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Study of the Marketing Strategies for Microfinance in Various Financial Institutes in Maharashtra State

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ABSTRACT

In India, microfinance institutions have government-facilitated access to finance from banks. Domestic banks are required to set aside 40% of investible funds for the priority sector, which includes microcredit organizations. The target for foreign banks operating in India is at 32%.

Marketing strategies and practices commonly used for decades by most industries are already being applied by some microfinance institutions. However, success comes when the practices are carefully applied to the specific needs of microfinance customer and the fragmented market where MFIs operate and face strong local competitors. Both in-depth knowledge of microfinance customers and marketing practices are needed to execute business strategies that work. To that end, the first task is to create an awareness and understanding about the value and strategic role of the marketing function in promoting the institution's goals. Then the challenge for microfinance institutions is to develop their technical capacities to successfully apply these powerful techniques.

The paper studies the affect of staff members on marketing, their role, number of staff and motivation which influence the implementation of marketing and sales. Social impact of microfinance institutes on the people which contributes towards their success. The paper is based on the study of various marketing strategies adopted by microfinance institutes in various categories such as Public Bank, Private Bank, Cooperative Banks, Rural Regional Bank and NBFC specifically in Maharashtra state. The objective of the study is to understand that microfinance which is related to poverty alleviation can be marketed by which mean. For this research paper, sampling technique adopted is stratified random sampling and data has been analyzed in excel. Various statistical tests have been applied to get proper analysis and interpretation of data. Hypothesis testing between two variables has been done by using statistical tools.

This paper undertakes an investigation of MFIs involvement in marketing, the level of sophistication of their marketing programmes, how they vary by different kinds of institutions and in different market conditions.

Keywords: *Microfinance, Marketing Strategies, Poverty Alleviation, Marketing Practices Staff Members.*

INTRODUCTION

Microfinance is the provision of loans and other financial services to the poor. The microfinance has evolved due to the efforts of committed individuals and financial agencies to promote self-employment and contribute to poverty alleviation and provision of social security. India has been able to develop its own model of microfinance organizations in the form of savings and credit groups known as the Self-help Groups (SHGs), which are bank-linked. These SHGs are mainly formed and managed by women and this has become an instrument, which has led to women's empowerment and social change. Most of the microfinance institutions in India attempt to go beyond savings and credit groups to provide microfinance services in the form of savings and insurance.

Microfinance provides financial services to those whose income is small and unstable. These people are in need of credit facilities for several reasons: (i) their needs are small and arise suddenly, (ii) the institutional providers of finance namely the banks demand collateral security which they cannot provide, (iii) most of the time, they are in needs of funds to meet their consumption demands, for example, to meet expenses related to education, illness, funerals, weddings for which it is difficult to obtain institution finance and (iv) for purpose of investment in income-generating activities.

Concept of Self-help Groups (SHGs) is the most exciting discovery in the context of microfinance. The Indian microfinance scene is dominated by SHGs and their linkage with banks owing to the importance of microfinance and self-help groups in the eradication of poverty and in the empowerment of women.

According to International Labor Organization (ILO), "Microfinance is an economic development approach that involves providing financial services through institutions to low-income clients".

In India, Microfinance has been defined by "The National Microfinance Taskforce, 1999" as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards".

"The poor stay poor, not because they are lazy but because they have no access to capital."

THE CONCEPT OF MICROFINANCE

Microfinance is a concept that is helping the poor to avail of and create opportunities for economic growth. In India, microfinance has filled the efforts of rural development, women empowerment and wealth generation by providing small-scale savings, credit, insurance and other financial services to poor and low income households. Microfinance, thus, serves as a means to empower the poor and provides a valuable tool to help the economic development process.

Microcredit has defined as the extension of small loans to be given in multiple doses based on the absorption capacity of the needy beneficiaries, who are too poor to qualify for formal bank loans, as they have no assets to offer as collateral security against loans.

THE CLIENTS OF MICROFINANCE

The typical microfinance clients are low-income persons that do not have access to formal financial institutions. Microfinance clients are typically self-employed, often household-based entrepreneurs.

PRODUCTS OFFERED

1. **Loans:** It allows a lump sum to be enjoyed now in exchange for a series of savings to be made in the future in the form of repayment installments.
2. **Savings:** It allows a lump sum to be enjoyed in future in exchange for a series of savings made now.
3. **Insurance:** It allows a lump sum to be received at some unspecified future time if needed in exchange for a series of savings made both now and in the future. Insurance also involves income pooling in order to spread risk between individuals on the assumption that not all those who contribute will necessarily receive the equivalent of their contribution.
4. **Pension:** It allows a lump sum to be enjoyed as a specified and generally distant date in future in exchange for a series of savings made now.

REVIEW OF LITERATURE

Literature on marketing bank services is abundant. But these works are general in nature indicating mostly the governmental policies and their commitment towards the operation of banks only. However, few of the studies are reviewed here, as they would facilitate a clear backing for carrying out the present study.

An exhaustive study was conducted by Rajeev K. Seth in ‘Marketing of Banking Services’. A major aspect of his study is the concept of psychological ownership and its relevance in bank marketing and an approach for developing customer satisfaction, product packages and need for local touch'.

Saxena K.K. in his study ‘Bank Marketing’ emphasized marketing wise and product development in banking. In his study, he stressed the importance of market segmentation which correlated to product development.

Murugesan I., in his paper, ‘Role of Marketing in Banking Services’ has examined about the banking services of post-liberalization period. He emphasized how effectively banks could provide diversified service without complaining on profitability.

Mousmi Ghosh in a case study highlighted the helplessness of a customer for availing service from a nationalized bank.

Bishwambhar Shah conducted a study on ‘Product Strategy for Banking Sector – Post-liberalization Period’. In the study, he analyses the various aspects of products strategy in relation to banking sector in India encompassing the performance of banking sector after liberalization, need for product strategy and constituents of product strategy.

Nagu Reddy K. and Ratnakumari S. conducted a study on the attitudes of borrowers towards credit lending system of Regional Rural Banks. The study was based on Rayalaseema Grameena Bank, Andhra Pradesh and it was found that socio-economic status had significant association with all categories of borrowers without exception.

Asthana A.K. conducted a case study on ‘Marketing of Banking Services by the Mehsana Urban Cooperative Bank Ltd., Mehsana (Gujarat)’. The study was to identify the proper combination of marketing mix in banking services.

Though there are a few studies in Kerala with regard to marketing of banking services, no attempt has so far been made to analyze the marketing of banking services by the banks in Kerala.

OBJECTIVES OF THE STUDY

1. To study the various marketing strategies adopted by microfinance institutes.
2. To study the various factors contributing the success of microfinance institutes.

HYPOTHESIS OF THE STUDY

HO1: There is no significant linear relationship between the number of staff employed and staff turnover.

HO2: There is no significant linear relationship between staff turnover and incentive system to staff.

HO3: There is no significant linear relationship between microfinance programme helping in self-employment generation and women empowerment.

HO4: There is no significant linear relationship between providing business development support by microfinance institute and poverty alleviation or employment generation.

RESEARCH METHODOLOGY

Types of Sampling

Stratified random sampling is used for study. As the sample drawn does not contain a homogeneous group, so stratified random sampling is applied to obtain a representative sample. Here, the population has been divided into several sub-sections such as Public Bank, Rural Regional Bank, Private Bank, Cooperative Bank and NBFC, i.e., pure microfinance institute.

Sample Size

In the present study, 25 microfinance institutes consist under, NBFC, RRB, Public Bank, Private Bank and Cooperative Bank from Maharashtra state has been selected for study. From each category of microfinance institute were selected except private bank where we get only one sample by using stratified sampling technique.

Tools for Data Collection

Both primary as well as secondary data has been used in the present study. Questionnaire is adopted to collect primary data and secondary data were collected from books, journals and other published reports.

