent) are aware of these strategies. Thus it can be proved that longer the experience of investment in stock markets, more will be the expertise and knowledge the investor will receive.

There are many strategies available for the investors to minimise the risk using equity derivatives, but finding out the strategy that is most widely used is a difficult task. The survey made an attempt to find the answer and it is evident from Table 10 that, investors use spreads, strangle and futures arbitrage almost in an equal manner and majority of the respondents (53 percent) have selected the option ‘others’ where they have specified the other strategies like hedging using futures, selling single call/put etc. 10 out of the 16 respondents who have selected the option ‘others’ have specified that, they do not use any of the strategies.

Table 11 shows that majority of the respondents (53.3 percent) use equity derivatives for the purpose of making more profits, and another 30 percent of the respondents use them for speculation purpose. Though the major purpose of introduction of equity derivatives was for risk hedging, their importance and purpose has evolved over the period of time. According to the respondents, the reason for it is the large volume of funds that is pumped into the derivatives segment in India and high liquidity arising out of it. When the markets are highly liquid, it gives an opportunity for the investors to trade more and make profits, and there is enough scope for speculation.

Table 12 shows that the respondents have equally (33.33 percent each) rated index futures and stock options as the instruments that are more helpful to hedge the risk. Similarly, 28 percent of the respondents feel that the stock futures are the best among other equity derivatives when it comes to hedging the risk. A very less proportion of respondents (6 percent) are of the view that the index options can hedge the risks better. Therefore it can be said that, futures (equity as well as index) seem to have the upper-hand over the options, when it comes to hedging the risk.

The index derivatives have become popular among the investors and this is evident from the volumes with which the index futures and options are traded on the exchange in India. What could be the reason for this trend? Table 13 answers this question. It is evident from the survey result that, 47 percent of the respondents are of the opinion that the index derivatives are easier to predict than the individual stocks. This is the main advantage of the index derivatives. Another 40 percent of the respondents are of the view that, index derivatives are very helpful to hedge the risk. Around 7 percent of the respondents have said that the index derivatives help to eliminate unsystematic risk by providing diversification.

Price in stock markets is determined on the basis of demand and supply and hence no individual investor can influence the prices in the market. Therefore an investor has to collect information regarding various factors that affect demand and supply. In this regard he has to do his own research or he has to depend on others to predict as to which stock is going to perform better and is worth investing in. Table 14 shows that, 20 percent of the respondents do their own research, 23 percent of them trade, based on the call given by their dealers, and the mere 7 percent depend on experts' opinion. But majority of the respondents (50 percent)use all the previously stated sources. This means that derivative traders are usually very cautious and gain good knowledge before taking any positions in the derivatives segment.

Equity derivatives have a short life i.e, at any point of time, an investor can get a derivatives contract on any stock or index at the most for a period of 3 months, after which they tend to expire and a new contract is rolled out. Therefore it is very risky to have open positions in derivatives, as they have shorter life-span. Technical analysis is a technique that uses several tools to determine the right time to enter/exit into/from the market and it is mainly used for predicting near term market movements. Therefore, the use of technical analysis might be considerably useful for the traders of equity derivatives. Hence, it is evident from Table 15 that about 66.7 percent of the respondents believe that the use of technical analysis can help to succeed in the derivatives market to a great extent. About 33.3 percent of the respondents do not see any link between the use of technical analysis and success in derivatives market.

Table 16 shows that about 17 percent of the respondents use Pattern Charts for the purpose of predicting the market movements in the near term. About 13 percent of the respondents use triangular graphs and some 10 percent of them use moving averages as the tools for timing the market. But a majority of the respondents (60 percent) do not make use of any tools of technical analysis. Though out of these 60 percent some of them believe that technicals do help in trading equity derivatives better, they do not use them because of lack of proper knowledge about the ways in which these tools can be used.

Though the derivatives are useful instruments for hedging risk as well as to make good profits through speculation, there are a number of factors which sometimes makes it difficult for the investors to trade in them. Table 17 shows that 43 percent of the respondents found the limited tenure/period of the derivatives as a constraint, whereas 23 percent of them found them to be highly risky, and 20 percent of them said that these instruments are quite difficult to understand. Other problems found were, the system of daily marking to market, high fluctuation in prices etc.

Table 18 shows that majority of the respondents (67) feel that trading in equity derivatives is not safer than that of spot market, and there are reasons also for such a response from them. The reasons are; investors tend to take on more positions than they actually can afford, high fluctuation of prices, huge sum of money involved etc. But there are also fair numbers of respondents (33 percent) who agree with the statement that the equity derivatives are safer than spot market trading because of existence of high liquidity, risk hedging opportunities etc.

Major Findings of the Study

- The investors believe that the equity derivatives help to minimise the risks in stock market investments
- The strategies of risk management using equity derivatives have been found effective, which the investor can make use of to reduce the risks in stock market investments.
- The investors were found to be making use of these strategies as they gain more and more experience in the stock markets. It was found that, longer the duration in which the person has been investing in stocks, greater are the chances that he is aware of these strategies and he uses them for his advantage.
- The investors consider availability of high leverage, risk hedging and scope for speculation is the main advantage of trading in derivatives.
- Equity derivatives were found to be the most widely traded instruments in the derivatives segment in India.
- The investors use the equity derivatives, more for the purpose of profit making and speculation than for risk hedging.
- Index futures and stock options were found to be the most useful risk hedging instruments for the investors.
- It was found that, investors tend to make their own research, consider dealers' call and take expert advice before taking any positions in the derivatives segment.
- The investors believed that the use of technical analysis can help to succeed in the derivatives market but most of them did not use it because of the complexity involved in such tools.
- It was found out through the survey that most of the investors (67 percent) feel that trading in equity derivatives is riskier than trading in stock markets.

Recommendations

Based on the findings of the study as above, the following recommendations can be made:

- Though the strategies help minimise the risks, it is recommended that the investors keep a watch on their investments so that the losses could be further reduced.
- The use of technical analysis to predict the movement of the scrip or index in the near term can be done before formulating the strategies.
- Specific strategy should be used with a purpose instead of investing haphazardly in equity derivatives.
- Excessive speculation using derivatives should be avoided, as they can make the investors more prone to risk of loss as the derivatives market is highly volatile.

Conclusion

After studying the role of equity derivatives in providing opportunities for the investors to minimise the risk of loss in the stock markets, it can be concluded that, the proper use of these instruments with specific objectives can serve the purpose to a considerable extent. Indian stock markets are driven by high liquidity and the turnover in the equity derivatives segment are 10 to 11 times higher when compared to the turnover in the cash market segment. And more importantly, client trading in the equity derivatives segment constitutes a considerable quantum of the total turnover. Given these facts, the equity derivatives can be considered to be the innovative gifts of the developed markets which help the investors to not only hedge the risk to those who are willing to take it, but also to make handsome profits through speculation. As these useful instruments (equity derivatives) are recent developments in the Indian stock exchanges which were introduced just a decade ago, they have become successful in gaining the confidence of the investors over the years. More and more informed investors are entering into this segment to enjoy the high liquidity in this segment and also add-on to the existing liquidity. Therefore, after the study it can be rightfully said that, when more people are educated and made aware of these useful instruments and other useful techniques in stock markets like technical and fundamental analysis, the Indian stock markets can see flourishing times by providing people with an efficient investment avenue where they can invest and earn favourable returns to immunize the impact of rising inflation in India.

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Table 1. Age group of the respondents

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
below 25 years	3	10.0	10.0	10.0
25 to 40 years	16	53.3	53.3	63.3
40 to 55 years	7	23.3	23.3	86.7
above 55 years	4	13.3	13.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 2. Income level of the respondents

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
below Rupees 2 lakh	4	13.3	13.3	13.3
rupees 2 lakh to 4 lakh	10	33.3	33.3	46.7
rupees 4 lakh to 6 lakh	14	46.7	46.7	93.3
above rupees 6 lakh	2	6.7	6.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 3. Ability of the stock markets to provide good returns : 'They give highest return'

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	6	20.0	20.0	20.0
Agree	17	56.7	56.7	76.7
Disagree	1	3.3	3.3	80.0
Neither agree nor disagree	6	20.0	20.0	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 4. Ability of the stock markets to provide good returns : 'Stock Market Investment is Risky'

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	9	30.0	30.0	30.0
Agree	20	66.7	66.7	96.7
Neither agree nor disagree	1	3.3	3.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 5. Perception about 'The Risk' in stockmarkets

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Loss due to Volatility in the Stock Prices	6	20.0	20.0	20.0
Loss due to Market Volatility	14	46.7	46.7	66.7
Variability in Rate of Returns	8	26.7	26.7	93.3
Others	2	6.7	6.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 6. Advantages of trading in derivaties

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Availability of Leverage	9	30.0	30.0	30.0
Risk Hedging	11	36.7	36.7	66.7
Scope for Profits through Speculation	10	33.3	33.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 7. Derivaties help to minimise risk

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	16.7	16.7	16.7
Agree	16	53.3	53.3	70.0
Disagree	5	16.7	16.7	86.7
Neither agree nor disagree	4	13.3	13.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 8. Type of derivaties traded by the respondents

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Equity Derivatives	26	86.7	86.7	86.7
Commodity Derivatives	4	13.3	13.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 9. The experience in stock markets can provide expertise to an investor

Particulars		Duration of investment in Stock Markets			
		less than past 6 months	more than 6 months but less than a year	more than a year but less than a 3 years	more than past 3 years
		Count	Count	Count	Count
Respondent's awareness about the risk minimising strategies using equity derivatives	No	0	0	7	5
	Yes	1	0	3	14

(Source: Survey data)

Table 10. Strategies used by the respondents

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Bull/bear Spread	5	16.7	16.7	16.7
Strangle	4	13.3	13.3	30.0
Arbitrage using futures	5	16.7	16.7	46.7
Others	16	53.3	53.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 11. Main objective of trading in equity derivatives

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Profit Making	16	53.3	53.3	53.3
Speculation	9	30.0	30.0	83.3
Hedging	5	16.7	16.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 12. The most useful risk hedging instrument among equity derivatives

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Stock Futures	8	26.7	26.7	26.7
Index Futures	10	33.3	33.3	60.0
Stock Options	10	33.3	33.3	93.3
Index Options	2	6.7	6.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 13. Uses of index derivatives

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Provide Diversification	2	6.7	6.7	6.7
Ease of Prediction of Market Movements	14	46.7	46.7	53.3
Risk Hedging	12	40.0	40.0	93.3
Others	2	6.7	6.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 14. Source of Information for the trades in equity derivatives

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Own research	7	23.3	23.3	23.3
Opinion of dealers	6	20.0	20.0	43.3
Experts' opinion	2	6.7	6.7	50.0
All the above	15	50.0	50.0	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 15. The use of technical analysis helps to succeed in derivatives market

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
No	10	33.3	33.3	33.3
Yes	20	66.7	66.7	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 16. The technical analysis tools used by the respondents

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Triangular Graphs	4	13.3	13.3	13.3
Head & shoulder Patterns	5	16.7	16.7	30.0
Moving Averages	3	10.0	10.0	40.0
Not using technical	18	60.0	60.0	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 17. Difficulty faced in derrivatives trading

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
Difficult to Understand	6	20.0	20.0	20.0
High Risk	7	23.3	23.3	43.3
Limited Tenure	13	43.3	43.3	86.7
Others	4	13.3	13.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Table 18. Trading in equity derivatives is safer than trading in spot market

Particulars	Frequency	Percent	Valid Percent	Cumulative Percent
No	20	66.7	66.7	66.7
Yes	10	33.3	33.3	100.0
Total	30	100.0	100.0	

(Source: Survey data)

Predicting Turnover Intent: Examining the Effect of Employee Engagement Practices in Indian International Call Centers

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Abstract

The paper focuses on examining the effect of employee engagement practices among call center employees in India with an attempt to predict the Turnover intentions. In call centers employee engagement practices like communication, reward and recognition have a positive impact on employee performance, but because of monotony in the nature of the job, employee development is negatively correlated with the degree of employee engagement. Findings of this study will facilitate the HR managers and management of Indian International call centres in terms of making the effective use of employee engagement practices in order to retain their human talent by reducing turnover intentions to create performance oriented environment. Data was collected from 107 employees based on convenience and snow ball sampling from call centres located in Hyderabad. The hypotheses are formulated and tested.

Keywords - *Employee engagement, Globalization, Turnover intention, Call centre, Organization Practice and Employee involvement.*

Introduction

In the present scenario of global competition, Indian call centers are ridden with inherent problems that result in stressful working conditions. Organizations are trying to inculcate the human resource practices to improve their productivity and performance. One such human resource practice is *Employee engagement*. An engaged employee is the one who is fully involved, and enthusiastic about his work. Employee engagement has become a contemporary topic in today's competitive world. Of late, employee engagement has become an area of focus within organizations for the purpose of retention and as a means to avoid expensive employee replacement costs resulting from staff who voluntarily quit their jobs. According to "Society of Human Resource Management", the cost of replacing one employee who works eight hours per day can exceed $3,500, which gives companies a strong financial incentive to maintain their existing staff members through strong employee engagement practices. Kahn (1990) defines employee engagement as the harnessing of organization members to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.

Employee engagement can be assessed from a range of factors, known as drivers that are thought to increase overall engagement. By managing the drivers, an organization can effectively manage employee engagement levels. Drivers such as communication, performance clarity and feedback, organizational culture, reward and recognition, relationships with managers and peers and career development opportunities facilitates employee engagement in an organization.

Turnover intention refers to a voluntary intention of an employee to leave an organization. Turnover is the process through which the staff leave an organization or that organization replaces them. A high turnover rate adversely affects an organization in other ways such as recruitment costs, diversion of management focus, expenses to train new hires, all affects the organization's fame and discourages the remaining employees. Literature suggests that employee engagement is related to emotional experiences and wellbeing (May *et al* 2004). Researchers have found that emotional factors are linked to an individual's personal satisfaction and the sense of inspiration and affirmation they get from their work and from being part of their organization. A considerable number of employees agree that their company is not a good place to work, suggesting they are emotionally unhappy, while others argue emotions should not be allowed to flow free, and that employees are more productive when their emotions are managed. (Holbeche and Springett 2003).

