# ETHOS

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Contents



Rayat Shikshan Sanstha's
**Karmaveer Bhaurao Patil Institute of Management Studies and Research**
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# ETHOS



ETHOS is a research journal of Rayat Shikshan Sanstha's, Karmaveer Bhaurao Patil Institute of Management Studies and Research (KBPIMSR), Satara and is published in June and December every year. The prime object of this journal is to disseminate knowledge and information surfaced through fundamental and applied research in functional areas of management and allied subjects viz. Organizational Behavior, Organizational Development, Business Communication, Business Economics, Business Statistics, Information Technology and the like. The journal is an effort to provide a platform for exploration and articulation of knowledge of academicians, researchers, students, entrepreneurs, executives and consultants. ETHOS will publish original papers in the form of research articles and case studies. It will also publish book reviews in said areas of management and allied subjects. (Please refer Guidelines for Authors for details). Authors can submit their contributions for possible publication in ETHOS.

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# Contents

**Research Articles**

# From the Desk of Editor …..

It is a moment of happiness to place before you the first issue of sixth volume of Ethos. The journal has completed its five years of publishing the research articles in the management and allied areas.

Ethos is more concern of quality and in recent voyage of research publications the online publications concern to the researcher owing to quick results and save a time. Ethos is thinking to travel on the same way keeping the entire research ethics intact. The online publication may help to increase the readability of articles in turn may also help to increase citations. Your valuable views towards our endeavor are welcome.

Present volume envelops seven articles only includes one bibliography contributed by Dr. Mrs. Rajashri R. Chavan. The added sections for case study and book review were proposed but Ethos does not receive the quality papers in this category for this volume. It is an earnest request to all research scholars to contribute in this section also.

R.M. Patil through his paper on Bank Clearing House intends to help clearing houses soothing the clearing system through his developed computerized system. Human behaviour is subtle in nature hence researcher needs to probe into behaviorual issues from different perspectives. Kaustubh Sontakke has attempted to study investor's behavior to understand their investment preferences. N.I. Mulla has attempted a case study on training evaluation of nationalized bank. P.M. Herekar has addressed the current issue of Foreign Direct Investment and its inflow in India.

I hope that the articles contributed by research scholars and academicians would be immensely readable and beneficial to stakeholders. I look forward to your valuable feedback to enable us enthrall readers and ensure continuous improvement.

**Dr. B.S. Sawant**
***Editor-in-Chief***

# Empirical Model for Improving Human Resource Development Competencies of Employees in Hospitality Industries-a Study

**Sunil S. Patil, Praveen N. Chougale**

**Abstract :**
Today the concept of HRD is considered seriously by most of the medium and large scale industrial organizations, so as to keep the organizations competent and forward-looking. It deals with creating conditions that enable people to get the best out of themselves and their lives. Wiggs says that development is concerned with providing learning experiences to employees so that they may be ready to move into new directions that organizational change may require. Development is never ending process. As people develop themselves in new directions, new problems and issues arise, requiring them to develop new competencies to meet the changing requirements, aspirations and problems. At the organizational level, the goal of HRD should have competent, committed and motivated employees to ensure higher levels of productivity, profitability and growth for the organization and these goals can be achieved by identifying the competencies of employees. One of the most important functions of HRD is to develop various types of competencies. The present paper focuses on the HRD competencies of employees in hotel industry. The study is comparative in nature and the location of the study is Goa, which is one of the tourist designation and boost for hotel industry. In Goa state public sector as well as private sector hotel industries are operating. The efforts are made to compare the HRD competencies of employees of public sector and private sector hotel industries in Goa.

**Keywords :** HRD Competencies, employees, Hotel Industries, Skills, Productivity, Revitalization.

## Introduction :

The Travel & Tourism (T&T) industry (of which the hotel sector forms a part) employs approximately 238 million people worldwide. The earning from the hotel industry have made it one of the world's largest industries and the fastest growing sectors of global trade accounting for 10.7% of global gross domestic product (GDP), 12.8% of the global exports, 8.2 % of global employment (or one in every 12.2 jobs) and 9.4% of global capital investment.

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The hotel business is a labour-intensive and quality-driven service industry. The competitiveness and productivity of the industry depends primarily on the skill levels and professionalism of its employees. Consequently, the constituents within the Hotels, Restaurant and Catering sector recognize that education, vocational training, and identification of competencies are necessary to ensure their future. In support of this, the World Economic Forum (in their recent T&T Competitiveness Report) sees good management of human resources as one of the key drivers for competitiveness across the industry. Developing competencies of employees is very much needed in the hotel industry.

The ASTD study defines competencies as "clusters of skills, knowledge, abilities and behaviour for job success" (www.astd.org). The Society for Human Resources Management (SHRM) defines competencies as "attributes that are necessary for a person to possess in order to complete a particular job. These include knowledge, skills and abilities" (Google 2010). Foundational competencies refer to relevant behaviours for training and development professionals. These competencies include technical competencies, interpersonal, business and personal competencies etc. Competencies are the critical knowledge, abilities, skills and personal characteristics necessary for superior performance. Competencies usually correlate with performance on the job and are used for measurement against well-accepted industry standards. Competencies can be used to improve individual employee training and development programs, as well as for development of variable pay systems such as skill-based or competency-based pay plans. Focus on competencies acts as a developmental tool for employees. It helps employees understand organizational needs and develop individual skills to meet the competency gap. Competency is also a great tool for retention. It is a great source of motivation as high performers tend to get rewarded over time.

**Table: 1: Essential HRD Competencies by McLagan**

| Business competencies | Interpersonal competencies | Technical competencies | Intellectual competencies |
|---|---|---|---|
| 1.Business understanding | 1. Coaching skills | 1. Adult learning understanding | 1. Data reduction skills |
| 2.Cost-benefit analysis skills | 2. Feedback skills | 2. Career development understanding | 2. Information search skills |
| 3.Delegation skills Industry understanding | 3. Group process skills | 3. Computer competence | 3. Intellectual versatility |
| 4.Organisation behaviour understanding | 4. Negotiation skills | 4. Competency identification skills | 4. Model building skills |
| 5.Organisation developemnt understanding | 5.Presentation skills | 5. Electronic systems skills | 5. Observing skills |
| 6.Project management skills | 6. Relationship building skills | 6. Objectives preperation skills | 6. Questioning skills |
| 7.Records management skill | 7. Writing skills | 7. Subject matter understanding | 7. Self-knowledge Visioning skills |
| | | 8. Training and development theories and techniques | |
| | | 9. Research skills | |

*Source: Valkeavara (1998:179)*

**Statement of the Problem:**

Specific research on competency studies from international context where reported to identify the roles, outputs and competencies in Ireland (O'Brien and Thompson, 1999), the United States (McLagan 1989), England, Etaly, Germany and Fr\inland (Valkeavaara 1998), Taiwan (Chen et al 2005), China (Xie, 2005), the Nertherlands (Ginkel et al 1997). Similar studies have not been reported in the Indian context, and particularly study on the competencies of employees in hotel industry has not been undertaken. The researcher has preferred a specific study of competencies of employees in hotel industry and particularly in the state of Goa, as hotel industry in Goa being ranked fourth in the country by a survey conducted by the Rajiv Gandhi Institute for

Contemporary Studies and Confederation of India Industry. Goa has emerged as one of favorable destination for investment in hotel industry and has led to much number of public and private sector hotels in the state. So the comparative study of public and private sector hotels will help to investigate perceptible gap in identification of competencies required by employees in hotel industries. Therefore, the present study is entitled as **Empirical Model for Improving Human Resource Development Competencies of Employees in hospitality Industries - A Study**

**Review of Literature :**

Mitrani Et Al (1992) mention the need for competency and predict that organization of the future will be built around people. They add that there will be less emphasis on jobs as the building blocks of the organization: instead increased attention will be focused on employee competency. A frequent criticism of research and practice involving competencies is that very term "competency" suffers from conceptual ambiguity (Lles, 2001). Indeed. It would be fair to say that even among experts, there is a lack of consensus about the precise definition of the term (Schippmann Et Al., 2000). For some, competencies refer to behaviors or actions, for others to underlying abilities or characteristics, and for still others to the outcomes of actions (Lles, 2001). Furthermore, some recent definitions have extended the traditional narrower focus on individuals (e.g. Mc Clelland , 1973) buy additionally incorporating team, process, and organizational capabilities (e.g. Athey and Orth, 1999). Further still, some, competences are task - oriented focusing on a job's tasks, roles and responsibilities- while for others, they are work oriented focusing on the underlying skills and attributes required by successful performers (Kandola and Pearn, 1992). In response to this lack of consensus, the current research adopted a broad definition of a competency as measurable individual characteristic that differentiates superior from average performance, or effective from ineffective performance (Spencer Et Al., 1992). Within this definition, competencies can therefore include, inter alia, motives, traits, self- concepts, knowledge and skills (Spencer and Spencer, 1993). Mansfield (2004) constants three different usages of competence: outcomes (vocational standards describing what people need to be to do in employment) ; tasks that people do (describing what currently happens); and personal traits or characteristics describing what people are)like).The SHRM (2003) has indicated that competencies have become integral in the field of HRM and a new competency model is necessary because the business world is changing at an unprecedented rate. These changes require HR professionals to add significant value and to do so quickly. Moreover, since HRM activities directly impact the company's ability to compete, competency models need to be continuously researched and updated (SHRM, 2003). (Homer, 2001). Indeed for some, competency approach has made a revolutionary contribution (Lawler, 1994; McClelland, 1994). In terms of individual competencies, the literature identifies a wide range of factors that are generally important for staff and management success in organizations.

**Research Methodology :**

**Research is exploratory in nature and data have collected conducting field study. The study set to test hypotheses,**

H0.1 $\mu 1 = \mu 2$ : There is no significant difference between the HRD competencies of public sector hotel employees and that of private sector hotel employees in Goa.

**Study put forth objectives as**

1. To study the growth and development of hotel industry in Goa.
2. To study the existing HRD competencies of employees in public sector and private sector hotel industry in Goa.
3. To identify the gaps in HRD competencies of employees in public sector and private sector hotel industry in Goa.

4. To design a competency based training model to remove the gaps in HRD competencies of employees in public sector and private sector hotel industry.

Study is conducted in Goa state of India. Since the Goa is tourist destination and largest growing tourism industry in India. Goa compiled different categories of hotels, resorts and holiday destinations. Goa is one of the fastest rising destinations in India with nearly half a million tourist per year, Goa is the state where both private sector hotels and public sector hotels are operating in different tourist destination spots of the state.

The Goa state has been divided into two districts: North Goa and South Goa with headquarters at Panjim and Margao respectively, and six divisions comprises 11 Talukas. For the purpose of the study famous private star hotels 6 have considered and public hotels (GTDC) Out of 12 hotels 6 have considered.24 HR executives have interviewed. Data has collected during April 2012 to May 2012.

A schedule executed focusing on HRD competencies on selected samples.

**Table: 2: Sampling Design**

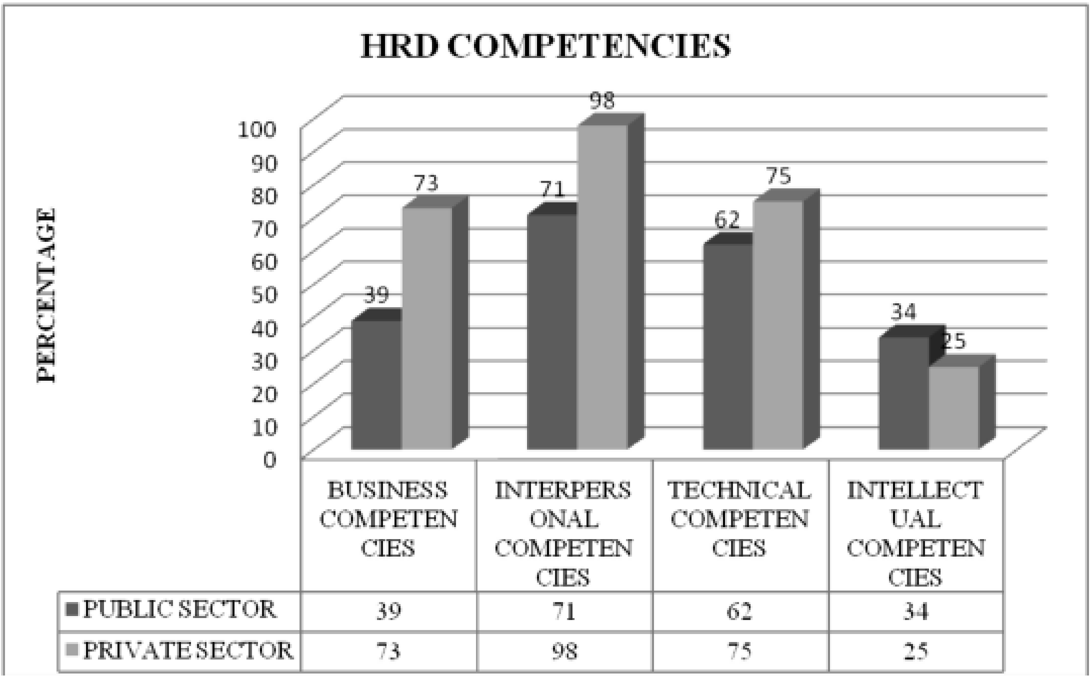
| District | Sector | Hotel | HR executive |
|---|---|---|---|
| North Goa | Public | Panjim Residency | 02 |
| | | Mapusa Residency | 02 |
| | | Calangute Residency | 02 |
| | Private | Hotel Vista Do Rio | 02 |
| | | The Taj Holiday Village | 02 |
| | | Hotel Mandavi | 02 |
| South Goa | Public | Margao Residency | 02 |
| | | Vasco Residency | 02 |
| | | Colva Residency | 02 |
| | Private | Leela Palace Goa | 02 |
| | | Hotel Silver Sand | 02 |
| | | Heritage Village Club | 02 |
| **Total** | | **12** | **24** |

*Source : Self Generated (March 2012)*

**Results and Discussion:**

While formulating schedules the essential HRD Competencies by McLagan are considered. The main four competencies and their sub-competencies are evaluated based on closed ended schedules YES/NO. Only YES Opinions are considered for analysis.The total respondent's frequency is converted into percentiles to generate percentage model to compare the competencies of employees between public sector and private sectors hotels in Goa. For testing of Hypothesis Coefficient of variation is applied to determine the high level of competencies between public sector and private sectors hotels in Goa.

The Percentage Model of HRD Competencies of Employees of Public Sector and Private Sector Hotel Industries in Goa




**Testing of Hypothesis :**
**ANALYSIS**

Analysis of Variance : $CV = \frac{\sigma}{X} \times 100$

**A) Public Sector Hotel Industries**

$\bar{X}A = \frac{34 + 62 + 39 + 71}{4} = 51.5$

$\sigma^2 A = \frac{(34-51.5)^2 + (62-51.5)^2 + (39-51.5)^2 + (71-51.5)^2}{4}$

$\sigma^2 A = \frac{306.25 + 110.25 + 156.25 + 380.25}{4}$

$\sigma A = 15.43$

$CV_A = \frac{\sigma}{X} \times 100$

$CV_A = \frac{15.43}{51.5} \times 100$

$\boxed{CV_A = 29.97}$

**Inference :**

The cofficient of variation of the public sector hotel employees is less than that of privete sector hotel employees. The HRD competencies among public sector hotel employees is less than that of private sector hotel employees in Goa state.

**B) Public Sector Hotel Industries**

$\bar{X}B = \frac{25 + 75 + 73 + 98}{4} = 67.75$

$\sigma^2 B = \frac{(25-67.75)^2 + (75-67.75)^2 + (73-67.75)^2 + (98-67.75)^2}{4}$

$\sigma^2 B = \frac{1827.56 + 52.56 + 27.56 + 915.06}{4}$

$\sigma^2 B = \frac{2822.74}{4} = 705.68$

$\sigma^2 B = 26.56$

$CV_B = \frac{\sigma}{X} \times 100$

$CV_B = \frac{26.56}{67.75} \times 100$

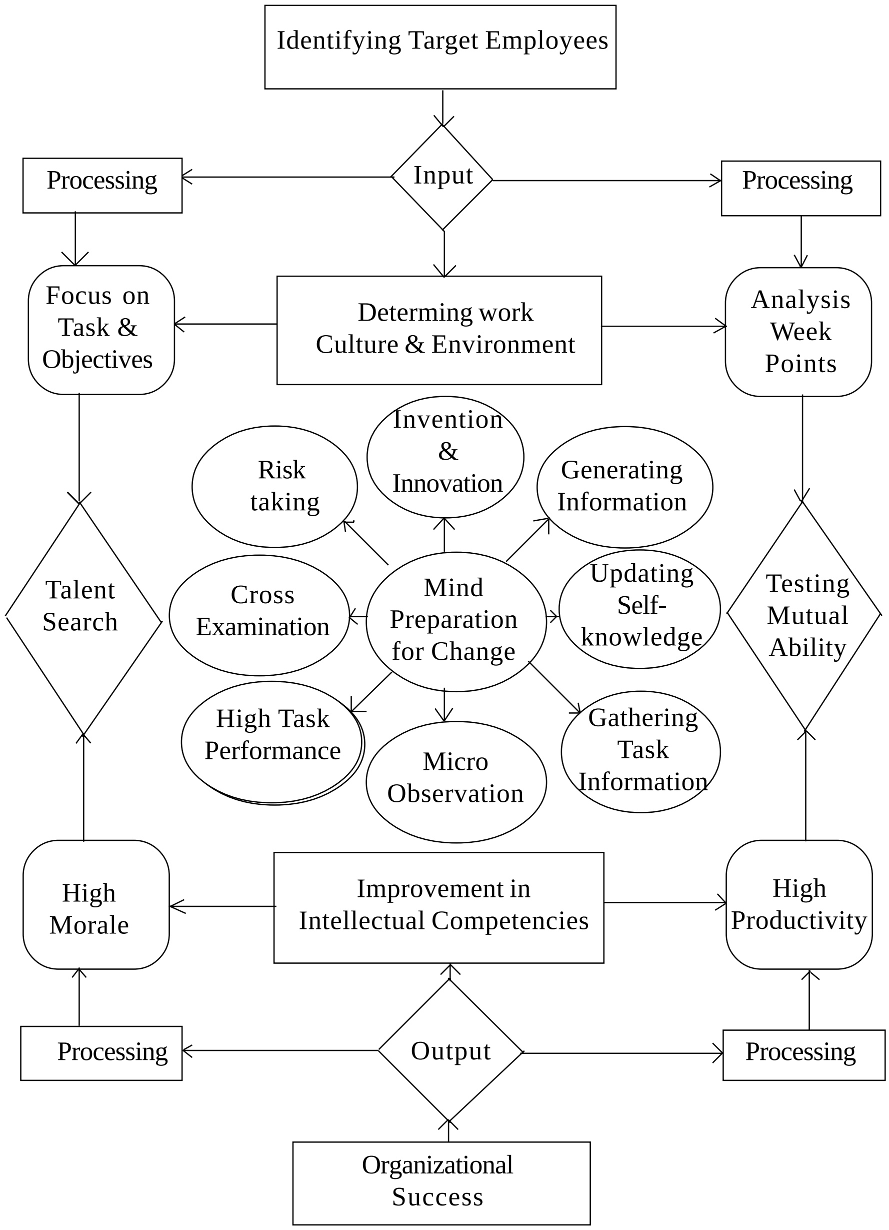
$\boxed{CV_B = 39.20}$

The stated hypothesis **Alternative Hypothesis ($H_{2.1}$ $\mu_1 \neq \mu_2$ )** There is significant difference between the HRD competencies of public sector hotel employees and that of private sector hotel employees in Goa is **Accepted** whereas **($H_{2.3}$ $\mu_1 < \mu_2$ )**

There is low significant difference between the HRD competencies of public sector hotel employees and that of private sector hotel employees in Goa is **Highly Accepted** from the above results obtained.