Statistical tools used for analysis and testing the hypothesis:

1. Percentage Analysis.
2. Karl Pearson Coefficient of Correlation.

RESULTS AND DISCUSSION

Below the information has been plotted and analyzed with the help of table and hypothesis testing of different variable has been done.

A. Staff

Table 1: Number of Staff Employed

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
1	No. of Staff Employed	Less than 10	5	0	3	6	1	15 (60%)
		10 to 20	1	0	0	0	0	1 (4%)
		20 to 30	0	0	0	0	0	0
		More than 30	0	6	3	0	0	9 (36%)
		Total	6	6	6	6	1	25 (100%)

Information contained in the Table 1 manifest that 60% of the MFIs have a staff employed less than 10 in a branch which we can say very less. After that 36% of the MFIs have more than 30 staff employed which is a good sign of mobility. Lastly, only 4% of MFIs have a staff employed 10 to 20 which are moderate in number for mobility.

Table 2: Staff Turnover

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
2	Staff Turnover	High (50% and more)	3	0	6	6	0	15 (60%)
		Moderate (40% to 20%)	3	6	0	0	0	9 (36%)
		Low (10% and less)	0	0	0	0	1	1 (4%)
		Total	6	6	6	6	1	25 (100%)

Table 2 illustrates the staff turnover of MFIs. Here, we can see that 60% of MFIs is having a high succession rate, i.e., 50% and more and 36% is having a moderate succession rate of 40% to 20% while only 4% of MFIs is having lower conversion ratio of 10% and less.

B. The Motivation

Table 3: Incentive System to Staff

		Options	MFIs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
3	Incentive System to Staff	Fully Agree	6	0	2	0	1	9 (36%)
		Agree	0	0	0	0	0	0
		Neither Agree nor Disagree	0	6	1	0	0	7 (28%)
		Disagree	0	0	3	6	0	9 (36%)
		Fully Disagree	0	0	0	0	0	0
		Total	6	6	6	6	1	25 (100%)

Table 3 illustrate that 36% of MFIs fully agree that incentive system to staff boost their confidence and ultimately brings success to MFIs but same 36% of MFIs disagree with this. Both the options got equal percentage while remaining 28% are neither agree nor disagree with this. It does not give clear scenario regarding the significance of incentive system to staff in implementation of marketing plan.

C. Regarding Innovation, Design and Implementation

Table 4: Peer Group Monitoring System

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
4	Peer Group Monitoring System	Fully Agree	4	0	3	6	1	14 (56%)
		Agree	2	6	0	0	0	8 (32%)
		Neither Agree nor Disagree	0	0	0	0	0	0
		Disagree	0	0	0	0	0	0
		Fully Disagree	0	0	3	0	0	3 (12%)
		Total	6	6	6	6	1	25 (100%)

Table 4 illustrates that 56% of the MFIs fully agree that peer group monitoring system contributes towards the success factor of MFIs. 32% of the MFIs agree with the same point. Remaining 12% disagree with the contribution of peer group monitoring in success factor.

D. Adaptation and Learning Practice

Table 5: Unique Product

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
5	Unique Product	Fully Agree	2	0	0	6	1	9 (36%)
		Agree	3	6	2	0	0	11 (44%)
		Neither Agree nor Disagree	0	0	3	0	0	3 (12%)
		Disagree	1	0	1	0	0	2 (8%)
		Fully Disagree	0	0	0	0	0	0
		Total	6	6	6	6	1	25 (100%)

Table 5 illustrate that 44% of MFIs agree and 36% fully agree that unique product add to the success of MFIs. 8% disagree with this. 12% of MFIs are neither agree nor disagree with this contribution.

E. The Contribution

Table 6: Women Empowerment

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
6	Women Empowerment	Fully Agree	4	6	2	6	1	19 (76%)
		Agree	2	0	4	0	0	6 (24%)
		Neither Agree nor Disagree	0	0	0	0	0	0
		Disagree	0	0	0	0	0	0
		Fully Disagree	0	0	0	0	0	0
		Total	6	6	6	6	1	25 (100%)

Table 6 shows that 100% of MFIs fully agree and agree with the factor that microfinance services provided by any MFIs gives women's a control over resources and their lives which is giving fame to this programme.

F. Impact Factors

Table 7: Business Development Support to Clients

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
7	Providing Business Development Support	Fully Agree	3	6	1	6	0	16 (64%)
		Agree	0	0	2	0	0	2 (8%)
		Neither Agree nor Disagree	3	0	0	0	0	3 (12%)
		Disagree	0	0	2	0	1	3 (12%)
		Fully Disagree	0	0	1	0	0	1 (4%)
		Total	6	6	6	6	1	25 (100%)

Table 7 illustrate that 64% of MFIs fully agree that this kind of facility with financial service gives them recognition among clients and add to their success, 8% of MFIs also agree on this. While 12% and 4% of MFIs are disagree and fully disagree with the contribution of this factor in success of their MFIs. Remaining 12% are not confirmed about the contribution of this factor thus they are neither agreed nor disagree.

Table 8: MF Programme Helping in Poverty Alleviation

		Options	NBFCs	Public Banks	Cooperative Banks	Rural Banks	Private Banks	Total
8	MF Programme by Any Mean Helping in Poverty Alleviation or Employment Generation	Fully Agree	3	6	3	6	0	18 (72%)
		Agree	3	0	0	0	1	4 (16%)
		Neither Agree nor Disagree	0	0	0	0	0	0
		Disagree	0	0	0	0	0	0
		Fully Disagree	0	0	3	0	0	3 (12%)
		Total	6	6	6	6	1	25 (100%)

Table 8 illustrate that 72% of MFIs are fully agree and 16% are agree that their microfinance programme helping a people to in poverty alleviation or employment generation which adding towards the success of their MFI and industry also. While 12% of MFIs are fully disagree that their microfinance service helping the people in this difficulty and thus not comprising the success of MFI.

Descriptive Statistics

Table 9: Descriptive Statistics of All 8 Variables

	1	2	3	4	5	6	7	8
Mean	11.5	3	4	2.75	4	1.5	2.25	1.75
Standard Error	1.5	1.2247	2.3452	1.8874	2.4152	1.5	0.4787	1.0307
Median	11.5	3	3.5	1.5	2.5	0	2.5	1.5
Mode	#N/A	3	0	0	#N/A	0	3	0
Standard Deviation	2.1213	2.4494	4.6904	3.7749	4.8304	3	0.9574	2.0615
Sample Variance	4.5	6	22	14.25	23.3333	9	0.9166	4.25
Kurtosis	#DIV/0!	1.5	5.1115	0.8482	2.8714	4	1.2892	-4.8581
Skewness	#DIV/0!	0	0.1550	1.2780	1.5970	2	0.8545	0.1997
Range	3	6	9	8	11	6	2	4
Minimum	10	0	0	0	0	0	1	0
Maximum	13	6	9	8	11	6	3	4
Sum	23	12	16	11	16	6	9	7
Count	2	4	4	4	4	4	4	4
Confidence Level (95.0%)	19.0593	3.8976	7.4634	6.0067	7.6863	4.7736	1.5234	3.2803

TESTING OF HYPOTHESIS

Hypothesis 1

HO1: There is no significant linear relationship between no. of staff employed and staff turnover.

Table 10

Table 1	Table 2	Karl Pearson's Coefficient of Correlation
2	7	0.399905658
10	3	
13	6	
0	0	
0	3	

It is clear from the Table 10 that the calculated values of the Karl Pearson's coefficient of correlation for number of staff employed and staff turnover were found to be 0.399 which comes under 0.30 – 0.75, i.e., moderate degree of linear relationship. So, there is not enough evidence to accept null hypothesis and hence we accept the alternate hypothesis that there is moderate level of linear relationship between number of staff employed and staff turnover. There is enough statistical evidence to conclude that there is a linear relationship between staff employed and staff turnover.

Hypothesis 2

HO2: There is no significant linear relationship between staff turnover and incentive system to staff.