Employee Engagement and Turnover Intentions

In literature, Turnover intention is commonly referred to as intent or intention to leave. For the current study, turnover intent refers to the voluntary intention of an employee to leave an organization. An Engaged employee is the one who is fully involved in his work and loyal to the organization. Engaged employees are likely to have a greater attachment to their organization and the job (Schaufeli and Bakker 2004). The implication of these findings is twofold. While engaging employees can help to reduce an organization's turnover thereby reducing recruitment costs, it has also been found that, the longer employees stay with an organization; the less engaged they become (Ferguson 2007). Such evidence stresses the importance of engagement and ensures that employees are engaged in the long term in what they do by addressing issues, which matter. An engaged employee will remain with the organization and will contribute more to the best of the organization.

James R. Jones et.al (2009) conducted a study on race dyads effects on the employee engagement – turnover intention relationship. The analysis revealed an interaction whereby at low levels of engagement, members of different race report a lower tendency to remain with their organization for at least one year than members of same-race dyads at high levels of engagement, intent to remain was great for members of different-race dyads. Alan M. Saks (2006) had conducted a survey among 102 employees working in a variety of jobs and organizations to measure organization engagement as well as the antecedents and consequences of engagement. Results indicate that job and organizational engagement mediated the relationships between the antecedents and job satisfaction, organizational commitment, intentions to quit and organizational citizenship behavior.

About Call Centers

Call centre is a relatively new industry which has been growing at a very fast pace in the last few years around the world (Deery & Kinnie, 2004). It has become a cornerstone of the service industry in the developed world. Call centres in India are a direct result of the globalization of work enabled by new communication technologies. This can be concluded because about 75% of this industry caters to international markets (Batt, et al, 2005). They are a part of the overall Business Process Outsourcing (BPO) industry, and produce about 70% of its revenue. Moreover, there was no domestic call centre industry to speak of before the off-shored call centres had been set up, and hence this becomes an excellent site to study any process related to globalization.

The industry experienced meteoric growth having started in the 90s, and is now projected to have an employment of 1.2 million young Indians by 2008 (NASSCOM estimates). Most of the growth in the call center industry in India can be attributed to the off shoring of service work from countries like the US, UK and Australia. There was a tremendous acceleration in the industry around the turn of the century with the bursting of the bubble in the software industry in the US. The reason for this large exodus of call center work from developed countries has been attributed to the low cost, good quality, English-speaking labor in India (Dossani & Kenney, 2003). Reports show that the average cost of an Indian call center employee is $10,354 as compared to the cost of a similar employee in the US of $55,598 (Nasscom estimates). These call centers provide a large number of services starting from inbound customer service to outbound sales, to collections. The firms also have a variety of ownership structures – independent national, independent international, a captive of a specific firm's process, a part of an MNC call center, or a part of an Indian conglomerate (Dossani &Kenney, 2003).

Research Design

Objectives of the study

- To test the prediction of the outcome variable Turnover intent by antecedent Employee engagement.
- To study the turnover intentions in call centre employees.
- To study the Employee engagement practices in call center organizations.
- To find out whether there is a correlation between employee engagement practices and turnover intentions among call center employees

Hypotheses

Frequency distribution was used to describe the profile of the sample. For the goodness of the measure, a reliability test was performed to measure the internal consistency of the scale. This was then followed by computation of means and standard deviation of all variables used in this study, which are organizational practices, employee engagement and turnover intentions of call centre employees.

To find out the relationship between employee engagement and turnover intentions among call center employees correlation is calculated. To find out whether there is a correlation between employee engagement practices and turnover intentions among call center employees, a hypothesis is formulated and tested.

H_1 : There is significant association between employee engagement practices and turnover intentions.

H_2 : There is significant association between employee communication and turnover intentions.

H_3 : There is significant association between rewards & recognition and turnover intentions.

H_4 : There is significant association between employee development and turnover intentions.

Survey Instrument

To measure employee engagement practices and turnover intentions of call center employees (CCEs) a questionnaire was designed which consisted of six sections. Section A of the questionnaire gathers information on the demographic profile of call center respondents, such as gender, age, race educational level etc. section B of the questionnaire measures to what extent the organizational practices (employee communication, reward & recognition and employee development) under the study are practiced in the call center organizations. Respondents are given five point scale with 1- strongly disagree, 2-disagree, 3-undecided, 4-agree and 5-strongly agree to indicate their agreement with item statements. Section C consisted of questions to measure employee's perception of their engagement level at their work, based on five point scale, with 1- strongly disagree, 2-disagree, 3-undecided, 4-agree and 5-strongly agree and finally to measure turnover intentions among call center employees 3 questions were prepared and administered.

Sample

The unit of analysis for this study is the individual call centre employee. A total of 107 call center employees working for International call centers in Hyderabad were chosen at random to participate in this survey.

Findings

The demographic details of the respondents are summarized in Table I. As shown, most of the respondents answering the questionnaire are female respondents. More than half of the respondents are below 30 years of age. 57% of the respondents have a bachelor's degree as their qualification. In the above study the respondents providing inbound services like banking and telecomm where chosen randomly to collect the required information for the study.

Reliability test was performed to measure the internal consistency of the scale used in this study. Table 2 shows the Cronbach Alpha values of the study variables, ranging from 0.76 to 0.91, which are considered to be good for the above study. Descriptive analysis was performed to analyze the extent of organizational practices, impacting employee engagement and turnover intentions of call centre employees within the company. The mean scores for employee engagement and employee communication is considered to be average (3.25 & 3.31) where as for employee recognition and employee development it is below average (2.31 to 2.40). The standard deviation of the variables considered under the study range between 0.56 to 0.79 (Table 3) Correlation was calculated to measure the relationship between organizational practices, employee engagement and turnover intentions of call center employees.

The correlation coefficients of organization practices (employee communication, rewards and recognition, employee development, employee engagement) is positive, where as it is negative between organizational practices and turnover intentions. High positive correlation exists between employee engagement and employee development (Table 4).

Table 5 provides the summary of the multiple regression models which tells the relationship between employee communication, rewards & recognition, employee development and employee engagement. The value R from the table is 0.597, which tells that there is a positive correlation between the variables and employee engagement. The higher the value of the variables among call centre employees, the higher will be the employee engagement and vice versa. The value of R^2 speaks about the percentage of outcome (employee engagement) that is explained by the predictors i.e., three variables.

For the model the value is 0.356 which means that predictors are explaining 35.6% of employee engagement. The adjusted R^2 value gives an idea of how well the model generalizes the difference (0.356-0.311) .045 or 4.5%. This shrinkage means that if the model was derived from the population rather than a sample it would account for approximately 4.5% chance of variation in the outcome. The F-value 8.960 from the table is significant at 1% level of significance. Therefore it can be concluded that the multiple regression model results in a significantly better prediction of the reasons for employee engagement because of three variables.

Table 6 provides details of the model parameters (the beta values) and the significance of these values. Equation (1) shows that b_0 was the Y intercept and this value is the value B for the constant.

So, from the table, b_0 is 2.619, and this can be interpreted as when there are no predictors (when X=0) the model predicts that there will be 2.619. The value of b_1 (employee communication) from the table is 0.163. This tells that if the employee communication is increased by 0.163 then the employee engagement will increase by 1. Similarly, b values of rewards & recognition and employee development are 0.240, -0.28 respectively. The regression equation for the dependent variables (employee engagement) and independent variables (employee communication, rewards and recognition, employee development) are given below.

$Y = 2.619 + 0.163\ X_1 + 0.240\ X_2$ - I

Y = employee engagement

Variables X_1, X_2, are employee communication and rewards and recognition.

Discussion of the findings

Based on the results, it can be concluded that employee engagement practices, influence turnover intentions. From the mean scores of employee communication and employee engagement, we can conclude that call center organizations are effectively communicating to their employees about their organizational policies, employee targets, feedback on the job etc. There is a positive correlation between employee engagement and employee communication which indicates that effective communication will help in employee engagement in the organization, these findings are inconsistent with Hackmen & Lawler (1971). Rewards and recognition refers to the extent to which the company gives appropriate reward & recognition for the work that had been done in achieving the organizational goals. call centre employees (CCEs) are satisfied with the rewards & recognition system in call center.

The correlation between rewards & recognition and employee engagement is positive which tells that for employee engagement there should be good reward and recognition given to the employees. This finding is in line with Maslach & Leiter (2008) who proposed that rewards & recognition is one of the areas in work life that have a motivation potential to enhance employee engagement. call centre employees (CCEs) are partly dissatisfied with the employee development factor in call centers. When the nature of the job allows an employee to learn new things and grow in that particular job it is considered to be employee development.

As the call center jobs are monotonous in nature and have very less scope for development, call centre employees (CCEs) feel undeveloped in their jobs. Employee development is negatively correlated with employee engagement, for call center employees. The burning desire of the employees to learn new skills in their current job is called intrinsic improvement. The turnover intentions of call center employees are low because of employee engagement practices in call center organizations. The employee engagement practices of an organization is negatively related with turnover intentions among the employees, there is a significant relationship between employee engagement practices and turnover intentions of employee in the organization. Thus null hypothesis is rejected concluding that, employee engagement practices of an organization will reduce the turnover intentions among the employees working for that organization.

The multiple regression equation which gives a valuable insight regarding the dependent (employee engagement) and independent variables (employee communication, rewards & recognition, employee development) emphasizes that, call center organizations have to stress more on the employee communication and rewards & recognition policies of an organization to improve the employee engagement among the call center employees.

Limitations

The present study had thrown light on predicting the turnover intentions on call centre employees (CCEs). It does have some limitations. The sample of respondents (CCEs) are of call centre employees working in organizations located at Hyderabad, this could have affected the relationship outcome obtained in the present study since different organizations yield different results. Secondly, in the current study respondents providing inbound services were considered which will give different results if outbound services are considered. Similarly call centre employees (CCEs) providing services for domestic customers may give different results.

Further Research

It would be interesting for further researchers to investigate the antecedents of employee engagement in other settings like outbound services, call center providing domestic customers to extend the discovered knowledge in this field. Further researchers may extend their research to examine the consequences of employee engagement empirically to the Turnover intention (Involuntary). The present study is focused on employees working in call centres of Hyderabad and the other areas can be included for further studies. Researchers can also focus their study to other sectors which would help to identify and predict turnover intentions in various sectors.

Conclusion

Organizations survive and grow because of their employees. In the present study, it is observed that majority of call centre employees are within the age group 20-30 years. Engaging young employees for long term is a task for call centre management. An engaged employee for an organization is considered to be a great asset. From the present study it is found that call center practices are helping their organizations to effectively engage their employees, but with respect to employee development call center organizations have to take certain measures like job rotation, to create variety in their jobs, thereby reduce monotony and thus contribute towards employee development. To reduce the turnover intentions in their employees call center organizations should provide EAP (Employee Assistance programme) like counseling and skill developmental programmes regularly through which employees can know how to overcome monotony and find ways for further growth in their jobs. Organizations should offer strategic compensation packages and ensure recognition and appreciation of employees by superiors to give them a sense of belongingness.

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Table 1. Demographic profile of respondents

Variable		Frequency	Percentage
Gender :	Male Female	39 68	36.44 63.56
Age :	below 30 years 30-40 years Above 40 years	75 28 4	70.09 26.18 3.73
Qualification :	Bachelor's degree PG	61 46	57 43
Type of service :	Inbound	107	100
Type of client :	Banking Telecomm	32 75	29.90 70.10

(Source: Primary data)

Table 2. Reliability analysis

Variables	n	Cronbach Alpha
Employee communication	8	0.9
Reward & Recognition	7	0.87
Employee development	6	0.84
Employee engagement	11	0.91
Turnover intentions	4	0.76

(Source: Primary source)

Table 3. Mean and standard deviations of variables

Variables	Mean	S. Deviation
Employee communication	3.31	0.61
Reward & Recognition	3.4	0.56
Employee development	2.13	0.79
Employee engagement	3.25	0.77
Turnover intentions	3.01	0.48

(Source: Primary source)

Table 4. Correlation values of the variables under study

Variables	Employee communication	R&R	Employee Development	Employee Engagement	Turnover Intention
Employee communication	1				
Reward & Recognition	0.28	1			
Employee Development	0.31	0.39	1		
Employee Engagement	0.79	0.41	-0.31	1	
Turnover Intention	0.28	0.12	-0.21	-0.705(.003**)	1

*Source: Primary source **Significant at 1%*

Table 5. Table showing significant relationship between variables showing an impact on employee engagement among CCEs

Model	R	R Square	Adjusted R Square	F	p-value
1	.597	.356	.311	8.960	.000**

Predictors : (Constant), Employee communication, Reward & Recognition and Employee development.
b. Dependent Variable : Employee engagement

Table 6. Table showing un standardized and standardized coefficient values for variables showing an impact on employee engagement among CCEs

Model	Un Standardized Coefficients		Standardized Coefficients	t-Value	Sig.
	B	Std. Error	Beta		
1 Constant	2.619	.525		4.986	.000**
Employee communication	.163	.078	.018	3.437	.000**
Rewards & Recognition	.240	.067	.004	5.073	.000**
Employee development	-.028	.058	-.023	-.488	.626

Dependent Variable : Employee Engagement **-significant @5%

A Study on Motivational Aspects of Plateaued Faculty Members in Educational Sector

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Abstract

The job of most of the faculty members is filled with boring and routine tasks, which leads to a sense of loss and thus they become skeptical about finding fulfillment in their career. Sometimes they consider their present jobs and positions to be exceedingly valuable, but lack of administrative and managerial skills is hindering them to perform higher level jobs. Most of the career plateaued faculty members may experience demotivation and dissatisfaction which may cause higher turnover. The researcher here tries to find out the causes of career plateau among the faculty members and its impact. The researcher also tries to find the motivational factors that can influence plateaued faculty members in the Educational Sector.

