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Contents

From the Desk of Editor

Happy to place before you the first issue of fifth volume of Ethos. To few the age of journal matters to determine quality of journal. Ethos has completed fourth year. The scenario of publication of journals is becoming more pathetic on the magnitude of mushroom growth of research journals especially online journals with ISSN number which is considered to be a symbol of quality. The unfortunate scenario is that researchers fascinated towards the number game of publications and the quality of research papers are deteriorate.

Present volume envelops eight articles, one case study and a bibliography. The articles are from the area of human resource management, financial management, marketing management and business economics.

Ramkrishna Dikatwar and Maruti Dhanawade have discussed the relationship strength, relationship quality and transactional quality with customer loyalty. Study found the relationship between perceived relationship strength, relationship quality and customer loyalty. Sunil Patil tested the relationship between demographic profiles of samples with awareness of brand of product. Parastoo Sedaghat and Sharad Joshi has scholarly unfolded the underpricing of initial public offerings scenario through a review paper.

Our patron Girish P. Jakhotiya has contributed the rich case study and bibliography on competency mapping is contributed by Deepti M. Yadav.

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

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

Agricultural Distress
on the Eve of Second Green Revaluation

Madhukar N. Shinde, Dinkar K. More, Balasaheb K. Mane

Abstract :
Agriculture is the backbone of Indian economy also it treated as way of life of Indian rural society. 65 % population is directly and indirectly depends on agricultural sector and more than 55% labour force is engaged in agricultural business. Overall economic development of the country is totally depending upon agricultural development. This sector provides food security to 121 cr. peoples. After economic reforms in India the share of agricultural sector in GDP declined up to 14%.which was 60% at the time of independence. Even though the growth rate of agricultural sector become helpful to overall development of an economy.

After 1995 Indian agricultural is going under bad phase and economic crises. It is facing different problems as natural calamities and governmental policies. The sector which provides food to all country is totally trapped in various circles of poverty and indebtedness, and now unfortunately nonstop chain of farmer's suicides become the picture and identification of this sector. As per data provided by govt. of India 138322 farmers have committed to suicides during 1996 to 2003 while in the year 2006 17000 farmers committed to suicide, Farmer's suicides took place in large number in developed states like Maharashtra,Panjab,Hariyana,AP,Kerala,and Karnatka. These states contributed 64% of farmer's suicides. Farmer's indebtedness, increasing prices of inputs, pricing policy and faulty process of agricultural pricing, negative approach of government etc. These are some major causes of this agricultural crises. 70% loans provided by money lenders near about 65% indebtedness is found in developed states, 25% growth shows in prices of fertilizers, labour scarcity becoming very difficult, wage rates are increasing, government is not applying the proper and sustainable agricultural policy. In short Indian agricultural sector is going under difficult position. It is necessary that government should apply positive policies for agricultural development to sustain this sector in future; otherwise the future is dark and insecure.

Keywords : Farmer's Indebtedness, Farmer's Suicides, Rising Input Prices, Surplus of Cost, Rural Loans.

Madhukar N. Shinde
(M.A., LLB, Ph.D)
Associate Professor and Head,
Department of Economics,
Karmaveer Bhahurav Patil College
Islampur, Sangli - 415 409

Dinkar K. More
(M.A., M.Phil, Ph.D)
Associate Professor,
Arts, Commerce College,
Astha - 416 301

Balasaheb K. Mane
(M.A., M.Phil)
Associate Professor,
Smt. Kusumtai Rajarambapu Patil Kanya Mahavidyala
Islampur, Sangli - 415 409

In India Agriculture is not only the main occupation of Indian people but it is a way of life. It is true in past present and future. Though the share of agriculture in GDP declined to 14% today but 55% of work force is dependent. On it, 65% of Indian population directly and indirectly depends in agricultural sector. It provides raw material to various industries in India. Overall economic development of Indian economy depends on agricultural sector. It provides food to 121 cr. people. Also, it provides raw material to various industries in India. Overall economic development of Indian economy depends on the growth of agricultural sector. The statistics, since 7th plan to 10th plan reveals that there is high grade positive co-relation in between the growth rate of overall economic development and the growth rate of agriculture. It shows the value of co-relation(r = +0.74). Hence the economic development of Indian economy depends upon the development of agricultural sector. The above discussion reveals the significance of agriculture in India see table no.1.

Table 1: Co-relation between the rate of agricultural development and overall economic development.

Sr.	Plan	Rate of agricultural growth	Rate of overall economic development
1	7th plan	3.2	6.0
2	Annual plan (1990-92)	1.3	3.4
3	8th plan	4.7	6.7
4	9th plan	2.1	5.5
5	10th plan	2.7	7.6
6	Co- relation r=	+ 0.74	

Source: Economic Survey 0f India - 2009-10

Nowadays scenario of Indian agricultural remained very bad. 5th farmer's commission headed by Dr. Swaminathan described the agricultural situation on the eve of agricultural vision 2020, that "Economic growth which bypasses a large population is Joyless growth and not sustainable in longrun." what then is the future for India's rural population numbering over 700 million and we can't be silent onlookers to a situation where 30% of India is shining and 70% is weeping.

Nowadays Indian agriculture is going through economic crisis. Before independence Royal commission opined regarding the farmers condition as "Indian farmers born in debt live in debt, and die in debt. The same dictations are prevailing in Indian agricultural society today also. Indian agriculture is facing so many problems, as natural calamities, as well as governmental policy. A patron, who provides food to 121 cr. Of Indian population is trapped in a vicious circle of poverty and indebtedness, who lost the will to remain alive and going to suicide. A nonstop chain of farmer's suicides is going on. If farmers are no more remained, who will bow the land and produce the corns? In last decade 80 lacks farmers were left the agricultural. In 1991 total number of cultivators was 11.30 crs, it was declined to 10.50 crs. In 2001. According to NSSO- survey 40.1% farmers are willing to leave the agricultural sector. Today 2000 farmers are leaving agricultural sector per day because of unprofitability and uneconomic nature of agriculture. The great agricultural economist Dr Swaminathan stated that "There is something wrong with agriculture no betterment would be achieved in any other sector." Nowadays, in India everything is wrong with agriculture. Today our prime minister as well as president of India and economists are talking about the second green revolution. In the current scenario of Indian agriculture how is it possible to achieve the second green revolution?

A serious Chain of farmer's suicide is going on, yet it is not broken. During the period of 1996 to 2005, 199200 farmers have committed suicides. Honorable agricultural minister Mr. Sharad Pawar told to parliament that 138322 farmers have committed suicides since 1995 to 2003. The year 2006 Was remained most worst in regards to farmer's suicides, during this year 17000 farmers have committed suicides, since 1995 to 2003 the year 2006, 47 farmers have committed suicides per day. One of the significant characteristics of farmer's suicide in India was remained in developed states like, Punjab, Haryana, MS, MP, AP, Kerala, and Karnataka. These states contributed 64% of total farmers' suicide in India, during the period of 1997 to 2002.

Maharashtra is known as developed state in India. In Maharashtra total number of farmers' suicide was 47000 during the period of 1995 to 2009. They contributed 26.1% to the total farmers' suicides in India. Thus, in India most of the farmers' suicides were found in developed states rather than backward states.

There are various causes which accelerated the agricultural crisis, which caused agricultural sector uneconomic. They are depicted as follows.

Farmer's Indebtedness:

It is a prime reason, which gives rise to farmer's suicide. Farmers are trapped in the clutches of private money lenders. The total institutional Finance to agriculture was remained 57 % and total non institutional finance was 43 % in the year 2002. Following table No.2 reveals the amount of rural debt by cultivators and non cultivator's communities.

Table 2: Incidence of rural Indebtedness

(Rs. Corers)

Sr.	Year	Cultivators	Non cultivators	Total	Show of total cultivator house hold in debt
1	1971	3374 (87.68)	474 (12.32)	3848	72.4%
2	1981	5737 (92.63)	456 (7.37)	6193	76.3
3	1991	17668 (79.54)	4543 (20.45)	22211	66.10
4	2002	81709 (73.30)	29759 (26.69)	1,11,468	59.70
5	Growth in (folds)	+24.22	+58.56	+28.97	-

Source- NSS 59th round Jan.Dec.2002

Table No.2 shows the incidence of indebtedness on rural people cultivators and non cultivators. The proportion of cultivators in debt was 87.68% in 1971 and it was slightly declined to 73.30% in the year 2002. In money terms it was rose from 3374 crs. to 81709 crs. It is increased by + 24.22 folds during period of 31 years. The proportion of rural non cultivators which are clutched in debt is increased from 12.32 % to 26.69% and in money terms it is increased from 3848 crs. to 111468. It shows 28.97 folds of increase in rural non cultivators' debt 59.70% of total cultivator house hold were found in debt in 2002.

According to Hindustan times, in the year 2004 proportion of loans taken by the farmers by different sources are as follows.

Table 3: Proportions of loans by different sources

Sr.	Sources	Proportion
1	Private Money lenders	70
2	Public sector Banks	10
3	Government	01
4	Co-operative Banks	09
5	Self Help Groups	01
6	Others	09
7	Total	100

Source -Hindustan times IIEF 2004

According to this statics (Table 3) 70% of loans were provided to the farmers by the private money lenders and remaining 30% loans were provided by other sources. Indian farmers are trapped in the clutches of private money lenders.

One of the characteristics of farmers debt is that large proportions of farmers found in debt in developed states of India. Following table No.4 reveals the proportion of farmer's indebtedness in developed states in India.

Table 4: Farmers Indebtedness in developed states

Sr.	Sources	Proportion
1	Andra Pradesh	82.00
2	Tamilnadu	74.50
3	Punjab	65.40

4	Kerala	64.40
5	Karnataka	61.00
6	Maharashtra	54.80
7	Average	67.01

Farmers' indebtedness in AP, TN, Punjab, Kerala, Karnataka and Maharashtra was found 82.0%, 74.50%, 65.40%, 61.00% and 54.80% respectively. On an average it remained 67.01% in developed states in India. Union Agricultural Minister Mr. Sharad Pawar supported the above data of farmer's indebtedness in the month of September 2011. He told to parliament that 43.42% million farmers' households out of Total households 89.35 million are in debt. i.e. 48.60% of farmer households are in debt.

Last year (2009-10) our sample survey about farmers' indebtedness in Walwa taluka of Sangli district revealed that 70 % of farmers were having indebtedness.

Another sample survey conducted in Marathawada region showed similar dimensions of farmers' indebtedness i.e. 80% farmers were lining in debt. Thus heavy and unbearable indebtedness is responsible for the agricultural deterioration in India.

Rising Input Prices:

It is also most troublesome reason to Indian farmers. Every year agricultural input prices are raising with greater rate than output prices hence, the agriculture becomes unprofitable and uneconomic. Following table shows the growth of agricultural input prices.

Table 5: Wage Rate of agriculture labor per day

Sr.	Year	Male (Rs.)	Female (Rs.)
1	2009-10	120-150	80-100
2	2010-11	150-200	100-120
3	Growth rate	+ 25% - 33.33%	+ 25%-20%
4	Average	29.16	22.50%

Source primary survey

The per day wage rate of male-female workers in agriculture was prevailing minimum Rs. 120 and maximum Rs.150 and Rs.80 and Rs.100 respectively. In the year 2010-11. They are increased for male minimum Rs. 150 to maximum Rs.200 per day and for female workers they increased in between Rs. 100 to 120. On an average for male workers it shows increase of 29.16% and for female workers 22.50%. Thus 29.16+22.50=51.66/2 =25.83% increase over the year 2009-2010.

Fertilizers Prices: fertilizer prices are also rising with fast rate as compared to the prices of agricultural goods. Following table reveals the change in prices of fertilizers in 2011 over 2010.

Table 6: Rise in Fertilizers Prices.

Sr.	Fertilizers	2010	2011	Growth Rate
1	DAP	522	630	+20.69
2	10:26:26	414	567	+36.95
3	10:32:16	430	588	+36.74
4	15:15:15	300	407	+35.66
5	20:20:13	408	515	+26.22
6	Urea	278	281	+1.08
7	Mop	265	315	+18.86
8	Sop	1450	1650	+13.79
9	Average growth Rate			+23.75

Daily Lokmat, (Sangli Ed.) June 2011

Various types of fertilizers show the increase in prices over 2010 in the year 2011 in the range of + 1.08 to 36.95. On an average fertilizer prices revealed +23.75 growths during the period of one year.

Seed Prices: -

Seed prices are increased 10% in 2011 as compared to the year 2010. Input prices of agricultural goods on an average were increased to 23.75+25.83+10= 59.58/3=19.86% i.e. approximately 20% increase is found in agricultural input prices. Then the problem is raised as can output prices of agricultural goods are increased 20% within a period of one year?

A survey conducted by TATA Institute of social sciences exhibits that the surplus of cost over SMP of agricultural commodities is found in the following table.

Table 7: Surplus of Cost over SMP

Sr.	Commodities	Cost- surplus (in percent)
1	Paddy	38
2	Bajara	48
3	Cotton	38
4	Sunflower	50
5	Wheat	47
6	Sugar cane	12
7	Average	38.83%

Source: - TATA institute of social science Mumbai

The cost surplus over statutory minimum prices of different agricultural commodities is remained on an average 38.83% so the agriculture becomes uneconomic. It is the reason that is why 80 Lacks of farmers left the agricultural occupation during last decade. Since 1991 to 2001. It resulted in to negative cost-benefit analysis in agricultural sector.

Faulty Process of Price Fixation of Agriculture Goods: While fixing the SMP of agricultural goods the cost of production of agricultural commodities is calculated. When CACP calculate the cost of production, it assumes per day labour wages per person Rs. 102.72. In actual practice, it is prevailing Rs.150 to 200 for male workers and for female workers they are prevailing Rs. 80 to Rs. 120 per day. Cultivation of 1 hectare land by one pair of bull is required 160 days but they are assumed only 13 days 5th farmers commission headed by Dr. Swaminathan recommended that farmers' should get 50% of profit over total cost of production, But government assumes it only 15% of profit.

In agriculture various risks are existing viz. Lack of monsoon or over monsoon, various crop diseases and pests, climatic changes, price fluctuations, shortage of electricity and load shading up to 16 hours, crop destructions by animals & wild animals governmental policy etc. which adversely affect the agricultural productivity. Hence the agriculture becomes the high risky occupation. This is true picture of agricultural risks, but while measuring the agricultural cost of production, government or it's body assumes zero (0) risks and cost of production of agricultural commodities is calculated and SMP are fixed (see the table No.8), which shows cost surplus over the prices of agricultural goods. It gives rise to negative cost-benefit analysis.

Table 8: Annual growth rate of profit per quintal of some commodities.

Sr.	Year	Cotton			Sugarcane			Jowar		
		Cost	Price	Profit	Cost	Price	Profit	Cost	Price	Profit
1	1981 to 1991	1.79	4.66	2.87	3.35	6.65	3.30	0.77	4.59	3.82
2	1988 to 1998	15.55	11.09	-4.45	10.9	11.97	1.00	19.33	10.25	-8.88
3	1981 to 1998	8.45	7.83	-0.62	7.09	9.28	2.19	9.57	7.38	-2.19

Source: various issues of CACP

During the period 1981 to 1991 all crops show profit over cost, but in next period 1988 to 1998 and 1981 to 1998 except sugarcane, cotton and Jowar reveal negative profit i.e. loss incurred to the farmers. As far as the sugarcane profit it shows declining trend. Hence, the agricultural occupation became unprofitable and uneconomic.

Unfavorable Governmental Policy:
Governmental policy includes financial policy, water policy Investment policy, etc. According to NSSO survey (2003). Only 22 % farmers were provided loans by authorized sources. Hindustan times survey (2004) reveals that 70% of farmers depend upon private money lenders for finance (see T-3). The farming community in India having dissatisfaction about lower rate of Interest of banks not getting them and being forced to borrow at higher rates from the private money lenders. To ease the pressure of loans on farmers central government has announced the 4% rate of Interest for agricultural loans, but in actual

practice only crop loans are provided by this rate of interest but loans for capital goods viz , purchase of tractors, machinery, wells, electric motors etc. are provided to the farmers at the rate more than 12% . It is an obstacle in the agricultural development following table reveals. The scenario of prevailing rate of interest in India.

Table 9: Rate of Interest- Rural loans (2002)

Sr.	Rate of Interest (%)	Total Credit Supplied (%)
A	Simple Interest	
1	Interest free	8
2	Less than 15%	26
3	More than 15%	43
B	Compound rate of Interest	
1	Less than 15%	11
2	More than 15%	10
3	Concessional	2
	Total	100%

Source: 59th NSS Round.

Table No. 9 reveals that 90% of loans to the farmers were provided at more than 15% rate of interest. It is true and distressful story of agricultural financing in India. Therefore farmers are lamenting in India.

Agricultural is the subject in the state list. It was neglected by state as well as central government also. A study on "agricultural sector in the union budgets during the economic reform period." A Ph.D. Thesis reveals that central Government has spent only on an average only 4.44% of its total expenditure was spent on agriculture since 1991 to 2010. Similarly Maharashtra governments budgetary expenditure was remained in-between the range of 4.28% to 2.21% during the period of 2001 to 2010. It also shows declining trend as well as on an average only 3.01% of expenditure is spent on agriculture since 2001 to 2010 by the Maharashtra govt. It means that central as well as state government are not much more concentrating on agriculture in their budgets.

Share of public Investment since 2000 to 2009 i.e. in last 10 years was declined. Table No. 10 reveals share of public invest in Agriculture.

Table 10: Share of public Investment in Agriculture

Sr.	Year	Public Investment (%)
1	2000-2001	18.5
2	2001-02	18.6
3	2002-03	17.0
4	2003-04	20.8
5	2004-05	20.5
6	2005-06	21.4
7	2006-07	17.6
8	2007-08	20.9
9	2008-09	17.6

Source- Central Statistical Organization

Share of public investment in agriculture sector was declined from 18.5% to 17.6% during the period of 10 years. It shows that agricultural sector is neglected by both the central and state governments.

Water policy of government of Maharashtra is false and unfavorable to the development of agriculture. Water Audit report in Maharashtra state reviewed that total number of irrigation projects are highest in Maharashtra but they are more interested to provide water to industrial sector rather than agriculture. Today 35% of water of irrigation projects is provided to industrial sector large irrigation projects were built-up for agricultural sector but their water is utilized for non agricultural sectors. In the water policy of 2003, Government of Maharashtra changed the preferential order of sartorial water distribution as 1st preference is given to drinking water 2nd to industrial sector and 3rd to agriculture. Through the Maharashtra state's main occupation is agriculture.

Recently Govt. of Maharashtra has changed the preferential order of water distribution system as 1st preference is given to drinking water, 2nd to Agriculture and 3rd to industrial sector. There is no constant policy of water supply to agriculture. There are ups and downs in the proportion of water supply as shown in table 11.

Table 11: Sectorial distribution of water in Maharashtra

Sr.	Year	Agriculture (%)	Industry & other (%)
1	1999 - 2000	79	21
2	2000 - 2001	78	22
3	2001 - 2002	76	24
4	2002 - 2003	75	25
5	2003 - 2004	70	30
6	2004 - 2005	69	31
7	2005 - 2006	69	31
8	2006 - 2007	76	24
9	2007 - 2008	65	35
10	2008 - 2009	69	31

Source: - Daily Pudhari Sangli, Oct, 29th 2011.

The distribution of water to agriculture is ranged between 65% to 79% during the period of 10 years since 1999-2000 to 2009-2010. There is no constancy is water supply to agriculture. It adversely affected the agriculture productivity in Maharashtra.

Thus, union & state government policy regarding agriculture is not favorable to the development of agriculture. Thus various variables related to the development of agriculture are adversely affecting the growth of agriculture. Hence the existence of agricultural distress dominant in Indian economy.