Table 11

Table 3	Table 2	Karl Pearson's Coefficient of Correlation
9	7	0.19430117
0	3	
7	6	
9	0	
0	3	

It is clear from the Table 11 that the calculated values of the Karl Pearson's coefficient of correlation for incentive system to staff and staff turnover were found to be 0.194 which comes 0.0 – 0.30, i.e., low degree of linear relationship. So, there is not enough evidence to accept null hypothesis and hence we accept the alternate hypothesis that there is low degree of linear relationship between incentive system to staff and staff turnover. There is enough statistical evidence to conclude that there is a relationship between incentive system to staff and staff turnover.

Hypothesis 3

HO3: There is no significant linear relationship between MF programme helping in self-employment generation and women empowerment.

Table 12

Table 8	Table 6	Karl Pearson's Coefficient of Correlation
18	19	0.976356859
4	6	
0	0	
0	0	
3	0	

It is clear from the Table 12 that the calculated values of the Karl Pearson's coefficient of correlation for MF programme by any mean helping in poverty alleviation or employed generation and women empowerment were found to be 0.976 which comes under 0.75 – 1, i.e., high degree of linear relationship. So, there is not enough evidence to accept null hypothesis and hence we accept the alternate hypothesis that there high degree of linear relationship between MF programme by any mean helping in poverty alleviation or employed generation and women empowerment. There is enough statistical evidence to conclude that there is a relationship between MF programme by any mean helping in poverty alleviation or employed generation and women empowerment.

Hypothesis 4

HO4: There is no significant linear relationship between providing business development support by microfinance institute and poverty alleviation or employment generation.

Table 13

Table 7	Table 8	Karl Pearson's Coefficient of Correlation
16	18	0.936838821
2	4	
3	0	
3	0	
1	3	

It is clear from the Table 13 that the calculated values of the Karl Pearson's coefficient of correlation for providing business support to clients and MF programme by any mean helping in poverty alleviation or employed generation were found to be 0.936 which comes under 0.75 – 1, i.e., high degree of linear relationship. So, there is not enough evidence to accept null hypothesis and hence we accept the alternate hypothesis that there high degree of linear relationship between providing business support to clients and MF programme by any mean helping in poverty alleviation or employed generation. There is enough statistical evidence to conclude that there is a relationship between providing business support to clients and MF programme by any mean helping in poverty alleviation or employed generation.

FINDINGS

1. Staff employed and staff turnover were found to be moderately related to each other. It means more number of staff employed may not really increase the staff turnover that much.
2. Incentive system to staff and staff turnover were found to be less related to each other. Incentives are not motivating the staff for better turnover.
3. For MF programme by any mean helping in poverty alleviation or employed generation and women empowerment were found to be highly related. It means a social impact is helping a microfinance institute to develop more.
4. Providing business support to clients and MF programme by any mean helping in poverty alleviation or employed generation was found to be highly related. It means microfinance is really helping the people to come out of poverty.

SUGGESTIONS

1. MF programme is helping in poverty alleviation and it creates an effective impression of microfinance institute to the people does it should be promoted.
2. Number of staff can be increased as it is seen that many of microfinance institutes has less than 10 employees.

CONCLUSION

Marketing strategies adopted by various microfinance institutes are affecting their market share. Public banks and rural banks are concentrating more on distribution of loan amount whereas NBFC and private banks are risk avert. Cooperative banks are performing well in this field. People in microfinance institute play a critical role, thus, number of employees and their turnover matters more. As microfinance is related to the up liftmen of poor people, when microfinance programmes specifically credit lending is related to business development training clients attract more towards that institute and it also contributes towards women empowerment.

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2 Emerging Global Microfinance Practices – An Indian Perspective

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INTRODUCTION

There always exist a considerable gap between demand and supply of Financial Services. Most of the Financial Services provided by the Commercial banks are easily accessible for the people whose financial position is stable enough. In India, majority of the poor are excluded from the access to Financial Services. About 56% of the poor borrow money for their needs through informal sources who charge heavy rate of interest. RBI set up the Khan Committee to know about prospective future of Microfinance in India after its introduction. On the basis of the report of the Committee, RBI formulated certain policies and that proved the existence of Microfinance in India.

The major goal of RBI was to bank the unbanked areas. This led to the emergence of new concept called Financial Inclusion. Financial services refer to the services provided by the commercial banks, non-profit organizations and various other institutions to the poor at their convenience. This was mainly done to promote thrift habit among the individuals and they must be made aware of the services provided by banks. The concept brought in people to a new world of finance. The people's idea that bank savings, loan facility, insurance etc. were out of reach to them. Financial inclusion made all to come to their doorstep at ease.

Microfinance was added by RBI to Financial inclusion concept recently. Finance Minister Mr. P Chidambaram has claimed that "The Financial inclusion architecture will be incomplete without Microfinance in it" in the Microfinance Summit 2012. He also stated that the concentration must be made towards North-east, Bihar, West Bengal and Uttar Pradesh. This was because these states had microfinance representation to a minimal extent. He also insisted upon development of responsible finance practices which included financial transparency, interest rates rationalization, and respectful recovery practices.

Microfinance refers to a variety of financial services that target low-income clients, particularly women. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances. Microloans are given for a variety of purposes, frequently for microenterprise development. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty. Because of these varied needs, and because of the industry's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

According to International Labor Organization (ILO), "Microfinance is an economic development approach that involves providing financial services through institutions to low-income clients". Concept of microfinance has emerged in need of meeting special goals to empower underprivileged class of society, women, and poor, downtrodden by natural reasons or man-made; caste, creed, religion or otherwise. The principles of Microfinance are founded on the philosophy of cooperation and its central values of equality, equity and mutual self-help.

The credit scheme Integrated Rural Development Programme was launched in 1980s in order to supplement the efforts of the concept of Microfinance. Microfinance revolution has begun in India during 1980s with the formation of informal Self-help groups engaging in microfinance activities. India's first Microfinance Institution 'Shri Mahila SEWA Sahkari Bank' was set up as an urban cooperative bank, by the Self-employed Women's Association (SEWA) soon after the group (founder Ms. Ela Bhatt) was formed in 1974.

NABARD, in the year 1992, launched a pilot study with 500 SHGs under SHG and Bank Linkage Programme (BLP) which combined the mutual strength of credit institutions and informal agencies. Under this scheme, every member of a SHG will contribute certain amount as saving and the lump sum amount will be credited to a Savings Account opened with banks. The member is entitled to get credit facility in the proportion of 4 : 1 ratio of their savings. The members are taught some activities like making of essence sticks, sticking match boxes, handicrafts, pickles etc. They will be repaying the credit by generating income through selling of their products, lending to the poor, no security for borrowing is required, prefer thrift habit rather than borrowing small short-term loans, cost covering interest rates, group appraisal, etc. are the key features of Microfinance. Microfinance Institutions can be registered as Societies or Trusts or Non-profit Organizations. In India, 60% of MFIs are registered as Societies, 20% are registered as Trusts, and rest are operating as non-profit organizations. Microcredit, Micro Savings, Remittances and Micro Insurance are the activities carried under Microfinance.

REVIEW OF LITERATURE

1. Marguerite Robinson in her book "The Microfinance Revolution" (2001) defines microfinance as "small-scale financial services primarily credit and savings-provided to people who farm, fish or herd" and adds that it "refer to all types of financial services provided to low-income households and enterprises".
2. Morduch in his book "The Economics of Microfinance" explains the difference between Microcredit and Microfinance. He clearly states that Microcredit referred specifically to small loans given to the poor people but microfinance was a broader term embraced efforts to collect savings from low-income households, provide consumption loans and insurance along with microcredit. Microfinance embraced a range of financial services that seek to meet the needs of poor people, both protecting them from fluctuating incomes and other shocks and helping to promote their incomes and livelihood.
3. Thomas Fisher and M.S. Sriram in their book "Beyond Microcredit" have explained that microfinance institutions should broaden their view of poverty alleviation to empowerment of women. He has also explained about the microfinance practices that are followed in India.
4. Professor Mohammed Yunus defines microfinance as "programmes that extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families."