Keywords : *Motivational Aspects, Career Plateau, Factors, Benefits*

Introduction

Many Researchers and Management professionals in an organizational career have suggested that plateau is fast becoming a critical managerial and organizational issue which needs to be managed properly to avoid employee discontent (Tremblay and Roger, 2004). Tremblay et al (1993) say that career plateau has been used as an antecedent to many undesirable work outcomes such as low satisfaction, high stress, poor performance and other withdrawal symptoms. Career plateau has the potential to cause discomfort among the employees because of the lack of continued upward progression that is considered as a yard stick to measure employee's performance. Thus career plateau leads to poor performance. Bardwick (1988) states that the major drive for career plateau is the increase in competition for higher level positions. The causes are often difficult to pinpoint, but the realization is at its best, discouraging. In fact, over the course of everyone's career, few dilemmas will create as many internal struggles, in giving rise to a feeling that a job no longer meets your needs neither professionally nor personally. For many employees a time comes, when all career movement ceases. Some feel unchallenged, while others simply don't have the motivation to move upward. It is the management's responsibility to draw out the best from their faculty members at such times.

Most of the definitions of career plateau are initially based on absence or lack of vertical and horizontal promotional opportunities within an organization. Feldman and Weitz (1988) revised the definition of career plateauing in order to describe the condition in which "The likelihood of receiving further assignments of increased responsibility is low".

Literature Review

Ference, Stoner and Warren (1977) defined a Career plateau as "the point where an employee's likelihood of additional hierarchical promotion becomes unlikely". Bardwick (1986) has expanded the concept and suggested that career plateauing took two basic forms, Structural and Job Content plateaus. Structural plateau reflects the point when it is unlikely that an employee will receive additional hierarchical promotions. Job content plateaus arise from frustrations with developmental aspects of jobs, in that, it is the point where an individual is no longer challenged by his or her work or job responsibilities, a type of plateau that can occur regardless of advancement opportunities. Allen et al (1999) found that those who encountered job content plateaus tend to have lower satisfaction and lower commitment. Although no hard and fast criteria defines when a person is plateaued. Job Change, not age, is regarded as a salient variable. Daniel J Penkar, Rajesh Kumar Agarwal (2012) The Major finding of this study is that career plateau is a major contributing factor of employees dissatisfaction, organization commitment and employee turnover. Technical staffs have more career plateau.

"Plateaued employees could stem from boredom of routine work or just plain complacency. Very often, external stimulators such as excitement of new work or a hard reality session can help yank the employee out of his stupor," reasons G Ravindran, CEO, and MD-SHRM. India occupies the second position in the Higher Education World, as an unprecedented growth has taken place in this sector, besides this sector has faced innumerable challenges during the last five decades.

The research, exploring faculty members' motivational issues in India, shows that, they are poorly motivated and are dissatisfied with their living and working conditions. The following are the key reasons for dissatisfaction.

1. Low status in the society or recognition is very low in the society.
2. Poor work Environment or quality of work life.
3. Lack of career advancement opportunities.
4. Very high faculty pupil ratio.
5. Inadequate fringe benefits.
6. Irregular salaries to the faculties.

According to researchers these conditions are responsible for low faculty morale and the difficulty in attaching and retaining quality personnel in the faculty profession.

Objectives

1. To study the various factors that influence career plateau among faculty members
2. To know various motivational factors for plateaued employees.

HYPOTHESES

Hypotheses 1 : There is no significant association between Gender and Career Plateau.

Hypotheses 2 : There is no significant association between Martial Status and Career Plateau.

Research Methodology

Sample

Full Time University in service Professors / Associate Professors/ Assistant Professors are considered for data collection in Jawaharlal Nehru Technological University Hyderabad, Hyderabad.

Sample size

Out of 289 full time Professors/Associate Professors./Assistant Professors were approached for data collection, out of these only 106 valid responses were considered for data analysis.

Data was collected using questionnaire that consists of 6 major factors namely Environmental, Benefits, Routine, Promotional Ability, Institutional and Administrative Support. This instrument consists of 18 statements, and each statement is ranked by the respondents using 5-point Likert Scale ranging from Strongly Agree to Strongly Disagree.

Data Analysis

Reliability of the data in the current study is checked by Reliability Statistics. The Cronbach's Alpha is 0.734. (Note:-Reliability Coefficient of 0.70 or higher considered as 'acceptable' in most Social Science Research situations) as shown in Table 1.

We have also used Principal Component Analysis method. After applying the same on the data collected from the respondents, we got results which are presented in the tabular format as shown in Table 2.

As per Table 2 there are 6 factors which have Eigen value of 1 or more than 1. The last column in the table (looking at the cumulative Pct) shows that the six factors extracted together is 67.083% of the total variance. Hence we have reduced the factors from 18 to 6 and by doing so we have lost only about 32.917% of information contents, while 67.083% is retained by the 6 factors extracted out of the 18 original variables. So these first 6 factors are seen to be the most important factors for influencing the causes of Career Plateau.

FINDINGS

Factor 1 : Environmental

The rotated matrix has revealed that the respondents have perceived this factor to be the most important factor with the highest explained variance of 14.774%. Five out of eighteen variables adhere significantly to this factor. The researcher has named this factor as Environmental, as it includes (1) Adequate support from peers - 0.846, (2) Harmonious environment in our staff room - 0.718, (3) Encouragement by the institution to attend faculty development program - 0.700, (4) Career Advancement Opportunities - 0.609, (5) Encouragement to pursue work - 0.474.

Factor 2 : Benefits

The rotated matrix has revealed that the respondents have perceived this factor to be the next important factor, with the highest explained variance of 12.608%. Four out of eighteen variables load on significantly to this factor. Researcher has named this factor as Benefits as it includes (1) Refer Journals - 0.770, (2) Support to Present Papers - 0.729, (3) Reference books whenever needed - 0.693, (4) Career advancement opportunity - 0.497.

Factor 3 : Routine

The rotated matrix has revealed that respondents have perceived this factor comes next to Benefits which has the highest explained variance of 11.713%. Three out of eighteen variables load on significantly to this factor. Researcher has named this factor as Routine as it includes (1) Promotional Opportunity based on experience – 0.782, (2) Increments based on feedback - 0.781, (3) Increments based on qualification - 0.745.

Factor 4 : Promotional Ability

The rotated matrix has revealed that respondents have perceived this factor as another important factor with the highest explained variance of 11.558%. Three out of eighteen variables load on significantly into this factor. Researcher has named this factor as Promotional Ability, as it includes (1) Promotional Opportunity based on experience - 0.782, Increments based on feedback - 0.781, (3) Increments based on qualification - 0.745.

Factor 5 : Institutional

The rotated matrix has revealed that respondents have perceived Institutional as another important factor after Promotional Ability, with the highest explained variance of 8.350%. Two out of eighteen variables load on significantly into this factor. Researcher has named this as Institutional as it includes (1) Quality of the Students - 0.825, Institution encourages me for faculty development program - 0.728.

Factor 6 : Administrative Support

The rotated matrix has revealed that respondents have perceived that Administration support also plays an important role with the highest explained variance of 8.081%. Two out of eighteen variables adhere significantly to this factor. The researcher has named this factor as Administrative Support as it includes (1) Permission to go early - 0.807, (2) No Problem in Sanctioning Leave - 0.685 as shown in Table 3.

T-test is performed to test the difference in perception of the Gender in Career Plateau, as its significant difference is 0.359, but it showed no significant difference between male and female faculty in educational sector at 95% of confidence level. This indicates that the male and the female faculty don't differ in Career Plateau. In the above table t-test scores, mean and standard deviation are presented for Gender towards Career Plateau which features the Male and Female faculty. In this study, statistically, no significant difference has been found between men and women with respect to plateaued faculty. Hence hypothesis 1 is supported as shown in Table 4.

T-test is performed to test the difference in perception of the Marital Status, and the significant difference is 0.663 between married and unmarried faculty in the educational sector at 95% of confidence level. This indicates that the married and unmarried do not differ in Career Plateau (Table No. 5). Also, in the case of Marital Status of Plateaued faculty, there is no significant difference between Married and Unmarried faculty. Hence, Hypothesis 2 is also accepted.

The following can be the Motivational Factors for Plateaued Faculty Members:

1) The institution must provide good Reward system and Increments on time.

2) Maintain Quality of Students.

3) The management should provide References books as well as provide research oriented study material.

4) Encouragement and support for further Qualification.

5) Salaries to be paid on Time.

6) Fringe Benefits.

7) Medical Leaves and Study leaves to be provided.

8) Institution must consider the faculty as an asset.

9) Training facilities must be given on time.

10) Management must support and encourage the faculty to present papers as well as to attend Faculty Development Programs'.

Conclusion

The impact of the Environment is more on Career Plateau of the faculty members. If Career Plateau is not addressed properly it may lead to dissatisfaction and high turnover of faculty. Hence the management of every Educational Institution has to take up motivational aspects to prevent this problem.

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Table 1. Reliability statistics

Cronbach's Alpha	No. of Items
.734	18

Table 2. Total variance explained

Component	Extraction Sums of Squared Loadings			Extraction Sums of Squared Loadings			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.578	25.434	25.434	4.578	25.434	25.434	2.659	14.774	14.774
2	2.359	13.104	38.538	2.359	13.104	38.538	2.269	12.608	27.382
3	1.745	9.695	48.232	1.745	9.695	48.232	2.108	11.713	39.095
4	1.190	6.610	54.842	1.190	6.610	54.842	2.080	11.558	50.653
5	1.157	6.430	61.272	1.157	6.430	61.272	1.503	8.350	59.003
6	1.046	5.811	67.083	1.046	5.811	67.083	1.454	8.081	67.083
7	.894	4.968	72.051						
8	.781	4.341	76.392						
9	.727	4.038	80.430						
10	.593	3.297	83.727						
11	.520	2.890	86.616						
12	.473	2.629	89.245						
13	.460	2.554	91.799						
14	.446	2.480	94.279						
15	.315	1.749	96.028						
16	.257	1.428	97.456						
17	.243	1.353	98.809						
18	.214	1.191	100.0001						

Table 3. Factor analysis : rotated component matrix

RR

	Component					
	1	2	3	4	5	6
Handle the same Subject			.789			
Implementing same Pedagogy			.867			
Following same reference Books			.657			
Same quality of the Students					.825	
Promotional opportunity based on experience				.782		
Increments based on feedback				.781		
Increments based on qualification				.745		
No problem in sanctioning Leave						.685
Permission to go early						.807
Reference books whenever needed		.693				
Support to present papers in Seminars/Conferences		.729				
Refer Journals for Personal/Library Usage		.770				
Harmonious environment in the staff room	.718					
Adequate support from peers	.846					
Institution considers me as an asset					.728	
Institution encourages me for faculty development programmes	.700					
Career Advancement opportunity	.609	.497				
Encouragement to pursue Research Work	.474					

Table 4. Gender difference in career plateued faculty in educational sector

Factor	Male		Female		t-test	Df	Sig (2-tailed)	Results
	Mean	S.D.	Mean	S.D.				
Career Plateau	41.18	8.112	39.63	8.271	.922	104	.359	Accepted

Note :- Significant at 0.05 (Source : Primary Data)

Table 5. Marital Status of the plateued faculty

Factor	Male		Female		t-test	Df	Sig (2-tailed)	Results
	Mean	S.D.	Mean	S.D.				
Career Plateau	40.43	7.775	41.18	9.020	438	104	.663	Accepted

Note :- Significant at 0.05 (Source : Primary Data)

Recruitment Challenges in a Technology Driven Competitive Business World

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Abstract

The recruitment scenario all over the world has witnessed massive changes in the last few years, primarily due to the advent of technology. Hunting for new talent, resourcing, has undergone a huge transformation. The entry of social media recruiting has made possible the availability of a large number of potential candidates at all times and at the click of a mouse. Along with this, has emerged several issues like the importance of employee diversity, the presence of a relatively young workforce with clear goals and aspirations, the need of more visibility of a company to attract the right talent which has dramatically changed the way recruitment is being done and poses new challenges before the recruiters. This article focuses on what the challenges are and what should be done in order to hire those whom the company needs to thrive in the competitive world.

INTRODUCTION

Today there are 18 million LinkedIn users, 60 million Facebook profiles and 20 million Twitter handles. Those are the top 3 social media numbers for India. Global statistics reported by InSites Consulting suggest more than 7 out of 10 internet users are members of at least one social network, implying that over 1.5 billion people use social networking websites. A huge chunk of these people are in the age group of twenty five to forty years of age, which is the time period of an individual's life when he is actively pursuing better job opportunities.

Gone are the days when companies had to hunt for prospective employees through traditional channels like employment exchanges or classified advertisements. An approach more direct and focused has emerged with the ever-expanding reach of social media. According to Aadil Bandukwala, Talent acquisition advisor, Social media and Community professional, Dell India, the social media is effectively used not only for marketing, public relations or even for effective customer support but is also used as a means to connect directly and engage with prospective employees. As far as quantity is concerned, more potential employees are available on the social media platform like Facebook, Linkedin, and Twitter than on the company's database.

The candidate's information available on the company database with respect to certifications, experience, location and also contact details may have changed as against the above social media platforms where the current details of them would be available. This makes the work of sourcing candidates easier and simpler. The entry of the various social media platforms have lessened the time and money spent on resourcing. Till now, what we apparently see are the advantages of using the social media for recruitment but what is important is that this easy way of resourcing also brings with it, its own challenges.

Challenge in Optimizing Social Media for Recruitment

The social media platforms do provide subtle information about prospective candidates, information which can go a long way in influencing actual job performance. Increasing number of companies are these days, using the social media platforms to screen candidates. While searching for candidates on Twitter, Facebook, Linkedin, the recruiters should not restrict their focus on the career snapshot of the candidates but also look into the posts and comments made by the candidate which will give an indication of his nature and personality. According to Pete Maulik, chief strategy officer at Fahrenheit 212, a New York-based innovation consulting firm, companies can look for work styles of the candidates through a more detailed look at the posts and comments about the candidate. For instance a person, who in all his comments says things like "I did this" and takes credit for everything, seems to be a person who works alone and will not be able to contribute as a team player. Another example is that of a person who in general is critical of everything happening around him, as indicated by his comments, on these sites will be more of a critic and hence will not be a very productive employee. Companies can refrain from employing such persons and save themselves from the impact of a bad recruitment decision.