Population projection shows that in the year 2050 India's population will be 150 corers it will require 450 millions tones of food grains production. Today India's food grain production is 219 millions of tones it may be increased more than double during the fourth coming 40 years of period. If such type of agricultural distress would be prevailed in agriculture, it will lead to severe shortage of food grains in India. It will again push India in to serious food problem alike 1960's. Therefore government policy makers should pay more attention toward the agriculture. Formulate such polices which will lead to come back the confidence in Indian farmers for this purpose following measures are to be implemented.

1. There should be tie between the farmers and consumers. Farmers should directly sell their goods to consumers and abolish the middle men, which will benefit both.
2. Farmers' producers' board is to be set up at national level. This board should observe the International and national markets, demand and supply conditions and should fix the minimum sale prices of agricultural commodities. Board also should organize and guide the farmers, provide market information and work for the betterment of farmers.
3. Farmers should cultivate the crops according to the demand supply law, which will give them better prices.
4. Farmers should use the organic fertilizers and biopestcides, which will reduce their cost of production. As well as it will lead to create higher demand for farm products because organic fertilizers & pesticides based products have large international demand.
5. Government shouldn't be neutral. It should increase its interference in agriculture and provide various types of assistance to farmers.
6. There should be independent budget for agriculture. Government should increase the

expenditure, investment and grants to agriculture.

7. Central government should provide the status of industry to agricultural sector.
8. Agricultural risks should be taken into consideration while fixing SMP & FRP.
9. Well equipped infrastructure is made available to agriculture.
10. Constant supply of electricity and water are made available to agriculture.
11. SMP & FRP are to be fixed by the CACP based on actual and real data of cost of production of agricultural goods.
12. Subsidies and grants are directly provided to the farmers not to the input producers.
13. Last but not least prestige and dignity should be offered by providing incentives and through public education to agriculture community.
14. Rapid rural development programs are to be undertaken to for the rural people.

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Various Issue of Commission on Agricultural Cost and Prices of India.

Ownership and Control theory as factors affecting underpricing of Initial Public Offerings (IPOs)

Parasto Sedaghat, Sharad L. Joshi

Abstract :
The paper represents the ownership and control theory as factors affecting underpricing of initial public offerings (IPOs). The main reason to remain private is to preserve decision making control ownership. It is argued that both public and private ownership entail information advantages and that the optimal decision on this structure minimizes the related costs. The degree of underpricing is positively related to ownership retained, for a given cash flow variance. Underpricing is a means to entrench managerial control and the attendant agency costs by avoiding monitoring by a large outside shareholders. It will increase the investor base and ownership dispersion with the objective of increasing liquidity or reducing monitoring by large shareholders. It also ensures a good dispersion of shares and a lower level of control. Underpricing represents a significant fraction of the total cost of going public. It provides managers with protection of private control the corporate control market. Agency costs are ultimately borne by the owners of a company, in the form of lower IPO proceeds and a lower subsequent market value for their shares. Underpricing is used to minimize agency costs by encouraging monitoring. Underpricing increases the investor base and ownerships dispersed with the objective of increasing litigation or reducing monitoring by large shareholders.

Keywords : Initial Public Offerings, Underpricing (IPOs), Ownership and Control Theory, Retain Control, Reduce Agency Costs

Introduction :

Becoming a public company represent a crucial decision for a company in terms of control and ownership that will be strongly diluted. Ownership, control and agency costs represent the third important element of the underpricing theory. (i) Brennan and Franks (1997), Stipulate that underpricing gives managers the opportunity to protect their own benefits by distributing stock strategically in case of an IPO. The managers tend to sustain a great dilution of shares between many small investors, this situation protecting their private benefits of control. But this is not the only reason to encourage a greater distribution of shares. (ii) Another important one refers to the possibility of a takeover for the new public companies. Underpricing will maintain attractive the company for small investors and the possibility to be absorbed by a bigger company is smaller. Two additional solutions (besides underpricing) are suggested in this case: to use some strategies against a possible takeover. Issuing non-voting shares would guarantee that managers could retain control of the company, gathering all private benefits, as a conclusion, the distribution of shares is important for the level of underpricing. The second approach refers to the agency problems and related costs. (iii) The separation of ownership and control will determine the managers to try to maximize their expected private utility by strengthening their control benefits. Large investors will exercise a closer and better

Parastoo Sedaghat
(B.A./Business Management, M.B.A.)
University of Kurdistan,
Iran

Sharad L. Joshi
(PGDBA (II MA), Ph.D.)
Professor,
Vishwakarma Institute of Management,
Pune - 411 004

monitoring of company's management, so the using of underpricing will ensure a good dispersion of shares and a lower level of control.

According to Ljungqvist (2006) Going public is, in many cases, a step towards the eventual separation of ownership and control. Ownership matters for the effects it can have on management's incentives to make optimal operating and investment decisions. In particular, where the separation of ownership and control is incomplete, an agency problem between non-managing and managing shareholders can arise (Jensen and Meckling 1976): rather than maximizing expected shareholder value, managers may maximize the expected private utility of their control benefits (say, perquisite consumption) at the expense of outside shareholders.

Two principal models have sought to rationalize the underpricing phenomenon within the context of an agency cost approach. Their predictions are diametrically opposed: while Brennan and Franks (1997) view underpricing as a means to entrench managerial control and the attendant agency costs by avoiding monitoring by a large outside shareholder, Stoughton and Zechner's (1998) analysis instead suggests that underpricing may be used to minimize agency costs by encouraging monitoring.

Literatures :

Prior research has shown that ownership structure affects firm value (Morck, Shleifer and Vishny 1988, and McConnell and Servaes 1990). In the context of IPOs Field (1995) shows that investment by institutional investors is positively related to performance. There is an efficiency argument which suggests that restrictions on ownership harm a bank's performance (Cole and Mehran, 1998). Other research by Booth and Chua (1996), Brennan and Franks (1997), Stoughton and Zechner (1998) and Mello and Parsons (1998) suggests that the ownership structure is an important consideration driving the firm's IPO decision.

Underpricing will increase the investor base and ownership dispersion with the objective of increasing liquidity (Booth and Chua 1996), or reducing monitoring by large shareholders (Brennan and Franks 1997). According to Brennan and Franks (1997), Small outside stakes reduce external monitoring, owing to two free-rider problems; First, because it is a public good, shareholders will invest in a sub-optimally low level of monitoring (Shleifer and Vishny 1986). Second, greater ownership dispersion implies that the incumbent managers benefit from a reduced threat of being ousted in a hostile takeover (Grossman and Hart 1980). The role of underpricing in this view is to generate excess demand. Excess demand enables managers to ration investors so that they end up holding smaller stakes in the business.

Field and Sheehan (2000) examine the relationship between underpricing, ownership structure, and post-IPO liquidity using a sample of 952 US IPOs from 1988 to 1992. As predicted by Brennan and Franks (1997), they find a negative correlation between underpricing and several measures of post-IPO ownership concentration, though they argue that the magnitude of this effect is small relative to the underpricing cost. Field and Sheehan also report that a large fraction of going-public firms have blockholders in place to the IPO, so if managers use underpricing to prevent blocks from forming, they have already lost the battle. With respect to the link between ownership structure and post-IPO liquidity, Field and Sheehan find that the sign of this relationship depends on the type of outside shareholder and not on the size of the blockholding per se.

Brau and Fawcett (2006) survey 336 CFOs to compare practice and they also find out that a main reason for remaining private is to preserve decision-making control ownership. Being private, entails "private benefits of control" (Hart and Moore 1994, 1995). The "private benefits" costs considered in detail by Jensen (1986), include any costs of separating ownership from control, but can also refer to administrative costs (e.g., filing requirements, audited financial statements, etc) and the costs of increased disclosure of inside information that might reduce the competitive advantages of the company. Chemmanur and Fulghieri (1999) argue that both public and private ownership entail information advantages and that the optimal decision on this structure minimizes the related costs.

Underpricing as a Means to Retain Control : Leland and Pyle (1977) argue that ownership retained by an entrepreneur is a signal of firm value. They predict that risk is increasing in the percentage of the firm offered to the public, conditional on firm value. Menon and Williams (1991) find that the percentage of the firm offered to the public is positively related to underwriter compensation, which they argue is consistent with the Leland and Pyle (1977) argument. In an extension of the Leland and Pyle model, Grinblatt and Hwang (1989) predict that the degree of underpricing is positively related to ownership retained, for a given cash flow variance. The percentage of ownership retained by the insiders (Leland and Plye 1977, Downes and Heinkel 1982, Balatbat et al. 2005). The determinants of ownership structure, Demsetz and Lehn (1985) speculate that private control benefits influence ownership structures in industries such as media, sports, and entertainment.

Grinblatt and Hwang (1989) model underpricing and fraction of ownership retained as a quality signal, where quality depends on both expected cash flows and uncertainty. Welch (1989) explores the conditions under which high-quality firms signal by underpricing and limiting IPO size versus when they pool with low-quality firms. Allen and Faulhaber (1989) develop a similar model.

Models by Zingales (1995), Brennan and Franks (1997), and Mello and Parson (1998) all suggest that IPO firms may desire a dispersed ownership structure, leaving insiders with more autonomy from outside shareholders. Brennan and Franks (1997) hypothesize that one motivation for underpricing is management's desire to control the firm. Utilizing a sample of U.K. IPOs, the authors present empirical evidence consistent with their hypothesis that underpricing is used strategically to influence ownership dispersion.

Underpricing represents a significant fraction of the total cost of going public. Given that dual-class firms experience less underpricing, why don't more firms choose this financial structure? Put differently, what costs and benefits must companies weight when deciding to create either one or more share classes? Dual class ownership structures provide managers with protection from the corporate control market. If managers issue dual-class shares to protect private control benefits, the protection should come at a cost to issuers. Dual-class shares substantially reduce the dilution effect and mitigate the underinvestment problem.

A large body of literature, centered on the pioneering work of Jensen and Meckling (1976), examines the mechanisms designed to align the interests of management and shareholders. Such mechanisms include firm-specific characteristics such as the board of directors, managerial compensation plans, the structure and size of managerial and block ownership positions, and external influences such as the managerial labor market and the market for corporate control. Each of these governance mechanisms plays a role in providing incentives for management to make decisions not only with their own interests in mind, but also the interests of other stakeholders in the firm, particularly shareholders. Dual-class IPOs provide a superior setting in which to explore all such possible outcome because outside shareholders buy on terms reflecting inferior voting rights by Jensen and Meckling (1976). Many studies explore the value of voting rights, especially when a single investor holds a large voting block (Barcley and Holderness 1989, 1991; Zingales 1994, 1995a). Holding controlling ownership stakes (Demsetz and Lehn 1985), diversifying the firm's operations (Shleifer and Vishny 1989), implementing a dual-class equity structure (Nenova 2003), and strategically configuring the board of directors (Baker and Gompers 2004).

Brennan and Franks (1997) and Stoughton and Zechner (1998) provide contrasting arguments for why monitoring considerations create incentives for managers to underprice their firms' IPOs (initial public offerings). Smart and Zutter (2003) argue that lower underpricing among dual-class IPO is consistent with the reduced monitoring hypothesis. Based upon their sample, Smart and Zutter arrive at four important inferences with respect to the above monitoring arguments: (i) Dual-class IPOs are underpriced less than single-class IPOs, even when other factors influencing IPO underpricing are accounted for in the analysis. (ii) Dual-class IPO firms have higher early post-IPO average institutional ownership than single-class IPO firms. (iii) There is a significant negative relationship between early post-IPO institutional ownership and the initial returns of single-class IPOs. (iv)Dual-class firms face significantly lowered odds of being acquired due to their dual-class stock structure.

Arugaslan et al (2004), address and examine evidence from a sample of IPOs from January 1990 through December 1999, and they point out that the recent research has suggested that monitoring considerations create incentives for managers to underprice their firm's stock in its first public offering. They find out at different conclusions about the role of monitoring considerations in IPO underpricing: (i) They find out that dual-class IPOs are underpriced less than single- class IPOs because they are significantly larger, and therefore should be underpriced less under typically uncertainty/ asymmetric information arguments, They are less inclined to create a liquid secondary market as in Booth and Chua (1996) and, they have no need to create ownership dispersion to retain control (Brennan and Franks 1997). (ii) Institutional shareholdings in firms immediately after their IPOs are driven by firm size and not by their underpricing or dual-class status. (iii) Firm size and total institutional shareholdings, rather than dual class status or IPO underpricing, are significant influences on the likelihood of a firm being acquired within 3 years after its IPO. They conclude that monitoring consideration are not important determinants of IPO underpricing and their evidence rejects the monitoring explanations in both Brennan and Franks (1997) or Stoughton and Zechner (1998) for IPO underpricing. Boulton et al (2006) find out those firm-specific and dual-specific characteristics widely used in IPO single-country underpricing studies (e.g.., offer size, underwriter reputation, and industry) can explain variation in an intentional cross section of initial returns. They also point out that IPO underpricing is a cost of acquiring information during the book-building process.

Underpricing as a Means to Reduce Agency Costs :

Brennan and Franks (1997) implicitly assume that, in the wake of the separation of ownership and control, managers try to maximize their expected private utility by entrenching their control benefits. However, it could be argued that managers should actually seek to minimize, rather than maximize, their scope for extracting private benefits of control. Why? Agency costs are ultimately borne by the owners of a company, in the form of lower IPO proceeds and a lower subsequent market value for their shares. To the extent that managers are part-owners, they bear at least some of the costs of their own non-profit-maximizing behavior. If their stakes are large enough so that the agency costs they bear outweigh the private benefits they enjoy, it will be in their interest to reduce, not entrench, their discretion.

Based on this intuition, Stoughton and Zechner (1998) observe that, in contrast to Brennan and Franks (1997), it may be value-enhancing to allocate shares to a large outside investor who is able to monitor managerial actions. Monitoring is a public good as all shareholders benefit, whether or not they contribute to its provision. Since a large shareholder will monitor only in so far as this is privately optimal (which is a function of the size of her stake), there will be too little monitoring from the point of view of both shareholders and incumbent managers. To encourage better monitoring, managers may try to allocate a particularly large stake to an investor. However, if the allocation is sub-optimally large from the investor's point of view (say, because it is not easily diversified), an added incentive may be offered in the form of underpricing. Such underpricing may not even represent an opportunity cost: in the absence of monitoring, the firm would have had to be floated at a lower price anyway, owing to outside shareholders anticipating higher agency costs.

Why are the predictions of Brennan and Franks (1997) and Stoughton and Zechner (1998) so different? There are at least two reasons. The first is the different institutional environments in which the models are placed. Brennan and Franks effectively model an IPO mechanism involving prices that are fixed rather than responsive to demand and shares that are allocated pro rata. Stoughton and Zechner, on the other hand, model a bookbuilding regime with discretionary allocations. In a prorate regime Stoughton and Zechner would have difficulty allocating enough stock to the large shareholder to ensure effective monitoring. In a bookbuilding regime, Brennan and Franks would not need to underprice as much to discriminate against large investors: absent pro rata allocation rules, the issuer (and underwriter) could simply select which investors to exclude from allocations. This illustrates the importance of the institutional assumptions made in IPO modeling. Second, Stoughton and Zechner assume that managers internalize the agency costs they impose on outside investors, via the lower price that investors are willing to pay for the stock. This internalization is absent from the Brennan-Franks model.

Brennan and Franks (1997) suggest that firms underprice shares to generate excess demand and ownership dispersion, but with a different end in mind. They also find support for the reduced monitoring hypothesis by identifying a negative correlation between first-day returns and subsequent blockholder ownership in a sample of United Kingdom IPOs. Other papers which model issues surrounding the ownership structures of going-public firms include Zingales (1995b), Mello and Parsons (1998), and Stoughton and Zechner (1998). Brennan and Franks (1997) develop their hypothesis in reference to ordinary issues of common stock (i.e., one share, one vote) but note that firms could issue nonvoting shares to circumvent monitoring and thereby reduce the control motivation for underpricing.

Baron's (1982) model combines agency costs, asymmetric information and costly monitoring and predicts that underwriters tend to underprice IPOs both to minimize their selling efforts and to maximize the probabilities of a successful offering. Jensen (1986) suggests that leverage can reduce the agency cost of free cash flows.

Biais, Bossaerts, and Rochet (2002) combine the agency cost setting of Baron (1982) with Benveniste and Spindt's (1989) assumption that some investors hold pricing-relevant information worth extracting before the offer price is set. In such a setting, the investment banker could collude with the informed investors, to the potential detriment of the issuing company. Biais, Bossaerts, and Rochet derives an optimal IPO mechanism that maximizes the issuer's proceeds. In this mechanism, the IPO price is set higher the fewer shares are allocated to (uninformed) retail investors. Allocating more to institutional investors when their private signals are positive (i.e. when the IPO price should be set higher) is consistent with Benveniste and Spindt's information acquisition argument. Conversely, allocating more to retail investors when institutional investors' signals are less positive while at the same time lowering the IPO price lessens the winner's curse.

Agency Problem :

Another important issue related to study based on asymmetric information refers to agency conflicts. In principle, issuers can mitigate agency conflicts in two ways; they can monitor the investment bank's selling effort and bargain hard over the price, or they can use contract clauses to realign the bank's incentives by making its compensation an increasing function of the offer price. Adjusting the bank's compensation to the issuer's valuation should reduce agency conflicts and thus underpricing. Few empirical studies indicated that issuing firm's contractual choices has a significant influence on the pricing behavior of their IPO underwriters.

Gomes (1999) says that the agency problem emphasized is not standard agency problem between managers and shareholders, but the conflicts between a large shareholder that exerts control over the management and can extract private benefits of control, and minority shareholders in the firm. And, he concludes the several novel empirical implications: First, the model predicts that the insider ownership time-series and cross-section variation is related to the degree of moral hazard. At the IPO, the size of the block of shares diverted is negatively related to the degree of moral hazard problem, and following the IPO shares are gradually divested at a rate that is also negatively related to the degree of moral hazard. Second, he believes that this model has empirical relevance in explaining the existence of stock markets in emerging economics, despite the very weak legal institutions offering protection to minority shareholders.

Moral Hazard Problem :

The risk that a party to a transaction or activity is not acting in good faith, or that one party has perverse incentives to act in a manner detrimental to the counter party. Moral hazards may exist for almost anything. For example, a plan for a government to bail out delinquent mortgages has the moral hazard that it will encourage mortgage holders to refrain from making their home payment. Likewise, deregulation has the moral hazard that companies will use it as incentive for short-term, unsustainable profits, rather than proper economic growth.

According to the moral hazard hypothesis, first outlined by Jensen and Meckling (1976), higher ownership retention by managers reduces their incentives to undertake value-reducing projects. Without information revelation, firms face moral hazard problem and investors encounter adverse selection problem. To resolve both problems, an obvious incentive compatible strategy for the owner-manager of a higher quality firm would be to reveal information. Sherman and Titman (2001) model the moral hazard problem of providing incentives for regular investors to correct information. They do not consider the role of retail investors in the book building process and so do not consider the tradeoff between information gathering costs and adverse selection risk.

Conclusions :

1. Underpricing has been proved that greater distribution of shares protects the private benefits of control. Underpricing ensures a good dispersion of shares and a lower level of control.
2. Going Public is a step towards the eventual separation of ownership and control. The companies try to maximize the expected private utility of their control benefits of the expense of outside shareholders.
3. The research suggests that investment by institutional investors is positively related to performance. The ownership structure is an important consideration driving the firms IPO decision.
4. The Research suggests that IPO firms may desire a dispersed ownership structure as it leaves them with more autonomy from outside shareholders. The motivation for underpricing is management's derive to control the firm.
5. The recent research has suggested that monitoring underwriters create incentives for managers to underprice their firms stocks in its first public offering. It is also pointed out that IPO pricing is a cost if acquiring information during the book building process.
6. Underpricing is suggested that allocating shares to large outside investors is value-enhancing as he is able to monitor managerial actions. Monitoring is a public good as all shareholders benefit, whether or not they contribute to its provision.
7. The firms underprice shares to generate areas demand and ownership dispersion. Underwriters tend to underprice IPOs both to minimize their selling effects and to maximize the probabilities of a successful offering. It is suggested that leverage can reduce the agency cost of free cash flows.
8. The issuers can mitigate agency conflicts in

two ways; they can monitor the investment banks selling effect and barging hard over the price or they can use contract classes to realign the banks investors by making its compensation an increasing function of the offer price.