5. Dr. C Rangarajan in his topic "Microfinance and its Future Directions" explained the stages of evolution of Microfinance. He explained that microfinance has evolved in three stages namely: (i) to meet survival requirement need, (ii) to meet subsistence level through investing in tradition activities and (iii) setting up of enterprise for sustainable income generation.
6. Robert Perk Christen in his paper "Microfinance and Sustainable International Experience" discussed about the changing perception of the bankers. He claims that banks have started identifying SHGs as profitable clients in their customer base.
7. Schreiner and Colombet (2001, p. 339) in their book "From Rural to Urban" clearly describe microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks."

ANALYSIS AND FINDINGS

Microfinance follows is the footsteps of German cooperative banking. The more recent phenomena of microcredit and microfinance are often based on a cooperative model. They focus on small business lending. Cooperative banking is retail and commercial banking organized on a cooperative basis. Cooperative banking institutions take deposits and lend money in most parts of the world. Cooperative banking, includes retail banking carried out by credit unions, mutual savings banks, building societies and cooperatives, as well as commercial banking services provided by mutual organizations (such as cooperative federations) to cooperative businesses. Credit unions have the purpose of promoting thrift, providing credit at reasonable rates, and providing other financial services to its members. Its members are usually required to share a common bond, such as locality, employer, religion or profession, and credit unions are usually funded entirely by member deposits, and avoid outside borrowing. They are typically (though not exclusively) the smaller form of cooperative banking institution. In some countries, they are restricted to providing only unsecured personal loans, whereas in others, they can provide business loans to farmers, and mortgages. The origins of the cooperative banking movement in India can be traced to the close of 19th century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Cooperative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. The Anyonya Cooperative Bank in India is considered to have been the first cooperative bank in Asia.

KEY PLAYERS IN MICROFINANCE SYSTEM IN INDIA

National Bank for Agricultural and Rural Development (NABARD)

NABARD is an apex institution, accredited with all matters concerning policy, planning and operations in the fields of credit for agriculture and other economic activities in rural areas in India. NABARD was established in 1982 as a Development Bank for providing credit facilities; promote small scale industries, cottage industries, handicrafts etc. In November 1998, a High-powered Task Force on Supportive Policy and Regulatory Framework for Microfinance (henceforth referred to as the Task Force) was set up by NABARD at the instance of RBI. The objective of the Task Force were among others, to come up with suggestions for a regulatory framework that brings the operations of the Microfinance Institutions into the mainstream, to access the possible role of self-regulatory organizations and to explore the need for a separate legal framework for microfinance.

Reserve Bank of India (RBI)

The earliest reference to microcredit in a formal statement of monetary and credit policy of RBI was in former RBI President Dr. Bimal Jalan's Monetary and Credit Policy Statement of April 1999. The policy attached importance to the work of NABARD and public sector banks in the area of microcredit. The banks were urged to make all out efforts for provision of microcredit, especially forging linkages with SHGs, either at their own initiative or by enlisting support of Non-government Organizations (NGOs). The microcredit extended by the banks is reckoned as part of their priority sector lending, and they are free to device appropriation loan and saving products in this regard.

Self-help Groups (SHGs)

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Dr. Mohammed Yunus SHG was started and formed in 1975. SHGs are considered a new lease of life for the women in villages for their social and economic empowerment. SHG is a suitable means for the empowerment of women.

The characteristics of SHGs are as follows:

- Ideal size of a SHG is 10 to 20 members.
- The group need not be registered.
- From one family only one member can be joined.
- The group consists of either only men or only women and no mixed group.
- Women groups are generally found to be performing better.
- Members of same social and financial background are grouped together.
- Compulsory attendance.

Microfinance Institutions

The Microfinance Institutions (MFIs) accesses financial resources from the banks and other mainstream Financial Institutions and provide financial and support services to the poor. MFIs are the pivotal overseas organizations in each country that make individual microcredit loans directly to villagers, micro entrepreneurs, impoverished women and poor families.

An overseas MFI is like a small bank with the same challenges and capital needs confronting any expanding small venture but with the added responsibility of serving economically-marginalized populations. Many MFIs are creditworthy and well-run with proven records of success, many are operationally self-sufficient.

The goals of Microfinance Institutions are as follows:

- To improve the quality of life of the poor by providing access to financial and support services;
- To be a viable financial institution developing sustainable communities;
- To mobilize resources in order to provide financial and support services to the poor, particularly women, for viable productive income generation enterprises enabling them to reduce their poverty;
- To learn and evaluate what helps people to move out of poverty faster;
- To create opportunities for self-employment for the underprivileged;
- To train rural poor in simple skills and enable them to utilize the available resources and contribute to employment and income generation in rural areas.

Non-government Organizations (NGOs)

The Non-government Organizations involved in promoting SHGs and linking them with the Formal Financial Agencies (FFAs) perform the following functions:

- Organizing the poor people into groups;
- Training and helping them in the organizational, managerial and financial matters;
- Helping them access more credit and linkage with formal financial agencies;
- Channelizing the group effort for various development activities;
- Helping them in availing opportunities, widening the options available for economic development;
- Helping them in sustaining the group effort independently even after withdrawal of the NGO.

MICROFINANCE MODELS IN INDIA

The Microfinance models consist of both formal and informal group of organizations. Grameen Bank in the year 2000 has identified 14 different models of Microfinance. The classification is based on the following broad categorization:

- Traditional informal microcredit (such as, moneylender's credit, pawn shops, loans from friends and relatives, consumer credit in informal market, etc.)
- Microcredit based on traditional informal groups (such as Tontin, Susu, ROSCA, etc.)
- Activity-based microcredit through conventional or specialized banks (such as, agricultural credit, livestock credit, fisheries credit, handloom credit, etc.)
- Rural credit through specialized banks
- Cooperative microcredit (cooperative credit, credit union, savings and loan associations, savings banks, etc.)
- Consumer microcredit
- Bank-NGO partnership based microcredit
- Grameen type microcredit or Grameen credit
- Other types of NGO microcredit
- Other types of non-NGO non-collateralized microcredit

Traditional Informal Microcredit

Poor people happen to be the victims of poverty most of the time. They are attracted towards indigenous moneylenders, pawn brokers, etc. for immediate loans even though the rate of interest charged is huge. This is a routine practice among poor in rural areas. Due to extensive interest rates charged by them, the poor are unable to hold some savings for their future. This is because major portion of the earnings made by them goes to repayment of debt and rest to their daily living. Hence, this does not constitute any savings for future.

Credit from Informal market does not promote savings habit due to absence of a regulatory framework. Any activity that promotes only credit habit among people will not be doing good at long run.

Microcredit Based on Traditional Informal Groups

"Tontin" refers to an annuity scheme in which subscribers share a common fund with the benefit of the survivorship, the survivors' shares being increased as the subscriber die, until the whole goes last to the survivor.

Women in Ghana did not have access to formal financial services. The presence of formal financial institutions in North Ghana was not identified. For 53000 sq. km, there was only 1 formal financial institution. Hence, semi-formal activities have crept in. Women joined themselves to groups which they called as Susu groups. The word Susu means "small small". This Susu groups consists of susu collectors and moneylenders. The susu collectors were mainly male. They will visit villages and get saving from women use those funds for lending to those who are in need. Both collection of savings and repayment will be carried out in fixed intervals. This does not involve any legal documentation and hence done with people those who have got good personal and business relationship.