Social Media is now used by the recruiters to gain more authentic information about the candidates, in addition to what is normally available to him from the one hour interview with the candidate. It helps the recruiter to arrive at a conclusion about whether the prospective employee will fit into the company culture. According to Mr. Sandeep Aurora-Director Marketing, Intel South Asia the company posts jobs on various social media platforms and also uses them to validate information provided by the candidate about himself through his presence in the social media.

Challenge in Optimizing Mobile Technology for Recruitment

The public addiction towards mobile phones has been on the rise since the last few years. With the entry of Smartphones, people are increasingly using the mobile to check their internet mails and messages and this trend is going to increase in the years to come. Given this situation it will become imperative for companies to develop an effective mobile recruitment strategy that helps them to attract young talents who are always on the move and need to speed up everything they do. Using mobiles for recruitment also makes it easier for the companies to approach candidates for senior managerial positions as the candidates for these positions are normally very busy and mobile recruitment will enable them to access new job related mails and messages in a matter of seconds and also in privacy which is vital for such persons. Using mobile technology makes the world of recruitment accessible to individuals irrespective of their location.

To make use of mobile technology purposes of recruitment the companies have to keep in mind that applying for jobs through internet and through mobiles are not the same. For instance, it takes more time and energy to type on mobiles. Hence companies need to make provisions for applicants to upload their resumes instantly once they come to know of a suitable job opening with the company, probably through a job alert message they have created through the various job sites like monster.com, naukri.com, etc. The applicants should not be required to fill up application forms on the company website which would be inconvenient for him given the time and location constraints, but just a link on the company website would be sufficient ,where he can upload his resume which will taker only a few seconds and can be done anywhere, anytime. It would be more recruitment friendly, if the applicant is given the opportunity to use his profile at the social networking sites like Linkedin to apply for the position. It is important to keep in mind the ease of applying, the company should take all the necessary steps to make it easier for individuals who are busy and always on the move and who are suitable for the position to apply for the position.

Challenge of Dealing with Negative Publicity

The wide presence of the social networking websites can give rise to new dangers for the company. Most of the individuals registered with the various social networking websites are past employees of some organizations. These websites provide them with the scope to post, comment or to write a blog on a public platform and their comments, posts or blogs may not always be flattering for the company. The company practically has no way to prevent the situation where a previous employee of the company highlights any dissatisfaction experienced while working with the company or any negative situations encountered. Such a comment, post or blog would be immediately viewed by all other individuals registered on the website and bring in negative publicity for the company. These may contain details about negative practices followed in the company or past employees may write negative things about their previous bosses who are still employed by the company. This poses a difficult situation for the company because of the widespread capability to influence the net users , many of whom could be potential employees of the company.

While it is true that the company can do nothing to prevent such an unpleasant situation from happening, it can always take measures to reduce the negative influence on the minds of the net users. This can be done through an intense and a well thought out proactive approach and not an aggressive one. For instance, the company can use its current employees to create a positive image of the company. This can be done by creating a membership group among the registered net users on any particular social networking website which will consist exclusively of the employees of the company. This membership group will automatically be in the name of the company and these particular group members can then write about their good experiences, good practices followed in the company or why their company is a good place to work in which will enhance the image of the company. However the tone of all such discussions, blogs, posts on the internet should be subtle and not an aggressive one and should not appear to be in direct response to the negative post, comment or blog made by the ex-employee. This will help to counteract the negative impressions created earlier .However some of the negative practices and issues raised by the previous employees of the company, as mentioned earlier, may be genuine areas that need a serious review by the company to produce happier employees. Here the company can seriously look into those issues while at the same time taking measures to improve public image of the company. The company can also create ways to improve its public image by displaying comments and testimonials from the employees of the company on the company website. Current employees can mention about their career growth, future prospects, incentives and awards received in their tenure with the company on the company website. All this will definitely help to nullify the impact of negative comments made by some past employees of the company.

Challenge of Increasing Company Visibility

In these days of intense competition to get the right talent, a company needs to build on its public image; it needs to build a good brand name as an employer. Here also technology plays an important role. Just as social media plays an important role in recruiting the young and talented professionals who are registered on various social networking sites and most probably use Google to search for any kind of information that they need , following the same logic it becomes a necessity for organizations to make themselves more visible on the internet and create a good image .The talented young professionals which the company wants to recruit, will no longer rely on word of mouth information or take a decision to join a company based on their gut instinct or take a decision based on remuneration criterion alone, but will take a very informed decision, taking into account the long term impact of joining a particular organization. To do this they will visit the company's website, start a discussion on a social networking website or look for posts or blogs on the company.

Hence it becomes necessary for the company to create an attractive company profile on the company website, doing things like uploading videos where current employees talk about why they prefer working with the company or even a video where the CEO and senior company official's talk about good practices followed in the company. According to industry experts, CEO's presence on social media helps in talent acquisition and employment branding. Not only videos, but blogs written by the company's CEOs help to enhance a transparent image of the company, one of the factors considered necessary by potential employees to take a decision to join a company. Apart from videos featuring the CEOs and those from higher echelons of the company, the company can also include videos of how interviews are conducted with the company. In these days of growing internet use, Google seems to be the most important tool to search for any kind of information and this also holds true for potential employees ,when they want to do their own investigation about whether it would be a good decision to associate themselves with a particular company. A properly maintained blog can provide a wealth of content for search engines to index. The more content indexed, the more chances are of that particular blog to appear in search results and hence increase the company's visibility. Adding blogs to websites helps. However it needs to be kept in mind that the content of the blog should be right, attractive and serve the main goal of attracting bright talent to the company and this may require a lot of time and effort on the part of the company's current employees, who might not be able to spare time or may not be able to write the content needed, to attract most of the potential employees. For this purpose there are outside agencies to carry out the work. Apart from this the company can also add social events that it has engaged in, on the company's website. Another important thing the company can do to increase its visibility is to create a company webpage on the social networking websites where professionals are registered like Linkedin. Company Webpage provides information about the company, its' products and services and job opportunities with the company. Company webpage includes all the employees of the company who are registered on the networking site and in fact it can also be opened by a current registered employee of the company. The company can then make use of its current employees who are registered on the website to post important updates or work related articles on the company webpage. However it is important to keep in mind that too many updates tend to have a negative impact as the public may ignore updates related to the company webpage.

Challenge of Reducing Recruitment Agency Contribution

In the current scenario of intense competition, where there is strict cost cutting happening in all activities of the company, there arises the need for reduction in the budget for recruitment. Hence it becomes imperative for the companies to reduce the money spent on outsourcing recruitment activities and do as much of the work as possible by the company recruiters only. Social media recruitment has helped tremendously in this respect.

In earlier days it was the recruitment consultants who used to hunt down prospective employees, make the initial conversation with them with regard to the offer in hand and the company, explain the job duties and responsibilities and the probable remuneration for the position and then if everything was fine from both ends, the candidate would attend the interview with the recruiter of the company. But with the advent of the various social media platforms, the above work is no more required to be done by third parties alone but as required or on a priority basis can be done by company executives. This is crucial because it leads to only the most suitable candidates being called for the face to face interview. Also, the impact of a company official establishing contact with the candidate is never going to be the same as that of the recruitment consultant. These may be some of the reasons why certain companies like Avaya prefer to use the social media platform exclusively for recruitment. However this does not mean that use of third parties in resourcing can be done away with. That will not be possible because of the need for dedicated resourcing work which can be done by the recruitment consultants alone and in cases of position which involve frequent hiring, the recruitment consultants will be much needed since otherwise much of the recruitment staff of the company would be using up their time only in resourcing which would in turn not be cost effective. In case of niche position requirements the company recruiters can do the job themselves.

Challenge of Effective Rehiring

Re-hiring is something that is generally not a common practice in India. The trend of re-hiring previous employees needs to catch up in the country because these are individuals who are familiar with working within the company and can easily assimilate in the company culture and can now bring in more value to the company with the added experience they have acquired since they last served the company. With this added information , they would be in a better position to understand what is lacking within the company and what other players in the market are doing and what improvements need to be made to stay ahead in the competition. Rehiring is most effective in case of middle and higher management levels. Not all employer-employee relation terminates on a bad note. People resign due to various reasons which can range from personal to simply the desire to move on. Indian companies earlier did not pay much importance to the necessity of maintaining good connections with their previous employees. Recruiters need to keep a tab on the current positions held by past employees and if they are actively pursuing employment. For instance just like educational institutions maintain alumni portals to keep linkage with them, so also the companies can create and actively maintain alumni portals to reach out to former employees. If the need arises the recruiter should be able to make an offer to them. There are companies like ADP which is actively engaged in re-hiring past employees.

Challenge of Ensuring Employee Referrals

Employee referral programs are a very good source for hiring. The company needs to have an effective referral programme in practice. There should be internal mails to all employees communicating the current vacancies within the company. In order to get good responses from the employees it is necessary to link each employee referral to the earning for the employee once the referred person joins the company. There should be a scheme of a certain amount which should be given for every successful referral which would vary with the hierarchal level of the vacant position and an award to the employee who makes the maximum number of successful referrals in a quarter, for instance a certain amount for referral to the assistant manager's position and a higher amount for referral to senior management position. Also it is necessary that the disbursement of the required amount should be prompt, within a specified time interval that is announced beforehand. The company can also extend the employee referral scheme to the previous employees of the company and the ex-employees of the company should also be able to refer candidates. Again for this to be possible, as mentioned before it is necessary that contact is maintained by the HR Department with the ex-employees of the company through alumni portals or other suitable means.

Challenge of Ensuring Diversity Recruitment

The concept of employee diversity has been accorded high importance in current times. In the USA, diversity refers to inclusion of employee from different race, region, cultures, etc but in India diversity employment is primarily focused on inclusion of women employees in the workforce.

With respect to sales profiles, the previous trend was to hire people having experience in sales of similar product. For instance an insurance company would hire sales persons from insurance sales backgrounds only, but this trend is now changing. According to Anuraag Maini, Executive VP-HR & Training, DLF Pramerica Life Insurance (DLFP) at present, 35 percent of their sales force consist of persons from diverse industries and he expects this figure to reach 50 percent in the next few years. The company also aims to increase the strength of their female employees since female sales persons are more suited to sales of certain types of products and their attrition rate is significantly lower.

In order to improve their diversity ratio, companies today have resorted to offering higher fees to recruitment consultants and head hunters for sourcing competent women candidates, for example Deutsche Bank which offers an additional 2 percent to agencies on recruitment of a women candidate. With the same objective, companies sometimes advertise vacancies asking only woman candidates to apply for the positions. In certain cases, companies do specify to recruitment consultants working with them, that a certain percentage of the total number of candidates lined up for an interview must be women. The recruiting team also needs to gear up their efforts to reach out to more women candidates. Many advertisements for job vacancies include reasons why the company is a good place to work which includes reasons like a fun place to work, talent nurturing, great opportunities to interact with senior management, scope to grow to become an expert, but to reach out to working women, companies need to add on additional points that will attract women towards the advertisements like flexible work arrangements, healthcare benefits offered, emphasizing on fact like great commitment of the company to employees' needs which will see more women applicants for the job. A company where there are woman in senior leadership roles needs to highlight the same in their job advertisements which is what companies like Capegemini, Infosys are doing by including a senior female leader with her actual details like picture, name , designation in the advertisement which definitely creates the desired impression. It is also necessary that during the interview process the interviewers should refrain from asking questions centered on the personal life of the woman candidate with the notion that woman employees would not be committed towards their work.

Conclusion

The social media has changed the way recruitment is done all over the world. The days of job consultants and recruitment agencies are gone. Just as any new technological advancement has eased human effort, the social media platforms have made available crucial candidate information that has enabled better recruitment decisions and connected companies to job applicants in such manner that it has become much easier for the recruiters to hire the best candidates for the company. However it has also brought along some formidable challenges which requires companies to use the same social media platforms to combat those challenges. Apart from the social media, the need to have a diverse workforce so as to bring about creativity and innovation in the organization, the need for hiring back valuable and competent ex-employees whose high quality performance has already been proved in the organization, the realization that current members of the organization are an ideal source for referring future members to the organization has also brought complexities to the recruitment process. But no doubt the challenges mentioned above will only help to foster the company growth in a global marketplace. The use of technology in recruitment brings about challenges, but the same technology brings respite from those challenges. The benefits of using social media for recruitment can never be overemphasized .The prices to pay for using social media are not a huge burden on the company.

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Motivational Strategies to Raise the Quantity and Quality of Teachers in Secondary and Primary Education in India

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Abstract

The purpose of this empirical study is to highlight the dearth of teachers in India and prospective steps to be taken to multiply their number in terms of quality and quantity. The demand and supply gap is required to be planned, organized, directed and controlled using various motivational tools to boost its organizational attractiveness. In India, teachers are considered next to god, but in the present setting, we lack the quantity and quality of teachers in our schools. It is an urgent need to fill all the vacant places of teachers in schools and colleges to maintain proper pupil teacher ratio which in turn will lead to the growth of the nation. This study, ARCS strategy of motivation propounded by John Keller is suggested to be used to develop an instructional plan.

Introduction

Today, the education sector is considered to be one of the most profitable business sectors in our economy. With initial motive to impart knowledge and skills to students, this industry is shifting to a business and profit making mind set. Due to lack of service motive and proper leadership, this profession is drifting towards perfect organizational setup consisting of all major aspects that an organization may have. Organizational politics, perceptive issues, interpersonal and intra personal disputes, employer-employees conflict, lower participation, higher turnover and absenteeism and like issues are dynamically rising in schools in today's scenario. Though major steps are often taken by the government and other authorities, the motive still cannot be considered fulfilled as it considerably lags behind in attracting a greater number of qualified as well as good candidates to such institutions i.e. a good teacher. This single recruitment issue is surpassing all the measures taken, as an institution needs a good teacher to be successful.