9. The agency problem is the problem of conflicts between a large shareholders and minority shareholders. The insider ownership of time-series and cross section variation is related to the degree of moral hazard.

10. Moral hazard exists for almost anything. Deregulation has the moral hazard that companies use it as incentive for short-term, unsustainable profits. It rather than prefer economic growth higher ownership retention by managers reduces their incentives to undertake value-reducing projects without information revelation, firms use moral hazard problem and investors encounter adverse selection problem. The best strategy for the owner manager of a higher quality firm would be to reveal more information.

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Compatibility Study of IFRS With Accounting Standards for Urban Cooperative Bank with Specific reference to Sangli Urban Cooperative Bank

Pratapsinh V. Mohite, Hanmant P. Shirke, Kedar Phalke

Abstract :
Significant benefits from the convergence with or adoption of international financial reporting standards (IFRS), including a decreased cost of capital, greater mobility of capital, greater efficiency in the allocation of resources, improved and more comparable financial reporting has been prompted many countries to pursue the path of convergence of National Accounting Standards (AS) with adoption of IFRS. Though all these benefits of IFRS are to be useful for MNCs or Global firms, a local Co-Operative banks who has bright future to grow can also take the advantages of IFRS.

ICAI further ahead, has issued a roadmap to convergence with IFRS for specified class of companies and also issued another roadmap for banking company. ICAI, recognizing the need to harmonies the diverse accounting policies and practices at present use in India, constituted an Accounting Standard Board (ASB) on April 21, 1977. The main function of ASB is to formulate Accounting Standards and IFRS so that such standards may be established by the council of the Institute of the India.

Banking Companies undertake the banking activities as per the provisions of Banking Regulations Act 1949 and directive principles of Reserve Bank of India but in RBIs circular Accounting Standards are not mentioned to UCBs. Only government auditor see the use of AS while preparing Balance sheet and Profit and Loss a/c and give a note with report for that purpose. Now question arises if Urban Co-operative Banks cannot use such ASs can they implement the IFRS? For that purpose, impact of ASs on corporate governance of the bank is studied and it showed that it is possible to implement such IFRS to UCBs. So the researcher selected the above topic for the study purpose.

Keywords : IFRS - International Financial Reporting Standards, AS- Accounting Standards, Corporate Governance, Corporate Management, Transparent Management, Business Environment, Accounting Policies.

Pratapsinh V. Mohite
(M.Com., Ph.D.)
Associate Professor and Head Dept. of Accountancy
Arts And Commerce College, Kasegaon,
Sangli 415 404

Hanmant P. Shirke
(M.Com., Ph.D.)
Associate Professor and Head Dept. of Commerce
Arts And Commerce College,
Kadepur 415 304

Kedar Phalke
(M.Com.)
Assistant Professor
Chintamanrao College Of Commerce,
Sangli 416 416

Introduction :

Significant benefit from the convergence with or adoption of international financial reporting standards (IFRS), including a decreased cost of capital, greater mobility of capital, greater efficiency in the allocation of resources, improved and more comparable financial reporting has been prompted many countries to pursue the path of convergence of National Accounting Standards with adoption of IFRS. Though all these benefits of IFRS are to be useful for MNCs or Global firms, a local Co-Operative banks who has bright future to grow can also take the advantages of IFRS.

Realizing the need of convergence with IFRS, a taskforce was constituted by the Institute of

Chartered Accountant of India (ICAI) in 2006, which laid down initially the strategy for convergence and based on the recommendations of the task force, convergence with IFRS for public interest. Entities from accounting periods commencing on or after April 2011 was announced by ICAI. The Ministry of Corporate Affairs (MCA), taking this initiative of ICAI further ahead, has issued a roadmap to convergence with IFRS for specified class of companies and also issued another roadmap for banking and insurance companies. To meet the timeliness laid down by the MCA regarding convergence ICAI has made all out efforts to address needs with regards to various aspects of implementation. Considering the above coupled with the fact that European Union (EU) had already implemented IFRS since 2005, the research committee took up the task to undertake a 'study on manner of IFRS implementation in EU and Current Status of IFRS implementation in selected countries'. The publication is a study on the process which was undertaken by EU at the time as well as the current status of IFRS implementation in selected countries.

India is also no exception of implementation of IFRS. The process of examining possible manner of adoption or convergence was started in 2006. India decided to follow the convergence route and the process of identifying areas where the principles set out in IFRSs may not be appropriate in the Indian conditions was undertaken and roadmap was set out. Simultaneously, it was noticed that some countries which has started the work on convergence or adoption of their local standards with IFRSs had set out longer time frames.

Indian Banking sector was developed after 1969 when 14 private sector banks were nationalized. ICAI, recognizing the need to harmonies the diverse accounting policies and practices at present use in India, constituted an Accounting Standard Board (ASB) on April 21, 1977. The main function of ASB is to formulate Accounting Standards and IFRS so that such standards may be established by the council of the Institute of the India. While formulating such standards, ASB will take into consideration the applicable law, customs, usages and business environment.

Banking Companies undertake the banking activities as per the provisions of Banking Regulations Act 1949 and directive principles of Reserve Bank of India are also applicable to them. These Banks have to follow the amendments made in Banking Regulation Act. In RBIs circular Accounting Standards are not mentioned to UCBs. Only government auditor see the use of AS while preparing Balance sheet and Profit and Loss a/c and give a note with report for that purpose. But there is a need to use AS by the banks because it will facilitate them to implement IFRS in future. So the researcher selected the above topic for the study purpose.

Research Methodology :

The research methodology of the proposed research paper comprises the case study method for collecting the primary data from Sangli Urban Co-operative Bank ltd Sangli. Primary data collected with the help of interviews of selected officers, general manager and chairman of bank. Secondary data is collected from various sources, such as annual reports of the bank, RBIs monthly bulletin; ICAIs press note and monthly news magazine. The study is undertaken with objectives:

a. The main objective of this research paper is to harmonies the diverse accounting policies and practices at present in use in India.

b. To study the development of IFRS in recent years.

c. To study the different Accounting Standards and IFRS implemented to Urban Co-operative Banks.

d. To study the impact of implementation of Accounting Standards on Corporate Governance of UCBs.

Present study is limited to the Sangli Urban Co-operative Bank ltd Sangli and the paper relate with IFRS and AS.

Compliance with Accounting Standards in India

An Accounting standard is a selected set of accounting policies or broad guidelines regarding the principles and method to be chosen out of several alternatives. Standards confirm to applicable laws, customs, and usage and business environment. So there is no universally acceptable set of standard. During the period an accounting standard is recommendatory in nature, the members of the institute should, while discharging their attest function, examine whether the standard has been followed or not. If the same has not been followed, the member should consider whether, keeping in view the circumstances of the case, a disclosure in their audit reports is necessary.

Once the Standards become mandatory, it will be the duty of members of the Institute to examine, while discharging their attest function, whether this Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standards, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviations.

Following Accounting Standards used by the Sangli Urban Co-operative Bank while preparing the Balance sheet as on March 31st 2011, Profit and Loss a/c for the year ended on that date.

Significant Accounting Policies

a. The financial statements are drawn up keeping in the mind historical cost going concern concept.

b. Item of income and expenditure are accounted for on accrual basis, unless otherwise stated.

Advances

a. Advances are classified in to standard, doubtful and loss assets in accordance with the guidelines issued by RBI.

b. Provision for sub-standard, doubtful and loss assets is made in accordance with the guidelines issued by RBI. In additional a general provision of 0.25%, 1.40% and 2.00% is made on all standard assets as per RBI guidelines.

c. As per revised guidelines of RBI the advances have classified as doubtful for more than 12 months.

Investments :

a. Classification and valuation of Investments and income recognition for profit on sale of investments are considered as per the guidelines issued to Primary (Urban) Co-operative Banks by the RBI from time to times.

b. The securities are classified as held to maturity and available for sale.

c. In case of securities, under held to maturity category where cost of acquisition is higher than face value, the premium is amortized over the remaining period of maturity of the security and investments are adjusted accordingly.

Depreciation on Investments :

a. As on March 31st 2011 Valuation of investment of Government Securities held in "Available for Sale" category has been made and amount of depreciation has been fully provided under "Investment Depreciation reserve". Such amount is Rs 367.60 Lacs.

b. Balance in "Investment Fluctuation Reserve" is Rs 28,35,000/-. It is 3% of investment held under "Available for Sale" category.

c. Out of the Investment held in shares of Co-operative institutions, full provision for Investment in shares of apex Urban Co-operative Bank of Maharashtra, Goa and Sangli district Central Co-operative Bank has been made under "Investment Depreciation Reserve". Such amount is Rs 273.20 lacs.

Fixed Assets and Depreciation :

a. Fixed Assets are stated at their written down value except Land and Building which are stated at Revalued amount. The revaluation of Land and Building is on the basis of valuation by the Banks approved valuer as on March 31st 2008. The WDV of the Land and Building as on March 31st 2008 was Rs 218.61 lacs and the value of Land and Building after revaluation was Rs 1684.77 lacs. A revaluation reserve of Rs 1466.16 lacs is created on revaluation date i.e. March 31st 2008. For this financial year up to the date of balance sheet the value of Land and Building is Rs 1606.15 lacs.

b. Fixed Assets are depreciated at the rates considered appropriated by the management.

c. The depreciation is charged on the original cost under S.L.V. method at the rate fixed by the board.

Revenue and Expenditure Recognition :

1. Income-

a. Interest on performing advances is recognized on accrual basis.

b. Interest on non performing advances is recognized on realization basis.

c. Commission incomes on the guarantees are recognized as income on realization basis.

d. The commissions on bank guarantees are recognized on pro-rata over the period of guarantee.

e. Interest on fixed income securities are recognized on accrual basis.

f. Locker rent, building rent is generally recognized on cash basis.

g. Other items of income are recognized on realization basis.

2. Expenditure:

Revenue expenditure is accounted for generally on accrual basis except rebate in interest to eligible borrowers, interest on matured deposits incentive and leave encashment benefit to staff.

Staff retirement benefits :

a. Provident fund and family pension scheme contributions are made to office of the P.F. commission and are accounted for on accrual basis.

b. The bank has an insurance policy with LIC under the group gratuity and insurance scheme to cover the gratuity liability of its employees. The amount of contribution required to meet the actual liability has been provided for.

c. Encashment for leave is accounted for in the year in which the option of encashment is exercised by the employee.

3. Net profit/ Loss :

Net profit has been arrived at after provision on Performing Assets, Non performing Assets, Investment Depreciation Fund and other usual and necessary provisions as per RBI norms.

4. Other notes :

a. Reconciliation of Inter-Branch adjustment (Net) as on March 31st 2011 is completed. Follow-up and elimination of pending items is in progress. There are no long outstanding entries.

b. Previous year's figures are regrouped or rearranged wherever is necessary to confirm the layout of the accounts of the current year.

5. There is no any penalty imposed by RBI on Bank during the Financial Year 2010-2011.

6. Change in the Accounting Policies:

1. Investment :

Amortization of Security Value:

During the financial year 2004-05 the Govt. securities with book value aggregating Rs 7761.00 lacs (M.V. Rs 6810.98 lacs) were transferred from 'available for sale' category to 'held to maturity' category as per guidelines given by RBI vide their circular dated September 2nd 2004 and March 28th 2005. The depreciation between book value and market value is worked out to Rs 950.02 lacs. As per the above circular depreciation of Rs 950.02 lacs is to be amortized over a period of five years from Financial Year 2004-05. Accordingly the bank amortized Rs 190.00 lacs each in 3 years i.e. 2004-05 to 2006-07.

In the year 2007-08 as per RBI inspection report for the period ending on March 31st 2007 and as per circular and revised guidelines issued by RBI dated March 29th 2006 regarding amortization of premium, the bank has decided to change its Accounting policy regarding amortization of premium and has reverted the entries of investment depreciation of Rs 364.97 lacs (for the year ended on March 31st 2006 and March 31st 2007) and amortized the said premium over the period of the said security. Bank converted Rs 4.50 crore Rupees bonds from AFS to HTM on March 31st 2011. At that time bank make a provision of Rs 4.84 lacs. Bank cannot make any provision in March 2011 about Investment. Contrary such provision is remaining so it is taken as an income. Average Investment is increased by Rs 12.44 crore and interest on such Investment is also increased by Rs 1.06 crore. Banks also make a monthly audit of transactions of these Investments.

2. **Accounting of Election Expenses:**
   Earlier the election expenses were accounted for on accrual basis. However, on March 31st 2008 the management had taken a decision to amortize the said expenses over a period of 5 years. Total election expenditure incurred during financial year 2007-08 was Rs 16, 31,110/- out of which 1/5th expenditure is charged to the profit and loss a/c every year. Due to change in accounting policy the profit of financial years decreased up to a certain level.

Corporate Governance :

It is the current issue in the world as well as in India. The red paradigm of corporate governance is in tune with the changing times, in keeping with the demand for greater responsibility of corporate to share holders. Corporate governance is not just corporate management; it is something much broader to include a fair, efficient and transparent administration to meet certain well defined objectives. The impacts of implementation of AS on corporate governance i.e. working of the bank are as follows.

Table 1: Notes on Accounts

(RS in Lacs)

I	Capital to Risk Asset Ratio- as on Mar 31st 2011	12.15%
II	Moment of CRAR- As on Mar 31st 2010	11.27%
	As on Mar 31st 2011	12.15%
III	Investments-	
	a. Book value of Investments	11779.44
	b. Face value of Investments	11726.09
	c. Market value of Investments	11785.96
IV	Advances against Real estate, construction business and Housing-	5839.73
V	Advances against Shares and Debentures-	49.23
VI	Advances to Directors, their relatives, companies/ firms in which they are interested-	
	a. Fund-based	Nil
	b. Non Fund-based	
VII	Cost of Deposits- Average cost of Deposits	6.76%
VIII	NPAs-	
	a. Gross NPA	3643.21(10.54%)
	b. Net NPA	964.84 (3.02%)

IX	Movement in NPAs-	31st Mar 10	31st Mar 11		
	a. Gross NPA	3684.37	3643.21	-41.16	
	b. Net NPA	619.17	964.84	345.67	
X	Profitability-				
	a. Interest income as a % of working funds			8.27%	
	b. Noninterest income as a % of working funds			0.94%	
	c. Operating profit as a % of working funds			1.42%	
	d. Return on Assets			0.81%	
	e. Business (Deposits + Advances) per employee			135.32 lacs	
	f. Profit per employee			0.82 lacs	
XI	Provision made towards NPAs, Depreciation in Investments				
	a. NPA provision			----	
	b. Depreciation in Investments			273.20	
XII	Movements in provisions			31-3-10	31-3-11
	a. Towards NPAs and others			3028.00	2678.37
	b. Towards depreciation on Investments			94.40	367.60
	c. Towards Standard Assets			116.50	134.47
XIII	Foreign currency Assets and Liabilities			Nil	
XIV	Deposits Insurance premium paid up to March 31st 2011				

Source- Annual Reports of the Bank.

There was no penalty imposed on Bank during the year by Reserve bank of India.

In current situation bank cannot implement IFRS. Bank use selected AS issued by ICAI. With the help of above explanation and information provided by responsible officers the difference between AS and IFRS are taken in to account and understand the proper reason for implementation of IFRS.

Key Difference And Similarities Between Indian Accounting Standards And International Financial Reporting Standards Are As Follows:

1. **AS1 And IFRS1:**
   AS1- Disclosure Of Accounting Policies- Define accounting policies, as specific accounting principles and methods of applying these principles adopted by Bank in preparation and presentation of FS.

   IFRS1- Presentation Of Financial Statements- Defines overall considerations for financial statements besides prescribing minimum structure and content of FS. In addition a statement showing changes in equity is also to be presented as a part of FS.

2. **RBI Guidelines -** In India, NPA provisions are made according to guidelines issued by the RBI in this respect. So currently there is no role of AS and IFRS in this regard.

3. **AS13 And IFRS39-**
   AS13- Accounting For Investments- As per AS13 Long-term Investment are carried at cost less provision for diminution in value, which is other than temporary. Current Investments are carried at lower at cost and fair value. Loans and Receivable are measured at cost less valuation allowance.

   IFRS39- Financial Instruments, Recognition And Measurement- Financial instruments are classified as at fair value through profit and loss if it is held for trading or has been designated as at fair value through profit or loss upon initial recognition. It can be classified as held for trading if these are acquired or incurred principally for the purpose of selling or repurchase.

4. **AS6 AND IFRS16-**

   AS6- Depreciation Accounting- AS6 considers change in method of depreciation as change in accounting policies.

   IFRS16- Property, Plants And Equipments- Change in method in depreciation is treated as change in accounting estimate under IFRS16.

5. **AS9 And IFRS18-**

   AS9- Revenue Recognition- Interest is recognized on a time proportion basis taking in to account the amount outstanding and the rate applicable.

   IFRS18- Revenue- IFRS requires effective interest method prescribed in IFRS 39 to be followed for interest income recognition.

6. **AS15 AND IFRS19-**

   AS15- Employee Benefits- The distinction between short-term and other long-term employee benefits depend on whether they fall wholly due within 12 months after the end of the period in which the employees render the related service.

   IFRS19- Employee Benefits- The distinction between short-term and other long-term employee benefits depend on whether they are due to be settled within 12 months after the end of the reporting period in which the employees render the related service.

7. **AS5 AND IFRS8-**

   AS5- NP OR Loss For The Period- Similar to IFRS

   IFRS8- Accounting Policies, Change In Accounting Estimates And Errors- Applied prospectively by including in the profit or loss in the period of change and if it affects future periods, in the profit or loss of those periods.

The above difference is very common in nature and it is found that bank can implement separate norms Issued by RBI. Banks financial statements confirm with the applicable statutory provisions, AS issued by ICAI and generally accepted accounting policies with the banking industry in India.

Conclusions and Suggestions :

a. Conclusions :

The Financial statements of the bank are prepared on the basis of Going Concern Concept on Historical Cost Convention under accrual system of accounting. At present Banks cannot implement IFRS because there is no decision regarding implementation of IFRS by the Government, but they use selected AS issued by ICAI. Sangli Urban bank is well known bank in Co-operative sector in Maharashtra. With the help of above study some of the important conclusions are as follows-

1. The Bank prepares Financial Statements dealt with the AS prescribed by ICAI as far as they relevant to the bank. But following are
   a. Non disclosure of AS-3
   b. Non disclosure of Gross Book Value and Accumulated Depreciation- as required AS-6 on Depreciation and AS-10 on Fixed Assets.
   c. Non discloser of Segmental Reports as required by AS-17, Related Parties and transactions with them as required by-18and Lease transactions as required by AS-19.
   d. Presentations of Financial Statements are not in vertical form.
2. Bank is following policy compensated absence on actual basis. This contravenes AS-15, which requires that the provision to be made on actuarial basis. Effect on the same on Financial Statement is not Quantifiable.
3. Bank has not proved for Deferred Tax Liability/ Assets as required by AS-22, effect of the same on Financial Statements is not quantifiable.
4. The performance of the bank about using AS is very good. It facilitates the bank to achieve good corporate governance.

b. Suggestions:

For Indian banks the financial impact of convergence with IFRS will be significant particularly in areas relating to loan loss provisioning, financial instrument and derivative accounting. It also affect on key parameters such as capital adequacy ratios and the outcomes of valuation metrics that analysts use to measure and evaluate performance. Therefore the following suggestions are given -

1. It is suggested that ICAI should form suitable AS for the banking sector with RBI consultation.
2. It is necessary to make these AS mandatory to the banks. This will help the banks to improve the corporate governance. So the Indian Banks can face IFRS confidently.
3. There is a need to train the bank officials, managements about IFRS procedure.