ROSCA refers to Rotating Savings and Credit Associations. ROSCA is a group of people contributing a pre-agreed amount to a saving pot each period. The pot accumulated each period is then allocated to a winner, who is determined either randomly or by a bidding process. The ROSCA continues with the winner of the pot excluded from receiving the pot in the future. It terminates after each member has received the pot once. The obvious advantage of ROSCA is that it gives each members access to other member's saving. For instance, if a member desires to acquire an indivisible good, by joining the ROSCA, she can expect to attain it earlier than if she had chosen to save all by herself (Besley *et al.,* 1993). The obvious limitation of a ROSCA is that the saving pot is only as deep as the pockets of its members. In its pure form, even though the ROSCA is an invaluable traditional institution that allows the poor to smooth their consumption, its scope as tool for alleviating poverty remains severely constrained.

Activity-based Microcredit

Activity-based microcredit refers to the credit facility that is provided by commercials banks or any financial institution for the promotion of particular specialized activity like agriculture, fisheries, livestock, sericulture, horticulture, dairy, irrigation etc.

Examples of Commercial Banks who provide credit facility to specialized purpose are as follows:

- State Bank of India has got 972 specialized branches to concentrate on agricultural promotion alone.
- Mahindra & Mahindra Financial provides loans to purchase agriculture related equipment's like tractors etc.
- Indian Bank has got 7 exclusive microfinance branches named "Micro State" which concentrate mainly on Microfinance activities.
- State Bank of Hyderabad has undergone a MoU with Dairy Chain giant M/s Heritage Foods in order provide credit facility for the purchase of milch cattle.
- Bank of Baroda provides credit facility for horticulture, sericulture, fisheries, dairy and poultry etc.
- Oriental Bank of Commerce has got 2 agricultural projects which sponsor loans ranging from ₹ 75 onwards to women specially. It also gives training to women to prepare pickles and jam from the existing raw material that is available in their place.

Microcredit through Specialized Banks

In India, there are some specialized banks, which cater to the requirements and provide overall support for setting up business in specific areas of activity. They engage themselves in some specific area or activity and thus, are called specialized banks.

The three types of Specialized Banks in India are as follows:

- **Export Import Bank of India:** This specialized bank grants loans to exporters and importers and also provides information about the international market. It also gives guidance about the opportunities for export or import, the risks involved in it and the competition to be faced, etc.
- **National Bank for Agricultural and Rural Development:** This specialized bank is a central or apex institution for financing agricultural and rural sectors. It can provide credit, both short-term and long-term, through regional rural banks. It provides financial assistance, especially, to cooperative credit, in the field of agriculture, small-scale industries, cottage and village industries handicrafts and allied economic activities in rural areas.
- **Small Industries Development Bank of India:** This specialized bank grant loan to those who want to establish a small-scale business unit or industry. It also finances modernization of small-scale industrial units, use of new technology and market activities. The aim and focus of SIDBI is to promote, finance and develop small-scale industries.

Cooperative Credit

Rural credit cooperatives in India were originally envisaged as a mechanism for pooling the resources of people with small means and providing them with access to different financial services. Cooperative societies are financial institutions that are owned and controlled by members. They provide all services similar to a commercial bank but they run on a non-profit manner.

These societies are formed to provide financial support to the members. The society accepts deposits from members and grants them loans at reasonable rates of interest in times of need. Village Service Cooperative Society and Urban Cooperative Banks are examples of cooperative credit society.

Bank-NGO Partnership

In Jan 2006, the Reserve Bank of India issued a new set of guidelines (see Annex 2) allowing banks to employ two categories of intermediaries – Business Correspondents (BCs) and Business Facilitators (BFs) – to expand their outreach. According to the guidelines, while the BCs are permitted to carry out transactions on behalf of the bank as agents, the BFs can refer clients, pursue the clients' proposal and facilitate the bank to carry out its transactions, but cannot transact on behalf of the bank.

Approximately 15-20 banks have piloted the BC model for expanding their operations. SBI among the public sector banks has been trying to recruit as many BCs as possible (and some BFs too). Among private banks, ICICI Bank and HDFC have taken the lead in making use of the scheme. Several other banks such as Indian Bank, Canara Bank, Union Bank of India, Corporation Bank, Punjab National Bank, Oriental Bank of Commerce, Andhra Bank, Axis Bank have also tested the model.

Banks have taken on NGOs and MFIs as BCs. In some cases, even individuals such as village grocers, dealers in agricultural inputs and retired bank officials have been engaged as BCs.

Humana People to People India (HPPI) has tied up with YES Bank for the promotion of business correspondence training to Business Correspondents those who are recruited for the purpose of Financial Inclusion. The objectives of the training are as follows:

- Promoting, nurturing and monitoring of Self-help Groups (SHGs) which will be carved out of Humana Microfinance's existing Joint Liability Groups (JLGs)
- Disbursal of small value credit
- Post-sanction monitoring
- Follow-up for recovery
- Recovery of principal/collection of interest

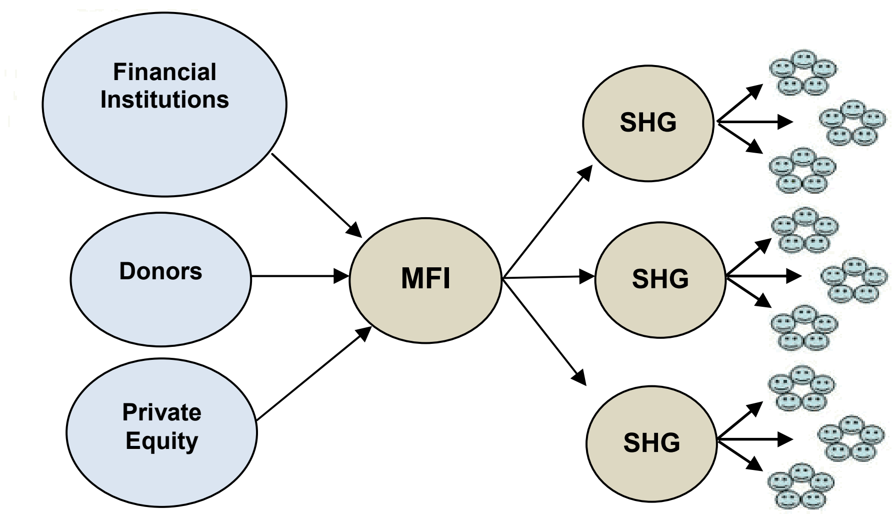
NABARD is presently operating three models of linkage of banks with SHGs and NGOs:

Model 1: In this model, the bank itself acts as a Self-help Group Promoting Institution (SHPI). It takes initiatives in forming the groups, nurtures them over a period of time and then provides credit to them after satisfying itself about their maturity to absorb credit. About 16% of SHGs and 13% of loan amounts are using this model.

Model 2: In this model, groups are formed by NGOs (in most of the cases) or by government agencies. The groups are nurtured and trained by these agencies. The bank then provides credit directly to the SHGs, after observing their operations and maturity to absorb credit. While the bank provides loans to the groups directly, the facilitating agencies continue their interactions with the SHGs. Most linkage experiences begin with this model with NGOs playing a major role. This model has also been popular and more acceptable to banks, as some of the difficult functions of social dynamics are externalized. About 75% of SHGs and 78% of loan amounts are using this model.

Model 3: Due to various reasons, banks in some areas are not in a position to even finance SHGs promoted and nurtured by other agencies. In such cases, the NGOs act as both facilitators and microfinance intermediaries. First, they promote the groups, nurture and train them and then approach banks for bulk loans for on-lending to the SHGs. About 9% of SHGs and 13% of loan amounts are using this model.

SHGs are the most common way of lending credit in the perspective of Financial Inclusion. The diagram depicted below how SHG model works in a pictorial manner:



GRAMEEN MICROCREDIT MODEL

The Grameen Model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh.