The significance of a teacher can be easily defined as a person who leads students towards a better future, the one who directs, cares, guides, and supervises students and moulds a better future for them. The success of any educational institution depends upon the quality of teaching provided. Teachers are the kingpin of any educative process. It is also true that only a motivated teacher can create motivated, creative and an innovative future for India. Proper teaching methodologies, interactive classrooms, feedback systems, etc accompanied with quality teaching makes an influencing atmosphere for better education. They are the ones who make a difference in the lives of their students. Rousing students from their apathy and watching their curiosity grow, is one of the biggest rewards of teaching.

But, the importance of a teacher is no more given proper priority and significance from the organizational side nor from the candidates themselves. It is a well known fact, that the nation is confronting heavy crisis of teachers in primary and secondary schools as reported and analyzed through several surveys and research reports. Current scenario exhibits that most of the schools in urban and rural areas are not having proper pupil teacher ratio as revealed from survey report (Smitha Verma, 2012). Reports have discovered that teachers in schools are short in supply and the situation is going to be worse with the passage of time. The implementation of Right to Education has become mandatory, but still the schools do not have sufficient number of teachers. The Supreme Court upheld a government decision to implement the Right to Education (RTE) Act in all schools except unaided minority institutions. One of the key features of this ambitious plan is to maintain a healthy pupil-teacher ratio (PTR) in schools. For every 30 students, there should be at least one teacher.

An attempt is made in this study to consider an educational institution as a business unit and a teacher as an employee in an organization. The recruitment related issues are explained to attract more percentage of bright candidates to the teaching profession. Motivational problems are discussed in this organizational setup to avail prospective suggestions on the basis of theories and its desirable implications.

Shortage of Teachers

Labor crisis is the most prominent problem in all the sectors of the economy and labor shortage will continue to develop & persist in the next century also. Our education system is also facing similar crisis. The attractiveness of this career is declining day by day. Human resource and development minister Kapil Sibal has mentioned that there is a shortage of 12 lakh government school teachers. The Unesco Institute of Statistics goes one step further. India will need 20 lakh new teachers by 2015 (UNESCO report, 2011). “In Delhi alone, 12,000 posts in government schools are lying vacant,” says, Ambarish Rai, national convener, RTE Forum, a civil society collective comprising around 10,000 non-government organizations and education networks (Smitha Verma, 2012). It is estimated that in addition to filling existing vacancies, the government will need to appoint another 5.1 lakh teachers to meet the new PTR norm.

Almost 53.2 per cent of India’s schools have a poor PTR. The situation is going to get worse with the RTE seeking to ensure education for all. It is expected to reach out to an estimated 8.1 million out-of-school children in the 6-14 age group. The shortage will be more acute as new government schools come up to accommodate the student surge. (report- The Telegraph, 2012, The Times of India, 2013) “An acute shortage of primary teachers is one of the biggest hurdles to achieving the goal of universal primary education,” (the UNESCO report, 2011). Policies that effectively address teacher training and retention should be at the core of national education policies.”

Teaching as a Career Option

It has always attracted meritorious students all over the world. Main reason for choosing this career could be interest in the subject, secured professional career and regular annual vacations. Teaching is a highly noble profession; most suited, especially for women. Teachers are always a boon to society. Through their intelligence, patience and wisdom, they attempt to not only hone the learner’s intellect and aptitude, but also, create a well-rounded personality. Teaching has an influence on developing one’s mind and character and also gives the satisfaction of having sparked the light of knowledge and dispelled the clouds of ignorance.

Teaching is a special calling. It is not a job well-suited to everyone. In fact, many new teachers leave within the first 3-5 years of teaching. However, there are many rewards that come with this often maligned career. Teaching as a career option provides several benefits and advantages as listed below

- Provides challenges to learn from changing student behavior and potentials.
- Teaching helps you to dig deeper and learn more about the subject.

- Affects the future of the society.
- Conducive to family life
- Provides a recession free job security etc.

The percentage of applicants for teacher training has increased over the last decade. But when compared to other job options, the number seems to be small. Mushrooming jobs across other sectors has brought new choices for job seekers. Research has been made to find out apt methods to motivate existing teachers, but very few attempts have been made to attract more applicants for the post of teachers in schools, both in terms of quality and quantity. To raise the pupil teacher ratio, it is required to motivate meritorious students and scholars towards this profession.

Grounds for Decline in Quantity and Quality of Teachers

Lesser the number of qualified employees, lesser will be the quality of product. Educational organization is facing failure to recruit the required number of teachers, which is lowering the standard of education in schools and the crisis is getting worse. There are many reasons causing the said problem. A continuous approach to check the quantity and quality of teaching is required. The reasons are not the big ones, but when seen in a comprehensive manner, the obscurity seems to be at a critical stage.

Toppers in India are not looking towards this profession as it is no more a high status job (D. Hall and B. Langton, 2006). Due to lack of competitiveness and professional approach, it is now the last option among students. Mushrooming of jobs in other sectors is adversely affecting the number (Smitha Verma, 2012). Both private and public organizations are providing better growth opportunities and competitive environment for the job seekers. The pay package in private schools is low (Helen F. Ladd, 2007).Most of them do not adhere to 6th pay commission salary package. The teachers in India are the low paid ones, if not lowest, around the globe (Vivek Khemka, 2006). Compared to other job options the pay is very low. The income of a call centre employee is double that of a mid-level teacher in a top private school (Smitha Verma, 2012). Due to this teachers feel unhappy about their profession and do not encourage their students to become teachers in future.

Professionalism is a reflection of the teacher's goals and abilities, which also impacts the teacher's effectiveness inside the classroom .The level of self-efficacy is determined by the level of performance a teacher believes he or she is capable of accomplishing (Vivek Khemka , 2006). In rural India, most of the teachers have low level of professionalism which results in poor performance and lack of interest towards their jobs. Teachers with low level of self-efficacy may not challenge their students, because of their perceived incompetence to succeed (Kate MacFarlane, Lisa Marks Woolfson, 2013).

Several researches show that neither motivating factor nor hygiene factor (Frederick Irving Herzberg, Two factor theory, 1959) have much impact over the level of job satisfaction and level of motivation of teachers. Lack of both the external and internal factors of motivation leads to minimal interest in joining this job. (Thomas, Judy Irene, 1983). Existing teachers also, do not popularize the positive aspects of their job. They try to rely on the negative side of their job and remain negligent to external motivators which adversely influence their responsibilities.

It is observed that in search of good pay, teachers shift towards coaching institutions which are luring them with attractive pay schemes. In the present system, even administrative services qualified candidates also move on to coaching institutes for more money. Qualified and experienced teachers are also more in demand in corporate and training institutes, abroad. The language teachers are employed in corporates as trainers & they are provided with good pay and other allowances(Robert C. Kleinsasser , 2013, Smitha Verma, 2012).

Absence and turnover is another problem faced by our education system .In an unannounced visit to 3700 primary schools and secondary schools it was found that only 45% of teachers are actively participating in school activities while others remain ignorant of their duties and responsibilities (Kremer, Chaudhury, Muralidharan, Hammer, Rogers) Even with better pay and other allowances in government schools, many of the teachers remain negligent towards the jobs assigned to them and the absence rate and turnover ratio is still on the rise.

To teach well, you need to know well (Kyunghee So, 2013). But it is found in most of the rural schools that teachers are lacking proper knowledge of their subjects. When asked for simple theory of subjects they are teaching in the schools, they fail to answer them (Kremer, Chaudhury, Muralidharan, Hammer, Rogers). Several families in rural and urban India who do not allow female members to take up other private jobs/assignments accept teaching because of the respectability factor. But due to lack of interest in the job and poor communication and interactive skills such female teachers fail to comply with the assigned task and project a bad image in front of the society regarding teachers. This worsens the situation of teaching in India and keeps away those who want to attain professionalism and better status in the society.

Teaching involves oratory skills, spontaneity and presence of mind. This calls for great communication skills. In Indian context, those who opt for this profession though very intelligent fail to communicate with their students and behave as an information provider only (Yash Aggarwal, 2000). Inspite of various reforms in Indian education, most of the modern teachers are not genuinely and adequately equipped with necessary knowledge, skills and personality profile to bring out desirable changes in the learner's behavior (Yash Aggarwal, 2000)

All of the above aspects suggest why the teaching profession is no more an attractive job for youth or why teaching quality is declining in our country. When seen in comparison to other nations, Indian teachers are in great need of better incentives and more of intrinsic motivation towards their service for the society and the future of the nation. Lack of quality teaching is harming our country's present and future.

Need for Motivation

Increase in productivity is the ultimate goal of every industrial organization, and motivation of employees at all levels is the most critical function of management (Martin V. Covington, Elizabeth Dray 2002). To motivate means to provide an employee with his own generator to produce a goal directed behavior (John Keller, 1987). A motivated person does not need outside stimulation again and again. He is driven by the forces within him and not outside to achieve organizational goals. Teachers are the important assets of any institution and a motivated teacher can only enable the institution to achieve its goals of good results, innovative students, better education etc.

Once a teacher feels happy, motivated, confident and satisfied with his job and related conditions, he / she does not require any other motivator to induce them to perform better. Using motivational approaches, new candidates can also be encouraged to take up this profession (Martin V. Covington, Elizabeth Dray, 2002). A proper educational plan accompanied with leadership, learning and motivational policies can surely help our country to fight against the major scarcity of teachers. Along with raising the level of quality in teaching, professionalism can also be attained in this profession by provision of proper training opportunities. This study is an attempt to validate the use of ARCS Model (John Keller, 1987) of motivation to provide changes in training and instruction process for proper motivational design to attract quality teaching in our country.

ARCS Strategy of Learning and Motivation

The ARCS model (Attention, Relevance, Confidence and Satisfaction) is an intrinsic motivation model propounded by John Keller. It is a problem solving approach to designing the motivational aspects of learning environments, to stimulate and sustain students' motivation to learn (Keller, 1983, 1984, 1987). There are two major parts to the model. The first is a set of categories representing the components of motivation. These categories are the result of a synthesis of the research on human motivation. The second part of the model is a systematic design process that assists you in creating motivational enhancements that are appropriate for a given set of learners. The synthesis allows you to identify the various elements of student motivation, and the design process helps you profile the motivational characteristics of students in a given learning environment and then design motivational tactics that are appropriate for them. Holistic approaches like the ARCS model are grounded in the research literature on human motivation and its ability to integrate successful practices within motivational categories. The systematic motivational design process has been validated in numerous contexts. The four major categories (concepts) and a number of subordinate ones can be used to represent the components of human motivation:

ATTENTION Strategies for arousing and sustaining curiosity and interest

Perceptual Arousal : What *can I do to capture their interest?*

Learn : Use novel approaches; inject personal or emotional material

Work : match people to jobs

Inquiry Arousal : How *can I stimulate an attitude of inquiry?*

Learn : Ask questions; create paradox; stimulate inquiry

Work : Provide stimulation

Variability : *How can I maintain their attention?*

Learn : Use variations in presentation style, concrete examples and analogies

Work : Reduce stress, adapt tactics to situation.

RELEVANCE Strategies that link learners/employee's needs, interests, and motives

Goal Orientation *How can I best meet my learner's/employee's need?*

Learn : Develop goals with learners, demonstrate utility of instruction

Work : Develop the perception of being the best, set goals with employees

Motive Matching *How and when can I provide my learners/employees with appropriate choices, responsibilities, and influences?*

Learn : Use authentic exercises; match individual and group activities to learning styles

Work : Use competition based on standards defined by benchmarks or internal expectations

Familiarity *How can I tie the instruction to learner's/employee's experience?*

Learn : Use concrete examples and analogies to relate material to learners' lives

Work : Provide ways for employees to work cooperatively to achieve goals.

CONFIDENCE Strategies that help develop positive expectations

Performance Requirements *How can I assist in building a positive expectation for success?*

Learn : Explain learning requirements, criteria for success and assessments

Work : Share control in areas where worker can be responsible for achieving goals

Success Opportunities *How will the learning experience support or enhance the student's/employee's beliefs in their competence?*

Learn : Provide frequent and varied experiences that increase learning success

Work : Build your belief that you can lead your employees to success (self-fulfilling prophecy)

Personal Control *How will the learners/employees clearly know their success is based upon their efforts and abilities?*

Learn : Give learners, chance to make decisions and help them associate success to effort and ability

Work : Set challenging but achievable goals and quotas.

SATISFACTION Strategies that provide extrinsic and intrinsic reinforcement

Natural Consequences : *How can I provide meaningful opportunities for learners/employees to use their newly acquired knowledge/skill?*

Learn : Give learners opportunities to use new skills in natural, authentic settings

Work : Give employees feedback related to their personal growth and meaningfulness of effort

Positive Consequences : What *will provide reinforcement to the learner's/ employee's success?*

Learn : Use praise, positive feedback when appropriate, symbolic rewards, and incentives

Work : Use symbolic rewards that are recognized and valued by others; use I ncentives

Equity *How can I assist the students/employees in anchoring a positive feeling about their accomplishments?*

Learn : Use fair testing and grading practices, and be sure tests are authentic

Work : Provide incentives and feedback consistently and fairly.

The model has been used and validated by teachers and trainers in elementary and secondary schools, colleges, and universities, and in adult learning settings in corporations, government agencies, nonprofit organizations, and military organizations. In other words, in virtually every setting in which there is a requirement for people to learn. It has also been used around the world, and has been used extensively in Asia, Europe, and Latin America. Numerous research reports verify its validity and usefulness.

Use of ARCS Model in Attracting New Applicants into Teaching Profession

As the data reveals, we need to focus on how we can increase the organizational attractiveness of the field of education, so as to accomplish our aim of 'education for all' policy. Following are the steps which can be suggestively used for the purpose.

Attention : To be a teacher, self interest in the job is required. A job taken with own interest always motivates a person internally to give their best to the job. Not much effort is to be made, when the person is attentive towards his tasks and responsibilities. Such interest can be generated through the first step of the model i.e. *Attention*. Through the use of perceptual arousal and inquiry arousal methods, an instructor can direct their student's attention towards this noble job. For example-Use of familiar stories, film, documentary, past experience etc can be made to gain and direct students' interest and attention towards this job.

Relevance : After gaining attention of the students, an instructor needs to emphasize relevance within the instruction to increase motivation by using concrete language and examples with which the learners are familiar. It is necessary for the students to relate their attention towards the present and future opportunities . The teaching job is completely related to work for society. Students need to understand their role towards society and related aspects. Provision of competitive environment is also desired.