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Implications and Impacts of climate change on Indian Economy

Prakash S. Kamble

Abstract :

Environment is the soul of living things in general, and human beings in particular. Climate change is an important environmental challenge before the world in general and India in particular. The nature and extent of climate change and consequently its bad impacts have been increasing day by day. The same is the case of India. But it is being a global problem, has been contributed prominently by the developed countries like USA, UK, Germany and others. The USA is far away in adaptations to the climate change. The contributions of China and India in climate change have been increasing considerably. The present study reveals that the energy sector and carbon dioxide emissions have been prominently responsible for climate change in India. The bad impacts of climate change on Indian economy are being visualized. Even it is expensive to mitigate green house emissions in India that must be brought about.

Keywords : Climate Change, Green House Gases, Impacts, Energy Sector

Introduction :

Environment, now a day, has become lifeblood of human beings in particular and living things in general. Hence, environmental protection and efforts for control of environmental pollution has become a must. For this, it has become of vital importance to tackle the environmental problems. Climate change is an important and major global environmental problem, which has very bad consequences for the environment as a whole, and biosphere in particular. This demands to study the phenomenon of climate change with its various perspectives concerning the world economy as a whole. India is an important country on various counts in the world, which cannot be far away from the problem of climate change and its impacts. This will enable in understanding the nature, extent of climate change, especially its bad impacts on Indian economy for their knowledge to the people, taking due precautions to restrict them, and more importantly for guidelines to the government in its policy formulation and implementation. In this overall backdrop, the present research paper endeavours to study thoroughly the problem of climate change in the context of Indian economy with emphasis on its impacts and guidelines for the formulation of climate change adaptation policy for India.

Prakash S. Kamble
(M.A., M.Phil., Ph.D.)
Associate Professor
Department Of Economics
Shivaji University
Kolhapur : 416 004

Hypothesis of the Study :

A hypothesis of the present research study is as follows :

"Climate change is an important environmental problem due to its very bad impacts, which demands a comprehensive adaptation policy that will also help in the sustainable development of India."

Objectives of the Study :

Following are the important objectives of the present study.

1. To study the concept of climate change;
2. To examine the nature and extent of climate change in India;

3. To study the impacts of climate change on Indian economy;
4. To reveal policy guidelines for the adaptation policy for climate change.

Data Base and Research Methodology :
The present research paper tries to examine the nature and extent of the problem of climate change in the context of India with emphasis on identifying impacts of climate change on the Indian economy especially in the post independence period. The present study solely relies on the secondary data, comprising of time series and cross sectional as well. The necessary data has been collected from the publications like Indian's Initial National Communication on Climate Change, UNDP Human Development Report, International Energy Annual, World Energy Outlook, United States Department of Environment, Reports of Ministry of Environment and Forests, Research Papers and articles. The present study has made use of simple tools like ratio analysis, percentage increase to process the data.

Nature and Extent of Climate Change in India :
"Climate change" is an international environmental problem. Climate change is a change in the "average weather."(Reddy, S. J. 2008) Climate refers to the weather over very long periods, while the weather is what we experience daily. (Reddy, S. J. 2008) It invariably refers to one component of changes expressed in the form of global warming. Climate change is closely associated with green house effects. Based on the position of Earth relative to the sun and characteristics of Earth's surface, the average temperature of Earth's surface should be - 18^0C. However, the mean temperature is closer to + 15^0C. Earth is warmed largely from trapping and reradiating of heat by gases in the atmosphere is called the "greenhouse effect."(Muir, Patricia S. 2008), The gases that are most active at trapping this radiant heat energy are referred to as "greenhouse gases" or "radiatively active gases." They are carbon dioxide (CO_2), water vapor, tropospheric ozone, methane (CH_4), Nitrous oxide (N_2O), black soot (black carbon)and Halocarbons (Muir, Patricia S. 2008), that are contributing to the climate change.

In 2007, the IPCC (Intergovernmental Panel Climate Change) indicated that the global average temperature has increased by 0.76 degrees C (1.4 degrees F) when comparing current (2001-2005) average temperatures with those from 1850-1899, an increase that is unprecented during the last 1000 years. Remember that these data reflect global means: warming has been more in some place and less in others. [e. g. average Arctic temperatures have increased at about twice the global average rate over the past century (IPCC 2007)] The linear warming trend over the past 50 years is nearly twice that is warming seems to be accelerating (IPCC 2007).(Muir, Patricia S. 2008),

According to the Government of India Initial National Communications (NATCOMI) 2004, at the national level, increase of 0.4^0C has been observed in surface air temperatures over the past century. A warming trend has been observed along the west coast, in central India, the interior peninsula, and northeastern India. However, cooling trends have been observed in north-west India and parts of south India (Kumar Ritu 2008), While the observed monsoon rainfall at the all India level does not show any significant trend, regional monsoon variations have been recorded.

A trend of increasing monsoon seasonal rainfall has been found along the west coast, northern Andhra Pradesh and north-western India (+ 10% to + 12% of the normal over the 100 years) while a trend of decreasing monsoon seasonal rainfall has been observed over eastern Madhya Pradesh, north-eastern India, and some parts of Gujarat and Kerla (- 6% to - 8%) of the normal 100 years) (Kumar Ritu 2008).

Impacts of Climate Change on Indian Economy :
Climate change has a wide range and variety of impacts. According to the United Nations Intergovernmental Panel on Climate Change 2007 (IPCC), precipitation would increase at high latitudes and decrease in most sub-tropical land regions. Other likely manifestations of warming include increasing acidification of the ocean,

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melting of snow and sea ice, and an increase in the intensity of extreme events such as heat waves, droughts, floods and tropical cyclones. At higher temperatures, the probability of catastrophic climate changes would rise (for example, melting of the west Antarctic ice sheet or permafrost, a change in monsoon patterns in South Asia) (Tamirisa Natalia et.al.2008), The three benchmark studies (Mendelsohn and others 2000; Nordhaus and Boyer 2000; and Tol 2002) and the review of the literature in the Stern review point to mean GDP losses between 0% and 3% world GDP for a 3^0C warming (from 1990-2000 levels) (Tamirisa Natalia et.al.2008).

According to the NATCOMI the impacts of climate change on Indian economy consist of, sea level rise has been observed to increase by 0.4 - 2 mm/ year along the Gulf of Kutch and the coast of West Bengal. However, relative decrease along the Karnataka coast has also been observed. Changes in key climate variables, namely temperature precipitation, and humidity, may have significant long-term implications for the quality and quantity of water. The most significant changes are likely to occur in the glacier fed river systems, due to the melting of the Himalayan glaciers. Changes are likely in the long term lean-season water flows of large snow and glacier fed river systems of the Brahmaputra, the Ganga and the Indus. A decline in total run off for all river basins, except Narmada and Tapi. A decline in run off by more than two thirds is projected for the Sabarmati and Luni basins. Concentration of droughts is projected in Gujarat and Rajasthan, which are already drought prone, and in Orissa, which is currently flood prone (Kumar Ritu 2008) Wheat production for the country as whole may decline after 2020 and rice production may be adversely impacted in the eastern states. Boundary changes in the growth of crops are also expected. Studies by the Indian Agricultural Research Institute (IARI) indicate the possibility of a loss of 4-5 million tonnes in annual wheat production with every 10C rise in temperature. Small changes in temperature and rainfall have significant effects on the quality of fruits, vegetables, tea, coffee, aromatic and medicinal plants, and basmati rice. Other impacts on agricultural and related sectors include lower yields from dairy cattle and decline in fresh breeding, migration, and harvests (Kumar Ritu 2008) Changes in climate may alter the distribution of important sector species (for example, malarial mosquitoes) and may increase the spread of such diseases to new areas. An increase of 3.8^0 C in temperature and a 7% increase in humidity by 2050 over present levels is projected to lead to the transmission windows being open for all 12 months in a states in India. Heavily populated regions such as coastal areas are exposed to climatic extremes and large falls in new areas in arid and semi arid zones, of which nearly two-thirds are drought prone large areas in Rajasthan, Andhra Pradesh, Gujarat and Maharashtra and comparatively small areas in Karnataka, Orissa, Madhya Pradesh, Tamil Nadu, Bihar, West Bengal and Uttar Pradesh are frequented by drought. About 40 million hectares of land is flood-prone including most of the river basins in the north and the north-eastern belt affecting about 20 million people on an average each year. A mean sea level rise of 15-38 cm is projected along India's coast by the mid 21st century and of 46-59 cm by 2100. A projected increase in the intensity of tropical cyclones by 15% poses a threat to the heavily populated coastal zones (GOI, 2004). India's NATCOM I projects an increase in the area under xeric shrub lands and xeric woodlands in central India, replacing dry savanna in these regions. A study by Indian Institute of Science concludes that in 2085, between 68% and 77% of the forested grids in India are likely to experience shift in forest types depending upon climate change scenarios (Kumar Ritu 2008).

An Analysis of Climate Change and Its Impacts on India:

The problem of climate change is very closely associated with the green house gases and effects. The foregoing analysis has adequately revealed that the problem is important with bad impacts on Indian economy. The study of sources of green house gas emissions will enable us in understanding the areas, which demands due precaution to control green house gases. The necessary data is presented in Table 1 below. Climate change is one of the most important global environmental challenges facing humanity with implications for food production, natural ecosystems, fresh water supply, health etc. (Sathaye, Shukla et.al. (2006).

Table 1 : Sources of Green House Gas (GHG) Emissions in India

Sr.	Source of GHG	% share
1	Energy	61
2	Agriculture	28
3	Industrial Processes	08
4	Wastes	02
5	Land Use Changes	01
	Total	100

Source: India's Initial National Communications on Climate Change, 2004.

India is a large developing country with nearly 700 million rural population directly depending on climate sensitive sectors and natural resources for their subsistences and livelihoods (Sathaye, Shukla et.al.2006).

It is observed from the data in Table 1 that energy and agriculture are the major contributors to green house gases and thereby to the problem of climate change, which is followed by industrial processes. Thus, it is the energy sector, which is mainly responsible for the problem of climate change in India.

It is a fact that the green house gases namely carbon dioxide, methane, nitrous oxide, water vapour, halo carbons and black carbons are responsible for green house effects and thereby climate change. But the research studies showed that the major gases contributing to climate change are carbon dioxide (CO_2), methane (CH_4) and Nitrous oxide (N_2O). This demands to study the relative shares of these prominent gases in total emissions in India. Table 2 presents the necessary data concerning that.

It is estimated that 16 million tonnes of carbon dioxide are emitted into the atmosphere every 24 hours worldwide (Gaye, Amie 2007).

Table 2: Relative Green House Gases (GHG) Emissions

Sr.	Source of GHG	% share
1	Carbon dioxide (CO_2)	65
2	Methane (CH_4)	31
3	Nitrous oxide (N_2O)	04

Source: Sumana Bhattacharya, NATCOM, PMC

It is revealed that the carbon dioxide is a prominent green house emitted in India, and contributing significantly to the problem of climate changes with 65% share in green house gas emissions. It is followed by methane and nitrous oxide respectively.

Climate change is a global phenomenon being contributed by many countries and their groups through emissions of green house gases. It is necessary to identify the place of India in green house gas emissions and thereby relative contribution to the problem of climate change. Table 3 represents the necessary data about that.

Table 3 : Per Capita and accumulated emissions of Carbon dioxide (CO_2) through energy consumption

Country/ Group	Per capita emissions of CO_2 in 2004 (tonnes)	Total accumulated emissions of CO2 during 1840-2004 as % of world total	Per capita accumulated emissions of CO_2 during 1850-2004 tonnes	Per capita in 2005 (US $)
1.	**2.**	**3.**	**4.**	**5.**
China	3.8	8.1	68.9	6757
India	1.2	2.3	23.3	3452

1.	2.	3.	4.	5.
Japan	9.9	3.9	334.2	31267
USA	20.6	29.4	1105.4	41890
Germany	9.8	7.2	962.8	29461
Spain	7.6	0.9	237.9	27169
Developing Countries	2.4	24.9	53.9	5282
Developed Countries	13.3	75.1	843.0	33082

Source: UNDP, Human Development Report, 2007.

It is observed that developed countries have contributed substantially to the carbon dioxide emissions in the atmosphere than the developing countries. Their efforts to achieve rapid and all round economic development are responsible for greater emissions of carbon dioxide and thereby to the problem of climate change. On the contrary, developing countries contribution to this problem is considerable, but not significant one. A country wise analysis of carbon dioxide emissions reveals that the developed countries namely USA, Germany were the significant contributors to the emissions of carbon dioxide, which was followed by the developing country like China. India's relative contribution to carbon dioxide emissions and thereby to the problem of climate change is considerable, but not significant one. These trends have a special importance in climate change as a global problem.

As the climate change is a serious international problem, hence its control through reductions in green house gas emissions is of vital important. It is a fact that the countries of the world have been attempting for adaptations to the climate change. The efforts in that direction and their results in carbon dioxide emissions are shown in Table 4.

Table 4 : Share in Global Carbon dioxide (CO_2) Emissions (%)

Countries	1990	2003
United States	23.04	23.06
China	10.41	14.07
Russia	9.67	6.38
Japan	4.54	4.79
India	2.63	4.07
Germany	4.24	3.35
Canada	2.19	2.39
United Kingdom	2.76	2.24
Italy	1.91	1.85
France	1.80	1.63
Rest of World	38.61	36.17

Source: United States Department of Environment.

It is revealed that, Russia, Germany, England and France are developed countries, which have succeeded in reducing carbon dioxide emissions during the period from 1990 to 2003. The USA has not succeeded in reducing its relative higher share in the carbon dioxide emissions. Likewise, Canada, Japan also could not succeed in the emissions control of carbon dioxide. It is noteworthy that China's emissions of carbon dioxide have been rose significantly during the same period. Even though, India's carbon dioxide emissions are lower, they have increased considerably.

It is agreed worldwide that, energy sector is dominantly contributing to the green house gas emissions and thereby to the problem of climate change. In energy sector, primary energy generated from fossil fuels, coals mainly facilitates increased carbon dioxide emissions and thereby to the climate change. The necessary data relating to consumption of primary energy is presented in Table 5 below.

Table 5 : Consumption of Primary Energy (Millions of tonnes of oil equivalent)

Sr.	Country	1990	2005	2030	Increase during 1990-2005	Increase during 2005-2030
1	World	8755 (100%)	11429 (100%)	17721 (100%)	6292 (100%)	2674 (100%)
2	OECD	4518 (51.6%)	5542 (48.5%)	6800 (38.4%)	1258 (20%)	1024 (38.3%)
3	China	874 (10%)	1742 (15.2%)	3819 (21.6%)	2077 (33%)	868 (32.5%)
4	India	320 (4.7%)	537 (3.7%)	1299 (7.3%)	762 (12.1%)	217 (8.1%)
5	China + India	1194 (13.6%)	2279 (19.9%)	5118 (28.9%)	2839 (45.1%)	1085 (40.6%)

Source: International Energy Agency (EIA), World Energy Outlook, 2007

It is observed that OECD countries (Organisation for Economic Cooperation and Development) have a major share in the consumption of primary energy in the world during 1990 to 2030. It has been declining, but still it is prominent one. The relative consumption shares of primary energy of China and India are significant one, and they are increasing. The growth in China's share is rapid one. It is primary energy that emits green house gases especially carbon dioxide and contributes to the problem of climate change. Hence, its place or relative position in India is necessary to assess. Table 6 below gives the data concerning that.

Table 6: Energy Sources in India (in 2004)

Sr.	Source	% share
1	Biomass/Waste	38
2	Coal	33
3	Oil	22
4	Gas	04
5	Hydro	01
6	Nuclear	0.84
7	Solar/Wind/Other	0.03
8	Geo Thermal	0.00

Source: International Energy Agency, 2006.

It is observed that coal, biomass/waste, oil are the sources of primary energy in India, which stood at 93% in 2004, is basically higher green house gases emitting energy. The sources of eco-friendly energy are gas, hydro, nuclear, solar, wind, other and geo thermal contribute only 7% share in the generation of energy. Thus, these are only meagre attempts have been undertaken to exploit and harvest eco-friendly energy.

After the energy sector, agriculture is an important source of green house gas emissions in India. Therefore, the study of various sectors or constituents of agriculture, which contribute to the climate change in necessary. The necessary data is given in Table 7 below.

Table 7: Sectors of Indian Agriculture Contributing to Climate Change

Sr.	Sector of Agriculture	% share
1	Enteric fermentation	59
2	Rice cultivation	23
3	Emission from soils	12
4	Manure management	05
5	Crop residues	01
	Total	**100**

Source: India's Initial National Communications on Climate Change, 2004.

It is observed that enteric fermentation and rice cultivation are the major sectors, which contribute to the climate change in India, especially from agriculture sector, which is followed by emissions from soils.

As the climate change is a global problem, which can be controlled by reducing emissions of green house gases. Hence, it is essential to examine the mitigation of green house gas emissions, their options, potential and costs for finding out appropriate mitigation alternatives. Table 8 below gives us the necessary information about that.

Table 8 : Mitigation Options, Potential and Costs

GHG	Mitigation Options	Mitigation Potential	Long Term MC ($ /tonne)
Carbon dioxide	Demand side energy efficiency	45	0 - 15
	Supply side energy efficiency	32	0 - 12
	Electricity T & D	12	5 - 30
	Renewable electricity technologies	23	3 - 15
	Fuel switching - gas for coal	8	5 - 20
	Forestry	18	5 - 10
Methane	Enhanced Cattle feed	0.66	5 - 30
	Anaerobic manure digesters	0.38	3 - 10
	Low methane rice varieties	Marginal	5 - 20
	Cultivate practices	Marginal	0 - 20
Nitrous oxide	Improved fertilizer application	Marginal	0 - 20
	Nitrification inhibitors	Marginal	20 - 40

Source: Chandler et. al.

It is revealed that, mitigation of carbon emissions is necessary. The options like demand side energy efficiency, supply side energy efficiency have greater mitigation potential, and also cheaper. Even though, electricity transmission and development renewable electricity technologies, fuel switching, and forestry are costlier carbon dioxide mitigation alternatives, they have significant potentialities. The mitigation of methane emissions is costly but they have marginal mitigation potentialities, except low methane rice varieties, and cultivate practices. The improved fertilizer application is comparatively better alternative of mitigation of nitrous oxide even with marginal mitigation potential.

Major Conclusions :

The present research study reveals the following major conclusions relating to the problem of climate change with reference to the world economy in general and Indian economy in particular.

1. Climate change is an important environmental problem of global level in general and national level in India in particular.
2. The extent of climate change problem is significant for the world economy in general and India in particular.
3. The problem of climate change has a very bad impact on the world economy in general, and on Indian economy in particular.
4. Developed countries than the developing countries are prominently responsible for the problem of climate change in the world economy as a whole.
5. A countrywise analysis reveals that USA, Germany, Japan, Spain are developed countries and China a developing country contributing to the problem of climate change. The contribution of India to climate change at global level is insignificant, but not negligible one.