The Grameen Bank Adopts the Following Methodology

A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local environment in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

Contribution and Growth of Indian Microfinance in the Financial System

India is considered to have the world's largest microfinance sector in the world. As of 2011-12 the banking sector consists of 169 commercial banks, 82 regional banks. The Indian financial system consists of 12740 non-banking finance companies (NBFC) where in out of these 336 NBFCs have been permitted by RBI to accept public deposits. The financial system also comprises of 31 state cooperative banks and 371 district Central Cooperative Banks (DCCBs). Non-banking Financial Companies (NBFCs), Cooperative Societies, Section-25 Companies, Societies and Trusts, which are operating in microfinance sector account for about 42% of the microfinance sector in terms of loan portfolio. The MFI channel is dominated by NBFCs which cover more than 80% of the total loan portfolio through the MFI channel.

Sl. No.	Types of MFIs	Number	Legal Registration
Not-for-profit MFIs			
1	NGOs	400-500	Society Registration Act, 1860 Indian Trust Act, 1882
2	Non-Profit companies	20	Section-25 of Indian Companies Act, 1956
Mutual Benefit MFIs			
3	Mutual benefit MFIs – Mutually Aided Cooperative Societies (MACS)	200-250	Mutually Aided Cooperative societies, Act enacted by State Governments
For-profit MFIs			
4	Non-banking Financial Companies (NBFCs)	45	Indian Companies Act, 1956 Reserve Bank of India Act, 1934

Source: NABARD 2012.

Progress under Microfinance during 2011-12

The SHG-Bank Linkage Programme across the country and across the financing agencies is shown in the table covering inclusive growth, savings, loans and the recovery performance. It covers growth of SHGs, savings, and credit linked for the last 3 years, for groups formed under SGSY and exclusive Women Groups. Under the SHG-Bank linkage programme, over 103 million rural households have access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked through the SGSY programme – the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members.

Progress of MFIs 2011-12

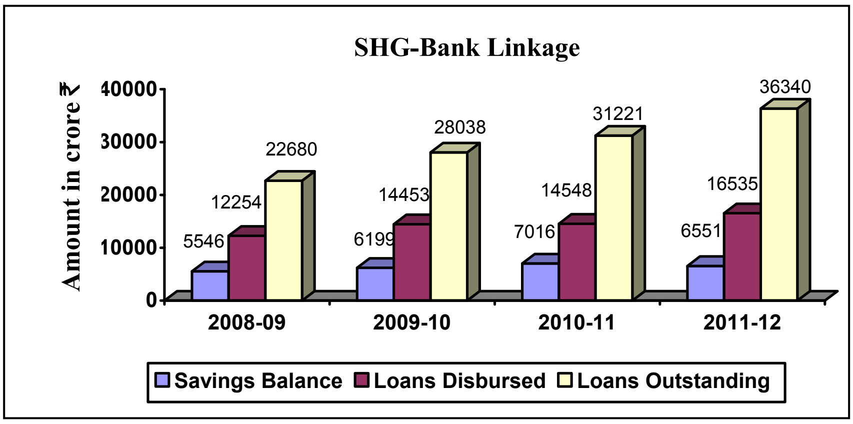
(*Amount in crore/Numbers in lakh*)

Particulars		2009-10		2010-11		2011-12	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHGs	69.53 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	7016.30 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)
	Of which SGSY Groups	16.94 (12.5%)	1292.6 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)	21.23 (5.0%)	1395.25 (-23.2%)
	% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	53.10 (9.18%)	4498.66 (1.46%)	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)
	% of Women Groups	76.4	72.6	81.7	75.5	79.1	77.9
Loans Disbursed to SHGs during the year	Total SHGs	15.87 (-1.4%)	14453.3 (17.9%)	11.96 (-24.6%)	14547.7 (0.01)	11.48 (-4%)	16534.7 (13.7%)
	Of which SGSY Groups	2.67 (1.0%)	2198 (9.1%)	2.41 (-9.9%)	2480.37 (12.8%)	2.10 (-12.9%)	2643.56 (6.6%)
	% of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	12.94 (5.8%)	12429.3 (18.1%)	10.17 (-21.4%)	12622.3 (1.6%)	9.23 (-9.2%)	14132.0 (12.0%)
	% of Women Groups	81.6	86	85	86.8	80.4	85.5
Loans Outstanding against SHGs as on 31st March	Total SHGs	48.51 (14.8%)	28038.2 (23.6%)	47.87 (-1.3%)	31221.1 (11.4%)	43.54 (-9.0%)	36340.0 (16.4%)
	Of which SGSY Groups	12.45 (27.5%)	6251.08 (6.6%)	12.86 (3.4%)	7829.39 (25.2%)	12.16 (-5.4%)	8054.83 (2.9%)
	% of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
	No. of all Women SHGs linked	38.98 (18.9%)	23030.3 (23.9%)	39.84 (2.2%)	26123.7 (13.4%)	36.49 (-8.4%)	30465.2 (16.6%)
	% of Women SHGs	80.3	82.1	83.2	83.7	83.8	83.8

Source: Status of Microfinance in India – NABARD.

According to source of NABARD analysis, the number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microfinance sector in the country. The balance in the savings accounts of the banks as at the end of March 2012 stood at 6551.41 crores. Over 4.36 million SHGs have now access to direct credit facilities from the banks and the total bank loans outstanding against these groups is over 36340 crore as on 31st March 2012, i.e., an average of 83500 per group. About 1.15 million SHGs were extended fresh loans to the extent of 16535 crore during 2011-12 by all banks averaging 1.44 lakh per group. While the quantum of fresh loans issued to SHGs by banks rose by 13.7% during the year to 16535 crore (to 11.48 lakh SHGs) as against 14548 crore disbursed last year (to 11.96 lakh SHGs), the number of SHGs having loans outstanding against them from banks declined by 9% during the year to 43.54 lakh as against 47.87 lakh last year although the quantum of loans outstanding increased to 36340 crore. The figures are shown in the given table and graph.

Particulars	2008-09	2009-10	2010-11	2011-12
Savings Balance	5546	6199	7016	6551
Loans Disbursed	12254	14453	14548	16535
Loans Outstanding	22680	28038	31221	36340



Overall, the global microfinance industry again posted growth of almost 20% in 2012. The forecast that the sector will maintain this rate of growth in 2013 also and developing and emerging economies remain attractive. According to the International Monetary Fund (IMF), average GDP growth in the 15 most important microfinance markets will increase from 4.7% to 6.2%. Besides South and East Asia, the most powerful growth is coming from microfinance markets in Africa. One of the main drivers here is technological progress (e.g., payment transactions via cell phone).

CONCLUSION

The fundamental reason behind the Indian microfinance industry's impressive growth is that it is fulfilling a critical need of its target audience, the low-income population, which has thus far remained unaddressed by the traditional financial services sector.

The Indian population can be divided into four categories on the basis of the household income levels. They are Rich, Middle level, Aspirers and Deprived. Microfinance attempts to concentrate on the deprived segment of people as their targets.

The size of the unbanked population of India is second largest next to China. The microfinance sector targets the poorer portion of the Aspirer segment and the mid to richer portion of the deprived segment. The industry has thus far been able to create a service model and products that are suitable to these segments and these services and products have proven successful in affecting improvements in the clients' economic status.

The principal prohibiting factor is that banks face extremely high fixed and variable costs in servicing low income households, resulting in high delivery costs for relatively small transactions. Much of the low-income population is located in rural areas that are geographically remote and inaccessible. For this population, the cost of visiting a traditional bank branch is prohibitive due to the loss of wages that would be incurred in the time required. Concurrently, from a bank's perspective, the cost of operating a branch in a remote location is financially unfeasible due to the low volume and high cost dynamic.

In the absence of access to formal financial services, the low-income segment has traditionally relied on local moneylenders to fulfill their financial needs. While this money is readily available, it is often exorbitantly priced at 60%-100% annual yields and forces the borrower into a classic debt trap, entrenching her in poverty. Credit from moneylenders has not traditionally acted as a tool for business expansion or enhancement of quality of life, but rather as a lifeline for immediate consumption or healthcare needs.