From the above percentage model and coefficient of variation it is found that the intellectual competencies among both public as well as private sector hotel employees are lacking. There is a need to identify the gapes for the intellectual competencies among employees. The researcher has made the efforts to develop the empirical model for the improvement of intellectual competencies of hotel employees.

**Fig. 3 Empirical Model for Hotel Employees to Improve Intellectual Competencies**




**Conclusion :**

For the growth and development of hotel industries and in order to survive long term, there is need to identify the employees who have a competencies, potentials, talents to succeed. There is need to identify the required competencies within employees for the development of that their own self's. Lots of expenditure is made on the employees from the recruitment till the allotment of tasks. Hence it is the need that hotel industries should adopt succession planning for reducing the rate of attrition and for the retention of employees for long period. Designing competency based training and development programme at different levels by identifying the competency gaps within employees. Unless the HR Executives should understand the importance of succession planning they would not able to develop effective programme of competency mapping and succession planning.

By properly conducting competency based training activities, help employees in acquiring the right type of competencies, which will boost employees morale and job satisfaction. 'The right man for right job' policy must be followed by hotel industries to develop the competencies of employees and to reduce the rate of employee attrition.

**Recommendations :**

1. Competency based training and development programme should be implemented for all the category of hotel employees.
2. Implementing a long term (succession planning) programme throughout competency building of employees.
3. Demonstration of different competencies by adopting case studies of past employees.
4. Employee exchange policies (trainees exchange policies) to develop the different competencies among employees.
5. Tie-up with international hotels and hospitality institutes for arranging the practical based training programme to develop the employee's competencies.

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# Bank Clearing House

**Ravindra M. Patil**

**Abstract :**

Bank Clearing House is an authority to deal with clearing of all local cheques within its permitted capacity or city region. A central office or affiliated agency or a facility operated by banks within a geographical area to act as a central site for collection, exchange, and settlement of checks drawn on each other. It is required to deal with the exchange of cheques/instruments among member banks of bank clearing house. It is a place where all member banks come together at a prescribed time for the exchange/interchange of cheques/instruments received by them from their customers cum account holders. In other words, it is a place to distribute the cheques received from various customers of other banks to the respective banks. The actual bank of this instrument verifies the balance amount in the concerned account and if available "passes/clears" the cheque otherwise returns back the instrument to the bank through the bank clearing house from which it was delivered, and is termed as "bounced" cheque.

In the present paper partial design of bank clearing house computerized system is discussed.

The paper is about the role of -

- Bank Clearing House
- Member Banks
- Bank Clearing Process

The author has studied about the ways to -

- Decrease data entry work.
- Design system for clearing member bank receivables and payables.
- Design system for clearing member banks balance amount i.e. Credit or Debit.

The study comprises of file structures requirement, Data Flow Diagrams (DFD), Entity-Relationship Diagrams (ERD) and reports.

**Keywords :** Bank Clearing House, Member Banks, Clearing Process, Bank clearing officers, Instruments, DFD, ERD, Received Sheets, Delivered instruments, Data Tables

## Introduction :

Market is a place where sale and purchase of goods and services takes place through the vendors and customers respectively. The payment is required to be made by customer to the vendor for the purchase of goods and/or services either in cash or by cheque. Usually, larger amounts are preferred to be paid by crossed cheques.

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The customer issues a cheque to vendor. In case vendor also has an Account in same Bank then the process is simple and Bank will make transfer entry from customer A/c to vendors A/c. The process becomes complicated when the vendor does not have A/c with the same bank as that of customers; also it is not possible by vendors to have A/c's in all Banks. In such cases the cheque cannot get remitted immediately as the two banks are different i.e. the bank which should pay the amount and the bank which should receive the amount of cheque are not the same. Such cheques received by one bank, of other banks through their customers are required to be sent to the bank clearing house.

At bank clearing house all member banks consolidate various cheques received from customers for a specific bank. Bank forwards a single entry of total amount and total number of cheques received from various customers. This single entry is written in front of the column of the concerned bank. Let Bank-A of vendor collects instruments from various customers of Bank-B, consolidate them and a single entry will be written for total instruments collected and total amount against Bank-B. All such sheets are brought in the bank clearing house with actual instruments. Here all the clearing officers from various banks deliver the associated bunch of cheques to the concerned banks clearing officers. This delivered bunch of cheques and their total amount is written under the column Cheques Delivered in front of the bank who delivered the cheques as shown in the Table-1.

**Table: 1**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name: ______ ________________________________________________

| Bank Code | Bank Name | Cheques Received From A/c Holders | | Cheques Delivered To Associated Banks | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | | | | |
| 2 | Bank-B | | | | |
| 3 | Bank-C | | | | |
| 4 | Bank-D | | | | |
| 5 | Bank-E | | | | |
| | **Total** | | | | |
| | Difference Amount | | | | |

Here, ***Total*** represents the column total whereas ***Difference*** is an amount which is difference of cheques delivered amount and cheques received amount and is to be written under the column which has lesser quantity.

**Bank Clearing House Process :**

Let the bank clearing house be having five banks namely Bank-A, Bank-B, Bank-C, Bank-D and Bank-E. Also, let Bank-E be the bank clearing house whereas Bank-A, Bank-B, Bank-C and Bank-D be the member banks. The cheques received by them on a specific day are shown in Tables 2 till 6 :

**Table: 2**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name: 1 Bank-A

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | - | - | | |
| 2 | Bank-B | 5 | 1,23,456.12 | | |
| 3 | Bank-C | 15 | 78,901.23 | | |
| 4 | Bank-D | 25 | 456.78 | | |
| 5 | Bank-E | 35 | 90,12,345.67 | | |
| | **Total** | **80** | **92,15,159.80** | | |

**Table: 3**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name: 2 Bank-B

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | 10 | 8,90,123.45 | | |
| 2 | Bank-B | - | - | | |
| 3 | Bank-C | 20 | 67,890.12 | | |
| 4 | Bank-D | 30 | 345.67 | | |
| 5 | Bank-E | 40 | 89,01,234.56 | | |
| | **Total** | **100** | **98,59,593.80** | | |

**Table: 4**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 3 Bank-C

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | 1 | 7,65,432.10 | | |
| 2 | Bank-B | 2 | 98,765.43 | | |
| 3 | Bank-C | - | - | | |
| 4 | Bank-D | 3 | 210.98 | | |
| 5 | Bank-E | 4 | 76,54,321.09 | | |
| | **Total** | **10** | **85,18,729.60** | | |

**Table: 5**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 4 Bank-D

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | 2 | 8,76,543.21 | | |
| 2 | Bank-B | 4 | 9,876.54 | | |
| 3 | Bank-C | 6 | 321.09 | | |
| 4 | Bank-D | - | - | | |
| 5 | Bank-E | 8 | 87,65,432.10 | | |
| | **Total** | **20** | **96,52,172.94** | | |

**Table: 6**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 5 Bank-E

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | - | - | | |
| 2 | Bank-B | 5 | 12,50,000.00 | | |
| 3 | Bank-C | 7 | 34,75,025.25 | | |
| 4 | Bank-D | 9 | 56,00,050.50 | | |
| 5 | Bank-E | - | - | | |
| | **Total** | **21** | **1,03,25,075.75** | | |

At bank clearing house when clearing officers of all bank come together they distribute the cheques to associated bank counter/tray. Afterwards the bank clearing officer comes back to his/her own table where other bank clearing officers have put instruments on behalf of his/her bank. Every bank clearing officer enters the total instruments and total amount received from other banks in front of the associated bank under the heading "Cheques Delivered". Lastly the bank clearing officer calculates the "Total of Cheques Delivered" and writes "Difference Amount" by calculating the difference of "Cheques Received Amount" and "Cheques Delivered Amount" under the column which has lower total value. The following table 7 till 11 illustrates the same:

**Table: 7**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 1 Bank-A

| Bank Code | Bank Name | Cheques Received | | Cheques Delivered | |
|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount |
| 1 | Bank-A | - | - | - | - |
| 2 | Bank-B | 5 | 1,23,456.12 | 10 | 8,90,123.45 |
| 3 | Bank-C | 15 | 78,901.23 | 1 | 7,65,432.10 |
| 4 | Bank-D | 25 | 456.78 | 2 | 8,76,543.21 |
| 5 | Bank-E | 35 | 90,12,345.67 | - | - |
| | **Total** | **80** | **92,15,159.80** | **13** | **25,32,098.76** |
| | **Difference Amount** | | | | **66,83,061.04** |

**Table : 8**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 2 Bank-B

| Bank Code | Bank Name | Cheques Received Number | Amount | Cheques Delivered Number | Amount |
|---|---|---|---|---|---|
| 1 | Bank-A | 10 | 8,90,123.45 | 5 | 1,23,456.12 |
| 2 | Bank-B | - | - | - | - |
| 3 | Bank-C | 20 | 67,890.12 | 2 | 98,765.43 |
| 4 | Bank-D | 30 | 345.67 | 4 | 9,876.54 |
| 5 | Bank-E | 40 | 89,01,234.56 | 5 | 12,50,000.00 |
| | **Total** | **100** | **98,59,593.80** | **16** | **14,82,098.09** |
| | **Difference Amount** | | | | **83,77,495.71** |

**Table: 9**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 3 Bank-C

| Bank Code | Bank Name | Cheques Received Number | Amount | Cheques Delivered Number | Amount |
|---|---|---|---|---|---|
| 1 | Bank-A | 1 | 7,65,432.10 | 15 | 78,901.23 |
| 2 | Bank-B | 2 | 98,765.43 | 20 | 67,890.12 |
| 3 | Bank-C | - | - | - | - |
| 4 | Bank-D | 3 | 210.98 | 6 | 321.09 |
| 5 | Bank-E | 4 | 26,54,321.09 | 7 | 34,75,025.25 |
| | **Total** | **10** | **35,18,729.60** | **48** | **36,22,137.69** |
| | **Difference Amount** | | **1,03,408.09** | | |

**Table: 10**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 4 Bank-D

| Bank Code | Bank Name | Cheques Received Number | Amount | Cheques Delivered Number | Amount |
|---|---|---|---|---|---|
| 1 | Bank-A | 2 | 8,76,543.21 | 25 | 456.78 |
| 2 | Bank-B | 4 | 9,876.54 | 30 | 345.67 |
| 3 | Bank-C | 6 | 321.09 | 3 | 210.98 |
| 4 | Bank-D | - | - | - | - |
| 5 | Bank-E | 8 | 87,65,432.10 | 9 | 56,00,050.50 |
| | **Total** | **20** | **96,52,172.94** | **67** | **56,01,063.93** |
| | **Difference Amount** | | | | **40,51,109.01** |

**Table: 11**

Date: __________ Bank Receipt and Delivery Listing Page: _____

Bank Code and Name : 5 Bank-E

| Bank Code | Bank Name | Cheques Received Number | Amount | Cheques Delivered Number | Amount |
|---|---|---|---|---|---|
| 1 | Bank-A | - | - | 35 | 90,12,345.67 |
| 2 | Bank-B | 5 | 12,50,000.00 | 40 | 89,01,234.56 |
| 3 | Bank-C | 7 | 34,75,025.25 | 4 | 26,54,321.09 |
| 4 | Bank-D | 9 | 56,00,050.50 | 8 | 87,65,432.10 |
| 5 | Bank-E | - | - | - | - |
| | **Total** | **21** | **1,03,25,075.75** | **87** | **2,93,33,333.42** |
| | **Difference Amount** | | **1,90,08,257.67** | | |

Once all bank clearing officers have prepared their "Total Cheques Delivered Amount" and calculated "Difference Amount", the same is conveyed to Bank Clearing House were the entries of "Difference Amount" is written as shown in Table 12:

**Table: 12**

**Bank Clearing House, Kolhapur**

Date: __________ Bank Difference List Page: _____

| Bank Code | Bank Name | Delivered (Debit) Number | Amount | Received (Credit) Number | Amount |
|---|---|---|---|---|---|
| 1 | Bank-A | | | | 66,83,061.04 |
| 2 | Bank-B | | | | 83,77,495.71 |
| 3 | Bank-C | | 1,03,408.09 | | |
| 4 | Bank-D | | | | 40,51,109.01 |
| 5 | Bank-E | | 1,90,08,257.67 | | |
| | **Total** | | **1,91,11,665.76** | | **1,91,11,665.76** |

Finally, the bank clearing house calculates the Total of "Delivered" and "Received" Amount. In case if the two amounts are same the activity is through and Bank Clearing House is suspended otherwise once again the entries of Cheques delivered should be checked and verified for mistakes in summing up the totals. Thus, through the bank difference list the banks are required to make availability of funds for passing the cheques.

**Manual Bank Clearing House Activity:**

Considering the present scenario a bank clearing house works with at least 75 member Banks. This requires a huge space were 75 clearing officers sit together to exchange the instruments collected by them for various Banks. Also at least 15 officers from clearing bank sit together to control the activity of exchange of instruments, sorting and manual summing-up the amounts. In real life the instruments are in bulk and the amount of instruments is in Crores with two digits fractional part representing amount in Paisa.

The average time spent is 1 Hour approx. for the distribution of instruments to other 74 Banks. Another one Hour approx. for the various activities listed herein:

1. coming back to your own table and writing the entries in Delivered column for 74 Banks,
2. Summing the total of Delivered column, and
3. Lastly calculating the difference amount.

After completion of above said work every clearing officer reads his/her difference amount loudly which is noted by Clearing Bank house officer in Bank Difference Sheet in appropriate column i.e. Delivered/Debit and Received/Credit. Once it is completed the Clearing Bank house Officer makes the total of Debit and Credit side. In case, the total tallies the work is over otherwise the totaling work after distribution of instruments is to be repeated till the difference sheet is tallied. The average time taken is approximately 3 Hrs.

The total average time taken in bank clearing house by the 90 clearing officers is 2 Hours + 3 Hours = 5 Hours. Which makes it 90 * 5 = 450 Man-hours.

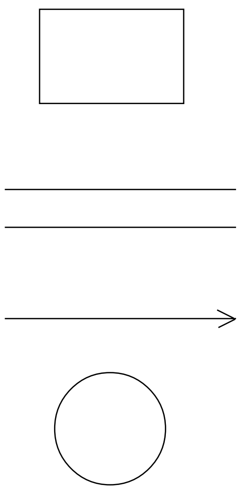
Spending this much of time of clearing officers may be reduced by partially implementing the job with computers. This paper suggests the model solution to the above said problem and saves the man hours of bank clearing officers.

**Partially Computerised Bank Clearing House Design : Data Flow Diagram :**

Data flow diagrams are extremely useful in modeling many aspects of a business function because they systematically subdivide a task into its basic parts, helping the analyst understand the system that they are trying to model. The various symbols used in DFD are shown in Figure 1

A square represents a provider of data (data source) or receiver of data (data sink), such as a property holder or management. The parallel lines depict a file of data or data store; for example, a file holding data about bank details. Arrows show the flow of data between the other symbols. Circles stand for a process that converts or transforms data.

**Figure 1**



Squares represent sources (providers) or sinks (receivers) of data

Parallel lines represent a data store.

Arrow show data flows

Circles give processes.

Keeping in mind the global structure of bank clearing house system, the following Context Diagram of Data Flow Diagram illustrates the flow of data as shown in Figure 2.

Figure: 2 Context Diagram

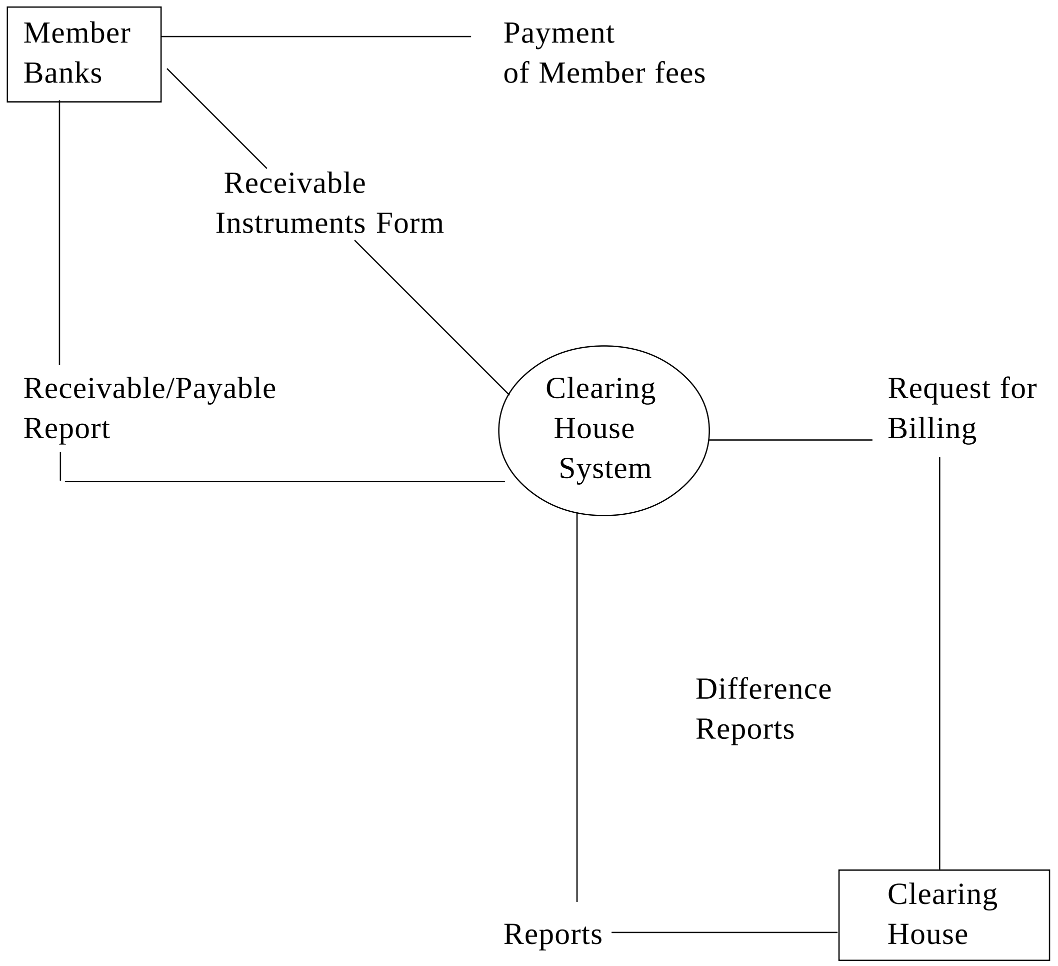



**Table design :**

For the partially computerized bank clearing house activity we may have the following file design as shown in Table 13 and 14.