6. It is revealed that USA, China, India, Japan, Canada have not succeeded in controlling significantly carbon dioxide emissions, and thereby the problem of climate change. On the contrary Russia, Germany, England, Italy, France is ahead in controlling carbon dioxide emissions as well as climate change.
7. Energy sector (61%) and agriculture (28%) are the major sources of green house gases emissions and thereby to the problem of climate change in India.
8. It is a well known fact that carbon dioxide (65%) a major green house gas responsible for climate change in the world economy as a whole. Likewise, carbon dioxide is a prominent contributor to climate change in India, which is followed by the methane (31%).
9. The primary energy sources such as biomass/ waste, coal, oil are prominent (93%) sources responsible for increased green house gas emissions and thereby to the problem of climate change in India.
10. In the agriculture sector, the sectors like enteric fermentation (59%) rice cultivation (23%) have contributed to the problem of climate change in India.
11. Indian economy has a greater potentiality in mitigating carbon dioxide than methane and nitrous oxide at the cost of expenses. It is also essential for adaptations to the climate change.

Policy Implications :

The present study reveals the following important policy implications for adaptations to the problem of climate change in India.

1. It is need of the hour to formulate and enforce a comprehensive power policy with emphasis on extracting a renewable energy.
2. Adaptation to climate change should be an important item of public expenditure, revenue as well as capital expenditure, in union and state budgets as well.
3. Research and development activities directed towards mitigation of green house gases emissions are essential.
4. It is very much essential to promote forestry at individual as well as society level.
5. Active participation and response of local governments and education, training and awareness programmes for the people, youths and students in India is essential.
6. The United Nations Organisation should prepare and implement a climate change adaptation policy for the world economy as whole.
7. Developed countries in general, and the countries like USA, Japan, China in particular should be made obligatory to undertake rigorous and honest attempts for control of green house gas emissions and thereby climate change, coupled with a pressure group of developing countries.

Concluding Remarks :

Climate change is a major and important environmental problem at global level in general and national level in India in particular. It is of interdisciplinary in nature. Hence, its inter-disciplinary research is very much essential. The joint efforts coupled with a team works is a must so far as climate change problem is concerned. It should be on top in the agenda of economic development of every country. A number of research studies of multidisciplinary in nature on climate change is the urgent need of the hour.

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Significance of Perceived Relationship Strength, Relationship Quality & Transactional Quality in Customer Loyalty towards Mutual Fund Distribution Intermediaries

Ramkrishna U. Dikatwar, Maruti S. Dhanawade

Abstract :

The purpose of the paper is to summarize existing evidence about the role of relationship quality & transactional quality on customer loyalty at the individual customer level.

A study concluded that a higher perceived level of relationship strength leads to a higher level of attitudinal loyalty. Higher relationship quality leads to higher level of customer loyalty. Interestingly, researcher observed that higher transactional quality does lead to a higher level of customer loyalty.

Keywords: Relationship Quality, Transactional Quality, Customer Loyalty, Mutual Funds, Distribution Intermediaries.

Introduction :

In the last two decades marketing philosophy has changed significantly, rather the entire subject has undergone through a new paradigm known as relational paradigm or relationship marketing per se. Rather Berry (1983) coined the term, relationship marketing, in the service marketing literature. Relationship marketing is defined as attracting, maintaining, and enhancing customer relationships in multi-service organizations. Further he says relationship marketing (RM) is recommended as a strategy to overcome service intangibility and further Zeithaml (1981) found RM is appropriate for services that are difficult for customers to evaluate even after purchase and use. Jagdish Seth and Atul Parvatiyar (1995) observed that the greater the need for information, knowledge and expertise in making choices, greater will be the consumer propensity to engage in relational behavior.

Ramkrishna U. Dikatwar
(B.E.,MBA, Ph.D.)
Associate Professor
STE's, Sinhgad Institute of Management
Pune : 411 041

Maruti S. Dhanawade
(B.Sc.,MBA)
Associate Professor
STE's, Sinhgad Institute of Management
Pune : 411 041

Many financial services especially investments like mutual fund investment services fit in both these criterion. Mutual fund is a complex service as Vroomen, Bjorn, et al (2003) found that these (complex) services are characterized by many items per attribute, are often tailor-made, purchased infrequently, difficult to comprehend, and often require assistance during the decision-making process. Being a complex service, engaging advisors while buying mutual funds seems to be natural. That is why we have chosen mutual fund sellers and buyers to study relationship marketing phenomenon.

Lot has been written on mutual fund in the last few months especially after securities exchange board of India (SEBI) banned Unit Linked Insurance Plans (ULIP) and tried to extend its regulatory jurisdiction by classifying it under collective investment schemes. One would be surprising to know that the first ULIP was launched by Unit Trust of India in 1970s. UTI is also the first company who introduced mutual fund products in India.

SEBI's order number WTM/ PS /IMD/06/APR/ 2010 banning the ULIP clearly states that,

I find that the attributes of the ULIPs launched/ offered by these entities (insurance companies) are different from the traditional insurance products and they are a combination of insurance and investment. The attributes of the investment component of ULIPs launched by these entities are akin to the characteristics of mutual funds which issue units to the investors and provide exit at net asset value of the underlying portfolio. I also find that the entities by their own admission have stated that there are two components of ULIPs - an insurance component where the risk on the life insurance portion vests with the insurer and the investment component where the risk lies with the investor. This establishes conclusively that ULIPs are a combination product and the investment component need to be registered with and regulated by SEBI.

Again there are some mutual fund companies that offer life insurance benefit in the mutual fund investment through systematic investment plans. This concept was pioneered by DSP Blackrock (erstwhile DSP Merrill Lynch) in 2005 with a product known as DSPML Super SIP . Later more such products like SBI Magnum Income plus Fund (Investment Plan) Birla Sun Life Century SIP (systematic investment plan) and Reliance SIP Insure are intrduced.

Mutual funds and ULIP are sold to retail investors through same distribution structure. Considering these similarities we have treated ULIP as a mutual fund and included the same in our scope.

At the outset, we acknowledge that categorizing distributions channels is a difficult task, in particular, given the relatively poor disclosure by AMFI & SEBI of distribution activity in the mutual fund industry (as compared with disclosure of performance data). Daniel Bergstresser, et al (2004) also encountered with this problem while conducting study on Mutual Fund industry in USA. AMFI has classified fund distributors into two classes i.e. individual agents (also known as IFA i.e. individual financial advisors) and corporate agents. Again majority of funds are mobilized by banks (which are classified as corporate agent as per AMFI data). Corporate agents are of varied nature, some are local, regional while some are national. Corporate agents structure is also varied i.e. partnership, private limited, public limited. Mutual funds / ULIPs are also distributed through direct channels like branch offices, internet, etc. The scope of our study is only limited to IFAs only and other intermediaries are not covered.

Literature Review :

Nicholas Alexander and Mark Colgate (2000) observed that the financial services retailers are moving from a transactional approach to a relationship approach that recognizes the lifetime value of the customer. W.G. Kim, Y. Cha (2002) refers Relationship quality as a customer perceptions and evaluations of individual service employees' communication and behavior, such as respect, courtesy, warmth, empathy, and helpfulness. This involves inducing feelings and emotional states through customer-employee interactions. Pengi Choong (2008) studied various distribution intermediaries in US mutual fund industry. He further labeled social quality (personal manner in which core services are delivered) as a relationship quality. In the service marketing literature there are two aspects of service quality i.e. functional quality & technical quality. Pengi Choong (2008) identified factors responsible for relationship quality such as personalized service, perceived quality of investment advice, perceived quality of information. Papassapa Rauyruen, Kenneth E. Miller and Nigel J Barrett (2007) observed that there are major four factors of relationship quality which are trust, commitment, satisfaction and service quality. For our study we took factors suggested by Vaibhav Shekhar, and Nitin Gupta (2008) which are total services offerings, trust, customer commitment, customer involvement, service convenience, service quality, emotions, and customer's perceived value of services.

Fees, convenience, efficient documentation, transparency are the factors which are responsible for transactional quality. As Chiung-Ju Liang, Wen-Hung Wang (2007) classified relationship marketing efforts into financial bonding tactics, social bonding tactics, and structural bonding tactics. Financial bonding tactics refers to a kind of bond that stimulates customer consumption motivation and facilitates knowledge of customers' intentions by use of price decisions, such as price discounts, low advisory fees and a higher interest rate. "Social bonding tactics" refers to personalized/ customized service, customers' trust and satisfaction and understanding and learning about customers' needs and wants. We can easily state that relationship quality refers to social bonding while transaction quality refers to financial bonding.

Anna Walz (2009) acknowledges various research scholars like Bhattacharya and Sen (2003); Sirdeshmukh, et al. (2002); Ganesh, Arnold, and Reynolds (2000); De Wulf et al. (2001); Price and Arnould (1999); Chauduri and Holbrook (2001); Oliver (1999) for defining loyalty. She further defines loyalty as intention (or actual activity) by the customer to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm, including increased share of wallet, positive word of mouth, and repeat purchasing. As suggested by J. Clement Sudhahar, et al (2006) customer Loyalty can be measured on seven dimensions i.e. Behavioral, Attitudinal, Cognitive, Conative, Affective, Trust and Commitment. Our focus is on quality of both relationship-specific efforts as well as transaction-specific efforts as a means of loyalty development.

Objectives of the study :

Given the significance of relational engagement between intermediary-consumer relationships, researchers' purpose for undertaking this study is -

To explore the significance of the relationship strength, relationship quality and transactional quality on customer loyalty towards MF distribution intermediaries.

Hypotheses of the study :

The following hypotheses have been framed for testing.

H1 - A higher perceived level of relationship strength leads to a higher level of customer loyalty.

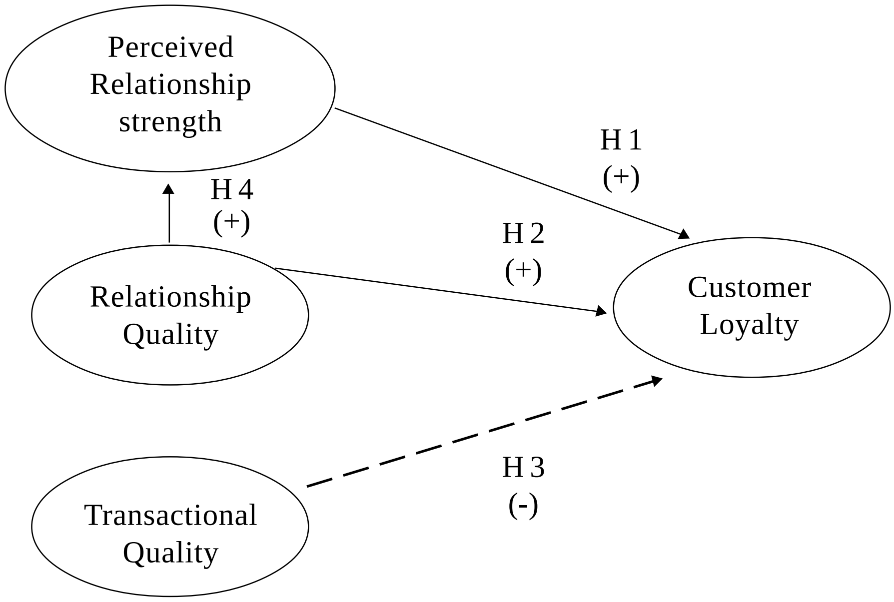
H2 - Higher relationship quality leads to higher level of customer loyalty

H3 - A higher transactional quality does not lead to a higher level of customer loyalty.

H4 - A higher relationship quality leads to higher perceived relationship strength

Conceptually inter linkage amongst these hypotheses are shown in the figure 1 below.

Fig. 1 Interconnection of Hypothesis



Methodology :

In this study, the descriptive research method was employed so as to describe the significance of Perceived Relationship Strength, Relationship Quality & Transactional Quality in Customer Loyalty towards Mutual Fund Distribution Intermediaries. The researcher chose to use this research method considering the objective to obtain first hand data from the respondents. Apart from flexibility of the descriptive method, it can employ either qualitative or quantitative data or both, giving the researcher greater options in selecting the instrument for data-gathering.

Sampling Design: - The data was collected from sample of 48 investors. The sample was drawn non randomly i.e. purposive sampling. Researcher has fixed following criterion for the selection so that purpose of the study undertaken were fulfilled. While choosing an investor as a respondent has to satisfy some criterion. Researcher has fixed following four criterions.

- Age of the respondent should be more than 20 years.
- Respondent should be investing in mutual funds / ULIP for more than three years.
- Investor's total investment in MF / ULIPs should be less than Rs 5 Lakhs.
- Objective behind investing must be personal or family.

Observational Design :

Primary data is collected through survey through questionnaire. A self-administered survey questionnaire was used to collect the data to examine the hypotheses. The questionnaire was developed using 5-point likert type scale, ranging from (1= strongly disagree) to (5 = strongly agree).

A total of 27 items (i.e., five items customer involvement, 13 items for relationship quality, one item for perceived relationship quality, two items for loyalty, and three items for transactional quality) were adapted from previously tested scales. The instrument was pre-tested to ensure that the questions were clearly understood and there was no ambiguity in questions.

Statistical Design :

Appropriate statistical methods and tools are used wherever necessary.

Data Analysis :

H1 - A higher perceived level of relationship strength leads to a higher level of customer loyalty.

Correlations

			QB8	**Behavioral Loyalty**	**Attitudinal Loyalty**	**Customer Loyalty**
Spearman's rho	perceived level of relationship strength	Correlation Coefficient	1.000	.164	.437**	.353*
		Sig. (2-tailed)		.264	.002	.014
		N	48	48	48	48
	Behavioral Loyalty	Correlation Coefficient	.164	1.000	.500**	.735**
		Sig.(2-tailed)	.264		.000	.000
		N	48	48	48	48
	Attitudinal Loyalty	Correlation Coefficient	.437**	.500**	1.000	.943**
		Sig. (2-tailed)	.002	.000		.000
		N	48	48	48	48

			QB8	Behavioral Loyalty	Attitudinal Loyalty	Customer Loyalty
	Customer Loyalty	Correlation Coefficient	.353*	.735**	.943**	1.000
		Sig. (2-tailed)	.014	.000	.000	
		N	48	48	48	48

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

To check the hypothesis "A higher perceived level of relationship strength leads to a higher level of customer loyalty." researcher has applied spearman's rank correlation.

It is observed that there is positive correlation between perceived level of relationship strength and customer loyalty (Correlation coefficient = 0.353) which is statistically significant (p-value is 0.014) at 0.05 level of significance.

Thus hypothesis "A higher perceived level of relationship strength leads to a higher level of customer loyalty." is accepted.

Further researcher has divided the customer loyalty in two parts as attitudinal loyalty and behavioral loyalty. In case of the correlation between perceived relationship strength and Behavioral Loyalty there is positive correlation (correlation coefficient=0.164) which is not statistically significant (p-value=0.264).

Whereas in case of the correlation between perceived relationship strength and Attitudinal Loyalty there is positive correlation) correlation coefficient=0.437) which is statistically significant at 0.01 level of significance (p-value is 0.002).

Thus researcher can conclude that higher perceived level of relationship strength leads to a higher level of customer loyalty (attitudinal loyalty)

H2 - Higher relationship quality leads to higher level of customer loyalty

Correlations

			Relationship Quality	Customer Loyalty
Spearman's rho	Relationship Quality	Correlation Coefficient	1.000	.421**
		Sig. (2-tailed)		.003
		N	48	48
	Customer Loyalty	Correlation Coefficient	.421**	1.000
		Sig. (2-tailed)	.003	
		N	48	48

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

To check the hypothesis "Higher relationship quality leads to higher level of customer loyalty" researcher has applied spearman's rank correlation.

It is observed that there is positive correlation between relationship quality and customer loyalty (correlation coefficient=0.421) which is statistically significant at 0.01 level of significance (p-value is 0.003).

Thus hypothesis "Higher relationship quality leads to higher level of customer loyalty" is accepted.

H3 - A higher transactional quality does not lead to a higher level of customer loyalty.

Correlations

			Transactional Quality	**Customer Loyalty**
Spearman's rho	Transactional Quality	Correlation Coefficient	1.000	.524**
		Sig. (2-tailed)		.000
		N	48	48
	Customer Loyalty	Correlation Coefficient	.524**	1.000
		Sig. (2-tailed)	.000	
		N	48	48

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

To check the hypothesis "A higher transactional quality does lead to a higher level of customer loyalty." researcher has applied spearman's rank correlation.

It is observed that there is positive correlation between transactional quality and customer loyalty (correlation coefficient=0.524) which is statistically significant at 0.01 level of significance (as p-value is 0.000).

Thus hypothesis "A higher transactional quality does not lead to a higher level of customer loyalty." is rejected.

H4 - A higher relationship quality leads to higher perceived relationship strength

Correlations

			Perceived relationship strength	**Relationship Quality**
Spearman's rho	Perceived relationship strength	Correlation Coefficient	1.000	.640**
		Sig. (2-tailed)		.000
		N	48	48
	Relationship Quality	Correlation Coefficient	.640**	1.000
		Sig. (2-tailed)	.000	
		N	48	48

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

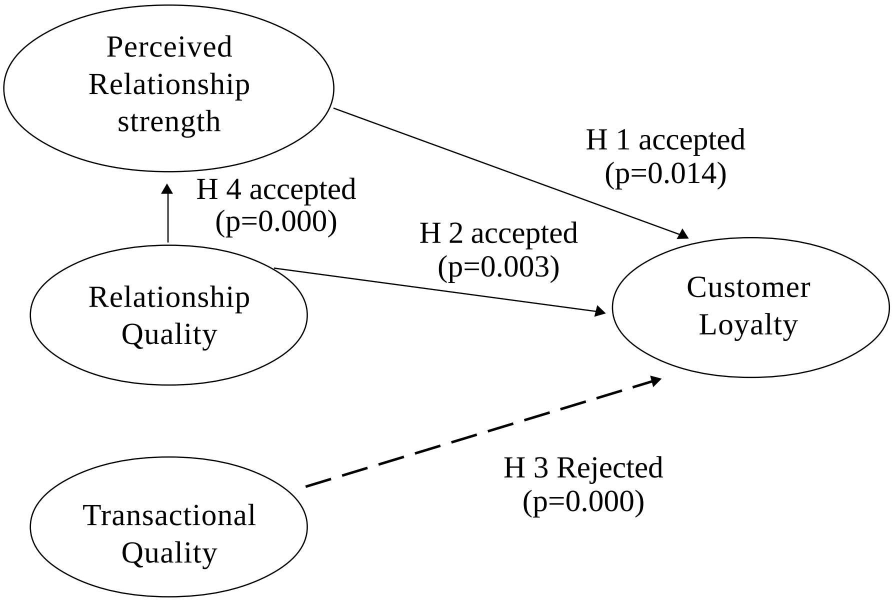
To check the hypothesis "A higher relationship quality leads to higher perceived relationship strength" researcher has applied spearman's rank correlation.

It is observed that there is correlation between relationship quality and perceived relationship strength (correlation coefficient=0.640) which is statistically significant at 0.01 level of significance (as p-value is 0.000).

Thus hypothesis "A higher relationship quality leads to higher perceived relationship strength." is accepted.

Figure 2 shows at a glance view of testing of hypothesis.

Fig. 2 Interrelationship between various relationship variables.



Results and Discussion :

While past research recognizes the importance of building strong bonds as a key objective of relationship marketing, the direct impact of these bonds on customer loyalty is remain neglected. This study developed our understanding regarding the importance of relational quality and transactional quality in maintaining customers' loyalty in the mutual fund and ULIP industry. Our findings confirmed a strong positive relationship between relationship quality and loyalty. This result was in agreement with Liang and Wang's (2005).

But Liang and Wang's (2005) observation in relation to financial bond (transactional quality) is not true. As financial bonds or transactional quality were identified as the most basic type of bonds, Liang and Wang's (2005) observed that transactional quality do not develop customer loyalty. Our study shows significant correlation between transactional quality and customer loyalty. Our finding is opposite to the observations made by Liang and Wang's (2005), DeWulf, Odekerken-Schröder and Iacobucci (2003). As Liang and Wang's (2005) study was done amongst hotel customer especially from business segment again, DeWulf's, et al (2003) observation was made about food and apparel retailers. One reason may be attributed behind this finding may be competition amongst these agents are still not as cut throat as hotel or food and apparel retailers. As in Mutual fund distribution selling price is completely controlled through regulatory mechanisms till recently, advisor's transactional quality is more dependent of efficient documentation and transparency. Customer may be valuing transparency and efficient documentation while purchasing mutual funds.