Confidence : to provide a change in the society, leadership skills are desired among the youth of a nation. Those having high level of confidence and self efficacy in them, believe in themselves and their capability, but those who have low level of confidence, need a push up support. In this model, confidence level of any person completely relates to their level of attention and their ability to define its relevance in their life. Clearly defined learning goals, self evaluation tools, evaluation of performance, proper planning to attain those goals, helping students in setting realistic goals etc are some of the confidence strategies. These strategies are to be used by the instructor occasionally or whenever needed in the curricula.

Confidence level is the key to success of any plan. The realistic goals will enable the candidates to evaluate themselves properly. In schools also, clear direction from the head can enable teachers to raise their confidence level. Allowing teachers to use their creativity and innovativeness to set goals and provide solution to the problem can also raise their confidence to achieve the target.

Satisfaction : This strategy of the model relates to gaining satisfaction in the students after attaining the goals set by them. Attitude to learn and sustain will provide job satisfaction in the students. Students targeted for this study are required to feel pride on achieving success. Reinforcement of this success and related pride, verbal praise, and recognition etc can be used to increase the satisfaction level.

Conclusion

Success of any organization depends upon the quality of workforce and so is the case with educational institutions. Teachers and teaching in any country decides the future of their youth and the nation altogether. An educated person generates innovation, creativity, decision making and problem solving ability within himself and to his surroundings. A teacher cultivates optimism towards society in a child and motivates them to bring their best to society and community and to the nation. Many states in India are deprived of good teachers. Attracting more candidates towards this career option is posing hardships before the government and the nation. Our country is facing problems regarding quantity as well as the quality of teachers especially in primary and secondary schools.

To improve teacher quality, better recruitment and selection policies along with training and development programs are required to be employed. Enrollments of candidates for the position of teachers should be done keeping in mind the specifications and descriptions of the job. Analysis of personality and proper utilization of personal ability is needed to allow new talents to enter and sustain in this profession. Training plans should be made on the basis of the current requirements of teaching methodology and skills in international market. To augment the organizational attractiveness of this sector, current scholars and students can be given proper training and counseling. Lucrative promotional tactics are to be adopted to draw the attention of youth. Conferences, lectures, and seminars can also be conducted for the purpose in schools and colleges. Motivation is vital to attract talent towards this career. Research is going on to develop a suitable motivational model to enhance productivity in teaching. Though in this study, ARCS model of motivation and learning is used other management theories can also be explored.

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Artisan Turned Entrepreneurs: A Case Study of Kolhapuri Chappals

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Abstract

Kolhapuri chappals are famous handcrafted footwear made in a cluster of villages in the border districts of Karnataka (Belguam district) and Maharastra. They are made from locally processed leather using vegetable dyes. The men usually fashion the lower sole and women design the innersole and work the uppers with intricate braiding and other designs. Majority of the Kolhapuri footwear artisans were bonded laborers. They were bonded by traders and middlemen who had control over the market and the raw material. In January 1999, Asian Centre for Entrepreneurial Initiative (ASCENT) -a Bangalore based institution initiated a project, titled as 'Project EnterPrice'. The objective of the project was to ensure that the artisans got the right price for their handcrafted footwear and in the process transformed them into entrepreneurs particularly women with core principal -"build, operate and transfer". The business front-end and social back-end needed constant balancing using an equality, equity and inclusive approach. The outcome of this intense joint Project EnterPrice was the formation of ToeHold Artisans Collaborative (TAC) in 2002. From a business perspective TAC has been an overwhelming success.

The Tradition of Kolhapuri Footwear

Kolhapuri chappals (local word for Footwear) are famous handcrafted footwear made in a cluster of villages in the border districts of Karnataka and Maharastra states of India. Regular Kolhapur footwear are ideal for daily wear and could also be worn on special occasions. These footwear are made from locally processed (bag tanned) leather using vegetable dyes. Hides of buffalo, goat and cow are processed and grazed. Grazing of leather makes the leather hard enough for daily wear and tear use. Using specific templates, the basic footwear design is then cut out. Depending upon the final product, the cut outs are kept in natural color or dyed as per specifications. The sole and the upper body of the footwear are joined together by stitches which are done with a leather cord instead of nails. Entire families work together and make these footwear. The men usually fashion the lower sole and women design the innersole and work the uppers with intricate braiding and other designs.It is usually free from all allergic properties unless of course if the wearer is allergic to specific types of leather. This intricately handcrafted footwear has been able to retain its uniqueness and ingenuity primarily due to skilled craftsmanship and the fact that it complements most Indian outfits perfectly.

Kolhapuri's- The Days of Shrinking Market

Majority of the Kolhapuri footwear artisans were bonded by traders and middlemen who had control over the market and raw material. Fig 1 shows the Kolhapuri footwear value chain before project 'EnterPrice'. Kolhapuri footwear which was also exported to Europe once started facing shrinking market in mid eighties and nineties due to poor quality raw material, extremely traditional and conventional production practices, lack of standardization and fewer design options for customers. Exports also suffered a severe setback when some shipments were found to be inferior in quality and standardization, with the result that Kolhapuris were generally/ informally blacklisted by buyers abroad. This in turn squeezed the demand further, to the extent that in large parts of the country, the reputation of Kolhapuris was that of cheap footwear, poor quality, and lasting no more than two-three months, and getting damaged with the first contact with even a little bit of water.

Traders and middlemen were only focused on exploiting these artisans and were never bothered to improve the product or the processes. The shrinking market further led to intense competition both among the traders and the artisans. Work became scarce for the artisans (not even hundred days a year) and the wages were lowered down.

The Then Fate of Kolhapuri Artisans

The shrinking market along with the continuous rising cost of living led to increasing poverty among the artisans. Their dependency on traders and the middlemen further increased in the sense that they started taking loans from them for daily living and were at the mercy of powerful exploitative forces. Athani and Nippani in Northwest Karnataka is the heart land of Kolhapuri sandals. These villages are the land of the skilled makers of the world-renowned Kolhapuri sandals belonging to the socially backward and downtrodden class – the Samagara class which falls under scheduled caste.The stories as narrated by some of the artisans are as follows:

"….We came to Athani 10 years ago for work. I am uneducated and have 3 children. We know only footwear making. For 6 years we worked with different Sahukars and were getting very low price for our products. Whatever we were earning was not sufficient for our food, rent, and medical expenses. Our hard work also did not help us to earn more, therefore we ended up in taking loans and it has become around Rs.70000. We were unable to come out of this loan…" Savitha Harale

"…We are in Athani from 1979. 20 years ago we were living in a rented house. Both of us are uneducated. We were making footwear for generations, especially, the traditional kolhapuri footwear. We used to supply these footwear to the middle men and got very low profit and were able to just meet the 2 meals. In case of any medical problem, we used to borrow for a high interest rate..." Parvati Datta Lokare.

"….We got married in 1986 and we have two children. My husband and I have been making Kolhapuri Footwear for decades. We were working as bonded laborers for a Sahukar and we had taken a loan of Rs.50, 000 from him. They used to fix the rate for the footwear we made. Though we worked hard, it was not enough for the entire family to have the full meals…" Anita Bamane

Athani alone is a home to over 400 families of artisans with a rich legacy of this traditional skill. Hence, Khadi and Village Industries Commission (KVIC) - a government of India undertaking housed its' training –cum production Centre here in 1970. Many of them were forced to give up this trade when Kolhapuri footwear industry was facing shrinking market leaving only 50% actively engaged in this trade.

Ineffective Initial Development Efforts

Government supported institutions like KVIC and Karnataka Leather Development Corporation (LIDKAR) housed their offices in Athani to procure footwear made by these artisans and in turn distribute through their sales outlets all over. However, like any other government initiatives, this was a marginal help to these artisans. The price these agencies paid to these artisans was very low and the payments were not given on time. Some training and tools were provided to only men artisans. Prior to 1998, skill training and technology up-gradation interventions were targeted at men only. There was a clear division of labour, while men fashion the lower sole, women design the inner sole and fashion the uppers with intricate braiding and other designs. This potential and creative talent of women had never been tapped. Women's work was neither recognized nor paid. They were also excluded from training and development interventions. As a result, most of these efforts did not achieve the desired development of artisans. The men used to sell the tools provided to them during training.

ASCENT and the Project 'EnterPrice'

Asian Centre for Entrepreneurial Initiative (ASCENT) is a Bangalore based institution committed to fostering entrepreneurial spirit. In the year 1998, In January 1999 ASCENT initiated a project with the objective of transforming the artisans to entrepreneurs. The project was titled 'Project EnterPrice' and received funding support from the National Leather Development Program (NLDP, India) and technical support from the Central Leather Research Institute (CLRI, India) and infrastructure support by Government of Karnataka. This project was implemented by ASCENT from January 1999 to December 2002. The objective of the project was to ensure that the artisans got the right price for their handcrafted footwear and in the process transformed them into entrepreneurs, particularly women. Hence the project was titled as 'EnterPrice'.

Reaching out to people

The volunteers of Project EnterPrice assessed the situation in the area through a base line survey. They interacted with artisans, government agencies, merchants and community leaders. ASCENT initially conducted small workshops with a few representatives especially the women members of artisan families, selected by the artisans themselves, to jointly analyze the problems and the possible solutions. It was finally agreed that initially an effort would be made to develop adequate savings within groups of artisans, which would in turn be used for loans among themselves. It was also agreed that the groups would consist of women, and that for ease of interaction, each group would limit itself to 15-20 members. Further opportunities for training, both in chappal making as well as in other trades, would be explored as and when possible.

Formation of Women Self-Help Groups (SHGs)

Though it was agreed in the workshop that the groups would be formed for saving and credit, when it actually came to forming the groups, initially ASCENT experienced a lot of resistance. As groups grew, the members started understanding the importance of meeting together, following systematic procedures, and most of all, assessing any situation in terms of what they themselves could do instead of depending on others - the Government, the Panchayat, the traders, etc.

Today there are fifteen SHGs covering 175 artisans – eleven SHGs in Athani and four in Nippani, Each SHG has 12-16 members and they meet once a week at a fixed time and day of the week. Along with the members of the group, the SHG coordinator attends the meeting and facilitates the discussions, writes minutes and helps them sort out problems, if any. The regular weekly savings, the earned interest on loans and the earned bank interests, fines, profit share from Toe-Hold kept the SHGs common fund growing. All SHGs had made a resolution that after a threshold common fund level of Rs 75,000, the interest earnings could be shared among the members in ratios worked out on the basis of savings proportion. Each SHG had a bank account and every woman was exposed to banking transactions. Some groups had also taken loans from the bank for requirements such as working capital for production against orders.

Technical Skills Training: The Making of the Footwear

Earlier the artisans were following traditional and conventional practices for manufacturing the footwear. ASCENT realizing the importance of training these artisans arranged series of training programmes on technical skills augmentation with the help of CLRI both at Athani and Chennai. CLRI scientists exclusively looked into each of such practices and the problem associated with them. After ensuring that the artisans were able to absorb the inputs provided by CLRI, onsite training at Athani was conducted for all other artisan families. Artisans already trained at CLRI were used as trainers who demonstrated sequentially the various steps involved in manufacture of Kolhapuri chappals using CLRI method right from cutting of leather up to final assembling using the lasts. The demonstration was carried out using leather available both at Athani and the leather developed using CLRI method. The programmes were conducted in the vernacular and even the elderly among the artisans accepted to adopt the new techniques.

Product Development

The traditional product – Kolhapuri footwear was developed in terms of standardization, newer designs, consistency in quality, and cost reduction by way of selective mechanization.

Standardization - To bring in standardization lasts and templates were introduced and the artisans were trained in using these lasts and the templates.

Design Development - Better designs lead to higher value addition and better sales. ASCENT knew that creativity and traditional vocational skills of the artisans were very high and they could easily create new designs. During the training they were introduced to simple tools, like changing the use of a type of leather, different colours of leather, changing the shape of the uppers, designs of the uppers, using different materials for decorating the uppers like beads, crystals, braids, etc. which would help them in coming up with finer designs by permutations and combinations.

Quality Control - With the help of the groups, quality standards were specified for each stage of production-cutting, pasting, lining, finishing and packing. A member in each SHG was trained in checking the quality standards.

Creation of Common Facility Centre (CFC)

The artisans groups were handed over with two built-up sheds of 5000 sq.ft each in Athani where the Common Facility Centre is created with the funding support under project EnterPrice. In one of the sheds machines like sole cutting, stamping, stitching, driers etc were installed. These machines helped in reducing drudgery, bringing in standardization and enhancing productivity without replacing the ethnicity and hand crafted skills of artisans. Other accessories like lasts, packing material etc are also made available to artisans through CFC. The women groups manage the CFC. CFC also has a raw material bank for making available colored leather which is not available locally. The other shed has a design studio, office space for local staff, space for SHG meetings and records etc.

Exposure to Markets

Under the project EnterPrice artisans were exposed to both national and international fairs with a view to enable them to understand the markets, customers and their preferences. They developed their own samples for participating in these exhibitions. When customers showed a lot of interest in their products. their confidence was enhanced.

Realization of own Brand and own Enterprise

The exposure in national and international fairs made the artisans realize that Kolhapuri's did not have a strong reputation of quality-for most buyers, the term Kolhapuri evoked an image of cheap footwear both in quality and price. They strongly felt that they must have a distinct brand of their own. Coupled with this, the ignited entrepreneurial spirit and enhanced competencies through training and development, boosted confidence through matured SHGs, CFC and market exposure, the bug of having their own enterprise started biting them.