**Table : 13 Bank Master**

| Field Name | Data Type | Size | Description |
|---|---|---|---|
| Bank Code | Integer | 2 | |
| Bank Name | Character | 70 | |
| Bank Address | Character | 100 | |
| Phone Number | Integer | 10 | |
| Fax Number | Integer | 10 | |
| Amount Delivered | Number | 9,2 | Processed Field |
| Amount Received | Number | 9,2 | Processed Field |

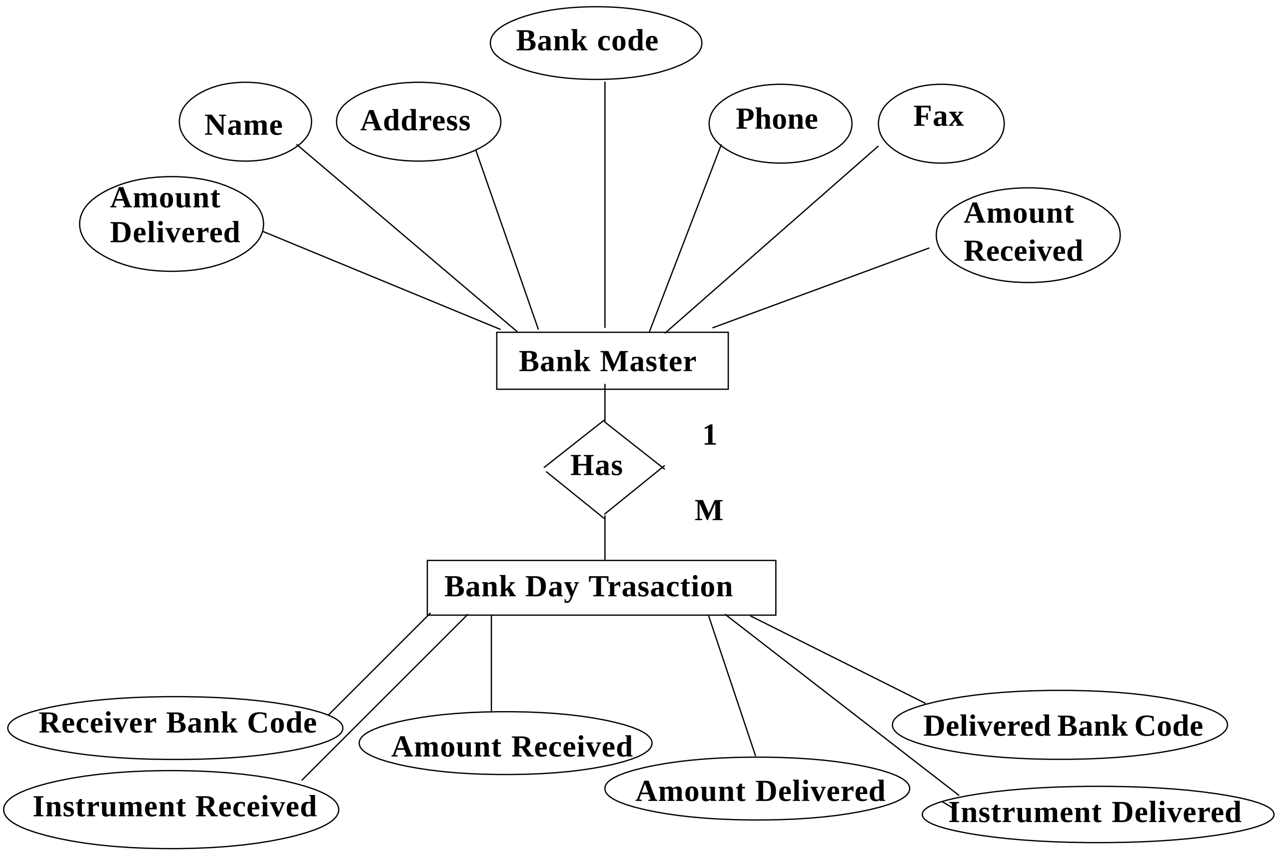
**Table: 14 Bank Day Transaction**

| Field Name | Data Type | Size | Description |
|---|---|---|---|
| Receiver Bank Code | Integer | 2 | |
| Delivered Bank Code | Integer | 2 | |
| Instruments Received | Integer | 4 | |
| Amount Received | Number | 9,2 | |
| Instruments Delivered | Integer | 4 | Processed Field |
| Amount Delivered | Number | 9,2 | Processed Field |

Bank Day Transaction file name itself may contain the date of processing and thus it reduces a field to be introduced in table to keep track of clearing date.

**Entity Relationship Diagram:**

**Figure: 3 E-R Diagram**




**Partially Computerised Bank Clearing House Activity :**

Strategic change is to collect sheets from every member banks after bank hours i.e. around 7:00 pm. The entire bank clearing officers should see that the clearing sheets containing amount of received instruments should reach the Bank clearing house by 7:00 pm.

The sheets will be collected by an outsourcing firm at 7:00 pm and will do the data entry for every member bank; in case sheets are collected otherwise if soft copy of data is collected from every bank then their work is to simply up load the files to form a database of all member banks for next days clearing.

The outsourced computer firm has to develop software which will generate the needed repots after processing i.e.

1. Data Entry of Received sheets/Merge all files/ data collected from every member bank,
2. Validate the data received,
3. Process member banks data to create delivered amount from received amount,
4. Generate member bank wise statement containing received and delivered amount with Totals and Difference amount, and
5. Generate consolidated difference statement for Bank Clearing House.

Considering the present scenario where a bank clearing house with 75 member Banks. The process of Merging, Validating and processing hardly takes 2 Hrs of time on two computers by three computer operators. Also the reports generated for member bank-wise statement 3 pages per bank multiplied by 75 banks makes it 225 pages printing, and lastly printing of consolidated difference statement a three page report makes the total printing of 228 pages i.e. 230 pages approximately. Printing on 132 column dot matrix line printers also will not take more than an hour. Thus, in three hours of time the job is over with three computer operators calculating 3 persons * 3 hours = 9 man-hours with an additional burden of :

- Two Computers,
- One Line Matrix Printer, and
- An UPS

Next day in bank clearing house the average time spent will be for distributing the instruments to other 74 Banks, and nothing else as the processing and reports are generated on earlier night and this will not take more than 1 Hour approx.

Thus, the total average time taken in bank clearing house by the 90 clearing officers is 1 Hour, which makes it 90 * 1 = 90 Man-hours.

Comparing this with the manual bank clearing house process 450 - 90 - 9 = 351 man-hours are saved. These man-hours saved by banks may be utilized in more constructive work of well educated bank clearing officer for the well being of bank customers.

**Figure: 4 Comparisons :**

| Sr. | Description | Manual System Man Hours | Partial Computerized System Man Hours |
|---|---|---|---|
| 1 | average time spent for the distribution of instruments to other 74 Banks | 1 * 90 = 90 | 1 * 90 = 90 |
| 2 | Time for other activities listed herein :<br>1. coming back to your own table and writing the entries in Delivered column for 74 Banks,<br>2. Summing the total of Delivered column, and<br>3. Lastly calculating the difference amount. | 1 * 90 = 90 | 3 * 3 = 9 |

| Sr. | Description | Manual System Man Hours | Partial Computerized System Man Hours |
|---|---|---|---|
| 3 | The average time taken after completion of above said work every clearing officer reads his/her difference amount loudly which is noted by Clearing Bank house officer in Bank Difference Sheet in appropriate column i.e. Delivered/Debit & Received/Credit. Once it is completed the Clearing Bank house Officer makes the total of Debit and Credit side. In case, the total tallies the work is over otherwise the totaling work after distribution of instruments is to be repeated till the difference sheet is tallied. | 3 * 90 = 270 | -- |
| | Total Man Hours | 450 | 99 |

**Conclusions :**

1. With partial computerized bank clearing house system for 75 member banks, 351 man-hours are being saved without hampering and as such changing the way manual bank clearing house working.

2. The 351 man-hours are being saved against the extra efforts put by the outsourced agency, where the following setup is required:

   a. Three operators,
   b. Two Computers,
   c. One Line Matrix Printer,
   d. One UPS, and
   e. Bank Clearing House Software.

3. The cost incurred with outsource agency is much lesser as compared to the man-hours saved by member banks of Bank Clearing House.

4. The intellectual level of Bank Clearing Officers may be utilized by Banks in more productive way to serve the bank customers.

5. The exertion of bank clearing officers due to entering of figures on "Delivered Amount", totaling them and finally calculating the difference amount on every working day of Bank is reduced drastically, saving the energy level of bank clearing officers to concentrate on other assigned jobs to them.

**Suggestions :**

1. The data entry work may be reduced as now a day every bank is having their own computers to work with.

2. The banks may provide a soft copy of "Received Amount" instead of delivering sheets.

3. If every member bank issues MICR cheques to the customers, the job will be easier but the cost incurred will be slightly high, but will result in fast clearing activity.

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# Trade Unions in India - A Profile Approaches, Origin and Growth in India

**Ramakrishna Mohan Rao Munaga, Biraj S. Kholkumbe**

**Abstract :**
It is stated that the associations are the outcome of the union of two or more persons since single individual cannot do the desired work without the strength of others. With the assistance of these groups or associations the economic status of human beings is improved. As the economic status of human beings is being improved the whole human society will also be improving its economic status. Thus it can be concluded that the unity in diversified areas of work also improves the human society as that leads to develop the economy of human society. 'Trade Unions' was taken place consequent, upon the industrial revolution, as the capitalists used the labor class without paying at least for their livelihood. So, the working class formed themselves into groups to achieve their aims as the capitalist neglected the individual employees, who were helpless to stand before the management in bargaining individually for their terms of contract. In a developing economy or a country aspiring for economic development, a systematic growth of trade unions is more important. To make clear about this potentiality, the country has to examine the existing human institutions so as to discover their impact upon the economic growth of the community which, in turn requires a thorough understanding of the institutions themselves starting from their origin of functions and possibilities by making laws and making changes for their improvement.

**Keywords :** Trade Unions, Unity, Economic Status, Society

## Introduction : Approaches to Trade Unions

Marx and Engels influenced trade unions in various ways in Germany. To Marx, a trade union was first and foremost an organization centre. It provided the locus for collecting the forces of working classes (Lozovsky, 1942). Referring to the struggle between the class of wage earners and the class of employers, Marx brings out that modern technique of production has concentrated the social means of production under the ownership of the capitalist who, thus, became the absolute master. The theory of class war and dialectical materialism enunciated by Marx has created a class of trade unionists who regard labor organization as essential to bring about a revolutionary and fundamental change, in the social order in which men are living. From them trade unions are the instruments to overthrow capitalism. According Marx, trade unions thus represents a prime instrument of the class struggle between proletarian workers and capitalist businessmen (Bhagoliwal, 1990). He believed that capitalism itself renders effective, although unintended, aid to its enemies by developing three tendencies (Bhagoliwal, 1990) - (a) the tendency of heavy concentration of wealth and capital in the hands of a few of the largest capitalists reduces the number of the natural supporters of capitalism, b) the tendency towards a steady depression of wages and a growing misery of the wage-earning class keeps revolutionary order alive, and c) the inevitable and frequent economic crisis under capitalism disorganize it and hasten it on towards destruction". Marx advocated that the working class must not divert itself from its revolutionary program and the labor struggle must be for the abolition of capitalism.

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The Webbs (Sydney and Bentrice Webb) in their work "Industrial Democracy" have put forward a non revolutionary theory of industrial democracy. They have considered trade unions to be the extension of the principal of democracy in the sphere of industry. Trade unions are regarded to be "institutions for overcoming managerial dictatorship to strengthen individual laborers and to give them some voice in the determination of the conditions under which they have to work (Bhagoliwal, 1990).

According to Kerr and Siegel, a trade union gets workers organized and industrialization are Incompatible. However, this view does not throw any light on the basic purpose of trade union (Kerr & Siegel, 1995).

S.H.Slitchor, extending the Webbs' theory still further in his analysis of the purposes of unions stated that wage-earners could not exercise much control over working conditions through' individual bargaining because of various reasons. In his view, "Individual bargaining is an unsatisfactory way of controlling work and working conditions because, employers who use methods which improve the labor supply, are not sure of gaining as a result and employers who use methods which spoil the labor supply suffer no direct loss" (Slitcher & Summer, 1947). Consequently, he believed that workers, through their unions, developed a system of work rules and traditions 'a system of industrial jurisprudence' which served as a means of production to employees in their work.

From the study of American Labor Movement that the objectives of trade unions change, Selig Perlman (University of Wisconsin, United States) propounded his 'Scarcity-consciousness theory of Labor Movement (Perlman & Selig, 1949). According to him, the character of the labor movement in any particular country must depend upon the particular combination of three factors :

"1) the resistance power of capitalism determined by its own historical development, 2) the degree of dominance over the labor movement by the intellectuals mentality which regularly underestimates capitalism's resistance power and overtimes labor's will to radical change" and 3) the degree of maturity of trade union mentality". He believes that the impulse of the employees is not to suppress the employer but to suppress their competitive menaces. To do so they feel that they must organize into a union and engage in a class struggle against the employer. It is labor's aim to continue increasing bargaining power and with its share of industrial control just as it is the employer's aim to maintain a 'status quo' or better. Although this presupposes a continuous struggle, it is not a revolutionary but an opportunist struggle, while Marx conceived technical progress as the cause of class struggle. Perlman saw the forces of market as the basis of the conduct of organized labor and industrial struggle. In his words lithe beginning of class struggle has nothing to do machine technique and a capitalist ownership of the tools of production ooo the underlying cause was the rapid extension of markets outrunning the technical development of industry". Referring to the developments during the 17th to 19th centuries he concluded that the class struggle instead of becoming sharper and sharper with advance of capitalism and leading to a social revolution as predicted by Marx. Grew less and less revolutionary in reality and led to compromise or succession of compromises, viz., collective agreements (Bhagoliwal, 1990).

Prof. Robert F. Hoxie, an American Labor Economist, gave a socio-psychological interpretation to trade unions and believed that trade unions or labor organizations have emerged owing to a group psychology - a trade unions constituting a common interpretation and set of beliefs concerned with the problems confronting the workers and generalized program of amelioration. He established the idea of functional types of trade unions and found the essence of unions "to be a social philosophy - an interpretation of the social facts and relationships which bear upon the particular group of workers". He argues that "workers similarly situated economically and socially and closely associated and not too divergent in temperament and training will tend to develop a common interpretation of the social situation and a common solution of the problem of living", and thus, "Unions is not so much an outward organization as a like-minded group". The analysis of functional types of trade unions led him, to believe that "unions are not a unified, consistent entity oooo Unions is at bottom no-unitary". He further states that "while unions in its ultimate effects on industrial organization and conduct of industry is democratic in the sense of its effort to take from the hands of employer's autocratic feudalistic control and put a share of the control and conduct into the hands of the workers tending to democratic industrial revolution-unions in its own organization and conduct is hardly to be called democratic" (Bhagoliwal, 1990). According to Frank Tannebaum, the emergence of trade unions is spontaneous and inherent. in the growth of capitalism. He believed that "the fundamental cause of exploitation of men is the use of machine and, therefore, the Labor Movement is the result and the machine is the major cause and thus the labor movement seems destined to achieve complete control of the industrial functions of the community by substituting service for profit in industrial enterprise and with service democracy into industry" (Tannenbaum, 1951).

According to Gandhiji, class collaboration and harmony rather than class struggle led to the emergence of trade unions. "It (Trade Unions) is not anti-capitalistic. The idea is to take from capital labor is due share and no more o and this, not by paralyzing capital, but by reform among laborers, from within and by their own self-consciousness, not again through the cleverness of non-labor leaders, but by educating labor to evolve its own leadership and its own self-reliant, self-existing organization. Its direct aim is not in the last degree political. Its direct aim is internal reform and evolution of internal strength. The direct result of this evolution when, and if it ever becomes complete,will naturally be tremendously political" (International Labor Review, 1959).

The Gandhian approach to trade unions is thus not only related to material aspect, but also· to moral and intellectual aspects. Gandhiji emphasized that a trade union must strive for all-round betterments of the working class including training of its members in a supplementary occupations (Bhagoliwal, 1990).

To sum up the Marx approach looks it as the instrument for the complete displacement of capitalists both in government and industry by its revolutionary program. The Webbs believed that trade unions represent' a means by which the principle of democracy applied to the political sphere could be stretched to the industrial field. The trade union movement in the Marx and Webbs view was an important instrument of the evolutionary process. Slitcher believed that workers through their unions developed a system of industrial jurisprudence which served as a means of protection to them in their work. Perlman viewed trade unions as essentially pragmatic and thought that it struggles constantly for the improvement of economic conditions and relationships through broad schemes of social and economic reform. Hoxie also viewed trade unions as essentially pragmatic and non-revolutionary in its functioning but he did not stress plurist group responses to the underlying process of industrialization. According to Tannenbaum, trade unions are "unconscious rebellion against atomization of industrial society". The Gandhian approach observes trade unions as essentially reformist organization and economic institution to promote class collaboration as "capital and labor should Supplement and help each other. They should be a great family living in unity and harmony". Thus, the basic objective of a trade union everywhere and at every time continues to be economic - the safeguarding and furthering and economic interests of its members.