Further we found that there is correlation between relationship quality perceived relationship strength. This means customers' perception towards their relationship strength with financial advisors is truly based on relationship quality factors. Further we also found positive correlation between perceived relationship strength and attitudinal loyalty (recommending others). But higher perceived relationship do not culminates into higher behavioral loyalty. This means even lower relationship strength can create behavioral loyalty. One probable explanation to this phenomenon may be the development of consumer inertia or dependency as suggested by Jacoby & Chestnut (1978) inertia stems from the low valance of motivation intensity to change, given the conditioned behavior or from the low level of customer involvement in decision making process.

Further research is needed on customer involvement in decision making while purchasing mutual funds.

Conclusion:

This study established the significance of relationship quality and transactional quality in loyalty development towards mutual fund distribution intermediaries at individual level. We found that there is significant positive correlation between relationship quality and customer loyalty as well as between transactional quality and customer loyalty. Again the perceived relationship strength is consequence of relationship quality. Further research is needed to find out why transactional quality positively correlated with customer loyalty. Our study's scope was very limited, further research will throw more light on this area by replicating this study for various financial services or doing it for various consumer services.

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Deepti Manohar Yadav
(B.Sc., M.B.A.)
M.Phil. Research Scholar,
Karmaveer Bhaurao Patil Institute of Management Studies and Research
Satara - 415 015

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A Study of Industiral Accidents, Employees' Welfare and Safety Measures with special reference to M.I.D.C., Baramati

Ramchandra G. Phadatare , Ashwini A. Kulkarni

Abstract :

It is well said, health is wealth. It is health which enables the worker to go through his work and complex it in time cheerfully. If workers health is good, they can work with full capacity and efficiency. An industrial accident may affect the working capacity of the workers. If the worker disabled is highly skilled and experienced one, this loss is greater. Prevention of industrial accident is necessary because workers life which is valuable should be protected and preserved in good condition. Industrial health depends upon the workers' health and workers' health depends upon the safety measures provided by the organization. It helps to increase the production and profit of the organization. Then the organization can provide better wages and other welfare facilities to the worker. Thus employee's welfare, health and safety measures are related with each other. Hence, every organization should take care of employees' health by providing proper safety measures. The present paper aims to make study of industrial accidents, employees' welfare and safety measures with special reference to M.I.D.C. Baramati. Ten companies are selected to collect the information about the above subject. The data were collected by administering pre-tested questionnaire to the male and female workers. 109 respondents were interviewed. The analysis found that favourite shift of 63.31% workers is 'A' i.e. 'General' shift. 28 (25.69%) workers like 'B' i.e. 'second' shift and only 12(11%) workers like 'C' i.e. 'Night' shift. Number of accidents are same i.e. 14(35%) in 'Machine - shop Department' and 'Maintenance' Department each. Number of accidents are 8(20%) in 'Production Department'. Out of 109 workers, 40 workers faced accidents. Out of that major accident were 29 and minor accidents were 11. It was also found that 22.5% accidents were in 'A' shift, 27.5% in 'B' shift and 20.50% in 'C' shift. 88.07% workers were satisfied about safety devices provided by management. According to 97 workers safety committee plays positive role in the company with safety devices. The researcher suggested that fine should be charged from those workers who do not use safety devices. Supervisors should teach safety way to workers. Incentives should be given to safe workers. Management should take review of workers' habits. Drunkards should be prohibited from their jobs. In case of fire, exit doors should not be locked or fastened and shall be capable of being easily opened and they should be so constructed as to open outwards. Management can appoint competent persons to assist employers in developing protective and preventive measures. Machines should be cleaned and oiled regularly.

Keywords : Accident, Industrial Health, Welfare facilities, Safety measures, Safety week..

Ramchandra G. Phadatare
(M.Com., D.B.M.,M.Phil.,Ph.D.)
Vice Principal & Head
Department of Commerce and Management
Dhananjayrao Gadgil Gollege of Commerce,
Satara - 415 001

Ashwini A. Kulkarni
(M.Com., B.Ed.)
Faculty,
Tuljaram Chaturchand College,
Baramati - 413 102

Introduction :

Workers' life is valuable and it should be preserved and protected in good condition. But due to the introduction of advanced machinery, numbers of industries are increased. The life of industrial worker is full of risks and hazards.

An industrial accident may affect the working capacity of the worker. Some workers may become permanently handicapped. Accidents affect the industrial productivity which in turn affects the economy. A company, in which accidents are frequently occur, create poor image in the public eye. An employer has to pay large amount as compensation. It increases costs of industry resulting from the separation of the disabled worker. If the worker disabled is highly skilled and experienced one, this loss is greater. Injured worker can't work with full capacity. It also affects his family life.

Accident is an occurrence in an industrial establishment causing bodily injury to a person who makes him unfit to resume his duties in the next 48 hours. Accidents are usually the result of a combination of factors. Following are the main causes of accidents-

1) Unsafe Conditions 3) Psychological Causes
2) Personnel Causes 4) Non observance of safety rules

It is well said, health is wealth. It is health which enables the worker to go through his work & complete it in time cheerfully. If workers' health is good, they can work with full capacity and efficiency. It helps to increase the production and profit of the organization. Then the organization can provide better wages & other welfare facilities to the workers. Thus employees' welfare, health and safety measures are related with each other. Hence, every organization should take care of employees' health by providing proper safety measures.

The Factories Act, 1948 lays down certain provisions of safety and health of the workers to be adopted by the factories.

This paper reports the findings of the study conducted in M.I.D.C., Baramati about industrial accidents, safety measures and employees' welfare.

The M.I.D.C., Baramati was started on 1st May, 1990. The credit for development of M.I.D.C., Baramati goes solely to the honourable agricultural minister Shri. Sharad Pawar. There are different types of industries like Automobile Industry, Steel Industry, Textile Industry, Dairy Industry etc.

The total area of M.I.D.C., Baramati is 812 hectors and the numbers of total plots are 1100. Total water connections are 465 out of which 200 are for residential purposes and 265 for industrial purposes. There are total 9 large scale industries, 16 medium scale industries and near about 90 medium scale industries.

The Study:

Whenever an accident occurs, it gives rise to pain for the victim and his family and retards industrial productivity which in turn affects the economy of the country. It results in the financial loss for the employees and the employer and large payments by the later in the shape of compensation.

Safety is the primarily responsibility of the management. This responsibility should rest on the shoulders of all cadres of management such as Plant Manager, Production Manager, Chief Engineer, Maintenance Engineer, Individual foreman, safety officer/Engineer/Director etc. Proper selection of the employees through psychological tests, proper care in placement on the job and periodical examination will go a long way in prevention of accidents.

Section 40 (b) of the Factories Act, 1948 provides for the appointment of a safety officer in every factory:

1) Wherein 100 or more workers are employed or

2) Where in the opinion of the State Government any manufacturing process or operation is carried on, which process or operation involves any risk or bodily injury, poisoning or disease or any other hazard to health to the persons employed in the factory.

Employee's physical health is harmed through disease, strain as well as accident. It is poor physical health of the workers that leads to the high level of absenteeism and turnover and a low level of productivity. Further the cost of ill health assumes the form of mental unhappiness which is immeasurable.

It is generally observed that there are many deficiencies in industrial health in our country. Our industrial workers suffer on account of poor health which is the result of a number of forces like malnutrition, insanitary conditions psychological disorders and stresses and strains. In some areas municipal authorities have been unable to cope with the requirements of industrial development.

Keeping this in view the researcher had decided to undertake this particular study pertaining to the problem of industrial accidents and safety measures as well as labour welfare.

Research Methodology:

Present study is undertaken with following objectives -

1) To study the causes and types of industrial accidents.
2) To review present welfare facilities and safety measures available to the workers.
3) To study the nature of safety programmes.
4) To suggest remedial measures to keep accidents at minimum level and safety measures to workers working in M.I.D.C., Baramati.

The Primary data for this paper has been collected through personal interviews of workers, supervisors, officers. A detailed and comprehensive questionnaire was prepared on the basis of the objective of the study. The survey of the workers is about to the industrial accident, welfare facilities and safety measures related with the industries accidents in M.I.D.C., Baramati. The survey was conducted with the help of this questionnaire. Personal discussion was held with the supervisors and the personnel officers. The primary data for the study was collected through a questionnaire from a sample of 109 workers. The secondary data necessary for the study was collected from the reference books, periodicals, unpublished sources such as M.Phil dissertations and Ph.D thesis.

Major Findings:

Table -1 Shift wise Accidents

Sr.	Shift	Number of workers acccidents
1	A	9 (22.5%)
2	B	11 (27.5%)
3	C	20 (50%)
	Total	**40 (100%)**

It is observed that percentage of accidents is 36.69. It is observed that 22.5% accidents were occurred in 'A' shift, 27.5% in 'B' shift, 50% in 'C' i.e. night shift. It means percentage of accidents is more in night shift than A (Day shift) or B (Second shift)

Table - 2 Department wise classification of accidents.

Sr.	Department	Number of workers Accidents
1	Machine-shop	14 (35%)
2	Production	8 (20%)
3	Maintenance	14 (35%)
4	Stores	4 (10%)
	Total	**40 (100%)**

35% accidents were happened in Machine shop Department, Maintenance Department each, 20% in 'production Department & 35% in Stores Department.

It is observed that female workers work more carefully than that of male workers. So their percentage of accident is less than male workers.

It is also observed that management is taking necessary steps to increase safety measures e.g.

1) Safety gloves, goggles, helmets, masks etc. are provided.
2) Wherever required, safety jackets of asbestos are also given.
3) Sand buckets and fire extinguishers are placed at different places.
4) In most of the companies' safety training programmes are conducted for workers.
5) In big organizations safety audit is conducted annually to check the safety measures, percentage of accidents etc.

Almost in all organizations safety week (7 March to 14 March) celebrated enthusiastically.

Table -3 Workers opinion about safety devices

No. of Workers satisfied about safety device	No. of workers do not satisfied with safety devices	Total
96 (88.07 %)	13 (11.93%)	109 (100%)

88.07% workers are satisfied about safety devices provided by management and only 11.93% workers are not satisfied about it.

According to 97 workers out of 109 workers, safety committee plays positive role in the company in respect of safety devices & 12 workers think that it is negative.

It is concluded that management is attentive about female workers. Because no any female worker has complaint about the male workers, supervisors and management also.

It is also observed that safety devices provided by management are of better quality & replaced time to time.

In some companies the canteen facility is good while in some it is fair. In some companies there is no cleanliness in canteen. But almost in all companies all workers are satisfied about the quality of food provided by the company.

Most of the companies do not provide conveyance facility to the workers due to which lot of inconvenience is caused especially in the season of summer. But conveyance facility is provided to 29.36% workers by remaining companies.

It is also seen that housing facility is provided to 24.66% workers, conveyance facility to 50.46% workers, educational allowance to 33.94% workers, provident fund and gratuity is provided to 91.74% & 92.66% workers respectively and 60.55% workers are taking the benefit of medical insurance & group insurance.

It is also seen that rest room facility is provided to 51.38% workers, washing facility to 26.61% workers.

98.17% workers have good relations with the supervisors while 1.83% workers have medium relations with the supervisors.

It is observed that noise & dust affects on hearing capacity and throat of a worker.

It is observed that some workers are careless about their health. They do not use safety devices properly.

It is found that the management of almost all organizations is too much attentive about workers welfare & their health. Management is careful about physical & mental health of the workers and only in the few organizations, management is careless.

Suggested Remedies: Employees health is a key factor for every organization. So every organization should take care of employee's health by providing proper safety measures. Safety is a two way process. So both i.e. management & workers should make efforts to minimize accidents.

Though some organizations provide safety devise e.g. safety goggles, helmets, gloves etc. workers are not cautious about their health. So fine should be charged on those workers who do not use safety devices.

Supervisors are the connectors between management and workers. They should teach safety way to workers. Safety Training Programme should be arranged for both i.e. workers and supervisors.

Incentives should be given to safe workers. Management can stop the increments of workers who are not cautious about their health.

Smoking, tobacco chewing, drinking should be strictly prohibited in the factory. Medical check up of every worker should be taken periodically to maintain his physical health.

Management has to play a vital role for safety in industries. It has to follow that whether safety measures are used by workers or not and whether they are replaced regularly or not. Management officers have to visit the working place regularly only then they can understand the problems about working conditions.

Trade unions can play an important role in this regard. Union leader may arrange lecture on the importance of the workers health and safety devices. Union leader should make the workers aware about statutory provisions regarding the accidents & safety. It is helpful to them in receiving their medical claim in the case of accident.

Laboures should be instructed to aware of the particular danger that is likely to arise from the machine & to observe the necessary precautions. No person should be employed in any factory to lift, carry or move any load which is so heavy as to cause him possible injury.

In every factory, hoists & lifts should be of good mechanical construction & of sound material & they should be sufficiently strong & properly maintained. The maximum safe working load shall be clearly indicated on every hoist or lift. In every factory, lifting machines, tackles, chains & ropes should be of good construction & of sound material. They should be free from defects & strong enough to carry the necessary loads.

In case of fire, exit doors should not be locked or fastened & shall be capable of being easily opened & they should be so constructed as to open outwards. All the exits should be easily & freely accessible to all the workers in every place in the factory premises, so that they can easily make their escape when a fire breaks out. All the workers should be trained in the routine to be followed in the event of fire in the factory premises.

Management should take review of workers habits. Drunkards should be prohibited from their job.

Health is related with food. So food provided in the canteen must be of better quality. Canteen should be kept clean.

Management can appoint competent persons to assist employers in developing protective and preventive measures.

Management has to enquire personnel problems i.e. mental, financial etc. of workers because it affects mental as well as physical health of a worker. A worker should be healthy & strong to increase the production of the company.

There should be regular fencing of a machine. If there is any problem in the machine concerned person must inform the same to the officers immediately. Machines should be cleaned & oiled regularly.

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AIM Model for Boosting the Strength of Sugarcane Harvesters in Sangli District (Maharashtra)

Kabugade Reshma Ramnath

Abstract :

The purpose of this paper is to discuss the issue of decreasing number of sugarcane cutters in Sangli district and because of unavailability of sugarcane cutters number of sugar factories are on the way of closer or ill. Descriptive research is designed with quota sampling from sugarcane factories in Sangli district used to describe the role of sugarcane cutters. This paper also aims to propose effective factors of AIM (Articulate- Improve- Manage) model, in fact it is decided to reduce or eliminate this liability, by putting an end to the manual cutting of sugar cane and the total mechanization of the cutting process without burning. Factors of AIM model like People at work, Quality work, accommodation facility, health and hygiene significantly influence the retention of sugarcane cutters in the same factory.

Keywords : Sugarcane Cutters, Factors of AIM Model, Retention of Sugarcane Cutters.

Introduction :

In India, Maharashtra state is well known for sugarcane Production. Industrial evaluation has been positioned in Maharashtra by growing cooperative based sectors. Among that huge number of sugarcane factories established on cooperative root. Large number of population in Maharashtra depends upon these sugarcane factories for a variety of purpose like the supplying raw material (sugarcane),cutting of canes, Processing of cane, packaging, marketing of sugar etc. in requisites of business or employment. Mostly sugarcane factories situated in Pune, Satara, Sangli, Kolhapur districts of Maharashtra, that is southern Maharashtra which can be also considered as wetted area i.e. area under irrigation. And population belongs to dry land area uses to migrate from their places for the survival hence it is considered as migrant populations. It comprises the landless and land poor, and those possessing the least amount of assets, economic conditions, skills or education. Sangli is agriculturally and industrially developed districts in Maharashtra and having great number of sugarcane factories. There is substantial migration taking place within states, from one less developed district to another developed district. The agriculturally and industrially developed districts are likely to be the net receiving states for migrant labour, while the less developed districts are the net sending ones. "In Sangli district majority migrant labour comes from Beed and Usmanabad districts" (Balaji Kendre).These migrant labours are mainly used for sugarcane cutting and considered as sugarcane harvesters.

The issue of decreasing number of sugarcane harvesters in Sangli district. Because of unavailability of sugarcane cutters, number of sugar factories on the way of closer or ill. All sugarcane harvesters are contract labourers. As they are seasonal migrant, in minimum time span they have to accomplish assigned quota by respective sugarcane factories. "Employees working in an Organization can be divided into the following categories depending upon their level of engagement: i) Engaged employees work with passion and feel a profound connection to their organization. ii) Not engaged employees. iii) Actively disengaged employees." (Gallup Management Journal 2006, October 12). Sugarcane

Kabugade Reshma Ramnath
(B.Sc., MBA, M.Phil.)
Assistant Professor,
Gourishankar Institute of Management
Limb
Satara - 415 015

harvester fit in engaged workers. Henceforth, study of the factors influencing employees engagement is necessary, while this solving the problem of attrition and improvement in system and procedure of sugarcane factories. The success of employee engagement lies in the attainment of highest standard of AIM (Articulate-Improve-Manage) model. This helps to get better operating results from higher motivation.

Fig: 1 AIM Model for Employee Engagement. (Ashish Shrivastava & Nita Saxena.)

Articulate	Improve	Manage
▼	▼	▼
Consistently, speaking positive about the organization at internal & external forum	staying, growing with organization through qualitative improvement.	Making extra efforts & contributing to organization goal.

(Sugarcane factories in Sangli District : Sangli sugar factory at Sangli, Hutatma sugar factory at Walve, Manganga Sugar factory at Atpadi, Mahakalakali Sugar factory at Khate, Yeshwant sugar factory at Nagewadi (Vita), Sonhira sugar factory, Kranti sugar factory, Kundal, Rajarambapu sugar factory, Tasgaon sugar factory Turchi, Vishwas sugar factory Shirale etc.)

Reasons for the selection of topic :

1. In Economic times there was news on "Sugarcane finds no takers in Maharashtra"- 4 may 2010.In Sangli district, cane production is in larger amount every year, so Sangli district well thought-out as sugar bowl. The issues of labour shortage, factories were unable to crushed cane (Economic times 4 may 2010).

2. Times of India news paper, 24th May 2010, focused on the Maharashtra farmers face acute labor shortage. Cane production districts found shortage of sugarcane harvesters. Officials at sugar mills said that, they were placing orders for sugarcane harvesters that can operate on smaller holdings and had with plans to arrange them from the October-November 2010 season. And urban real estate developers have begun to pay better wages to labore, stepping up migration to cities and leading to labor shortage in the countryside. (Times of India 24th May 2010).

3. GAIN Report 20/3/2012, highlighted that, facing the labor shortage during sugarcane harvesting for last few years the state Government of Maharashtra is encouraging individual producers or group of farmers to purchase mechanical sugarcane harvester during the fiscal year 2011/12 by providing subsidy. But it will generate enormous impact on employment of persons who are from drought prone area and their existence. (Amit Aradhey 2012).

Literature Review :

Kasar in his book "Economics seasonal migration", scientifically studies the economic aspect of seasonal migration of farm labor to harvest sugarcane in rural district.

Jugal in his book 'Employment wages and Industrial Relations". analyses the survey report of labor commissioner, Bombay of November 1986 and reveals socio economic conditions of seasonal migrates including wages rate.

Online available research paper "Work and health conditions of sugarcane workers in Brazil" Rural work focused with this study, during manual and mechanized cutting workers are exposed too long shifts and to workplace that presents multiple health risk situations which are similar to the risk faced by rural workers in general.

Research Methodology :

Present research set to test the hypothesis that, 'There is no significant difference between sugarcane harvester (gender) and factors of AIM model in sugar factory use for the success'.