The Birth of Toe-Hold Artisans Collaborative

By October 2000 they formed their own Group Enterprise. The enterprise was named as 'Toe Hold Artisans' Collaborative (TAC) (Exhibit 1) and products were promoted under the brand 'ToeHold™' which targeted the high value niche segment. It is being registered as a non-profit company under section 25 with participation from artisans. The board comprised of 3 artisans, nominated by the artisan community and they served on the board for about a year. The other members of the board consisted of the Rotary president and other office bearers of the rotary. They were present on the board to advice the artisans on the future road map and how they could improve their operations and also how they could solve any other issues they might have.The company soon began to export to very competitive mainstream international fashion markets. The name 'ToeHold™' was chosen for two reasons: first, they wanted a toehold in the market, and second, because the most important part of the Kolhapuri footwear was the toehold! (See Exhibit 2 for photographs of some footwear models)

TAC received **Excellence in Exports Award (2006)** as the Exporter from More Backward area instituted by **Federation of Karnataka Chamber of Commerce and Industry (FKCCI).** TAC is acknowledged as a model for digital bridging. www.toeholdindia.com won the ***National Manthan Award for 2005*** for e-content in business category.

Markets

Customers of TAC could be classified on the basis of types of orders they placed:

1) Direct export orders 2) Indirect export orders

Direct export referred to the sale in the foreign market directly by the producer. Direct exports provided 1) more control over the export process, 2) potentially higher profits, and 3) a closer relationship with the overseas buyers.

Indirect export referred to exporting through trader/ merchant exporter based in India. The main disadvantages under indirect exports were-1) dependence on trader or a merchant exporter, 2) no scope for interaction with foreign buyer for product development, and 3) lower profits. Indirect export orders were from local exporters who sourced products from Toehold and sold them to their customers outside India. This was a growing segment because an increasing number of local exporters were getting into leather footwear. But in these orders the profits were much lower. Indirect export was also classified as exports, as the producer (in this case Toehold) enjoyed many of the fiscal incentives in spite of exporting through a local company. The entire market could also be classified into two types (see Exhibit 3 for revenues by year, and Exhibit 4 for the split between export and domestic revenues):

1) **Export market**

2) **Domestic market**

Domestic market refers to the market within India, which normally did not give the advantage of higher margin and other export benefits. Sales in India were mainly to retailers. The export market however was more lucrative as the margins were much higher. The primary method for generating orders from this market was participation in international trade shows and the Toehold™ website. See Exhibit 5 for evolution of revenues by export market. The buyers' expectations are different when it comes to export market and the domestic market .While product quality in terms of standardization and consistency is equally important for both the buyers, the existing foreign buyers expect newer and innovative designs every year. When it comes to domestic market the price becomes the deciding factor whereas in the case of export market, the quality of craftsmanship plays an important role. Exhibit 6 captures the differing expectations of foreign buyers and the domestic buyers.

Operations

Typical order cycle at TAC When a client was interested in placing an order with TAC, she either sent in her own design or picked the designs from the ToeHold website and sent it in, along with the other specifications like order size, delivery schedule etc. This was either done electronically through emails or as a hard copy by post to the Bangalore office. The design was then sent on a CD to Athani .The design specifications were conveyed to the artisans. Coordination with the SHG coordinator and the quality supervisor were undertaken. A meeting of the leaders of the 15 self help groups was called and the order and designs were communicated to them. One group was picked to make the sample. A master artisan usually expressed willingness to make the sample. The samples after more expertise intervention were then sent off to the client. The client, when satisfied with the samples, confirmed the order which was then communicated back to the team in Athani and the group leaders gathered once again to split the order among the groups in a process similar to bidding. The leaders spilt the order among a few groups. It is not compulsory for the artisans to accept the order and, they usually make this decision based on- i) Availability of time and spare capacity to produce within the deadline (if they are not busy with some other order at that time), ii) Availability of raw material and working capital for producing a particular type of footwear, iii) Availability of skills for making a particular design of footwear and iv) The price they would be getting for this order (For instance in a recent Korean order wherein the order of more than 10000 pairs was produced by 50 different artisans based on their capacity. The maximum being 1106 pairs by Savita Harale and a minimum of only 20 pairs by Jayabai Shinde.) The artisans then purchased materials like leather, threads, and glue and rented things like lasts and templates from CFC that were required to complete the order. When there was a need for a special type of leather, they placed orders at the 'Raw Material Bank', which procured the same from dealers across the country in places like Chennai, Sangli, Mumbai etc. The artisans then started working on the orders in their houses and check on the quality was done periodically so that any problem could be fixed as early as possible. Once the artisans completed the orders given to them, they then dropped off their consignments at the Athani operations office. A more stringent quality check was carried out and corrective action taken. The footwear was then boxed and sent to Bangalore from where it was dispatched to the client. (Please refer to Figure 2)

Business Model and Profit Sharing

TAC was an independent enterprise of the artisans and ASCENT did not take home any of the profits. It was just a facilitator. The only stakeholders in this model were the artisans and the 5 employees who had been employed by the artisans. The front end of TAC was a customer-centric business enterprise that had taken the exquisite footwear brand 'ToeHold™' to challenging international mainstream markets. The backend was an artisan-centric enterprise striving for improvement in the quality of life of artisan families. The institutional arrangements are depicted in Exhibit 7.

The artisans got about a 10% markup over their cost price when they sold the completed consignment to TAC. The orders were then sent to the client who then paid for the consignment. The profit from this was spilt in a 40-40-20 model. The artisans who worked on the order got 40% of the profits, the SHG got 20% which was used for loans to its members when in need and TAC retained 40% of the profits which was used for various administrative expenses like salaries of the 5 employees and part of the marketing expenses (see Exhibit 8 for the revenue split based on the sale of one pair of footwear, and Exhibit 9 for TAC's monthly and annual expenses). Part of marketing expenses had come from the Government as subsidy

Beyond Business

In the process of development, ASCENT realized that it needs to work on the social angle as well. Earlier, artisans especially women were very shy and had very low esteem for the fact that they belong to downtrodden community and work with leather. Until the arrival of ASCENT, no agency had focused directly on uplifting the social status of the artisans in society. The Rotary Club of Athani was formed through the efforts of ASCENT to bring about this positive social change. It brought together the leading businessmen, doctors, lawyers and other influential citizens of Athani to jointly make a difference in the lives of the artisans through various services and interactions.

Reacting to education, Savitri Ram avatar Yadav said, *"In our generation no one went to school and none of us had any sort of education. We never had access to education and moreover, we did not consider it important. Even those of us who wanted to educate our children, were too poor to send them to school and most of the time we had to force them to work from home on footwear components to help us pay off our loans. In case of girls, we used to marry them at the age of eight or ten. But now we realized the importance of education. Our children are now getting educated in better schools. Boys are studying up to SSLC and beyond and we also encourage girls to get educated. Some of the girls want to become air-hostesses. Earlier we wanted our children to give up footwear making after getting educated, but looking at the business prospects our children want to continue with this." Savitri.*

Challenges

The biggest challenge that TAC is facing at present is attracting a right candidate who can shoulder the responsibility of a CEO- a social entrepreneur in real sense. It has been the entrepreneurial mindset coupled with a social mission of the leader which solely made it possible so far. The sustainability would largely depend on planning for succession which the present leader is well aware of. Another major challenge that TAC is facing is to get a foothold in upper end domestic market. As is seen from the figures, the domestic sales are going down year by year. This makes it difficult for TAC to keep its' members busy throughout the year. As such the Kolhapuri footwear business suffers from the seasonality. The expectations of domestic buyers are distinctively different from the foreign buyers. In order to carve out a niche in the domestic market, TAC needs a professional advice on market strategy, market mix and necessary resources. The third major challenge is scaling up. How to increase the number of people who could benefit from this model without diluting the profits? The team also faced multiple challenges in convincing and assuring international players that this model involving rural artisans would deliver quality products consistently. However, this skepticism seemed to be vanishing and the repeat orders flowing in were a testimony of that.

There are two worries when looked to the future –1) How sustainable was TAC and 2) How could it be scaled across India and beyond.

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Figure 1. Kolhapuri Footwear Value Chain

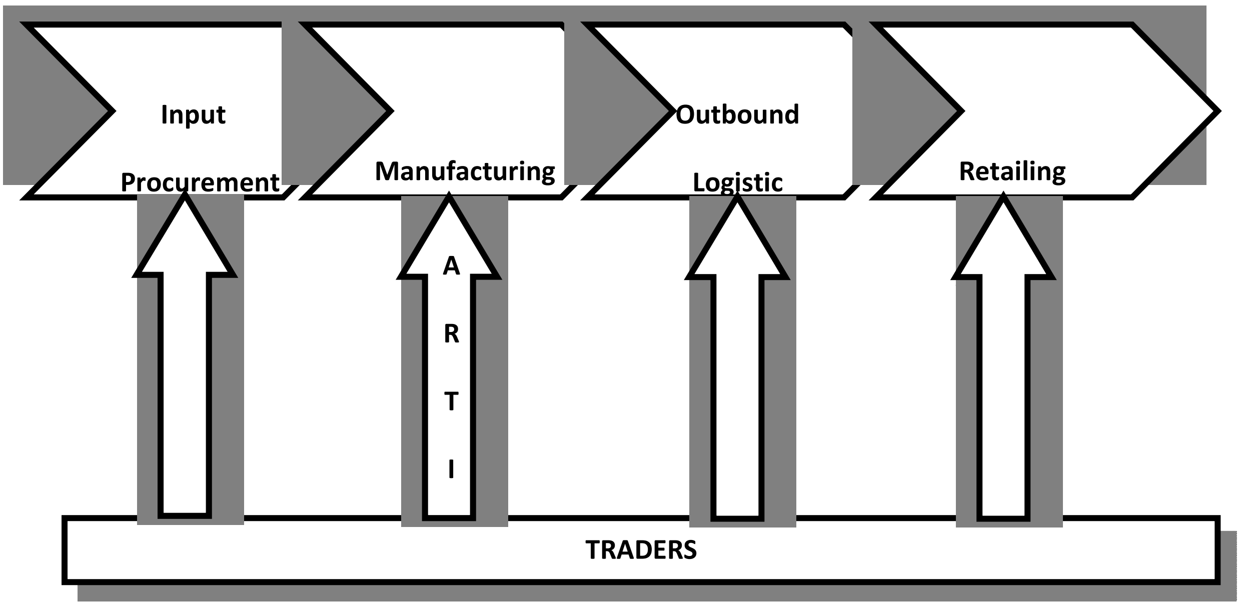
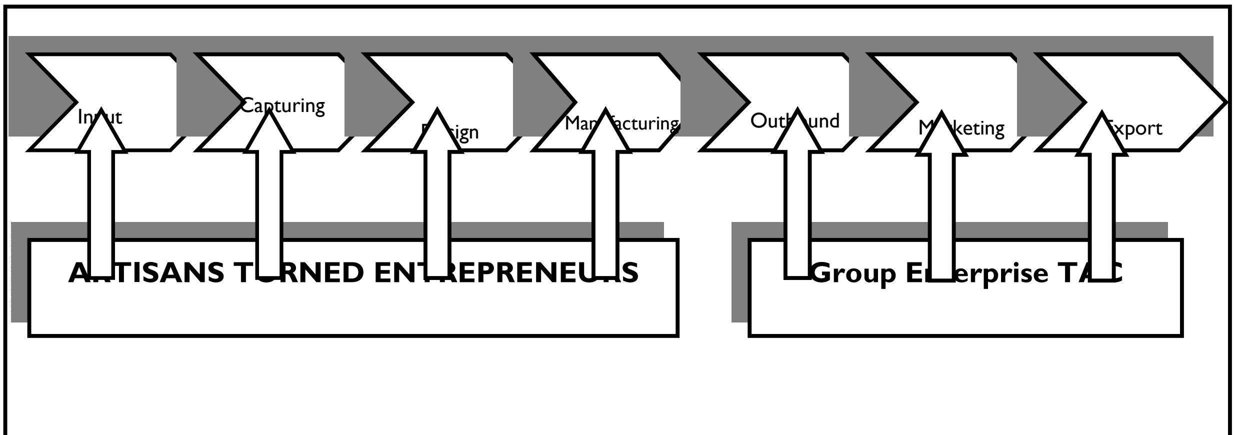


Figure 2. Kolhapuri Footwear Value Chain



After 'Project EnterPrise'