**Trade Unions Origin and Growth In India**

Trade unions is a by-product of industrialization both in developed and developing countries, over a period of time, trade unions have grown to the stage of being considered as formal organizations yielding considerable influence on the socio-economic and political life of the nation. Trade unions were born at a time when the Industrial Revolution started in England. Later, the concept of trade unions spread all over the world. At present the trade unions play a mature and vital role in developing countries. In India also Trade Unions has reached a high position though it was in its early stages before independence.

**Origin and Development**

The trade union in India as in most other countries has been the natural outcome of the modern factory system. The development of trade unions in India has had a chequered history and a strong career. Essentially an outcome of the factory system of production and the capitalistic order of society come relatively late in the field though it came into existence during 1850's in England. The industrialization took place from 1850's in all advanced countries in the world.

This has come to India during 1880s. The reasons of this lateness can generally be given as the slow progress of industrialization of the country, the special difficulties arising out of the literacy of the workers, their migratory habits and heterogeneous composition of the labor force in the industrial centers. Though germs of the movement in the country are to be found in the last quarter of the 19th century when sporadic efforts were made to organize labor, just "a medley. A short account of ill-directed and haphazard they were ill moves". Different phases of the movement are discussed here under.

The birth of the trade union movement in India as at present understood, may, however, is traced back to the first quarter of the 20th century, although some form of trade union organizations came into existence after the establishment of factories in India in the 1880s (Bhagoliwal, 1990). The Labor Movement in India has passed through different stages of its development. The pattern of growth and character of the movement different periods was shaped by the existing social, economic and political characteristics of each period. In the pre-first war period, the labor movement was humanitarian in nature and aimed at the enactment of factory legislations. In the post-war and pre-independence period, the movement took a political character. Under the influence of nationalism, the labor movement played a vital role in the freedom movement. In the post-independence period the character of the labor movement further changed on the one hand, competition for political power among the parties has led to the formation of union organization on political basis; on the other hand the planning for rapid national development has necessitated a rethinking on the part of unions and leadership about their activities. While they are committed to the development planning, conflicts have arisen sometimes related to the means achieving the goals but mostly reflecting struggles for power (Pandey, 1966).

During the early period of industrial development, efforts towards organizing the workers for their welfare were made largely by social workers, phi1onthropists and other religious leaders, mostly on humanitarian grounds. In 1875, a few social reformers under the leadership of Shri Sorabjee Shapurjee Benga1ee, started an agitation in Bombay to draw the attention of the government to the appalling conditions of workers in factories, especially those of women and children, and to appeal to the authorities, to introduce legislation for the amelioration of their working conditions (Giri, 1959). Consequently, Bombay Factory Commission was setup in 1875. The first Factories Act was passed in 1881 on the basis of the recommendations of the Bombay Factory Commission. But this Act provided highly inadequate and there were protests by Bombay workers. Moreover, no provision was made to regulate the working conditions of women workers. This has given rise to a great disappointment to workers. Later, in 1884, Shri" Narayan Meghji Lokhanday, a factory worker who was said to be the founder of the organized labor movement in India organized an agitation and called for a conference of workers in Bombay to make representations to another Factory Commission and thus in the year 1884 another Factory Commission was appointed, the year, which accordingly V.B. Karnik (Indian Trade Unions - A Survey 1960), may be said to mark the beginning of trade unions in India (Bhagoliwal, 1990). As no redress was affected by Government, Lokhanday convened a mass meeting of about 10,000 workers in Bombay on April 21, 1890 and drew up a memorandum containing demands (Mamoria & Mamoria, 1990). -- (i) a complete day of rest on every saturday; (ii) half an hour's rest at noon; (iii) working hours no longer than 6.30 a.m. which should cease at sunset; (iv) the payment of wages not later than the 15th of the month in which they were earned; (v) payment to injured workers until they recovered together with suitable compensation, if they are permanently disabled. The year 1884 can legitimately be regarded as the beginning of the labor movement (Mamoria & Mamoria, 1990).

The mill owners agreed to grant a weekly holiday to workers encouraged by this success, Bombay Mill Hands Association was formed in 1890 by Shri Narayan Meghji Lokbanday. The purpose was to provide a clearing house for the grievances of mill workers and to help in drawing public attention to the cause of labor. This was the first union in India which earned for its founder the t1 tie of being the "first trade unionist" of the country (Mamoria & Mamoria, 1990).

In order to provide effective organ to the laborers; a working class news paper, Dinbandhu, was published by N.M.Lokhandey (Bhagoliwal, 1990). After 1890, a large number of labor associations were started in the country such as The Amalgamated Society of Railway Servants of India (regarded as quasi-labor union by the Bombay Labor Gazette) started in 1897, the Printers' Union, Calcutta in 1905, the Bombay Postal Union in 1907, the Kamagar Hit Vardhak Sabha and the Social Service League 1910 (Bhagoliwal, 1990). However, such labor associations organized during this period were essentially, labor welfare organizations and could hardly be regarded as modern trade unions since they wanted to mitigate the evils of modern factory systems and improve the lot of the workers. They discussed the problems connected with labor, gave definite shape of the grievances of workers, represented their case before the government and pressed for suitable labor legislation. Conditions for the 'growth and development of modern trade unions were absent. There was no class consciousness amongst laborers and there was incomplete and ineffective realization of the evils of modern factory system. The few attempts that were made during this period were simple-manifestations, of some local grievances that were felt strongly and once they were 'solved or decided, the unions or labor associations became extinct or non-entities (Panandikar, 1933). Therefore, the trade union movement in the beginning flourished on idealistic philosophy and thus the movement was for the workers rather than by the workers (Oskar & Oranthi, 1955)

The labor organizations formed during this period lacked definite aim and constitution and leaders worked mostly in an advisory capacity. Mr. Lokhanday whose efforts during the period were commendable was "more a philanthropic promoter of labor legislation and workers' welfare than a pioneer of labor organization or labor struggle". This period has been characterized as the social welfare period of our early trade union movement.

The outbreak of the World War-I saw the beginning of the labor movement in the modern sense of the term. The then economic, political and social conditions largely influenced the growth of trade union movement in India. It was also responsible for mass awakening especially among the industrial workers.

The new consciousness produced restlessness discontent a spirit of defiance as well as a new ideal and aspirations (Nehru, 1941). Success of the Russian Revolution of 1917 and the establishment of the International Labor Organization in 1919 were other important factors contributed to the growth of the Indian trade union movement during this period. The Madras Labor Union - the first union in India to be formed on systematic lines was established by Mr. B.P.Wadia in 1919 (Bagoliwal, 1986). Altogether 17 new unions were formed between the end of 1917 and the end of 1919. Due to the agitation of workers in the Buckingham and Carnatica Mills, the management declared a lock-out in 1920.

Between 1919 and 1923, scores of unions came, into existence. At Ahmedabad, under the inspiration of Mahatma Gandhiji and Shrimati Anusuyaben, occupational unions Spinners' Union and Weavers Union came into existence, which later on federated into an industrial union known as the Ahmedabad Textile Labor Association (Majur Mahajan). The association, ever since its inception, has been a model of sound unions in India, based on the Gandhian philosophy of mutual collaboration and non-violence.

The year 1920 was of crucial importance in the history of the Indian Trade Union Movement. The All India Trade Union Congress (AITUC) was formed in 1920 and it claimed 64 affiliated unions at the time of its inception with a membership of 1,40,854. Out of this membership, 91,427 represented railway employees and 19,800 were from the shipping industry. All the other industries throughout the country could account for less than a membership of 30,000. State-wise, Punjab accounted for a membership of 70,000, while Bombay of 47,000 and Uttar Pradesh of 15,000. All the other provinces including Bengal and Madras could, account for a membership of only 8,000 (Ramanujan, 1990).

A Textile Labor Association of Ahmedabad has remained outside the AITUC from the beginning (Ramanujan, 1990).

The inaugural meeting of the AITUC was attended, among others, by such eminent national leaders as Pandit Motilal Nehru, Mrs. Annie Besant and M.A.Jinnah, Lala Lajapat Rai, who presided over the special session of the Indian National Congress at Calcutta in the previous month, also presided over the inaugural conference of the AITUC. Col. J.C. Wedgewood of the British Trade Union Congress was present as a fraternal delegate (Ramanujan, 1990).

Lala Lajapat Rai was elected the first President of the AITUC and among the Vice Presidents elected was C.F.Andrews and Mrs. Besant, Diwan Chamanlal was elected as the General Secretary. Lala Lajapat Rai was also elected by the Conference as the Indian Workers' delegate to the International Labor Organization. B.P.Wadia, Diwan Chamanlal and N.M.Joshi were elected advisers (Ramanujan, 1990).

There was a feeling that the formation of the AITUC was rather premature and it was set up mainly for the purpose of representation in the International Labor Organization. This is no doubt true as would be seen from the functioning of the AITUC in the next few years. For many years the AITUC functioned only at the time of the annual conferences. It met once in a year when the delegates made speeches, passed resolutions including representation in the legislative councils and in the International Labor Organization. The influence of Congress leaders over the AITUC was indeed, so great that it was felt to be Congressoriented for several years (Ramanujan, 1990).

An effort was made by N.M.Joshi to introduce in the Indian legislature trade union legislation in 1921. However, his efforts succeeded only after a lapse of five years when the Indian Trade Unions Act, 1926 was enacted (Dhyani, 1988)

In 1922, the All India Railwaymen's Federation was formed. Most of the railway unions got affiliated to it. However, during this period, signs of militant tendencies and revolutionary ideas became apparent in the labor movement of the country. The moderate element led by N.M.Joshi separated from the AITUC and formed the All India Trade Union Federation in 1929. There was another split when a section of communists led by S.V.Deshpande and B.T.Ranadiv formed the All India Red Trade Union Congress in July 1931 (Bagholiwal, 1990). However, efforts were taken to bring about unity within the AITUC, and it was in 1934 that a compromise was reached through the efforts of the office-bearers of the railwaymen's federation and consequently the Red Trade Union Congress was dissolved. The National Trade Union Federation also merged with AITUC in 1938. The annual session of the unified AITUC was convened at Nagpur in 1940 of which Suresh Banerjee and N.M.Joshi were President and General Secretary respectively. But the unity did not last long as was envisaged.

The World War-II brought in its wake several problems while one section in the AITUC was in favor of an all-out support for the war effort, the others were opposed to it. In November 1941, the former group established their own central organization called the Indian Federation of Labor. Jammadas Mehta and M.N.Roy became its President and General Secretary respectively. A further split took place in June 1947 (Bagholiwal, 1990).

The deteriorating economic condition of the workers arising out of the rapid increase in the cost of living during and after the war made workers conscious of the need of making organized efforts for securing the relief and there was a marked increase in the number of unions and organized workers. At this time the Hindustan Mazdoor Sevak Sangh (HMSS), which was the offspring of the labor sub-committee set up by the Gandhi Seva Sangh in 1937 to organize labor throughout the country on Gandhian principles, was acting as an advisory body and not as a federation of unions. Realizing the need for the greater production and with a view to restore normal Conditions in the country, the central board of the Hindustan Mazdoor Sevak Sangh called upon its various member unions to affiliate themselves to the All India Trade Union Congress and to promote through that body of the policy and program of Congress party (Bagholiwal, 1990). Since their attempts to change the policy of the AITUC proved futile the labor leaders in the Congress party felt the necessity to a new central Trade Union organization. Thus, the Indian Trade Union Congress (INTUC) was formed in May 1947. After the setting up of INTUC, the Communist dominated AITUC suffered considerably both in prestige and membership. The INTUC has -now been the largest federation of trade union and, therefore, it is the most representative organization of workers in the country. The objective of this organization was claimed to be an attempt to explore the solution of labor problems by peaceful means (Raman, 1967).

Meanwhile, there came another split when the socialists separated and formed the Hindu Mazdoor Sabha (HMS) in 1948. The Indian Federation of Labor formed in 1941 merged with this body. Some of the radicals, under the leadership of K. T.Shah and Mrinal Kanti Bose, formed another organization in 1949, known as the United Trade Union Congress (UTUC) (Ramanujam, 1990).

Thus by 1949, the trade union movement was split again with INTUC, the AITUC, the HMS and, the UTUC representing the four rival groups and a few national federations and unions remaining unaffiliated with any of them. The close relationship of the INTUC with the Congress party, of the HMS with the Socialist party, of the AITUC with the Communist party and the UTUC with the Revolutionary Socialist Party and other splinter parties of the left was and is indicative of the continuing political involvement of the trade union movement (Mamoria & Mamoria, 1990).

Thus, soon after independence, the trade union movement in the country was split up into four distinct central organizations of workers. In addition, some other organizations of workers came into existence such as the Bharatiya Mazdoor Sangh (1955), the Hindu Mazdoor Panchayat (1962), the Centre of Indian Trade Unions 1970 (Bhagoliwal, 1990). The UTUC was split up in the subsequent years into two federations, namely,UTUC and UTUC-Lenin Sarani. With the split of the Congress Party in 1969, there was a split in the INTUC also and a new body known as the National Labor Organization (NLO) came into existence with the initiative of mainly the Textile Labor Association, Ahmedabad (Bhagoliwal, 1990). There are some other federations also functioning as all India Federations e.g., All India Bank Employees Association, National Federation of Post and Telegraph Workers, National Federation of Indian Railway men, All India Mine Workers' Federation etc. in addition, there are many unions which are not affiliated to any central body. Besides many of the unions affiliated to some of these federations are also members of one or the other recognized central organization. A number of trade unions as well as their federations proper to operate as separate units, though at times they may collaborate with one organization or the other (Bhagoliwal, 1990).

**Growth of Trade Unions**

By the year 1924, there were 167 trade unions in India. Out of these 148 trade unions were located in Bombay, Bengal and Madras. During 1924-47, the number of registered trade unions rose very sharply (Arys, 1985). The growth of trade unions in India in terms of number of unions registered, number of unions submitting reports and total membership during 1927-28 to 1947-48 is shown in Table 1.1. It is clear from this table that there were 2,766 registered unions in 1947-48. Out of these 1,620 were submitting the returns. They had a membership of 16.63 lakhs and the average membership of a union was 1,027. Growth rate of membership during 1924-47 was 15 per cent per annum. This growth of membership of trade unions could be facilitated because of (a) passing - of the Trade Union Act, 1926, (b) setting up of the popular Governments in 1936 under the British India Act, 1935, and (c) the outbreak of Second World War in 1939 which intensified the economic activity.

The post war period has been marked by the most rapid strides so far made by the trade union movement in India. The most important factors being (Mamoria & Mamoria, 1990):

i) The constant inflow of outside and international influences;

ii) The pressure of trade union rivalries, often based on political or ideological differences;

iii) Government's Industrial Relations Policy with its provision for compulsory adjudication machinery;

iv) The enactment of labor laws conferring special privileges on registered trade unions;

v) Desire of workers to unite for safeguarding their interest especially to face harder conditions for labor, such as retrenchment lay-off etc; and

vi) Attempts made by some employers to set up unions under their influence.

**Table 1.1**
**Progress of Trade Unions (1927-28 To 1947-48)**

| Year | No. of Registered Trade | No. Of unions submitting Returns | Total Members ('000) | Average Membership Per union |
|---|---|---|---|---|
| 1927-28 | 29 | 28 | 101 | 3,607 |
| 1928-29 | 75 | 65 | 181 | 2,785 |
| 1929-30 | 104 | 90 | 242 | 2,689 |
| 1930-31 | 119 | 106 | 219 | 2,066 |
| 1931-32 | 131 | 121 | 236 | 1,950 |
| 1932-33 | 170 | 147 | 237 | 1,612 |
| 1933-34 | 191 | 160 | 208 | 1,300 |
| 1934-35 | 213 | 183 | 285 | 1,557 |
| 1935-36 | 241 | 205 | 268 | 1,307 |
| 1936-37 | 271 | 228 | 261 | 1,145 |
| 1937-38 | 420 | 343 | 390 | 1,137 |
| 1938-39 | 562 | 394 | 399 | 1,013 |
| 1939-40 | 666 | 450 | 511 | 1,136 |
| 1940-41 | 727 | 483 | 514 | 1,064 |
| 1941-42 | 747 | 455 | 574 | 1,262 |
| 1942-43 | 693 | 489 | 685 | 1,401 |
| 1947-48 | 2,766 | 1,620 | 1,663 | 1,027 |

*Source : Sharma,G.K.,"Labor Movement in India",Sterling Publishers Private Ltd, New Delhi,1971, p.189*

The progress of the trade unions after independence during 1947-48 to 1966 is shown in Table 1.2. It clears that the number of unions registered increased from 2,766 in 1947-48 to 14,370 in the year 1966. The number of unions submitting reports rose from 1,620 to 7,086 during the period 1947-48 to 1966. The membership of unions submitting returns has also been increased from 16,63,000 to 43,69,000 during the period 1947-48 to 1966. The average membership of the unions submitting annual returns has been increased from 1,027 to 1,061 per union during the period 1947-48 to 1948-49. But, the average membership per union of the unions submitting returns gradually dwindled during the period 1948-49 to 1966 except in 1957-58, 1958-59, 1963-64, 1964-65 and 1966. It is due to formation of new central' organizations and increase of number of unions.

The growth of trade unions registered, number of unions submitting the reports, membership of unions submitting the reports and average membership per union during 1966 to 1985 is shown in Table 1.3. It is clear from this table that the number of unions registered increased from 14,686 in 1966 to 45,067 in the year 1985. The number of unions submitting reports rose from 7,244 to 9,853 during the period 1966 to 1973. But this figure gradually declined to 4,973 in 1982. This may be due to non-submission of reports by several unions. However, this figure increased to 6,746 in 1983. Average membership per union (submitting returns) increased from 606 to 734 during 1966 to 1975. But this figure in the subsequent two years (1976, and 1977) has been declined to 675 and 671 respectively. It is different from 1978 to 1985, that the average memberships of unions submitting returns have had some fluctuations. This may be due to formation of rival unions in the some industrial units:

Number of Registered Trade Unions increased from 45,030 in 1986 to 68,544 in 2002.