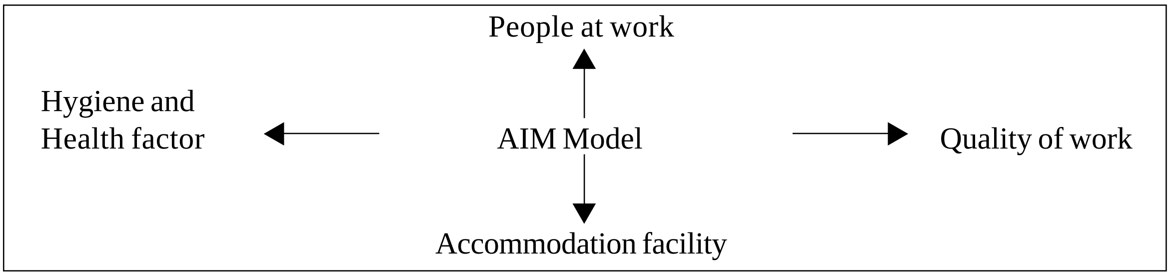
The objectives derived from the hypothesis are

1. To observe the role of sugarcane manual labor.

2. To study the reasons behind the decreasing number of sugarcane cutters on sugarcane factory in Sangli district.
3. To study the factors of AIM model to categorize problem facing by sugarcane cutters.

Researcher had discussion with labor contractors (mukadams). Sugarcane harvesting labors form a team. Actually it is a team work. A leader of group provides following facilities to laborers like provision of food grains, provisional material for temporary hut, a facility for Mechanized vehicle such as Tractor, truck, bullock carts, advance cash, emergency provisions etc. with the assistance of factory management.

Fig: 2 Factors influencing Articulate- Improve- Manage Model for sugarcane cutters.



Research methodology follows for conducting the study include specification of research design. The research type used for this study is of descriptive type. Primary data collected with the help of interviewing mukadam and factory labour officers. Secondary data i.e. factory profile has been obtained from the literature, previous articles, current articles available on this issue, books, magazine, report, project etc. Sampling Technique: There is no authentic information about number of seasonal migrant workers in the field of sugarcane in Maharashtra. However for the purpose of study researcher has selected 5 sugar factories in Sangli district out of 15 factories in operation during year 2010-2011. Some factories employ bullock cart labours as well as sugarcane cutting labourers. On the basis of information obtained by Mukadam and factory labour officer it is estimated that above 5000 sugarcane harvester come from Beed (Marathwada) to Sangli. About 1 % of them selected for study. To identify the respondents' quota sampling technique is used, 10 respondents as samples from each sugar factory.

Data Analysis: Demographic Details .

Table 1: Gender

Sr.	Gender	No. of respondent
1	Male	31
2	Female	19
	Total	**50**

Table 1 reveals that Total 38% are female respondent and 62% are male respondent, out of 50 respondents

Table 2: Education

Sr.	Education	Frequency
1	<10 th standard	22
2	10 th	16
3	12 th	10
4	Middle state of Graduation	2
5	Graduation	0
	Total	**50**

Table 2 : reveals that Qualification of 44% respondent below 10th standard.

Table 3 : Marital Status

Sr.	Marital status	No.
1.	Male	37
2.	Female	13
	Total	**50**

Table 3 reveals that 74% respondents are married .

Table 4 : Migrant status

Migrant	Yes	No
Total	**50**	**0**

Table 4 reveals that 100% respondents' rare migrant from one place to another place.

Table 5: Starting time of work shifts

Sr.	Starting time of work shift	No. of respondent
1	5 AM	34
2	6 AM	13
3	7AM	3
	Total	**50**

Table 5 reveals that 68% respondent start their working shift at 5 AM.

Sr.	Thinking about Work	Frequency
1	Extremely exhaustive	49
2	Heavy and repetitive	49
3	Energy consumption	47
4	Monotonous activity	40
5	Agreeable	4

Table 6 : Thinking about work

Table 6 reveals that 49 respondents thought that work is extremely exhaustive, 49 said that it's heavy and repetitive, 47 said that its energy consumptive, 40 thought that its monotonous activity, and only 4 respondents are agreeable about their task.

Table 7 : The following is helpful to you to maintain quality of work:

			I	II	III	IV	V		
Sr.	**Statements**	**Total**	**Never**	**Rarely**	**Sometime**	**Often**	**Always**	**WA**	**Rank**
1	Getting appropriate tools/instruments for cutting canes.	50	0	4	32	10	4	16.4	V
2	Getting appropriate transportation vehicle/bullock carts	50	0	2	16	28	4	18.4	IV
3	Getting hygienic living places.	50	0	0	0	8	42	24.2	II
4	Availability of Fresh, quality & nutritious food	50	0	0	0	7	43	24.3	I
5	Availability of water at workplace.	50	0	1	9	35	5	19.4	III
6	Getting proper remuneration for my work.	50	20	8	14	5	3	11.3	VI

Table 7 reveals that respondents are highly dissatisfied about availability of fresh, quality & nutritious food (24.3) and getting hygienic living places (24.2), average perception about availability of water at workplace (19.4), getting appropriate transportation vehicle/bullock carts (18.4), and Getting appropriate tools/ instruments for cutting canes (16.4). Partially satisfied about getting proper remuneration for my work (11.3), weighted average secure I, II, III, IV, V and VI rank respectively.

Table 8 : Area that may cause difficulty at workplace:

			I	II	III	IV		
Sr.	**Areas**	**Total**	**Problem**	**Not a problem**	**Not a problem now**	**Could be a problem in future.**	**WA**	**Rank**
1	Physical stress while cutting of sugarcanes	50	22	3	5	20	12.3	II
2	Making bundles of the cane	50	10	12	13	15	13.3	I
3	Loading of sugarcane bundles in vehicles	50	34	3	10	3	8.2	VI
4	Transportation of sugarcane	50	6	34	6	4	10.8	III
5	Weighing of cane bundles	50	0	44	6	0	10.6	IV
6	Caring of children at workplace	50	32	0	8	10	9.6	V

Table 8 reveals that highly difficult area at workplace is making bundles of the cane (13.3) and Physical stress while cutting of sugarcanes (12.3), average perception transportation of sugarcane (10.8) and weighing of cane bundles (10.6). The married respondents facing the difficulty of caring of children at workplace. Partially satisfied about loading of sugarcane bundles in vehicles (8.2). Weighted average secures I, II, III, IV, V and VI rank respectively.

Protective measures are used to avoid damages from sun exposure, dust and soot from burned cane during manual cut:

Table 9 Protective Measures

Sr.	**Protective Measures**	**Frequency**
1	Use hats	50
2	Handkerchiefs for protecting your face & neck	50
3	Long sleeve shirt and pants	50

Table 9 reveals that all the respondent using protective measures at workplace on their own.

Table 10 Accommodation facility:

			IV	III	II	I		
Sr.	**Accommodation Facility**	**Total**	**Yes**	**No**	**Not available to me**	**Not applicable to me**	**WA**	**Rank**
1	Accommodation near to factory premises	50	6	4	0	40	7.6	III
2	Accommodation within campus of factory.	50	0	7	0	43	6.4	IV
3	Accommodation near to molasses tank	50	44	6	0	0	19.4	II
4	Temporary Hut	50	50	0	0	0	20	I

Table 10 reveals that respondents are getting accommodation facility in terms of temporary hut (20) and near to molasses tank (19.4), very few of respondent getting accommodation near to factory premises (7.6) and within campus of factory (6.4). Weighted average secure I, II, III, and IV rank respectively.

Table 11: Impact of hygiene and health factor on work:

			I	II	III	IV	V		
Sr.	**Hygiene and Health Factor**	**Total**	**Never**	**Rarely**	**Some time**	**Often**	**Always**	**WA**	**Rank**
1	Unhygienic living condition affects on me and my family's health.	50	0	0	0	46	4	13.6	II
2	I am suffering from illness due to occupational activity	50	0	18	10	12	10	10.93	III
3	I am suffering from diseases because of living Places.	50	0	0	0	4	46	16.4	I
4	I am suffering from psychological Problem (like stress, depression, fatigue etc.)	50	7	12	12	9	10	10.2	IV

Table 11 reveals that respondents are strongly agree with they are suffering from diseases because of living Places (16.4). Partially agree with unhygienic living condition affects on them and their family's health. (13.6), they are suffering from illness due to occupational activity (10.93) and they are suffering from psychological Problem (like stress, depression, fatigue etc.) (10.2). weighted average secure I, II, III, and IV rank respectively.

Table 12: If Factory concentrates on factors of AIM model then it would be helpful for factory success and sugarcane harvesters' continuation in the same factory.

			I	II	III	IV	V		
Sr.	**Factors**	**Total**	**Strongly Disagree**	**Partially Disagree**	**Neutral**	**Partially Agree**	**Strongly Agree**	**WA**	**Rank**
1	Quality Work	50	0	0	0	12	38	15.86	II
2	Quality Accommodation facility	50	0	0	0	11	39	15.93	I
3	Hygiene and health factor.	50	0	0	3	9	38	15.66	III

Table 12 reveals that "If Factory concentrate on factors of AIM model then it would be helpful for factory success and sugarcane harvesters' continuation in the same factory" for this statement respondents are strongly agree respectively quality Accommodation facility (15.93), quality Work (15.86) and Hygiene and health factor (15.66). Weighted average secure I, II, and III rank.

Hypothesis Testing :

H0 : There is no significant difference between sugarcane harvester (gender) and factors of AIM model in sugar factory use for the success.

Table 13: Factor of AIM model

Description of factor of AIM Model	Gender	Strongly Disagree	Strongly Agree	Total
Quality Work, Quality Accommodation facility, Hygiene and health factor	Male	0	31	31
	Female	0	19	19
Total	**0**	**50**	**50**	

Degree of Freedom = 1

Table Value of X^2 at 5% level = 3.841
Table value (3.841) > Calculated Value (0)
Null hypothesis is accepted.

There is no significant difference between sugarcane harvester (gender) and factors of AIM model in sugar factory use for the success. They are related to each other and make a great impact on retention of sugarcane harvester in same sugar factory.

Findings :

Duties of Sugarcane cutters :

i. Selection area for harvesting sugarcane: 'Mukadam' who is leader of sugarcane cutter group, does the allotment of sugarcane plot and distribute their group as per the workload.

ii. Cutting and shredding of sugarcane. It is actual harvesting of sugarcane, in that cutting of cane and removing dried leaves and making bundle of clean sugarcane.

iii. Loading of sugarcane bundles and fascicule into vehicle.

iv. Temporary settlement in particular area.

v. Collection and selling of sugarcane fronds .The cutting of sugar cane is not merely limited to the activity of removing the cane existing in a rectangle that is 6 meters wide by a length that depends on the worker's resistance. Cutting cane involves a series of other activities: cleaning the cane, by eliminating the straw that remains on the stalk and removing the top. This top portion collected in bunch and used for selling.

Problem of sugarcane Workers :

i. They have to make settlement in strange place. Whatever settlement places provided to the family of sugarcane cutters are not even hygienic in condition. Some of the sugarcane factories providing settlement places near to molasses storage, and it affects badly on their health.

ii. As operation begins in winter, the workers have to face chilling cold or extremes of environment. In western Maharashtra every season is in severe condition. Winter season is too cold, at that time they have to work in the field with their family, because their working hours start from early in the morning.

iii. Unusual rains create hazard with the workers. There work is carried also in month of May, June, and July. In these months they have to face extreme hot as well as heavy rainfall. Because of unusual rain they can't do cutting, loading and proper transportation of sugarcane.

iv. All the cane harvesters using protective measures at workplace on their own, factories not providing any protective measures.

v. There is not health security. Occupational activity caused damage to their health. Researcher's objective is to show how these two issues are closely related and, in the case of cane cutters as in other activities where a large amount of energy is spent and then also they are not getting fresh , quality & nutritious food and water at workplace. The working process is a strong determining factor in the health of the workers.

Conclusion :

In year 2009-2010 sugarcane crushing season is extended upto May 2010, it is due to paucity of cane cutting workers .In sangli district some of sugar industries transferred to contractors and some of industries actively involved in work of ethylene and acetone extraction those are bi-products and Some sugar industries are on the verge of closer or to say failure. A number of sugar factory, they are provided unhygenic settelment places and it create health problem..

Suggestions :

In order to avoid inversion of sugar (sucrose to glucose), it should be quickly transported to related industries. It is only possible when number of manual labours should raise or increased. For uplifts of the strength of sugarcane harvesters and for Improving such strange areas facilitate the factors of AIM model is necessary

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An Empirical Study of Brand Awareness and Preference for Soft Drinks in Selected Villages of Goa State

Sunil S. Patil

Abstract :

This research paper examines the brand awareness and brand preference for soft drinks among the rural population of Goa state. The rural markets dominate Indian marketing scene and need special attention for the expansion of marketing activities and also for providing better life and welfare to the rural people. Given the development, which has taken place in the rural areas under the five- year plans and other special programmes, today the rural market offers a vast untapped potential. Development programs in the field of agriculture and allied activities, health education, communication, rural electrification, etc have improved the lifestyles of poor and the illiterate and some market. The hot and the humid climate of Goa is favorite hunting ground for soft drinks market in India. The soft drinks market in Goa constitutes an important market for both Coke and Pepsi because it contributes up to eight percent of their total sales on all India level. A study was undertaken to identify the popular brands awareness of soft drinks and the factors that contributes to the purchase of it in the rural areas of Goa. And it was found that an important factor that influences the preference of a branded soft drink is quality i.e. quality perception in the mind of the consumer. The level of awareness among consumers in selected villages about the brand of soft drinks is high which was indicated by the mode of purchase of the soft drinks by (Brand Name). Major source of brand awareness is the word of mouth.

Keywords : Brand, Awareness, Preference, Soft drinks, Rural, Consumers, Influences.

Introduction :

In India, the Coca-Cola and Pepsi soft drink brands suffered a setback in August of 2010 due to a product contamination scare. Both have cut profit margins to the bone in order to fend off competition from low-priced local fruit drinks. Indian consumers are accustomed to drinking a variety of locally-produced soft drinks that are sold in small stands throughout the country. Rural India is still a highly price-sensitive marketplace, so the major soft drink companies are forced to cut profit margins in order to compete there. India's purchasing power parity per capita of US$2,850 is representative of a nation in which the average consumer has insufficient income to engage in discretionary spending. Nevertheless, during the hot season, spur-of-the-moment beverage sales are commonplace. In order to position themselves for sales growth, the major soft drink companies priced a 200-milliliter bottle at the equivalent of 11 U.S. cents. Although that price is not sustainable beyond the short term, management hopes that it will be enough to wrest market share away from local products and substantially increase sales volume in 2010. Soft drinks recorded robust double digit off-trade value growth in 2010, which was higher than that witnessed in 2009. Bottled water and fruit/ vegetable juice continued to grow strongly as more consumers turned to these products in the search of healthier options. Carbonates also witnessed good sales growth as the long summer helped to fuel sales. Energy drinks has witnessed a slowdown in sales growth as it is a premium priced product type and therefore not considered a necessity. Importantly,

Sunil S. Patil
(M.Com., M.B.A., M.A.(Eco.), M.Phil.)
Assistant Professor,
Department of Commerce and Management
Ganpatrao Arwade College of Commerce
Sangali : 416 416

more consumers refrained from spending on non-essential items in the wake of the economic downturn.

Coca-Cola India Pvt. Ltd. continued to lead soft drinks in 2010, followed by PepsiCo India Holdings Pvt. Ltd. in off-trade value terms. The launch of Nimbooz by 7-Up (PepsiCo India) helped the company retain its leading position in the terms of off-trade value sales. Coca-Cola India and PepsiCo India continued to invest in soft drinks in India. However, domestic players such as Parle Agro, Parle Bisleri Ltd and Dabur India Ltd continued to provide tough competition to the leading multinationals. One competitive edge that domestic players hold is that unlike Coca-Cola India and PepsiCo India the bulk of their business does not come from carbonates, but instead from fruit/vegetable juice and bottled water, which are recording much more dynamic volume and value growth. Beverage companies cannot afford to ignore India's rural consumers if they wish to expand market share.

According to data release by the PRB, only 45 percent of India's population lived in urban areas in 2010. On average, rural consumers have a lower income level than their urban counterparts and demand lower-cost beverage options. In recent times, rural India has witnessed a wave of change. Dinesh Malhotra, general manager of Linterland (rural arm of Lintas), points out, "With media exposure and increasing literacy levels, people in rural India are now demanding a better lifestyle." The educated "rural yuppie" (males in the 15-34 age group) is moving out to work in nearby towns and cities, and sending money home to his family. This has created an indirect increase in disposable incomes and a surge in demand for consumer goods. The rural youth are slowly evolving as "opinion leaders" in influencing brand and product decisions in a market that was swayed by village elders for centuries. According to figures released by market researcher Nielsen, demand for personal care products grew faster in rural areas than urban areas during the period January-May 2011.

Review of Literature :

In building brand preferences, Alreck and Settle (1999) proposed six strategies: 1) Need association-the product/brand linked to need through repeated messages. 2) Mood associations-brands should be associated with good feelings through slogans, songs. 3) Subconscious motivation-use of symbol to excite consumers' subconscious motives. 4) Behaviour modification-consumers are conditioned to buy the brand by controlling cues and rewards. 5) Cognitive processing-penetrating perceptual and cognitive barriers to create favorable attitudes towards the brand/product. 6) Model emulation- portraying idealized lifestyles for consumers to imitate.

Advertisers must remember that advertising messages are interpreted differently between different genders (Maldonando, Tansuhaj & Muehling, 2003; Hogg & Garrow,2003; Putrevu, 2001).Previous study have proven that females were more likely to engage in elaboration than men (Maldonado & Muehling, 2003). Hogg and Garrow (2003) found that women paid more intention about the details of the characters of an advertisement when asked to analyze advertising messages. They said that this may be explained by the fact that females have a greater tendency than men to consider external information and information related to others. Women are 'comprehensive processors' who try to gather all available information about the product.

Attributes are the characteristic or features that an object may or may not have and includes both intrinsic and extrinsic (Mowen & Minor, 1998) .Benefits is the positive outcomes that come from the attributes. People seek products that have attributes that will solve their problems and fulfills their needs (Mowen & Minor, 1998). Understanding why a consumer choose a product based upon its attributes helps marketers to understand why some consumers have preferences for certain brands (Gwin & Gwin, 2003).

Myers (2003) concluded that brand equity may be more influenced by attribute knowledge more than consumer preference. For low-involvement products, consumers have more objective view of the nature of the attributes (eg. food, cosmetics) because they are constantly being advertised and promoted. Similarly Rio, Vasquez and Iglesias (2001) suggested that consumer evaluation of a product can be broken down into evaluation related to product (tangible or physical attributes) and brand name (intangible attributes, or images added to the product due to its brand names). In his study on the relationship between human values and consumer purchases, Allen (2001) found there was a significant association between human values (eg. hedonistic, achievement, self-direction, conformity, security etc.), product preference and tangible attribute importance with how consumers perceive the product (i.e. tangible attributes) and how they evaluate the product (i.e. symbolic meaning, tangible/intangible attribute importance).

Human values influence the importance of the product's tangible attribute importance's that are already important to consumers. However perception of product performance on the salient attributes are more important than actual performance (Mason & Bequette, 1998). Mowen and Minor (1998) suggested that marketing managers should know the attributes that consumers expect in a product and how positively or negatively they rate these attributes to help develop and promote a successful product. Retailers need to be knowledgeable of the product attributes perceived as the most important by each individual consumer group in order to build and maintain market share. Price is another form of attribute used by consumers to evaluate a product. Price can sometimes be an indicator of quality; with a higher price indicating higher quality (Mowen & Minor, 1998; Siu & Wong, 2002). Consumers perceive that a higher price can be attributed to the higher cost of quality control (Siu & Wong, 2002).