In order to overcome all the factors, Microfinance was included in the concept of Financial Inclusion in order to bank the unbanked areas. Prof. Mohammed Yunus developed a Grameen Model which was the base for various models of Microfinance practiced now in India.

Efforts by RBI, other players in the Microfinance have contributed a lot for the upliftment of the deprived segment and make them economically stable without making them fall into them debt trap by moneylenders.

This paper has given an overview of Microfinance prevailing in India, its players and the various models that Microfinance holds within it.

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Can the Kirana Shops Survive the Mounting Pressure from Organized Retailers?

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ABSTRACT

Around 70% of India's population live in 6,27,000 villages. Retailers both in small and large formats are targeting these untapped markets, since rural India has large consuming class with 41% of India's middle class and 58% of the total disposable income. At present, Rural India accounts for 55% of the total retail market ($450 billion) and it is expected grow by $90 billion in the next 5 years. The organized retailing has grown from 2% in the year 2000 to 5% in 2010 and future growth rate has been estimated at about 35% per annum. Even though there are plenty of efforts from the Government of India in improving the country's GDP through uplifting rural infrastructure through the 5 year plans, no major development has been recorded yet. This is considered to be a major barrier for the entry of large retailers to these markets who are trying to explore new venture to overcome current economic slowdown. Also the robust presence of kirana shops and their personal bonding with the rural customers in the neighborhood villages gives strong competition to these retail giants.

This paper attempts to explore the factors supporting the presence and growth of kirana shops in rural India and consequently analyzing the major challenges in front of the large retails stores like HUL and ITC to establish their presence. The paper is conceptual in nature, representing the various facts and information obtained from the online journals, newspaper articles, and surveys by research scholars and various paper publications related to retailing.

Keywords: *Kirana, Organized, income, retail, GDP.*

INTRODUCTION

The Indian retail industry has a history of trade spread over thousand of years with high traditional values attached to it. Remarkably, the tradition is carried forward till the current generation with the help of country's ever-present kirana stores. From the time of the Mughal Empire (1526-1757), kirana stores have been a reliable source of supplies and, still hold a major market share in modern Indian retail. At present, Retail in India is $450 billion industry – 90% controlled by unorganized small and medium traders and the remaining 10% by the organized retailers.

The Typical Kirana Store

'Kirana' literally means 'grocery', which is what these stores mainly sell. Kirana stores usually function as a family business. A typical kirana store will range from as little as 25 to 400 square feet in size. They normally hire people from their native place which helps them in creating a warm atmosphere for the customers and create more productive environment. Also this helps them in building a strong bond with the family members of the business and neighboring customers which is carried forward from generations to generations for years together.

Goel, 61, inherited the general store, or kirana, in Delhi's Bengali Market from his father 23 years ago and is now slowly handing over the business to his sons. Like many kiranas, it is a business built on a reputation for reliability of service, one earned over generations.

The Kirana Touch

Most of the kirana stores have great neighborhood locations and supreme access. With ever-increasing traffic congestion, this is a huge customer benefit.

Secondly, low – often notional – rents and 'flexible' wage costs often mean ability to have cost neutrality, if not competitiveness, versus larger players. Indeed, the biggest hurdles that large-format 'modern' retail faces are the high, inflexible rents and the need to constantly train a churning and less flexible staff.

Thirdly, since the location of the kirana stores is in residential areas, most of the kirana store owners share a close business relationship with their customers which is the major source of outlet loyalty and this in turn boost the sales for a longer duration which out much promotional efforts. Since most of the Indians prefer personal interaction during their purchase, kirana stores could considerably dominate over organized retail outlets in this regard. Also, many kirana stores now a days offer free home delivery and follow a monthly based simple credit system which hare normally maintained in a notebook.

Kirana stores not only deals with grocery items abut also variety of branded and non branded products. More often, these stores stock items which are low priced and dry food items in order to bring down the cost of cold storage. Because of these reasons the investment in a kirana store is much lesser compared to a large retail stores. As the business progress they start buying the neighboring shops which gives an appeal of a supermarket.

Rural Earnings and Spending

According to the provisional data released by Census India, 68.84% of India's population lives in rural and remaining 31.16% in urban. The rural India lives on less than ₹ 35 a day and nearly as many in cities live on ₹ 66 a day, reveals a government survey on income and expenditure. The average per capita daily expenditure comes out to be about ₹ 35 in rural and ₹ 66 in urban India. "About 60% of the population lives with these expenditures or less in rural and urban areas," said Director General of National Sample Survey Organization (NSSO), J. Dash in his preface to the report.

Table 1: Income Generation in Rural Areas

Sl. No.	Source of Income	Proportion of Total Income (%)
1	Agriculture	58.8
2	Agricultural wages	16.1
3	Business and crafts	8.8
4	Non-agricultural wages	7.2
5	Salaries	2.5
6	Current transfers	1.9
7	Others	4.7
Total		**100**

Source: G.M. Pande – Rural Marketing, Thrust and Challenge, p. 30.

Above table indicates that there is no steady source of income since the major source of income is agriculture and is fully dependent on climatic conditions. The salaried class is hardly 2.5%, hence it is very difficult for the organized retailers to do the sales forecasting.

The National Sample Survey Organization (NSSO) highlights the differences between the rural and urban income and consumption which is a major indictor of rural-urban divide and importantly this helps in understanding the spending pattern of rural customers.

According to the survey, the Key Indicators of Household Consumer Expenditure in India 2009-2010, the average Monthly Per Capita Expenditure (MPCE) in 2009-10 was ₹ 1054 in rural India and ₹ 1984 in urban India which implies per capita expenditure level of the urban population was on an average 88% higher than the rural counterpart.

Even though Central Government claims economical growth in rural markets the above data shows the fiscal divide where 90% of rural India spends less than ₹68.47 per day per person whereas 90% of urban India spend ₹142.70. Surprisingly, the mounting cost of living in urban areas didn't stop the people in spending much more compared to their counterparts. Now, with the falling GDP (currently 5.3% against 5.7%), this difference will widen further.

Two years ago, the rural Indian used to spend ₹ 55 per day per person and ₹ 122 in cities. Taking inflation (of 7.2%) into consideration, there is not much difference between the spending in the past and present. But the gap between the poorest in villages and the richest in cities has widened further**.** The poorest 10% in villages spends on an average 15 times less than the top 10% in cities. Even the richest in villages are nowhere near to the upper class in cities.

Table 2: State-wise Per Capita Income Comparison

Sl. No.	States/UTs	2010-11 (₹)	2011-12 (₹)	2011-12 % Growth
1	Andhra Pradesh	62912	71540	13.7
2	Arunachal Pradesh	55789	62213	11.5
3	Assam	30569	33633	10
4	Bihar	20708	24681	19.2
5	Jharkhand	29786	31982	7.4
6	Goa	168572	192652	14.3
7	Gujarat	75115	N.A	N.A
8	Haryana	94680	109227	15.4
9	Himachal Pradesh	65535	73608	12.3
10	Jammu & Kashmir	37496	41833	11.6
11	Karnataka	60946	69493	14
12	Kerala	71434	83725	17.2
13	Madhya Pradesh	32222	N.A	N.A
14	Chhattisgarh	41167	46573	13.1
15	Maharashtra	83471	N.A	N.A
16	Manipur	29684	32284	8.8
17	Meghalaya	50427	56643	12.3
18	Mizoram	48591	N.A	N.A
19	Nagaland	52643	56116	6.6
20	Orissa	40412	46150	14.2
21	Punjab	69737	78171	12.1
22	Rajasthan	42434	N.A	N.A
23	Sikkim	81159	N.A	N.A
24	Tamil Nadu	72993	84058	15.2
25	Tripura	44965	50750	12.9
26	Uttar Pradesh	26355	29417	11.6
27	Uttarakhand	66368	75604	13.9
28	West Bengal	48536	55864	15.1
29	A & N Islands	76883	82272	7
30	Chandigarh	128634	N.A	N.A
31	Delhi	150653	175812	16.7
32	Puducherry	98719	95759	-3
All-India Per Capita Net National Income (2004-05 base)		**53331**	**60972**	**14.3**