Number of unions submitting returns decreased from 11,365 in 1986 to 7,812 in 2002. Membership of Unions submitting returns decreased from 81,87,000 in 1986 to 69,73,000 in 2002.

Average membership of unions submitting returns increased from 720 in 1986 to 893 in 2002.

Number of Registered Trade Unions increased from 68,544 in 2002 to 84,642 in 2008.

Number of unions submitting returns increased from 7,812 in 2002 to 9,709 in 2008. Membership of Unions submitting returns increased from 69,73,000 in 2008 to 95,73,000 in 2008.

Average membership of unions submitting returns increased from 893 in 2002 to 986 in 2008.

According to the membership information available on web sites of individual Central Trade Unions as on 4.5.2010 is shown in Table 1.4.

The minimum requirement for central recognition of a trade union is that the union should have a membership of at least five lakhs and should be spread over in four states and industries.'

**TABLE 1.2**

**PROGRESS OF TRADE UNIONS AFTER INDEPENDENCE (DURING 1947-48 to 1966)**

| Year | Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting returns ('000) | Average Membership Per union |
|---|---|---|---|---|
| 1947-48 | 2,766 | 1,620 | 1,663 | 1,027 |
| 1948-49 | 3,159 | 1,848 | 1,960 | 1,061 |
| 1949-50 | 3,522 | 1,919 | 1,821 | 949 |
| 1950-51 | 3,766 | 2,002 | 1,757 | 878 |
| 1951-52 | 4,623 | 2,556 | 1,996 | 781 |

| Year | Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting returns ('000) | Average Membership Per union |
|---|---|---|---|---|
| 1952-53 | 4,934 | 2,718 | 2,099 | 772 |
| 1953-54 | 6,029 | 3,295 | 2,113 | 641 |
| 1954-55 | 6,658 | 3,549 | 2,170 | 611 |
| 1955-56 | 8,095 | 4,006 | 2,275 | 568 |
| 1956-57 | 8,554 | 4,399 | 2,377 | 540 |
| 1957-58 | 9,644 | 5,319 | 2,907 | 547 |
| 1958-59 | 10,228 | 6,040 | 3,647 | 604 |
| 1959-60 | 10,811 | 6,588 | 3,923 | 595 |
| 1960-61 | 11,312 | 6,813 | 4,013 | 589 |
| 1961-62 | 11,416 | 6,954 | 3,960 | 569 |
| 1962-63 | 11,822 | 7,251 | 3,682 | 508 |
| 1963-64 | 11,984 | 7,250 | 3,977 | 549 |
| 1964-65 | 13,023 | 7,543 | 4,466 | 592 |
| 1966 | 14,686 | 7,244 | 4,390 | 606 |

*Source : Mamoria,C.B., and Mamoria,S., "Dynamics of Industrial Relations in India", Himalaya publishing House, Bomba,1990, p.116*

**Table 1.3**
**Growth Of Trade Unions (During 1966 to 1985)**

| Year | No. of Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting Returns ('000) | Average Membership of unions Submitting returns |
|---|---|---|---|---|
| 1966 | 14,686 | 7,244 | 4,390 | 606 |
| 1967 | 15,314 | 7,523 | 4,529 | 602 |
| 1968 | 16,716 | 8,851 | 5,125 | 579 |
| 1969 | 18,837 | 8,423 | 4,902 | 582 |
| 1970 | 20,879 | 8,537 | 5,122 | 600 |
| 1971 | 22,484 | 9,029 | 5,472 | 606 |
| 1972 | 13,628 | 9,074 | 5,299 | 584 |
| 1973 | 26,788 | 9,853 | 6,582 | 668 |

| Year | No. of Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting Returns ('000) | Average Membership of unions Submitting returns |
|---|---|---|---|---|
| 1974 | 28,648 | 9,800 | 6,194 | 632 |
| 1975 | 29,438 | 9,324 | 6,844 | 734 |
| 1976 | 29,757 | 9,102 | 6,144 | 675 |
| 1977 | 30,895 | 8,792 | 5,899 | 671 |
| 1978 | 32,207 | 8,351 | 6,038 | 723 |
| 1979 | 33,521 | 6,655 | 4,625 | 695 |
| 1980 | 36,507 | 4,399 | 3,700 | 841 |
| 1981 | 36,209 | 6,590 | 5,325 | 808 |
| 1982 | 38,313 | 4,973 | 2,959 | 595 |
| 1983 | 38,935 | 6,746 | 5,343 | 792 |
| 1984 | 42,609 | 6,451 | 5,148 | 798 |
| 1985 | 45,067 | 7,851 | 6,461 | 823 |

*Source: Ramanujam. G., "Indian Labor Movement". Sterling Publishers Pvt. Ltd., NewDelhi, 1990, p.3*

**TABLE 1.3A**
**Growth Of Trade Unions (During 1986 to 2008)**

| Year | No. of Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting Returns ('000) | Average Membership of unions Submitting returns |
|---|---|---|---|---|
| 1986 | 45,030 | 11,365 | 8,187 | 720 |
| 1987 | 49,329 | 11,063 | 7,959 | 719 |
| 1988 | 50,048 | 8,730 | 7,073 | 810 |
| 1989 | 52,210 | 9,758 | 9,295 | 953 |
| 1990 | 52,016 | 8,828 | 7,019 | 795 |
| 1991 | 53,535 | 8,418 | 6,100 | 725 |
| 1992 | 55,680 | 9,165 | 5,746 | 627 |
| 1993 | 55,784 | 6,806 | 3,134 | 460 |
| 1994 | 56,872 | 6,277 | 4,094 | 652 |
| 1995 | 57,952 | 8,162 | 6,538 | 801 |
| 1996 | 58,805 | 7,309 | 5,613 | 768 |

| Year | No. of Registered Trade Unions | No. Of unions submitting Returns | Membership Of unions submitting Returns ('000) | Average Membership of unions Submitting returns |
|---|---|---|---|---|
| 1997 | 59,968 | 10,016 | 7,408 | 740 |
| 1998 | 61,992 | 7,403 | 7,249 | 979 |
| 1999 | 64817 | 8,152 | 6,407 | 786 |
| 2000 | 66056 | 7,253 | 5,420 | 747 |
| 2001 | 66624 | 6,531 | 5,873 | 900 |
| 2002 | 68544 | 7,812 | 6,973 | 893 |
| 2003 | 76469 | 7,258 | 6,277 | 865 |
| 2004 | 74403 | 5,242 | 3,397 | 648 |
| 2005 | 78465 | 8,317 | 8,722 | 1049 |
| 2006 | 88440 | 8,471 | 8,960 | 1058 |
| 2007 | 95783 | 7,408 | 7,877 | 1063 |
| 2008 | 84642 | 9,709 | 9,573 | 986 |

*Source: Ramanujam. G., "Indian Labor Movement". Sterling Publishers Pvt. Ltd.,. NewDelhi, 1990, p.337*

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**TABLE 1.4**
**Membership Of Central Trade Unions (As On 4.5.2010)**

| Sl | Name of organization | Membership | As on |
|---|---|---|---|
| 1 | Hind Mazdoor Sabha (HMS) | 45,00,000 | 4.5.2010 |
| 2 | Indian National Trade Union Congress (INTUC) | 38,92,011 | Available Up to 2002 |
| 3 | Bharatiya Mazdoor Sangh (BMS) | 31,17,324 | Available Upto 31.12.1989 |
| 4 | All India Trade Union Congress (AITUC) | 26,77,979 Up to 2002 | Available |
| 5 | Centre of Indian Trade Unions (CITU) | 26,00,000 | 31.12.2009 |
| 6 | United Trade Union Congress (UTUC) | 3,83,946 Up to 2002 | Available |

*Source: Chief Labor Commission Office (Central), New Delhi, and Internet.*

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# Investment Avenues and Planning-Investors' Perspective

**Kaustubh A. Sontakke, Kruttika K. Sontakke**

**Abstract :**

Investing money is very crucial decision and deciding the avenues where to invest needs rigorous planning. In India people are more conservative and hence prefer investments that are less risky. Everyone needs to save for a rainy day. Once we have saved enough to take care of emergencies, everyone should start thinking about investing and to make their money grow. Similarly there are other demographic factors like age, income level, gender which affect their decisions. As the availability of financial products increase, perception of investors towards such avenues changes over a period of time.

Investment planning focuses on identifying effective investment strategies according to an investor's risk appetite and financial goals. There is a wide variety of investment options, including shares, bonds, mutual funds, bank deposits, real estate and futures and options. Through investment planning, one can identify the most appropriate portfolio mix. Investment planning involves identifying our financial goals throughout our life, and prioritising them. It becomes important for a financial advisor to understand the perception of investors towards investment avenues to successfully pitch the product. If financial advisor is able to understand the requirements of investor's i.e. current and future goals and mindset towards a product then he/she will be in a position to plan perfect portfolio for them. Here we also look upon other factors that influence them while making investment decisions. Innovations in financial products like unit linked insurance products, fund of funds likewise are not easily understood by the investor. Hence the need for this study arises to understand what exactly an Indian investor thinks before investing his/her money and how much risk he/she is willing to take.

This research study also includes study of investors' behaviour to understand their preferences of investments. The main focus of study is to discover the influence of demographic factors like gender and age on risk tolerance level of the investor. The study mainly concentrates on the factors that influence an individual investor before making an investment.

The study helps investment planner to successfully design a suitable portfolio for investors according to their requirement need, goals and risk tolerance level, as it gives information regarding the perception of investors towards investment avenues in India.

**Keywords:** Financial Planning, Investment Avenues, Liquidity, Safety, Risk

## Introduction to Investment :

"An investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations not meeting these requirements are speculative."

- Graham and Qadd's Security Analysis

"Investment Management is the process of managing money, including investments, budgeting, banking and taxes, also called as money management."

The money one earns is partly spent and the rest is saved for meeting future expenses. Instead of keeping savings idle one may like to use savings in

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order to get returns on it in the future, this is called as investment. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price. Mere earning will not help one to secure the future, so it becomes important to save and invest.

One of the important reasons why one needs to invest wisely is to meet the cost of Inflation. The sooner one starts investing; the better financial position gets built. By investing early one allow one's investments more time to grow, whereby the concept of compounding increases one's income by accumulating the principal and the interest.

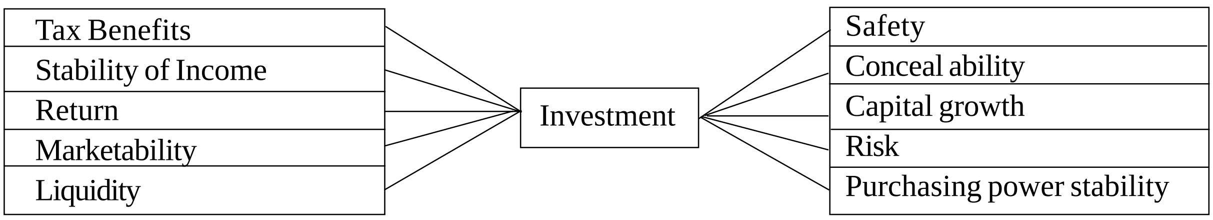
**Reasons for Investment :**

Everyone works for money. It is equally important to ensure that money works for us. One should inculcate the habit of reliance on a secondary source of income. We invest to improve our future welfare. By foregoing consumption today and investing the savings, one expects to enhance the future consumption possibilities. Anticipated future consumption may be by other family members, such as education funds for children or by ourselves, possibly in retirement when we are less able to work and produce for our daily needs. Regardless of why one invests, one should all seek to manage the wealth effectively, obtaining the most from it. This includes protecting the assets from inflation, taxes and other factors. Some of the fundamental rules of investments are :

- Start Early
- Invest Regularly
- Ensure Higher Returns On Your Investments

**Characteristics of Investment :**

Investment refers to invest money in financial, physical assets and marketable assets. Major investments features such as risk, return, safety, liquidity, marketability conceal ability, capital growth, purchasing power, stability and the benefits.




**Fundamentals of the Present Research Study :**

Indian investor today have to endure a slow-moving economy, the steep market declines prompted by declining revenues, alarming reports of scandals ranging from illegal corporate accounting practices like that of Satyam to insider trading to make investment decisions. Stock market's performance is not simply the result of intelligible characteristics but also due to the emotions that are still baffling to the analysts. Despite loads of information coming from all directions, it is not the calculations of financial wizards, or company's performance or widely accepted criterion of stock performance but the investor's irrational emotions like overconfidence, fear, risk aversion, etc., seem to decisively drive and dictate the fortunes of the market.

Many research studies have validated the relationship between a dependent variable i.e., risk tolerance level and independent variables such as demographic characteristics of an investor. Most of the Indian investors are from high income group, well educated, salaried, and independent in making investment decisions and from the past trends it is also seen that they are conservative in nature. Television is the media that is largely influencing the investor's decisions. Hence, in the present study has made an attempt to analyse the relationship between risk tolerance level and demographic characteristics of Indian investors.

**Objectives of the Study :**

- To study various investment avenues available for investment planning and analyze an investors' behaviour towards them.

- To identify the preferred sources of information influencing investment decisions and understanding the risk tolerance level of the investors.
- To study the dependence/independences of the demographic factors (Gender, Age, income level) of the investor and his/her risk tolerance level.

**Scope of Study :**

A questionnaire was constructed to measure the investment pattern of individuals on the basis of demographic characteristics and the risk tolerance of investors. It helped to understand how an Indian investor behaves while investing. This study will be helpful to many financial advisors, mutual fund companies and other investment companies to understand individual behaviour of investors so that they could build suitable investment options for them individually. Also this study can help the investor to decide the areas where they could invest.

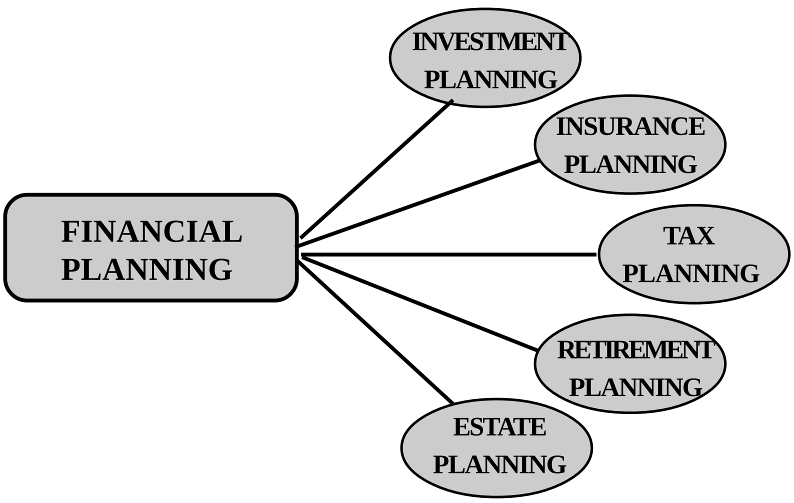
**Research Methodology :**

Primary data has been collected through questionnaire from the sample drawn from the population of the potential investors and customers of various banks in the geographical area of Panvel. A survey was conducted to understand the investor's behaviour with the help of questionnaire. It was carried out with a sample size of 250 investors.

**Fundamentals of Financial Planning :**

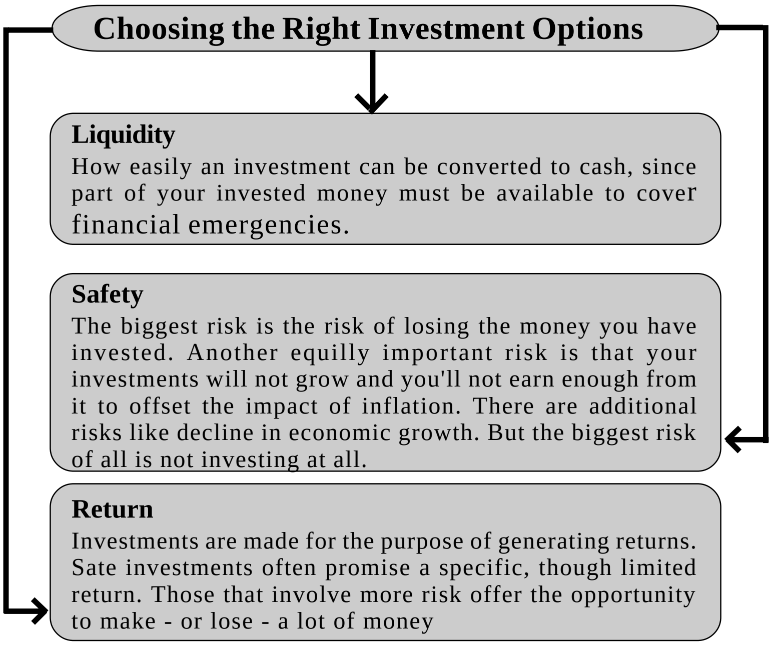
Financial planning is the process of meeting life goals through the proper management of finances. Financial planning is a process that a person goes through to find out where they are now financially, determine where they want to be in the future, and what they are going to do to get there. Financial planning provides direction and meaning to persons financial decisions. It allows understanding of how each financial decision a person makes affects other areas of their finances. For example, buying a particular investment product might help to pay off mortgage faster or it might delay the retirement significantly. By viewing each financial decision as part of the whole, one can consider its short and long-term effects on their life goals. Person can also adapt more easily to life changes and feel more secure that their goals are on track.

Financial planning is the process of identifying a person's financial goals, evaluating existing resources, and designing the financial strategies that help the person achieve those goals. Financial planning is an exercise aimed to ensure availability of right amount of money at the right time to meet the individual's financial goals. Financial institutions plan individual's current expenditures and save for future short-term or long-term goals by analyzing different options available. Thus, a good financial plan should include the following things



**Choosing the Right Investment Options :**

The choice of the best investment options for you will depend on your personal circumstances as well as general market conditions. For example, a good investment for a long-term retirement plan may not be a good investment for higher education expenses. In most cases, the right investment is a balance of three things: Liquidity, Safety and Return.




To a large extent, the choice of the right investment option will also depend upon financial goals of the investors. For example, if one wants to invest for funding a vacation next year, then he/she should not choose an investment option that has a three-year lock-in. Similarly, if one wants to invest for his/her daughter's marriage after 10 years, then she/she should not invest in 1yr bonds for the next 10 years. Instead, choose an option that matches the investment horizon.