Need of the study :

The scorching and the humid climate of Goa is favorite hunting ground for soft drinks market in India. The soft drinks market in Goa constitutes an important market for both Coke and Pepsi because it contributes up to eight percent of their total sales on all India level. A study was undertaken to identify the popular brands awareness of soft drinks and the factors that contributes to the purchase of it in the rural areas of Goa.

Objectives of the study :

1. To study the socio economic condition of rural consumers of Goa.
2. To identify the awareness of soft drink brands in selected villages of Goa.
3. To develop and standardize a measures for evaluating consumer preferences for selection of branded soft drinks
4. To identify the underlying factors for selection of branded soft drinks.

Hypothesis of the study :

Alternative Hypothesis:

H_1 There is significant relationship between age of the respondents and the factor influencing the brand preference.

H_2 There is significant relationship between the type of occupation of the respondents and the reason for using the brand.

H_3 There is significant relationship between income of the respondents and the factor influencing the brand preference.

Null Hypothesis:

H_0 There is no significant relationship between age of the respondents and the factor influencing the brand preference.

H_0 There is no significant relationship between the type of occupation of the respondents and the reason for using the brand.

H_0 There is no significant relationship between income of the respondents and the factor influencing the brand preference.

Research Methodology:

Study is conducted in rural area of Goa state. The research is Descriptive in nature.

Primary Data is collected from rural people from different villages of Goa state.

From five villages i.e. Arambol, Agawada, Anjuna, Colva and Agonda. 120 respondents are interviewed conveniently who consumes soft drink.

Goa state is with 347 villages in comparison to 44 towns, the smallest state of the Indian Territory. Goa is basically a state of villages. The villages of Goa are not like the other villages of India, in the sense that, Goa is counted among those states to have highest rates of literacy in India.

The study is restricted to selected five villages of Goa. The study is to examine the consumers brand awareness and preference for soft drinks in selected villages. Study is undertaken to determine the inferences and provide the suggestions for soft drinks producing companies.

Data is analyzed using mean score and rank. Hypothesis is tested using chi square test.

In order to measure the relationship between two attributes, researcher has applied Chi-Square test of independence. In a Chi-Square test of Independence, were the null hypothesis that the two attributes of the elements of the given population are independent (they are not related) again the alternative hypothesis, that two attributes are dependent (related).

Garret's ranking techniques was used to rank the factors influencing the soft drinks preferred by rural consumers. According to this technique the order assigned to different factors by the respondents were converted into ranks by using the formula. The attributes with the highest mean value was considered as the most important one and the others followed in order.

Results and Discussions :

Table 1: Age Factor Influencing the Brand Preference

Sr.	Age (Years)	Greater Extent	Some Extent	Not at All	Total Respondents
1	15-24	18	14	4	36
2	25-44	29	11	5	45
3	>45	28	5	6	39
	Total	**75**	**30**	**15**	**120**

Source: Primary Data

The table 1 indicates the age factor influencing the brand preference. Out of the total 120 respondents, 36 respondents are belonging from age group of (15-24), 45 respondents are belonging from age group of (25-44) and 39 respondents are belonging from age group of (>45). From the total respondents 75 respondents says that age factor influence the brand preference to greater extent, 30 respondents say says that age factor influence the brand preference to some extent and 15 respondents says that age factor not at all influence the brand preference.

H_1 There is significant relationship between age of the respondents and the factor influencing the brand preference.

H_0 There is no significant relationship between age of the respondents and the factor influencing the brand preference.

By using the Chi-Square test, Calculated value of Chi-Square(X^2) = 6.94 and Degree of freedom = 4 where as Tabulated value(X^2) = 9.49 (at 5% level of significance).

It is found that (X^2 calculated < X^2 tabulated) it falls in acceptance region. Hence we accept the null Hypothesis.

It is concluded that there is no significant relationship between age of the respondents and the brand preference both attributes are independent.

Table 2: Occupation Factor Influencing the Brand Preference

Sr.	Occupation	Greater Extent	Some Extent	Not at All	Total Respondents
1	Agriculture	27	11	04	42
2	Own business	04	09	26	39
3	Service	03	07	29	39
	Total	**34**	**27**	**59**	**120**

Source: Primary Data

The table 2 indicates the occupation factor influencing the brand preference. Out of the total 120 respondents, 42 respondents are belonging from agriculture sector, 39 respondents are having their own business and 39 respondents are belonging from service sector. From the total respondents 34 respondents says that occupation factor influence the brand preference to greater extent, 27 respondents say says that occupation factor influence the brand preference to some extent and 59 respondents says that occupation factor not at all influence the brand preference.

H_2 There is significant relationship between the type of occupation of the respondents and the reason for using the brand.

H_0 There is no significant relationship between the type of occupation of the respondents and the reason for using the brand.

By using the Chi-Square test, Calculated value of Chi-Square(X^2) = 51.05 and Degree of freedom = 4 where as Tabulated value(X^2) = 9.49 (at 5% level of significance).

It is found that (X^2 calculated > X^2 tabulated) it falls in rejection region. Hence we reject the null Hypothesis.

It is concluded that there is significant relationship between occupation of the respondents and the brand preference both attributes are dependent.

Table 3: Income Factor Influencing the Brand Preference

Sr.	Income	Greater Extent	Some Extent	Not at All	Total Respondents
1	< 3000	25	12	04	41
2	3000 - 6000	16	14	12	42
3	>6000	07	09	21	37
	Total	**48**	**35**	**37**	**120**

Source: Primary Data

The table 3 indicates the income factor influencing the brand preference. Out of the total 120 respondents, 41 respondents are belonging from income group of (<3000), 42 respondents are belonging from income group of (3000-6000) and 37 respondents are belonging from income group of (>6000). From the total respondents 48 respondents says that income factor influence the brand preference to greater extent, 35 respondents say says that income factor influence the brand preference to some extent and 37 respondents says that income factor not at all influence the brand preference.

H_3 There is significant relationship between income of the respondents and the factor influencing the brand preference.

H_0 There is no significant relationship between income of the respondents and the factor influencing the brand preference.

By using the Chi-Square test, Calculated value of Chi-Square(X^2) = 23.24 and Degree of freedom = 4 where as Tabulated value(X^2) = 9.49 (at 5% level of significance).

It is found that (X^2 calculated > X^2 tabulated) it falls in rejection region. Hence we reject the null Hypothesis.

It is concluded that there is significant relationship between income of the respondents and the brand preference both attributes are dependent.

Table 4: Sources of Consumer Awareness for Soft Drinks

Sr.	Source	No. of Respondents	Percent of Respondents
1	Advertisement	27	22.5%
2	Sales Promotion	06	5%
3	Friends/Relatives	54	45%
4	Retailers	21	17.5%
5	Counter purchase	12	10%
	Total	**120**	**100%**

Source: Primary Data

The table 4 indicates the different sources from which consumers are aware about the soft drinks. Out of 120 respondents (45%) of the respondents are aware by friends and relatives, (22.5%) of the respondents are aware by advertisement, (17.5%) respondents are aware by retailers, (10%) of the respondents are aware by counter purchase and (5%) of the respondents are aware by sales promotion. It is found that majority of the respondents are aware by friends and relatives followed by advertisement.

Table 5: Brand Preference for Soft Drinks

Sr.	Brand	Gender of Respondents		Number of Respondents
		Male	**Female**	
1	Coke	34	14	48
2	Pepsi	21	02	23
3	Miranda	11	01	12
4	Fanta	09	01	10
5	Slice	07	10	17
6	Sprite	05	02	07
7	Other	03	00	03
	Total	**90**	**30**	**120**

Source: Field data

The table 5 indicates the different brands preferred by consumers for soft drinks. Out of 120 respondents (48) respondents are preferred Coke, (23) respondents are preferred Pepsi, (12) respondents are preferred Miranda, (10) respondents are preferred Fanta, (17) respondents are preferred Slice, (07) respondents are preferred Sprite and (03) respondents are preferred other. It is found that Coke is the popular brand of soft drink preferred by the rural people which accounted for (48%) followed by Pepsi (23%), followed by Fanta (17%) respectively. As far as gender is considered, among different brands male respondents preferred Coke and Pepsi where as female respondents preferred Slice.

Table 6: Factors Influencing Brand Preference

Sr.	Factor	Mean Score	Rank
1	Advertisement	42.55	III
2	Friends & Relatives	38.35	IV
3	Quality & Availability	75.25	I
4	Quantity & Price	64.65	II
5	Retail & Shopkeeper	34.25	V

Source: Field Data

The table 6 indicates factors influencing brand preference. The study was analyzed with the help of Garret's Ranking Technique, Thus for each factor, the scores for the various respondents were added and the mean score was estimated. The attributes with the highest mean value was considered as the most important one and the others followed in order. It is found that product quality and availability was ranked as first followed by quantity and price. Good quality, quantity, availability and price are the main factor which influenced the rural consumers of a particular brand preference.

Conclusion :

The present study focuses on consumer preference and awareness for soft drinks in selected villages of Goa state. An important factor that influences the preference of a branded soft drink is quality i.e. quality perception in the mind of the consumer. The level of awareness among consumers in selected villages about the brand of soft drinks is high which was indicated by the mode of purchase of the soft drinks by (Brand Name). Major source of brand awareness is the word of mouth followed by advertisement. The family members, friends and relatives form a major influencing in the purchase of specific brand of soft drinks in the selected village of Goa. As far as sample population is concerned male prefers Coke and Pepsi and female prefer Slice.

Suggestions :

Availability and retail price are significant factors to be considered for promotion of product in villages of Goa. Consumer perceptions on quality of the product like medicinal value, taste and flavor have to be considered to position the brand for heterogeneous nature of rural population. As per the village income companies should provide subsidies rates of soft drinks so that village population will able to buy the branded soft drinks.

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Are you an entrepreneur or an investment banker ?

Girish P. Jakhotiya

Boman Kapadiya, the chairman of Damajee Dhanjee (DD) Group is confused today, for the first time in his 'business life'. His elder son, Man presented a financial analysis of the group's performance, which exhibited some shocking conclusions. Not that these conclusions were very extra-ordinary. But an attempt to reach them was not done so far, either innocently or intentionally. The group was entirely owned by the Kapadiya family for last twenty-eight years. It was a single construction company in the beginning. At a later stage, family's private investment in the Lata Group (a well-known parsi group in India for last hundred years) was brought into the group. Ten years back the group created one more company, which has been doing trade of construction material. (60 % of its turnover comes from the Kapadiya group, in form of captive procurement by the group's construction company.)

Very recently, the construction company was divided into two companies. ABC Ltd. was for simple commercial and residential construction, whereas XYZ Ltd. was for high-tech infrastructural construction.

The present overall structure of the group is as follows —

Mr. Boman Kapadiya
(Chairman of DD Group)
↓

↓	↓	↓	↓
Mr. Man	Mr. Dhan	Mr. Patel	Mr. Mody
M.D.	M.D.	M.D.	M.D.
ABC Ltd.	XYZ Ltd.	DD Trade Ltd.	DD Investment Ltd.

Mr. Dhan is younger son of Mr. Boman. Mr. Patel and Mr. Mody are the most trusted employees of the DD Group, serving the Kapadiya family for last thirty years. Mr. Patel is a graduate of arts and Mr. Mody is a commerce graduate. Mr. Man did his MBA in marketing from the Saturn Institute, USA. Mr. Dhan is a civil engineer.

Mr. Man's simple financial analysis is as under -

Partculars	**DD Group Companies**			
	ABC Ltd.	**XYZ Ltd.**	**DD Trade Ltd.**	**DD Investment Ltd**
Average Rate of Growth in Net	13%	10%	20%	5%
Percentage Contribution to the group'searnings of last year	58%	30%	2%	10%
Operating ROI	25%	20%	30%	8%
Share in the total Net Worth of the group	35%	30%	5%	30%

Girish P. Jakhotiya
(M.Com., F.I.C.W.A., Ph.D.)
Chief Consultant
Jakhotiya & Associates,
Mumbai

Note: The Net Worth Valuation has been done, taking assets at 'today's reasonable market value'. The investments made by the DD Investment Ltd. have been valued at the average market prices of last year, gathered from the Bombay Stock Exchange (BSE) and its Operating ROI includes ‘price appreciation and depreciation’ of the shares in Lata Group.

Last year’s total turnover was as follows -

	Rs *(Crore)*
ABC Ltd.	300
XYZ Ltd.	120
DD Trade Ltd.	80

DD Investment Ltd. didn’t make any fresh investments during last year. The overall break-up of its present portfolio is as follows -

Name of the company from Lata Group	Reasonable Market Value of Investment (Rs. in Crore)	Percentage holding in the Lata
Lata Motors	200	8%
Lata Chemicals	60	2%
Lata Steel	240	9%
Lata Pharma	180	11%

None of the DD Group companies is listed on the stock markets. Therefore, market perceptions or ‘people’s evaluation’ of the DD Group is not available. The listing is not there simply because 90 % of the shares are held by the Kapadiya Group and remaining 10 % shares are with the Kapadiya trust. (The Kapadiya Trust is well known for its philanthropic work in the areas of education and health care. It was started by Mr. Boman’s father and now it is managed by Mrs. Kapadiya.) Mr. Kapadiya is seriously thinking of transferring another 15 % of the group companies’ shares to this Trust. Perhaps he wants to replicate the Lata Trust Model, which well known for its ‘trusteeship’ as defined by Mahatma Gandhi. (Many other big business groups have created a ‘holding company’, which holds considerable number of shares in the group companies. Mr. Kapadiya prefers a Trust to a holding company, which could be a better structure based on ethical and transparent business policies and practices.)

When Mr. Boman Kapadiya was thinking about the Kapadiya Trust and a major change in the ‘ownership pattern’, his elder son ‘Man’ raised some very fundamental issues about group’s entrepreneurship and earnings. Mr. Man was specially serious about the strategic role and earnings of the DD Investment Ltd. Although it holds 30 % of the DD Group’s resources (in terms of net worth), it has contributed only 10 % to the earnings of the group and its Operating ROT was just 8 % last year. Its rate of growth in net worth was only 5 %, the lowest among the group companies. It has not supported other group companies, in getting any substantial business from the Lata Group. One important reason for this was, Mr. Kapadiya’s business philosophy. But when he went through the analysis done by his elder son, he was convinced that there was something fundamentally wrong with his business aspirations and group’s business model. The gap of understanding between he and his sons was seriously noted by him today.

Mr. Dhan, the younger son is very happy with the performance of his company, XYZ Ltd. This company entered the field of infrastructural construction very late, compared to the competitors. But it made substantial business in the critical areas of airport and seaport. It did good business, constructing flyovers in Mumbai, Delhi, Ahmedabad and Chennai. Mr. Dhan knows that next ten years shall witness a boom in infrastructure business. In the recent budget, the government made a huge provision of Rs.40,000 crores to be spent in two years. In addition, there are around 90 big projects of infrastructure to be funded by the world bank, amounting to a value of Rs. 18,000 crore.

Theae projects too are to be completed in two years. To exploit these big business opportunities, Dhan requires a fund of Rs. 1200 crore; to be raised in next three years. Commercial and residential construction has been the core competence of all DD Group. Making further in-roads into high-tech infrastructural projects shall require a 'technical partner', especially a foreign company, which has carried out such assignments in developing and underdeveloped countries. Dhan proposed to his father and brother, following alternative plans —

1. Sell some of the share of Lata Companies (up to 50 % of present portfolio) and raise funds of Rs.300 crore approximately. Such sale is advisable, as the investment company's financial performance has not been good for last seven years.
2. The Kapadiya family owns 2000 acres of land at Pune, 500 acres at Surat and 200 acres at Bangalore. A part of this huge land should easily fetch Rs.900 crores.
3. The personal stocks held by Mr. Boman, his wife and sons; need not be touched at all. These personal holdings are in twenty blue-chip companies, including some of the best companies from the Lata Group.
4. The technology provider foreign company should be convinced about the profitability of the infrastructural projects. It need not be offered any shares of the DD Group companies. At the most, an up-front payment should be made, equal to 25 % of the total royalty to be paid for the use of technology.
5. Dhan's only apprehension is, his discomfort in handling government bureaucrats, politicians and their agents. The DD group has been known for its ethical practices. Entertaining the elements in government, therefore is very difficult for the group.

Both, the father and brother of Dhan agreed in general to the proposal made by him.

Father being a very conservative unvestor and entrepreneur, objected Dhan's proposal of

selling some of the shares of Lata companies. His objection was based on four points -

1. Lata and Kapadiya families have relations of last sixty years. Selling Lata's shares may not be taken well by the Lata family
2. Such sale, if it is done in the open market; may threaten the ownership and control presently enjoyed by the Lata family
3. Lata Motors, Lata Steel and Lata Pharma have done extensively well in last two years. Next decade shall be of pharmacitical boom and infrastructural activities. New roads shall boost demand for Lata's vehicles. Steel prices shall see a considerable increase. Hence, Mr. Kapadiya's portfolio advisor predicts at least 60 % growth in the stock prices of these three companies in next one and half years.
4. Fund could be raised either by selling a big portion of idle land or against the securitization of such land

Mr. Man echoed the views of his father, but added a new dimension to the discussion. His logical argument was to activate the investment company further and purchase Non-Lata shares. This would balance the present portfolio and also add to its earnings substantially. Mr. Boman, by nature, is a very conservative investor. He reminded his sons that the investment made in Lata shares, was with a view to support the Lata family. Kapadiyas and Latas enjoy a very mature relationship through four generations. Therefore, he suggested that the investment company should rather increase its holding in the Lata companies, to exploit future growth in the performance of these companies.

The two brothers are also seriously thinking of amalgamating the two construction companies. In an amalgamated company, Man shall look after marketing and finance whereas Dhan will take care of procurement and operations. To avoid the problem of leadership of this new organization, they should head the organization turn by turn, for a term of three years. (A recent problem in the giant Variance Group, built up by late Mr. Veerubhai reached a serious stage of oen confrontation between Veerubhai's two sons - Sukesh and Banil. Both wanted separation, with a hold on the flagship company, Variance Industries Ltd.)

Amalgamation of the two construction companies should add to their synergy and strength further. It need not be 2 + 2 = 4, but it could be 2 + 2 = 5. The Balance Sheet of the new company shall be much stronger, to have different types of leverages, to face the global competition. Traditional civil construction and infrastructural construction shall be two divisions, to gain from each other's resources including human resources.

Dhan pointed out that the DD Group has not taking any legitimate advantage of its investment in the Lata Group. The Kapadiyas, for last several years, have acted like 'passive' investors. Dhan does not intend to interfere in the management of Lata Group companies. His suggestion is to get an appointment on the boards of Lata's flagship companies. Such appointment would certainly add to the reputation of the Kapadiyas, which is very vital in a dynamic global scenario. Recently, the Kapadiyas didn't do well in the middle-east countries, as they didn't have enough clout to convince the governments of these countries. For no fault of the Kapadiyas, their construction companies were penalized. Hence, most of their projects in these countries incurred losses.

Father and the two sons agreed quickly on one common programme - the programme of 'brand-building'. Although the Kapadiya family and its group are quite well respected, the professional brand-image was inadequate. Dhan is of an opinion that the trading company should be dissolved, as its size and growth potentials are limited. Its retail business of construction material does not go well with the image of DD Group. Although its 'percentage profitability' is high, its absolute size is quite small. While extending the value chain upward, the DD Group need not get into small retail businesses. The group and the Kapadiya family also had eleven small subsidiaries, looking after small investment transactions of both, the group and the Kapadiya family. The debate on 'investment versus entrepreneurship' was to be stopped somewhere. The Kapadiya family now required an intelligent moderator cum advisor from outside, who shall understand their perceptions and aspirations and push the family in the right direction. The task was diffcult, but equally interesting and rewarding too !

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