Exhibit 1. TAC Organizational Chart

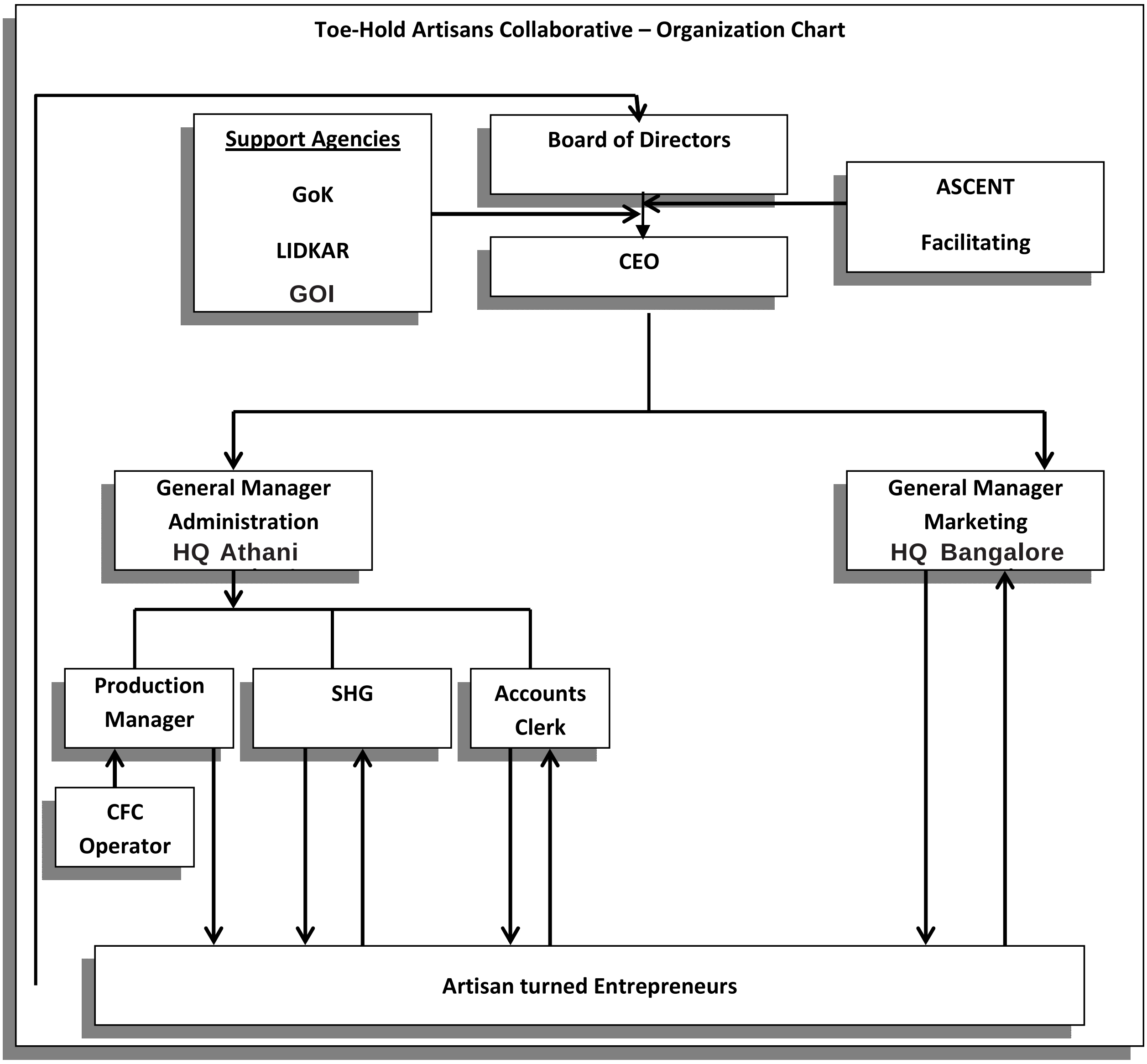


Exhibit 2. ToeHold Footwear samples

Exhibit 3. ToeHold Revenue Growth

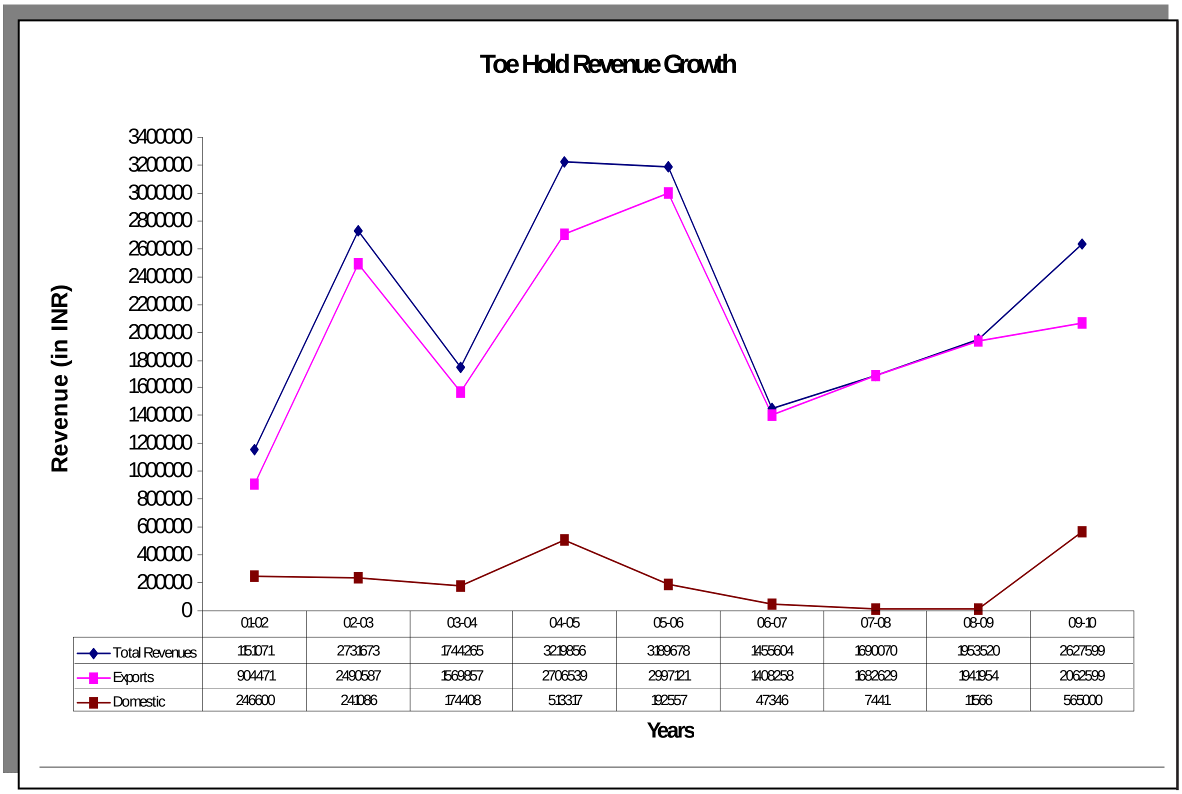


Exhibit 4. M

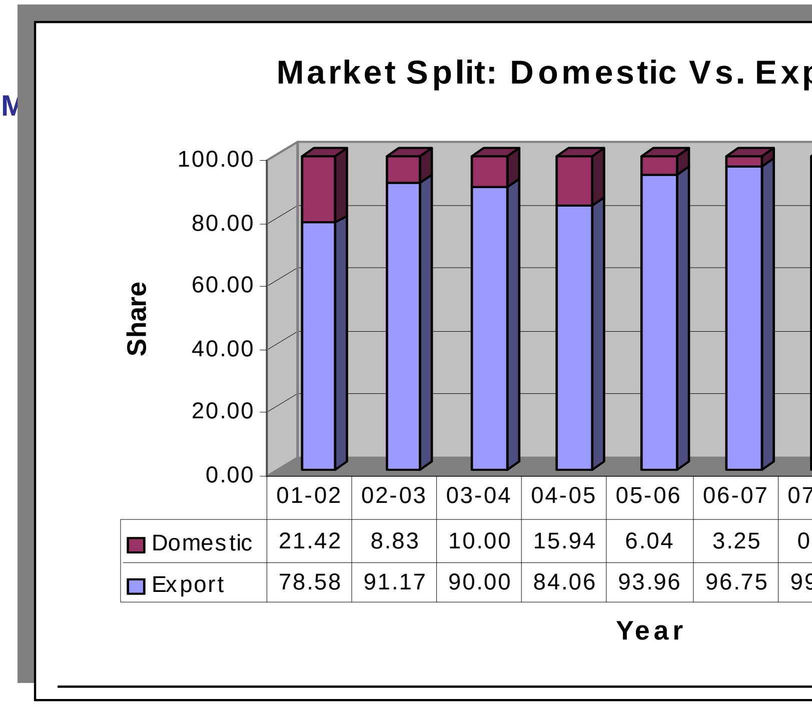


Exhibit 5. Export Market Share

Exhibit 6. Buyer

Exhibit 7. Mapping of Institutional Arrangements

Functions	**Levels**						**Linkage with other institutions**
	Village	Cluster	Block	District	State	National	
Main							
Employment							
Natural resource Augmentation							
Input supply							
Credit / Finance supply	**Womens' SHGs**						**UNDP; NLDP; GoK**
Knowledge center							**CLRI**
Primary production							
Secondary production	**Artisans Households**						
Marketing			TAC				**International trade fairs; e-marketing**
Others							
Supportive							
Creating awareness & mobilization							
Capacity building							
Research							
Policy advocacy							
Developing infrastructure							
Creating Linkages							
Others							

Exhibit 8. Profit Sharing Model (40-40-20)

Artisan :		**ToeHold : (40-40-20 model)**	
Cost of Goods Sold :	Rs 55/-	Cost Price :	Rs. 105/-
Labour Cost :	Rs. 35/- (from Saudagars)	Selling Price :	Rs. 250/-
Total Cost :	Rs. 90/-	Margin :	Rs. 145/-
Sale Price to TAC :	Rs. 105/- (@ 15%	(Artisan: 58/-+ SHG: 29/-+ TAC: 58/-)	
Upfront Profit :	Rs. 15/-		
Total Artisan Profit :	Rs. 73/- (15 + 58)		
Total Artisan Revenue :	Rs 108/- (35+15+58)		

Exhibit 9. Operating Costs of TAC

	Monthly (INR)	Yearly (INR)
Salaries :		
GM / Marketing Coordinator	11,350	136,200
Manager	5,000	60,000
Production Coordinator	3,750	45,000
Group Coordinator	3,750	45,000
Operator	2,750	33,000
Refreshments	500	6,000
Newspaper & Magazines	100	1,200
Auditor's Fees		10,000
Electricity	700	8,400
Water	100	1,200
Maintenance		5,000
AMCs		3,000
Telephone + Internet		27,000
Fax, Postage & Courier		2,400
Stationery & Printing		4,000
Local Travel & Lodging		20,000
Membership Fees		2,000
Tax Registration Renewals		4,700
Gifts & Give Aways		6,500
Web Hosting		5,500
TOTAL		**426,100**

These costs are being met from the operating revenues

BOOK REVIEW

START IT UP - Why running your own business is easier than you think

Prof. Dr. Purushottam Bung, Professor and Director, KLS's IMER, Belgaum, Karnataka, India

Luke Johnson (2013). 'START IT UP- Why running your own business is easier than you think'. Penguin Books Ltd, England; Price: Rs.399.00, Pages 253, ISBN: 978-0-670-92047-I

Author's profile

Luke Johnson is one of Britain's most successful entrepreneurs, with an estimated personal fortune of 120 million pounds. He is Chairman of Risk Capital Partners and Royal Society of Arts, and a former Chairman of Channel 4 television. He writes columns for the Financial Times and Management Today. In the 1990s he was Chairman of Pizza Express, which he grew from twelve restaurants to over 250; he also founded the Strada Pizzaria chain and owns Giraffe and Patissarie Valerie. Johnson has a rich experience of two decades on the business frontline. He lives in London and is married with three children. His official URL is *www.LukeJohnson.org*.

Review

Large numbers of books have been written on entrepreneurship describing it as a process / method / trait. But Luke Johnson, a hardcore entrepreneur himself, has tried to give the reader an experience of being an entrepreneur, substantiated with wide range of real world examples so that the reader can really feel it. Unlike many books written on this subject, it is a very simple and easy to read novel with original ideas and useful advice, especially to those who want to pursue the ill trodden path of entrepreneurship.

The seven parts of the book give reader a complete experience of being an entrepreneur. The first part is all about building necessary qualities/traits that are required to become an entrepreneur like; making a beginning, committing mistakes, having a bigger ambition, stop making excuses, getting started, being optimistic, being action orientated, choosing a right name for the business/brand, not waiting for the right time to come, starting early, etc.

The second part focuses on people at large. The benefits of; associating with the right people, networking with the right people, exchanging of ideas with the right people, working together in teams, forming good teams that can deliver the desired results, following the basic principles of leadership and management, and seeking mentoring in its truest spirit are all discussed quoting real world examples.

The third part reveals the true entrepreneurial style and major challenges faced by the entrepreneurs. The myths associated with entrepreneurship were being discussed, criticized and cleared in a convincing manner like; Entrepreneurs are mainly motivated by money, The idea is what matters, Entrepreneurs are born, not made, Start-ups are one-man brands, Entrepreneurs are inventive geniuses, Entrepreneurs are mostly academic rejects with no qualifications, Most new businesses fail, Entrepreneurs are loners, Entrepreneurs are gamblers, Entrepreneurs are workaholic, etc.

The fourth part is dedicated to managing finances as an entrepreneur. The concepts like; moonlighting which mean being a part time entrepreneur and full time employee, at least in the beginning, were discussed at length. Approaching angel investors, venture capitalists, banks, secondary sources of money, and other sources to raise funds were discussed and criticized in a non theoretical manner.

In the fifth part the key formulas to succeed as an entrepreneur were being discussed in a non stuffy way. The five important criteria followed by the investors before investing were illustrated with examples, i.e. 1. How good is the management team? 2. Is the company going to win big? 3. Have they found a solid niche? 4. Is this firm making sales today, or hoping for sales in future? 5. Does management understand the numbers?

Serious offences often made while preparing Business Plans were explained again in a non theoretical manner which include; Aggressive confidentiality clauses and an over obsession about non-disclosure agreements, Overly technical documents, Lack of focus, Preposterous valuations, Sketchy biographies, Weak numbers, Ignorance of the competition, Perfection, Huge appendices and too many spreadsheets, Getting someone else to write it, Too much paper, Unbelievable margins, profits and returns, etc.

This chapter also presents the reader an advice on handful of things entrepreneurs should not do when taking plunge into self-employment like: Do not leave your job until your idea takes off; Do not rent fancy commercial premises; Do not be put off by the prospect of a downturn; Do not spend money on advertising; Do not engage expensive advisors; Do not take partners in a rush; Do not go ahead if your spouse or partner is against it; Do not be over ambitious; Do not be lazy or impatient about research and homework, etc.

The sixth part focuses on the cyclical nature of business world and how an entrepreneur should react/ proact to the cyclical changes. The big theories like; turnaround and creative destruction, managing in a downturn, value engineering, staying ethical in difficult times, looking for opportunities during the hard times, etc. were presented in a simple manner.

As the title ‘Entrepreneur at large’ reveals the last part covers the subtle issues involved in the journey of an entrepreneur like; power of invention, power of innovation, power of kaizen, power of continuous education and training, managing stress, managing risk, satisfying soul, and being happy throughout.

In total the book answers all the questions that arise if someone is interested in starting up a new venture or buying an existing enterprise, in a direct and conversational manner without referring to dry theories on entrepreneurship. This book is a great inspiration and a how-to guide for every budding entrepreneur, gleaned from twenty successful years in business. He has tackled the important issues that really matter like; finding the right idea, sourcing funds and getting the best from the people around including the entrepreneur himself. The author while explaining the detailed process/method of entrepreneurship has delved deeply into his personal experiences as an entrepreneur. Large number of small chapters, each chapter focusing on specific learning is the unique feature of this book. This book is a must read for all the entrepreneurs, especially, budding entrepreneurs, want to be entrepreneurs and students pursuing professional courses like; engineering, management, architecture, etc.

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