**Investment Avenues :**

Various financial institutions and intermediaries provide specially designed investment solutions to meet investor's financial objectives. With a wide range of investment products to choose from, they help investors build a solid portfolio and align it from time to time with their financial aspirations. Generally, the relationship managers are equipped to advise investors on various investment avenues after thoroughly understanding their investment profile. They then help them with their investments and subsequently support them by tracking their investments on a regular basis. Below are investment options:

1. Fixed deposits
2. Recurring deposits
3. Public Provident Fund
4. Senior Citizen Saving Scheme
5. Capital Gain bond
6. GOI bond
7. DEMAT Account
8. Mutual Fund
9. Life Insurance
10. General Insurance and son on.

**Data Analysis and Interpretations :**

The present study in empirical in nature. The survey of 250 investors who are the customers of various banks in the geographical area of Panvel has been conducted and the same has revealed following results.

**Table 01: Gender wise classification of respondents**

| Gender | Number of Respondents | Percentage |
|---|---|---|
| Male | 200 | 80 |
| Female | 50 | 20 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 01 shows the gender wise classification of respondents. It was found that 80 percent of the respondents are male and the rest are females. Generally males bear the financial responsibility in Indian society, and therefore they have to make investment decisions to fulfil the financial obligations.

**Table 02: Age wise classification of respondents**

| Age( in years) | Number of Respondents | Percentage |
|---|---|---|
| Below 35years | 92 | 36.7 |
| 36-50years | 133 | 53.3 |
| 51-60years | 17 | 6.7 |
| above 60years | 8 | 3.3 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 02 shows the age wise classification of respondents. When it comes to age, it was found that 37 percent are young i.e. of age group below 35 years and 53 percent of them are in the age group of 35 to 50. Other than these 07 percent of them belong to age group of 51 to 60 and rest them belongs to age group above 60.

**Table 03: Classification of respondents on the basis of their marital status**

| Marital status | Number of Respondents | Percentage |
|---|---|---|
| Single | 55 | 22 |
| Married | 195 | 78 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 03 shows classification of respondents on the basis of their marital status. It has been found that 78 percent of the respondents are married and 22 percent are unmarried.

**Table 04: Classification of respondents on basis of occupation**

| Occupation | Number of Respondents | Percentage |
|---|---|---|
| Government Employee | 73 | 29 |
| Businessman | 70 | 28 |
| Private Sector | 90 | 36 |
| Student | 5 | 2 |
| Others | 12 | 5 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 04 shows classification of respondents on basis of occupation. From the above table it is clear that 36 percent of the respondents are working in private sector, 29 percent of them are government employees, 28 percent of them are self employed, 2 percent of them are students and rest are working in other sectors.

**Table 05 : Classification of respondents on basis of annual income**

| Annual Income | Number of Respondents | Percentage |
|---|---|---|
| Below 2 Lakhs | 0 | 0 |
| 2 Lakhs - 4 Lakhs | 10 | 4 |
| 4 Lakhs - 6 Lakhs | 58 | 23.3 |
| 6 Lakhs - 8 Lakhs | 61 | 24.3 |
| above 8 Lakhs | 121 | 48.4 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 05 shows the classification of respondents on basis of annual income. It has been found that 48 percent of respondents are with the annual earnings above 8 lakhs, 23 percent of them are earning 4 to 6 lakhs annually, 25 percent are earning between 6 to 8 lakhs in a year, 4 percent of them earn 2 to 4 lakhs in a year. There were no respondents with annual income below 2 lakhs.

**Table 06: Classification of respondents on basis of education level**

| Education Level | Number of Respondents | Percentage |
|---|---|---|
| Under Graduate | 25 | 10 |
| Graduate | 108 | 43.3 |
| Post Graduate and above | 117 | 46.6 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 06 shows the classification of respondents on basis of education level. It indicates that 47 percent of the respondents covered in the study are postgraduates; 43 percent respondents are graduates and 10 percent of the respondents are undergraduates.

**Table 07: Classification of respondents on basis influence on investment decision**

| Investment Decisions are | Number of Respondents | Percentage |
|---|---|---|
| Taken on own initiative | 185 | 74 |
| Taken on own initiative but with help from an expert | 45 | 18 |
| Made by expert on investors behalf | 20 | 8 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 07 shows classification of respondents on basis influence on investment decision. It was found that most respondents tend not to depend upon expert advice and help while making investment decisions. However, the majority of the respondents i.e. 74 percent make investment decisions without the help and advice from experts; only 18 percent investors consult some experts, for advice in investment decisions. And the rest of them allow the expert to take decision on their behalf.

**Table 08: Classification of respondents on the basis of regularity in making investment decisions**

| Regularity of Investment Decisions | Number of Respondents | Percentage |
|---|---|---|
| Frequently | 148 | 59.3 |
| Seldom | 102 | 40.7 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 08 shows the classification of respondents on the basis of regularity in making investment decisions. Most of the respondents i.e. 59 percent of total sample make investment decisions on a regular basis while rest 41 percent does not make investment decision regularly.

**Table 09: Classification of respondents on the basis of objectives of investment plan**

| Objective of investment Plan | Number of Respondents | Percentage |
|---|---|---|
| Preserve capital and generate income | 105 | 42 |
| Generate moderate capital growth with some income | 77 | 30.6 |
| Generate aggressive capital growth over long-term | 41 | 16.3 |
| Generate long-term capital growth | 27 | 11.1 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 09 shows the classification of respondents on the basis of objectives of investment plan. Based on the above table, it can be concluded that the investor's objective of investment plan is capital appreciation or balance of capital appreciation and current income. It is clear that mainly investors invest to accumulate wealth rather as an avenue to supplement their income.

**Table 10: Classification of respondents on the basis of factors influencing an investment decision**

| Factors Influencing an Investment Decision | Number of Respondents | Percentage |
|---|---|---|
| Risk | 63 | 25 |
| Rate of return | 90 | 36 |
| Tax shelter | 35 | 14 |
| Marketability | 43 | 17 |
| Convenience | 20 | 8 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 10 shows the classification of respondents on the basis of factors considered before making an investment. Majorities of the respondents i.e. 36 percent prefer to invest where there is high return, 25 percent of the respondents look for risk involved in the investment, 14 percent of the respondents invest in those avenues wherein they will get tax benefit, 17 percent of respondents look for marketability whereas the rest look for ease with which the investment can be made.

**Table 11: Classification of respondents on basis of preferred investment avenues**

| Investment Avenues | Number of Respondents | Percentage |
|---|---|---|
| Fixed Deposits | 67 | 26.8 |
| Insurance schemes | 64 | 25.6 |
| Equities | 11 | 4.4 |
| Mutual Funds schemes | 60 | 24 |
| Real estate | 24 | 9.6 |
| Commodities/ Derivatives | 24 | 9.6 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 11 shows classification of respondents on basis of preferred investment avenues. It can be concluded that the respondents prefer FD's/Bonds/PPFs avenues than insurance schemes, mutual funds, equities and derivatives. It was interesting to know that Indian individual investors still prefer to invest their surplus amount in risk free investment avenues followed by insurances schemes. It confirms that Indian investors are conservative investors.

**Table 12: Classification of respondents on the basis of time horizon for investment**

| Investment Time Horizon | Number of Respondents | Percentage |
|---|---|---|
| Below 1year | 115 | 46 |
| 1-3 years | 82 | 33 |
| 4-9 years | 48 | 19 |
| Above 10 years | 5 | 2 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 12 shows the classification of respondents on the basis of time horizon for investment. From the above table it can be understood that majority of the respondents i.e. 46 percent invest for less than 1 year, 33 percent of them invest for time period of 1 to 3 years, 19 percent of them invest for period of 4 to 9 years and the rest of them i.e. 2 percent of them invest for long term i.e. more than 10 years. It has been found that most of the respondents want to make money quickly hence they invest for a short period of below 1 year.

**Table 13: Classification of respondents on the basis of knowledge about financial terms**

| Knowledge about Financial Terms | Number of Respondents | Percentage |
|---|---|---|
| Excellent | 107 | 42.7 |
| Very good | 70 | 27.8 |
| Average | 38 | 15.1 |
| Good | 27 | 11.3 |
| Satisfactory | 8 | 3.1 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 13 shows classification of respondents on the basis of knowledge about financial terms. As high as 43 percent of the respondents have excellent knowledge of financial terms, 28 percent have very good knowledge, 15 percent have average knowledge, 11percent have good knowledge rest 3 percent have fair knowledge about investment.

**Table 14: Classification of respondents on basis of sources of investment information**

| Sources of Investment Information | Number of Respondents | Percentage |
|---|---|---|
| News Paper/ Magazines | 75 | 30 |
| Electronic Media (T.V) | 25 | 10 |
| Peer group/ Friends | 44 | 17.6 |
| Broker/ Financial Advisor | 50 | 20 |
| Internet | 46 | 18.4 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 14 shows the classification of respondents on basis of sources of investment information. As high as 30 percent of the investors rely on news paper for the investment information, 10 percent on TV, 18 percent on friends and peer group, 20 percent on brokers or advisors and 18 percent on internet data. This could be because print media is easy and readily accessible investment information when compared to the other sources of investment information whereas some other respondents prefer brokers to get information about investment.

**Table 15: Classification of respondents on basis of risk tolerance level**

| Risk Tolerance Level | No. of Respondents | Percentage |
|---|---|---|
| Low (Category A) | 102 | 41 |
| Medium (Category B) | 63 | 25 |
| High (Category C) | 85 | 34 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 15 shows the classification of respondents on basis of risk tolerance level. From the table 4.16 it can be understood that 41 percent of respondents are preferring portfolio with less risk, 34 percent of them prefer highly risky portfolio with high returns and rest of them i.e. 25 percent prefer portfolio with moderate risk. Indian investors are still conservative in nature and avoid taking huge risk while investing their funds.

**Table 16: Satisfaction of investors on their previous investment**

| Satisfaction | No. of Respondents | Percentage |
|---|---|---|
| Yes | 82 | 32 |
| No | 108 | 43 |
| Neutral | 60 | 24 |
| **Total** | **250** | **100** |

*Source: Compiled from questionnaire*

Table 16 reveals that major portion of respondent was unsatisfied with the returns they got on their investment. This reflects that investment decision was not taken properly. Few common reasons cited were inadequate knowledge about the instrument in which investment was made, misguided by the agent of financial company, charges applicable were not disclosed initially, unplanned investment, etc. Also a major portion of investment was in assets which has a low risk - low returns category. This also was a major reason of respondent unsatisfied with current returns.

**Concluding Findings:**

In the present study, an attempt has been made to understand the investment characteristics of Indian investors. Based on the data collected and analysed about the investment preferences of the investors, the following findings have been arrived at.

1. The study reveals that male investors dominate the investment market in India.
2. It is found that most of the investors belong to the age group of below 35 years and 35 to 50 years indicating youngsters and the middle aged people are predominant in the financial investment sector.
3. Most of the investors possess higher educational qualification like graduation and above.

4. Majority of respondents are working in private sector organisations as compared to government organisations.

5. As per the general perception, it is found respondents with higher income groups like income above 8 Lakhs were found to invest more because of their available investible surplus.

6. The investor's decisions are based on their own initiative.

7. Specific investment pattern was noted in a majority of the people who participated in the study.

8. Respondents usually prefer to invest frequently.

9. The objective of investment was either capital appreciation or balance of capital appreciation and current income.

10. Investors usually invest their funds so as to earn wealth.

11. Investors prefer to invest their funds in avenues like PPF/FD/Bonds followed by insurance and mutual funds scheme.

12. Most preferred industries for investment are financial services banking and information technology.

13. Most of the respondents preferred to invest for a short period that is less than 1 year. Some of them preferred to invest for a time period of 1-3 years.

14. With reference to the objective of investment, most of the respondents preferred high returns, followed by risk, tax savings, convenience and marketability.

15. Most of the investors get their information related to investment through print media like business newspapers and magazines while others prefer to get information from brokers and electronic media like TV.

16. Most of the investors prefer to invest in less risky investments. Very less proportion of respondents preferred risky portfolios.

17. Indian investors are conservative in nature and prefer to invest in less risky avenues.

18. Majority of the investors have moderate knowledge about financial terms related to investment.

19. Gender and the risk tolerance level of the investor are independent attributes of the investor.

20. It is found from the analysis of data that increase in age decreases the risk tolerance level.

21. It is revealed from the study that age of investors independent of preferred investment avenue.

**Suggestions** :

In the context of right financial planning the following suggestion can be offered to the investors so as to ensure their better financial planning.

1. Investors should consider long term investment planning and financial planning.

2. Investors should take adequate insurance cover so as to ensure proper care of dependents

3. The balanced investment strategy is must so as to ensure better return with adequate safety.

4. Risk is a part of investment management and hence proper risk management should be in place instead of running away from taking risk.

5. Investment portfolio should be constructed and it should be revised from time to time.

6. Investment should not be made only for tax saving towards the end of financial year.

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**Note :** All the above websites are very regularly referred from time to time while pursuing this study and good amount of quality information is procured which enabled the researcher to form proper understanding about investment management and investors behavioural aspects.

# A Study of Foreign Direct Investment Inflows in India

**Prakash M. Herekar**

**Abstract**

Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. In recent years, given rapid growth and change in global investment patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. It plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

India has emerged as the second most attractive destination for FDI after China and ahead of the US, Russia and Brazil. While India has experienced a marked rise in FDI inflows in the last few years (doubling from an average of US$5-6 billion the previous three years to around US$ 19 billion in 2006-07) it still receives far less FDI flows than China or much smaller economies in Asia like Hong Kong and Singapore was ahead of India. The present paper attempts to probe into the trends and patterns of flow of FDI in India and evaluate its impact on the select indicators of economic development. The study covers, the correlation of FDI and other related economic indicators of Indian economy such as GDP, foreign trade and foreign exchange reserves during the post economic reform period. The sector-wise and country-wise inflow of FDI, and evaluation of the impact of FDI inflows on the related performance indicators of Indian Economy.

On the systematic statistical analysis of secondary data from the various sources the study concludes that FDI and the other related economic indicators are showing positive trends in the Indian Economy during the post reforms period. FDI inflows have positive impact on the related economic indicators on Indian Economy such as Gross Domestic Product, Foreign Trade, and Foreign Exchange Reserves. Service sector, Tele-communications and Construction Activities attracted the maximum FDI Equity inflows followed by the Computers Hardware Software, Housing and Real Estates and Pharmaceuticals. Mauritius, Singapore and Japan are the major sources of FDI inflows in India followed by U.S.A, United Kingdom, Netherlands, and Cyprus. However the main cause of concern is that the growth rate in FDI inflows in India has been slowing down gradually since 2006-07 as the result of global recession. Hence the government should take the timely policy measures to arrest the gradual decline in FDI inflows. Appropriate domestic policies will attract FDI and maximize its benefits to the economy.

**Keywords :** FDI Inflows, Select Economic Indicators, Post Economic Reforms Period

## Introduction

One of the most prominent and striking feature of today's globalised world is the exponential growth of FDI in both developed and developing countries. In the last two decades the pace of FDI flows are rising faster than almost all other indicators of economic activity worldwide. Developing countries, in particular, considered FDI as the safest type of

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external finance as it not only supplement domestic savings, foreign reserves but promotes growth even more through spillovers of technology, skills, increased innovative capacity, and domestic competition. Now-a-days, FDI has become an instrument of international economic integration. The UNCTAD (1999) notes that transnational corporations (TNCs) can complement local development efforts by: (a) Increasing financial resources for development; (b) boosting export competitiveness; (c) generating employment and strengthening the skills base; (d) protecting the environment and social responsibility; and (e) enhancing technological capabilities (transfer, diffusion and generation of technology).

Proponents of foreign investment point out that the exchange of investment flows benefits both the home country (the country from which the investment originates) and the host country (the destination of the investment). Opponents of FDI note that multinational conglomerates are able to wield great power over smaller and weaker economies and can drive out much local competition. The truth lies somewhere in the middle.

According to UNCTAD (2007), India has emerged as the second most attractive destination for FDI after China and ahead of the US, Russia and Brazil. While India has experienced a marked rise in FDI inflows in the last few years (doubling from an average of US$5-6 billion the previous three years to around US$ 19 billion in 2006-07) it still receives far less FDI flows than China or much smaller economies in Asia like Hong Kong and Singapore was ahead of India. The present paper attempts to probe into the trends and patterns of flow of FDI in India and study the impact of FDI inflows on the select indicators of economic development in the post economic reforms period.

**Review of Literature :**

Andersen P.S and Hainaut P.(2004) in their paper "Foreign Direct Investment and Employment in the Industrial Countries" point out that while looking for evidence regarding a possible relationship between foreign direct investment and employment, in particular between outflows and employment in the source countries in response to outflows. They also find that high labor costs encourage outflows and discourage inflows and that such effect can be reinforced by exchange rate movements. The distribution of FDI towards services also suggests that a large proportion of foreign investment is undertaken with the purpose of expanding sales and improving the distribution of exports produced in the source countries. According to this study the principle determinants of FDI flows are prior trade patterns, IT related investments and the scopes for cross - border mergers and acquisitions. Finally, the authors find clear evidence that outflows complement rather than substitute for exports and thus help to protect rather than destroy jobs.

John Andreas (2004) in his work "The Effects of FDI Inflows on Host Country Economic Growth" discusses the potential of FDI inflows to affect host country economic growth. The paper argues that FDI should have a positive effect on economic growth as a result of technology spillovers and physical capital inflows. Performing both cross - section and panel data analysis on a dataset covering 90 countries during the period 1980 to 2002, the empirical part of the paper finds indications that FDI inflows enhance economic Growth in developing economies but not in developed economies. This paper has assumed that the direction of causality goes from inflow of FDI to host country economic growth. However, economic growth could itself cause an increase in FDI inflows. Economic growth increases the size of the host country market and strengthens the incentives for market seeking FDI. This could result in a situation where FDI and economic growth are mutually supporting. However, for the ease of most of the developing economies growth is unlikely to result in market - seeking FDI due to the low income levels. Therefore, causality is primarily expected to run from FDI inflows to economic growth for these economies.

Klaus E Meyer (2005) in his paper "Foreign Direct investment in Emerging Economies" focuses on the impact of FDI on host economies and on policy and managerial implications arising from this (potential) impact. The study finds out that as emerging economies integrate into the global economies international trade and investment will continue to accelerate. MNEs will continue to act as pivotal interface between domestic and international markets and their relative importance may even increase further. The extensive and variety interaction of MNEs with their host societies may tempt policy makers to micro - manage inwards foreign investment and to target their instruments at attracting very specific types of projects. Yet, the potential impact is hard to evaluate ex ante (or even ex post) and it is not clear if policy instruments would be effective in attracting specifically the investors that would generate the desired impact. The study concluded that the first priority should be on enhancing the general institutional framework such as to enhance the efficiency of markets, the effectiveness of the public sector administration and the availability of infrastructure. On that basis, then, carefully designed but flexible schemes of promoting new industries may further enhance the chances of developing internationally competitive business clusters.

**Objectives :**

The study plans to fulfill the following objectives :

1. To explain the concept of Foreign Direct Investment.
2. To study the correlation of FDI and other related economic indicators of Indian economy such as GDP, foreign trade and foreign exchange reserves during the post economic reform period.
3. To do the sector-wise and country-wise inflow of FDI, and
4. To evaluate the impact of FDI on the related performance indicators of Indian Economy.

**Hypotheses :**

The study has been taken up for the period 1991-2011 with the following hypotheses:

1. Flow of FDI and other related economic indicators like Gross Domestic Product (GDP), Foreign Trade and Foreign Exchange Reserves show a positive trend during the post Economic Reform period in India.
2. FDI has a positive impact on select economic growth indicators of India.

**Research Methodology :**

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment Reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, and internet. The trend analysis of the data has been done. In order to analyze the collected data, various statistical and mathematical tools like Average Compound Growth Rates (ACGR), Percentages, and Correlation Analysis were used.

**Meaning and definition of Foreign Direct Investment :**

Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment. In recent years, given rapid growth and change in global investment patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. As such, it may take many forms, such as a direct acquisition of a foreign firm, construction of a facility, or investment in a joint venture or strategic alliance with a local firm with attendant input of technology, licensing of intellsectual property.

In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets profound changes have occurred in the size, scope and methods of FDI. New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea change in trade and investment policies and the regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role.

**Significance of FDI :**

Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

**Analysis of Data :**

**Patterns of Flow of FDI in India :**

The most profound effect has been seen in developing countries, where yearly foreign direct investment flows have increased from an average of less than $10 billion in the 1970's to a yearly average of less than $20 billion in the 1980's, to explode in the 1990s from $26.7billion in 1990 to $179 billion in 1998 and $208 billion in 1999 and now comprise a large portion of global FDI.. Driven by mergers and acquisitions and internationalization of production in a range of industries, FDI into developed countries last year rose to $636 billion, from $481 billion in 1998 (Source: UNCTAD).

As evident from Table No. 1 below Total FDI inflows in India over a period of two decades after new economic reforms amounted to 220.297 billion US $. They have grown from 129 million US$ in 1991-92 to 27.024 billion US$ in 2010-11 amounting to an increase of more than 210 times over a period of two decades. Except for the years 1998-00, 2002-04 and 2009-11 the cumulative growth was positive for all the years. The cumulative growth rate of FDI inflows was highest at 155% in 2006-07 and lowest at (-) 31% during 1998-99. Thus the overall growth in the FDI inflows is satisfactory during the post reform period. However the main cause of concern is that the growth in FDI inflows is slowing down rapidly since 2006-07 as the result of global recession.

**Table 1: Cumulative growth in the FDI inflows in India in the post economic reforms period**

| Years | FDI inflows (US $ million) | % growth over previous year |
|---|---|---|
| 1991-92 | 129 | -- |
| 1992-93 | 315 | 144 |
| 1993-94 | 586 | 86 |
| 1994-95 | 1,314 | 124 |
| 1995-96 | 2,144 | 63 |
| 1996-97 | 2,821 | 32 |
| 1997-98 | 3,557 | 26 |
| 1998-99 | 2,462 | (31) |
| 1999-00 | 2,155 | (12) |
| 2000-01 | 4,029 | 87 |
| 2001-02 | 6,130 | 52 |
| 2002-03 | 5,035 | (18) |

| Years | FDI inflows (US $ million) | % growth over previous year |
|---|---|---|
| 2003-04 | 4,322 | (14) |
| 2004-05 | 6,051 | 40 |
| 2005-06 | 8,961 | 48 |
| 2006-07 | 22,826 | 155 |
| 2007-08 | 34,335 | 50 |
| 2008-09 | 37,838 | 10 |
| 2009-10 | 37,763 | (0.20) |
| 2010-11 | 27,024 | (28) |
| **Total** | **2,20,297** | |

*Source: Various issues of SIA Bulletins and RBI Bulletin*

As seen from the Table 2 below the growth of FDI inflows in India over a period of eighteen years from 1991-92 to 2008-09 after the commencement of new economic reforms is satisfactory with the exception of four years 1998-2000 and 2002-04. FDI are growing steadily at an Average Compound Growth Rate (ACGR) of 50.78% p.a. The other related performance indicators are also showing the satisfactory growth over the period. GDP factor cost, Total Trade and Foreign Exchange Reserves are growing at ACGR of 6.77%. 20.37% and 27.95% respectively. Thus FDI and the other related economic indicators and showing positive trends in the Indian Economy in the post reforms period.

**Table - 2: FDI Inflows and Related Performance Indicators in India**

*Amount in Rs. crores*

| Years | FDI inflows | GDP at factor cost | Total Trade | Foreign Ex. Reserves |
|---|---|---|---|---|
| 1991-92 | 409 | 1099072 | 91892 | 23850 |
| 1992-93 | 1094 | 1158025 | 117063 | 30744 |
| 1993-94 | 2018 | 1223816 | 142852 | 60420 |
| 1994-95 | 4312 | 1302076 | 172645 | 79781 |
| 1995-96 | 6916 | 1396974 | 229031 | 74384 |
| 1996-97 | 9654 | 1508378 | 257737 | 94932 |
| 1997-98 | 13548 | 1573263 | 284276 | 115905 |
| 1998-99 | 12343 | 1678410 | 318084 | 138005 |
| 1999-00 | 10311 | 1786525 | 374797 | 165913 |
| 2000-01 | 10368 | 1864301 | 434444 | 197204 |
| 2001-02 | 18486 | 1972606 | 454218 | 264036 |
| 2002-03 | 13711 | 2048286 | 552343 | 361470 |
| 2003-04 | 11789 | 2222758 | 652475 | 490129 |
| 2004-05 | 14653 | 2388768 | 876405 | 619116 |

*Amount in Rs. crores*

| Years | FDI inflows | GDP at factor cost | Total Trade | Foreign Ex. Reserves |
|---|---|---|---|---|
| 2005-06 | 24613 | 2616101 | 1116827 | 76387 |
| 2006-07 | 70630 | 2871120 | 1412285 | 868222 |
| 2007-08 | 98664 | 3129717 | 1668176 | 1237985 |
| 2008-09 | 123025 | 3339375 | 2072438 | 1283865 |
| **ACGR** | **50.78** | **6.77** | **20.37** | **27.95** |

*Source: Various issues of SIA Bulletins and RBI Bulletin*

**Table 3 Results of Correlation Analysis**

| Variables | Karl Pearson's Correlation Coefficient ( r ) |
|---|---|
| FDI Inflows and GDP at factor cost | **0.8663** |
| FDI inflows and Total Trade | **0.9411** |
| FDI inflows and Foreign Exch. Reserves | **0.9243** |

Correlation analysis results in the Table No. 3 indicate that there is a very high correlation between the FDI inflows and the other related performance indicators. The correlation between FDI inflows and GDP at factor cost is 0.8663 suggesting that the FDI inflows have the positive impact on the growth of GDP. The high correlation coefficient of 0.9411 between FDI inflows and Total Trade of India suggests that FDI has contributed to the growth of international trade of economy. Similarly, the high correlation of 0.9243 between FDI inflows and Foreign Exchange Reserves suggests that FDI Inflows in the post reform period have also contributed substantially to the growth of Foreign exchange reserves. Thus FDI Inflows have positive impact on the related economic indicators on Indian Economy during the post reform regime.

**Sector-wise Analysis of FDI Equity Inflows:**
Sector-wise Analysis of FDI Equity Inflows in India depicted in Table 4 below indicates that the Service sector, Tele-communications and Construction Activities attracted the maximum FDI Equity inflows accounting for 20%, 8% and 7% respectively followed by the Computers Hardware Software, Housing and Real Estates and Pharmaceuticals accounting for 7%,7% and 6% respectively. The other sectors attracting the FDI Equity Inflows are Power, Automobile, Metallurgical and Petroleum and Natural Gas.

**Table 4: Sectors Attracting Highest FDI Equity Inflows:**

***Amount in Rs. crores (US$ in millions)***

| Ranks | Sector | 2009-10 (April-March) | 2010-11 (April-March) | 2011-12 (April-Feb.) | Cumulative Inflows (April "00 - Feb.12") | % age to total Inflows (In terms of US$) |
|---|---|---|---|---|---|---|
| 1. | **SERVICE SECTOR** (financial & non-financial) | 19,945 **(4,176)** | 15,053 **(3,296)** | 23,865 **(5,059)** | 144,973 **(32,193)** | **20%** |

| Ranks | Sector | 2009-10 (April-March) | 2010-11 (April-March) | 2011-12 (April-Feb.) | Cumulative Inflows (April "00 - Feb.12") | % age to total Inflows (In terms of US$) |
|---|---|---|---|---|---|---|
| 2 | **TELECO MMUNIC ATIONS** (radio paging, celluar mobile, basic telephone services) | 12,270 **(2,539)** | 7,542 **(1,665)** | 9,002 **(1,995)** | 57,069 **(12,550)** | **8%** |
| 3. | **CONSTRUC TION ACTIVI-TIES** including roads & highways) | 13,469 **(2,852)** | 4,979 **(1,103)** | 12,286 **(2,520)** | 50,867 **(11,157)** | **7%** |
| 4. | **COMPUTER SOFTWARE & HARDWARE** | 4,127 **(872)** | 3,551 **(780)** | 3,524 **(741)** | 49,838 **(11,150)** | **7%** |
| 5. | **HOUSING & REAL ESTATE** | 14,027 **(2,935)** | 5,600 **(1,227)** | 3,326 **(708)** | 49,600 **(11,090)** | **7%** |
| 6. | **DRUGS & PHARMAC EUTICALS** | 1,006 **(213)** | 961 **(209)** | 14,498 **(3,211)** | 42,761 **(9,174)** | **6%** |
| 7. | **POWER** | 6,138 **(1,272)** | 5,796 **(1,272)** | 7,494 **(1,616)** | 33,030 **(7,262)** | **4%** |
| 8. | **AUTO MOBILE INDUSTRY** | 5,893 **(1,236)** | 5,864 **(1,299)** | 3,691 **(793)** | 30,129 **(6,627)** | **4%** |
| 9. | **METALL URGIC AL INDUSTRIES** | 1,999 **(420)** | 5,023 **(1,098)** | 8,242 **(1,765)** | 26,830 **(6,020)** | **4%** |
| 10. | **PETROLEUM & NATURAL GAS** | 1,297 **(266)** | 2,543 **(556)** | 951 **(202)** | 14,612 **(3,339)** | **2%** |

**Country-wise Analysis of FDI Inflows:**

The country-wise analysis of FDI Inflows from April, 2000 to February, 2012 depicted in the Table No. 5 indicates that Mauritius, Singapore and Japan are the major sources of FDI inflows in India contributing 39.25%, 10.46% and 7.53% respectively. They are followed by U.S.A, United Kingdom, Netherlands, and Cyprus contributing 6.43%, 5.79%, 4.27%, and 3.85% respectively. The other major contributories are Germany, France and UAE.

**Table 5: Statement on Country-wise FDI Inflows from April, 2000 to February, 2012**

| Sr. | Country | Amount of Foreign Direct Investment Inflows (In Rscrore) | (In US$ million) | %age with total FDI Inflows (+) |
|---|---|---|---|---|
| 1 | MAURITIUS | 286,876.42 | 63,653.35 | 39.25 |
| 2 | SINGAPORE | 76,646.31 | 16,965.41 | 10.46 |
| 3 | JAPAN | 57,332.26 | 12,209.99 | 7.53 |
| 4 | U.S.A | 47,189.84 | 10,424.89 | 6.43 |
| 5 | UNITED KINGDOM | 41,957.55 | 9,397.08 | 5.79 |
| 6 | NETHERLANDS | 31,367.51 | 6,919.11 | 4.27 |
| 7 | CYPRUS | 28,872.79 | 6,241.24 | 3.85 |
| 8 | GERMANY | 20,460.62 | 4,547.70 | 2.80 |
| 9 | FRANCE | 13,138.98 | 2,879.40 | 1.78 |
| 10 | UAE | 10,252.68 | 2,229.16 | 1.37 |

***Note:*** (i) '*'Complete/separate data on NRI investment is not maintained by RBI. However, the above FDI inflows data on NRI investment are reported by RBI under head NRI (as individual investors).

(ii) '+' Percentage of inflows worked out in terms of US$ & the above amount of inflows received through FIPB/SIA route RBI's automatic route & acquisition of existing shares only.

**Conclusions :**

In the last two decades the pace of FDI flows are rising faster than almost all other indicators of economic activity worldwide. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development. FDI and the other related economic indicators are showing positive trends in the Indian Economy in the post reforms period. They have positive impact on the related economic indicators on Indian Economy namely, GDP at factor cost, total trade and foreign exchange reserve. Sector-wise analysis indicate that Service sector, Tele-communications and Construction Activities attracted the maximum FDI Equity inflows followed by the Computers Hardware Software, Housing and Real Estates and Pharmaceuticals. A country-wise analysis reveal that Mauritius, Singapore and Japan are the major sources of FDI inflows in India followed by U.S.A, United Kingdom, Netherlands, and Cyprus. However the main cause of concern is that the growth in FDI inflows in India has been slowing down since 2006-07 as the result of global recession. Hence the government should take the timely policy measures to arrest the gradual decline in FDIs inflows. As quoted by Chalapati Rao K S and Murthy MR (2006):

" …Although attracting FDI can be an important element of a regional development strategy, the key to successful development will ultimately be sound domestic macro-economic and structural policies, adequate and efficient domestic savings and investment and human capital accumulation, supported by sound and strong domestic institutions. FDI is not a substitute for getting domestic policies "right". Appropriate domestic policies will attract FDI and maximize its benefit, while at the same time removing obstacles to local business."

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# An Evaluation of Training Programmes in Nationalized Banks-A Case Study

**Nisarahmed I. Mulla, Adiveppa M. Kadakol**

**Abstract**

Banks are still labour intensive service centers in the world though there is automation and computerization. However in the present society banks are functioning as an agent of social change. From a mere money lending institution, a bank has transformed itself to play an effective role in the task of socio-economic development and the upliftment of especially those people, who were hitherto neglected or deprived of socio-economic benefits. Changing economic conditions such as open economy and increasing competition from private sector and multinational banks for skilled and experienced personnel makes it essential to have an excellent HRD practice (training). So training has become increasingly vital to the success of modern banks. Banks often compete on competencies - the core sets of knowledge and expertise that give them an edge over their competitors. Training plays a central role in nurturing and strengthening these competencies, and in this way has become part of the backbone of strategy implementation. From the broadest perspective, the goal of training is to contribute to the organization's overall goals. The present study is taken up to analyze the design and evaluation of training practices in Nationalised banks. Hence this study is conducted in Dharwad District of Karnataka.

**Keywords :** Nationalized Bank, HRD, Training

## Introduction

HRD is a new term that emerged during the 1930's. Many people used to refer it before by its traditional tittles, such as personnel Administration or personnel Management. But now the trend is changing. It is now termed as HR Management. Human Resource Management is a Management function that helps an organization select, recruit, train and develops. With the world-wide expansion of companies and changing technologies, Indian Organization have realized the importance of corporate training. Training is considered as more of retention tool than a cost.

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"All activities of any enterprise are initiated and determined by the persons who make up that institution. Plants, Offices, Computers, Automated equipment and all else that a modern firm uses are unproductive except for human effort and direction. Human beings design or order the equipment; they decide where and how to use computers; they modernize the technology employed; they secure capital needed and decide the accounting and physical procedures to be used. Every aspect of a firm's activity is determined by the competence, motivation and general effectiveness of its human organization".[1]

'Human Resources' means "manpower or labour which an organization possesses".[2] or the "people who are ready, willing and able to contribute to organizational goals".[3]

Human Resource Development is a continuous process to ensure the development of employee's dynamism, effectiveness, competencies, and motivation in a systematic and planned manner.[4]

Human Resource Development intrinsically recognizes that 'people' are the organization's singularly most important and valuable resource.[5]

**Nationalised Banks :**

The Indian Banking (Regulation) Act, 1949, defines the term 'Banking' as "accepting, for the purpose of lending or investment, deposits of money from public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise" and a 'Banking Company' as " any company that transacts the business of banking in India"

Nationalised banks are those former joint stock banking companies that were nationalized under the Banking Companies (Acquisition & Transfer of Undertaking) Act, 1969.

**Need For the Study :**

Today human resources are a source of competitive advantage for all organizations. Therefore the training system in Indian industries has been changed to create a smarter workforce and yield the best results. With increase in competition every bank wants to optimize the utilization of its resources to yield the maximum possible results. Training is required in every field be it sales, marketing, Human Resource, Relationship building, logistics, Production, Engineering etc. It is now a business effective tool and is linked with the business outcome. With increase in awareness of corporate training in Indian bank, a gradual shift from general to specific approach has been realized. Hence a need is felt to study the effectiveness of training practices in the nationalized banks in Dhawad District as a case study.

**Objective of the Study :**

In view of the introductory remarks, foregoing discussions about the research paper and the study cosmos, the following has been set out as the objective of the study.

1. To evaluate the effectiveness of the HRD practices of training, adopted in the nationalized banks.

**Hypotheses of the Study :**

In view of the above objective, the following has been set out as the hypotheses of the study.

1. Officer staff of the banks carries a better opinion about the HRD practice of training than clerical staff.

**Review of Literature :**

Shobha Naik, in her article "Training as a Justified Cost", states that in many organizations, training is basically seen as a cost item and not as a potent force. For the training to be effective, it must be geared to achieve better results through collaborative, interdependent teams, making people commit themselves to personal and organizational growth. Importantly, training must be a continuous process; a part of an organization's larger strategy to build its people's competence and morale.[6]

S.Srivastava and M.K.Nair, state that training is a very important activity in the HRD process. Training needs from various organizational functions have to be compiled and sorted out so that all general requirements are clubbed together and a common program evolved. They also advised that the faculty for training should be sourced from within the organization and put through a development program to improve their training skills and effectiveness.[7] It is observed that help of external faculty should also be taken from specialized institutions for better implementation of training programs.

An attempt has been made to study, whether the training activity in an organization, can be justified by its results or not, is made by Lynton and Pareek. Though the answer is "No" in most of the cases, the authors have studied the ways of improving it. They estimate the expenditure on all kinds of training, in India, at about 15-20 percent, of the outlay, under the 5-year plans. In their opinion, training must yield results, more or less commensurate with the expenditure, resulting in more and better output of goods, services and satisfaction. Increase in effectiveness and reduction in cost, must be achieved, by individual training programs and training sessions.[8]

M.P.Bansal, (1986) in his research study conducted in the steel plants of the Steel Authority of India (SAIL), reports that training was introduced as an important thrust area of HRD in SAIL's plants. It was recognized that instead of merely imparting knowledge, training must play an effective and important role in helping to actually improve the performance of the employee on the job. 9 But ,it is important to see that skills acquired through training are put in to practice for which cooperation of superiors is necessary.

R K Jain advises that organizations can reduce their costs of investments in training by using computer based training programs. He advises that inspite of the usefulness of on the job training, as a whole, training periods should not be too long, except for initial and promotional training exercises. Training is a cost to the organization and hence, its direction and content must be carefully considered at the highest organizational levels.[10] The author has stressed the importance of technology, duration of the training and the cost of training.

Vinod Gangotra, argues that the training would well be used for technical orientation and new recruit's orientation with the organization. The intermediate goals of training could be helping the groups and individuals to work as a team, negotiating roles, managing role ambiguity and recognizing role boundaries. In the long run, having well trained teams would facilitate institution building.[11]

Avinash Rege, systematic training is the 'soul' of HRD. Training methodology and content vary according to the level of the employee and the needs of the situation. Regular training exercises conducted within the organization for managers, supervisors and workers improve interpersonal relationships and mutual understanding, thereby helping to promote cordial relations.[12] here, the author has tried to bring out the importance of systematic approach to the training activity.

C. Mamutty, advises that to ensure that employees are eventually converted into an organization's assets, focused and result oriented training programmes with direct linkages to skills, attitudes and knowledge up-gradation need to be conducted. Humans are the only assets in the organization that appreciate, if they receive due attention by way of training and HRD intervention. Hence, any expenditure towards their up-gradation has to be treated as a necessary investment.[13]

**Methodology Adopted and Sample Design :**

For accomplishing the above objective, both primary and secondary data were collected. For collecting primary data, Survey Method was used. Survey data was collected by administering separate interview schedule. The sample-respondents were selected by using Purposive Quota, Accidental Sampling Method. Also, the Non-Participatory Observation Method was adopted for recording the researcher's impressions about the HRD practices of training in the banks in the study area. The necessary secondary data was collected through the Library Research Method.

In the Purposive Quota, Accidental Sampling technique adopted for the present study, 'Purposive" means those staff members that belonged to a particular staff level; Quota' means the predetermined sample size of 230 respondents, comprising sub-quotas of 70 officer staff, 160 clerical staff. And 'Accidental' means that only those respondents who were willing to participate in the survey were administered. The actual respondent staffs were selected by visiting the pre-identified urban and rural branches across Dharwad District.

The survey data collected from the total of 230 respondents about the select HRD practices is being presented in Table - 1 on the subsequent pages. The data has been tabulated separately for the two groups of the respondents, together with a comparative presentation of the mean scores/percentile values and the ratings rendered against each question. The analysis/interpretation has been supported by graphs, were justified. The respondents were asked to rate each question according to their level of agreement with it by using a Five-point Likert-type scale (1: Strongly Disagree, 2: Disagree, 3: Neither Disagree nor Agree, 4: Agree, 5: Strongly Agree).

**An Evaluation of HRD Practice of Training :**

Training is a basic HRD mechanism, contributing to employees' professional and personal development through skill building and ultimately, to the organizational development (OD). Induction training teaches an employee to perform the job for which he/she is employed, while special training attempts to bring out and refine the latent job skills for the present or the future jobs.

After working out a Mean Score for each question, each mean score was converted into a percentile value, so as to obtain an easily comprehensible picture of the agreement level for the contents of that particular question among the respondents, at that particular staff level within that particular category of the bank.

Mean Scores and their percentile values were worked out by using the following procedure.

| **Question** | **Level of Agreement** | | | | |
|---|---|---|---|---|---|
| Do you agree that, in this bank, employees do not carry prejudiced opinion about each other? | 3 | 11 | 15 | 28 | 13 = 70 respondents |
| | x1 | x2 | x3 | x4 | x5 |
| | 03 | 22 | 45 | 112 | 65 = 237 Total Score |

∴ 237 (total score) / 70 (respondents) = 3.38 Mean Score (MS)

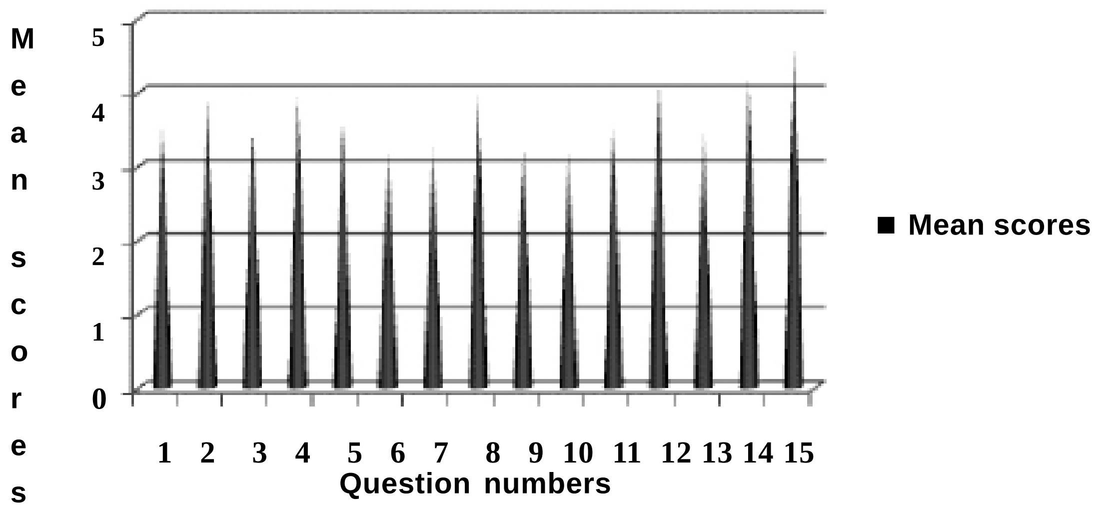
==> If the Highest Possible Mean Score (MS) is 5.00, percentile value is 100. If the Mean Score (MS) is 3.38, percentile value is 67.60.

For interpreting the mean scores (together with their percentile values), an already developed Rating Scale (More, B.D., 1997) was used, according to which, mean scores Above'4' (80.01%) testify to an 'EXCELLENT' HRD practice. Mean scores between '4' and '3.5' (80.00 - 70.01%) connote 'GOOD' HRD practice and scores between '3.5' and '3' (70.00 - 60.01%) indicate a 'FAIR' HRD practice. Mean scores between '3' and '2.5'(60.00 - 50.00%) bespeak of a 'POOR' HRD practice and mean scores below '2.5' (50.00%) indicate a 'VERY POOR' HRD practice.

Similarly, for testing the statistical validity of the hypotheses, Coefficient of Variation (C.V.) was measured.

**Officer Staff :**

**Graph: 1: Graphical Representation of Officer Staff Opinion Survey about HRD Practice of Training**



The comparison of the survey data on training, presented in Table - 1, on the basis of the data, the following have emerged as the major conclusions of the present investigation.

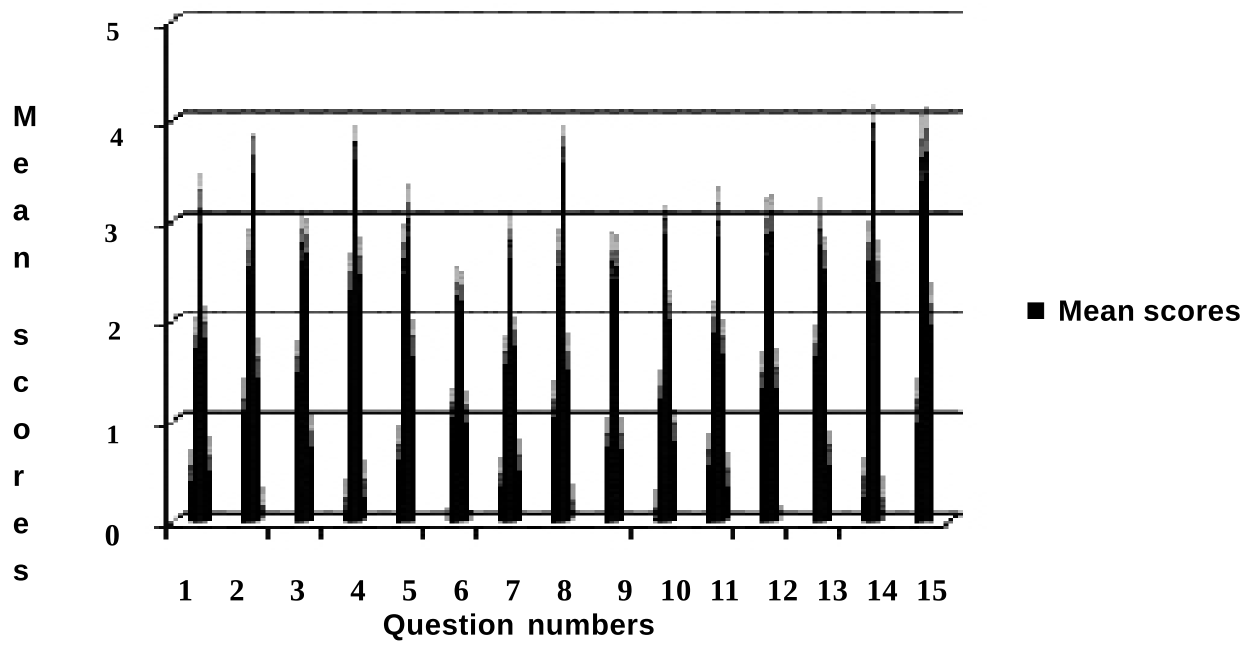
The interviewed officer staff in the bank collectively have rated, four dimensions as being 'Excellent', namely, (1) Awareness of training and growth nexus (2) Customer utility of special training (3) Bank's image building through training (4) Competence of special training tutors/instructors.

The officer staff collectively has rated ten dimensions of training as being 'Good', namely, (1) Proper identification of training needs (2) Mental preparation for bank work (3) Future orientation of training policy (4) Competence of induction training tutors/ instructors (5) Recognition of acquired skills display (6) development of leadership qualities (7) Future adequacy of training (8) Pre-special training counseling (9) Planning and duration of induction training and (10) Opportunity for application of acquired skills.

The officer staff collectively has rated only one dimension of training as being merely 'Fair', namely, (1) Human relations skills development.

Overall, the officer staff's collective mean score of 3.90 (78.00%) on the 15 dimensions is indicative of their higher level of satisfaction with the HRD practice of training, although their lower range 'Good' and 'Fair' opinion, they have clearly indicated the dimensions that need to be strengthened.

**Graph : 2 : Clerical Staff-n Graphical Representation of Clerical Staff Opinion Survey about HRD Practice of Training**




The interviewed clerical staff in all the three bank categories collectively has rated, three dimensions of training as being 'Excellent', namely, (1) Awareness of training and growth nexus (2) Bank's image-building through training and (3) Customer utility of special training.

The clerical staff has rated four dimensions of training as being 'Good', namely, (1) Competence of induction training tutors and instructors (2) Mental preparation for bank work (3) Competence of special training tutors and instructors (4) Proper identification of training needs.

They have rated, eight dimensions of training as being 'Fair', namely, (1) Future orientation of training policy (2) Future adequacy of training (3) Planning and duration of induction training (4) Pre-special training counseling (5) Development of leadership qualities (6) Recognition of acquired skills display (7) Application of acquired skills (8) Human relations skills development.

Overall, the clerical staff's collective mean score of 3.91 (78.20%) on the 15 dimensions is indicative of their lower level 'Good' of satisfaction with the HRD practice of training, also through their lower-range 'Good' and 'Fair' opinions, they have clearly indicated the dimensions that need to be strengthened.

**Table 1: HRD Process of Training: Mean Scores/ Percentile Values & Ratings**

| **Table Numbers** | **HRD Practice of Training** | **Nationalised Banks** | | |
|---|---|---|---|---|
| | | **MS** | **%-tile value** | **Rating** |
| | Planning and duration of Induction training | | | |
| | Officer staff | 4.24 | 84.80 | E |
| 1 | Clerical staff | 3.48 | 72.60 | G |
| | Collective | 3.93 | 78.60 | G |
| | Mental preparation for bank work | | | |
| | Officer staff | 4.14 | 82.80 | E |
| 2 | Clerical staff | 3.93 | 78.60 | G |
| | Collective | 4.03 | 80.60 | E |
| | Human relations skill development | | | |
| | Officer staff | 3.74 | 74.80 | G |
| 3 | Clerical staff | 3.46 | 68.60 | F |
| | Collective | 3.60 | 72.60 | G |
| | Competence of Induction training tutors/instructors | | | |
| | Officer staff | 4.34 | 86.80 | E |
| 4 | Clerical staff | 3.96 | 78.80 | G |
| | Collective | 4.15 | 83.00 | E |
| | Proper identification of training needs | | | |
| | Officer staff | 4.18 | 83.60 | E |
| 5 | Clerical staff | 3.57 | 71.40 | G |
| | Collemctive | 3.87 | 77.40 | G |
| | Pre-special training counseling | | | |
| 6 | Officer staff | 3.71 | 74.20 | G |
| | Clerical staff | 3.20 | 64.00 | F |
| | Collective | 3.45 | 69.00 | F |
| | Development of leadership qualities | | | |
| 7 | Officer staff | 3.68 | 76.60 | G |
| | Clerical staff | 3.25 | 65.00 | F |
| | Collective | 3.46 | 69.20 | F |

| Table Numbers | HRD Practice of Training | Nationalised Banks | | |
|---|---|---|---|---|
| | | MS | %-tile value | Rating |
| | Competence of special training tutors/instructors | | | |
| | Officer staff | 4.30 | 86.00 | E |
| 8 | Clerical staff | 3.98 | 76.60 | G |
| | Collective | 4.14 | 82.80 | E |
| | Opportunity for the application of training acquired skills | | | |
| 9 | Officer staff | 3.65 | 73.00 | G |
| | Clerical staff | 3.25 | 65.00 | F |
| | Collective | 3.45 | 69.00 | F |
| | Recognition of training acquired skills display | | | |
| 10 | Officer staff | 3.88 | 77.60 | G |
| | Clerical staff | 3.18 | 63.60 | F |
| | Collective | 3.53 | 70.60 | G |
| | Future orientation of the Training policy | | | |
| | Officer staff | 4.31 | 86.20 | E |
| 11 | Clerical staff | 3.51 | 70.20 | G |
| | Collective | 3.91 | 78.20 | G |
| | Customer utility of special training | | | |
| | Officer staff | 4.62 | 92.40 | E |
| 12 | Clerical staff | 4.13 | 82.60 | E |
| | Collective | 4.37 | 87.40 | E |
| | Future adequacy of training | | | |
| | Officer staff | 4.05 | 81.00 | E |
| 13 | Clerical staff | 3.45 | 69.00 | F |
| | Collective | 3.75 | 75.00 | G |
| | Bank's image building through training | | | |
| | Officer staff | 4.48 | 89.60 | E |
| 14 | Clerical staff | 4.16 | 83.20 | E |
| | Collective | 4.32 | 86.40 | E |
| | Awareness of training and growth nexus | | | |
| | Officer staff | 4.62 | 92.40 | E |
| 15 | Clerical staff | 4.63 | 92.60 | E |
| | Collective | 4.62 | 92.40 | E |
| | **Total** | **3.91** | **78.20** | **G** |

**Inferences on the HRD Practice of Training :** In sum, the collective mean score of 3.79(75.80%) for all the two staff levels against the 15 dimensions of training explored has resulted in 'Good' rating.

It may also be inferred that generally compared to the clerical staff, the officer staff collectively is better aware of, and hence, holds a better opinion about, the HRD practice of training in their respective banks. In other words, training as an HRD practice is more effective with the officer staff than with the clerical staff in all the banks.

It may further be observed that collectively, there is a gap of about 24.20 percentile points between the perfect (100%) and the prevailing (75.80%) effectiveness of the HRD practice of training in the study area. The gap is approximately 26.60% among the clerical staff and 21.80% among the officer staff.

**Testing of the Hypotheses :**
In view of the above inferences,

Hypothesis (1) : Officer Staff of the banks carries a better opinion about the HRD practice of training than clerical staff

**Officer Staff :**

$n = 15$, $\Sigma x^2 = 58.6500$, Mean= 3.9067,

$\sigma = 0.3623$ CV=9.2741%

Clerical Staff

$n = 15$, $\Sigma x^2 = 55.2100$ Mean= 3.6807

$\sigma = 0.3761$ CV=10.2176%

Therefore, CV (Officers Staff)) < CV (Clerical Staff)

Stands accepted.

**Major Suggestions :**
The present research investigation, conducted in a limited geographical area with mixed urban: rural setting, has observed inter-staff level variations in the opinions of the bank employees, on whom the HRD efforts are targeted, about the HRD practice of training in their respective employer banks. Accordingly, the major suggestions emerging out of the above studies are:

Evidently, for being used as an HRD intervention, special training of the bank employees should have a real personal and professional development orientation. This shall, more specifically, require:

Preparing accurate job descriptions for which special training would be necessary;

Induction training should include more aggressive mechanism to inculcate skill enriching activities that fosters to the requirements of banks to enrich functional and non-functional performances of their employees

Refresher training to keep individual job skills in fine fettle, Regular job knowledge updates for improving an individual's work performance, bringing in its wake increased work satisfaction as well as customer satisfaction by adopting state of the art technological infrastructure.

Precise matching up of the job description with the potential jobholder, Aptitude testing of the selected trainee to confirm the match-up, Checking physical and mental abilities of the selected trainee to withstand the severity of the post-training job.

Explaining to the selected trainee the nature, risks and rewards of the post training job, career and growth opportunities;

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9. After receipt of referee's comments, authors will be informed on acceptance or otherwise of the paper.On acceptance, the author is expected to incorporate expert's suggestions, if any, and submit one hard copy and soft copy of final revised manuscript.

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