Source: India Business blog

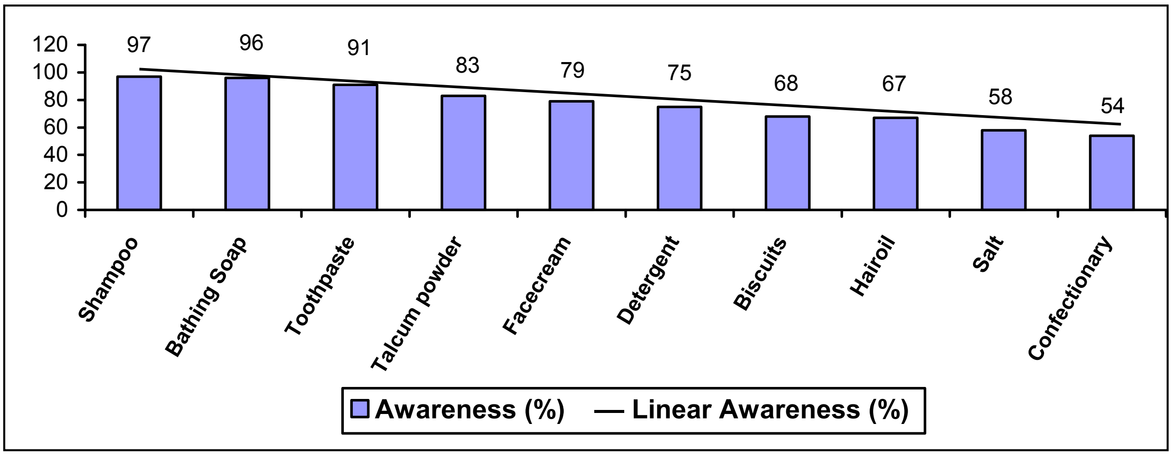
According to the above data, India's average Per Capita Income is ₹ 60,972/-, which is one of the lowest in the world.

HAATS – "THE RURAL SUPERMARKETS"

An Illustration of Rural Spending and Brand Awareness

Haats are the business centre for the villages. It not only helps the farmers to sell their agricultural produce, but also to purchase of their daily needs. Around 43000 haats are there in India. Each haat is spread over acres of land and possess 300 to 500 stalls selling everything a villager need in their daily life. Each haat caters around 25 to 50 surrounding villages from where farmers do come and trade.

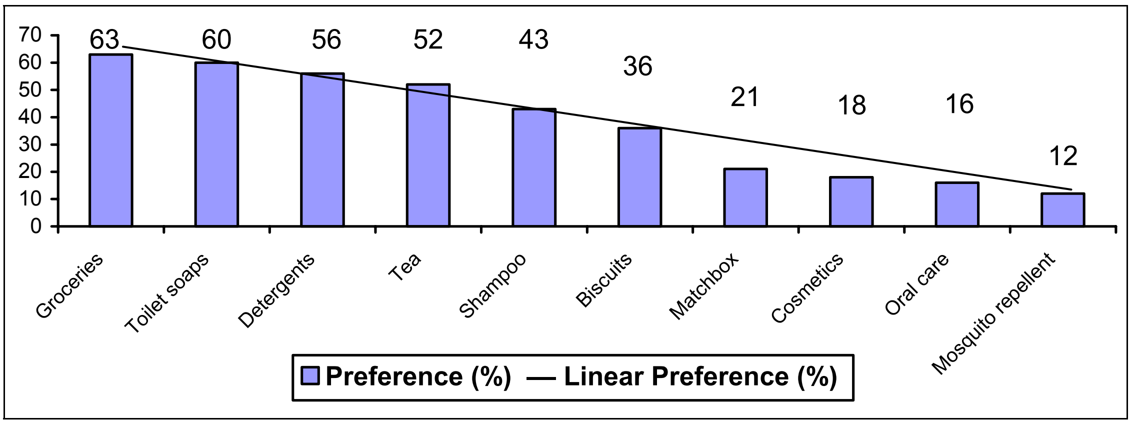
Brand Awareness for Specific Items Sold at Haats (%)



Source: Financial Express, Feb. 9, 2011.

The above data indicates the awareness level of rural consumers. The brand awareness level plunge for confectionary and cosmetics, which implies rural people are less brand conscious compared to the urban. Also the rural consumers recognize the brand by the design and color of package or product. Hence, the brand recall is comparatively lower.

FMCG Products Preferred at Haats



Source: Financial Express, Feb. 9, 2011.

Above data indicates the highest preference is for groceries followed by soap and detergents. The least preference is noted for health care, oral care and cosmetics. Unfortunately, the products which are sold least at haats are the ones which occupy maximum shelf space and sales in organised retail outlets.

Sale of FMCG Products per Outlet on a Haat Day (₹)

Leading States Where Haats are Organized	Sale of Branded FMCG (₹)	Total Sales of FMCG (Including Unbranded) (₹)
Maharashtra	2793	13196
Bihar	3450	12490
Uttar Pradesh	2864	7229
Orissa	2730	5205
Andhra Pradesh	339	1741
Madhya Pradesh	421	4231
Tamil Nadu	2971	8553
Average	2224	7521

Source: Financial Express, Feb. 9, 2011.

On a haat day, an average buyer spends around ₹ 40 on FMCG products. The spending varies from ₹ 22 to ₹ 60. The average sale of branded FMCG products is around 29.57% whereas in case of the unbranded products it is 70.43%. Hence, from the above data, it is obvious that rural customers prefer items are cheaper to afford than going by quality and brand.

Comparison of Consumption Pattern of FMCGs – Both Rural and Urban Areas

FMCGs	Urban	Rural	Total (% of Rural Households)
Shampoo	66.3	35.2	44.2
Toothpaste	82.2	44.9	55.6

Source: NCAER Report, 2011.

The above data is an indication of consumption pattern of rural consumers which clearly state the preference for FMCGs in both rural and urban markets.

REVIEW OF LITERATURE

Why Indian Villages are Unviable Markets for Large Retail Stores?

742 million people in India live in 6 lakh plus villages. A lakh of these hold 50% of India's rural population accounting for 60% of its wealth. Roughly 320 million of the populations residing in five lakh villages are not target customers for marketers, simply because it isn't viable to cater to them.

Ali Harris, Britannia's Brand Manager for Tiger Biscuits, says: "If I go to a shop in Mumbai, I will sell ₹ 5,000 worth of stock and my cost to reach that outlet is next to nothing. If I need to reach an interior village, I would have to hire a van from the nearest town, and then probably sell ₹ 50 worth of stock in the village."

According to a nationwide survey conducted by consultants McKinsey & Co. of 593 rural districts, 248 are “deprived” and lack basic infrastructure like all-weather roads. Adil Zainulbhai, Managing Director, McKinsey & Co., says: “Almost half of India's rural population does not have access to good roads and decent”.

In a paper “The Retail Buzz in Rural India” by A. Aziz Ansari and Amir Ullah Khan, it says “the physical infrastructure investment is a form of ‘complementary capital’ that supports services necessary for the operation of productive private capital”.

The paper also quotes the study on rural infrastructure by Jalan and Ravollion (2002) to establish a direct link between infrastructure and economic growth through extensive studies in rural China. As per their estimates, every 1% increase in the road density per capita, the private consumption expenditure increases by 0.08% in rural China.

According to an article on rural retail, The Hariyali Kisaan Bazaar, India’s biggest rural retail chain by sales, sell agri-inputs, cattle feed, plastic furniture, FMCG products, and automobiles, besides services such as banking and crop insurance, which operates 230 stores across eight states (Haryana, Punjab, Uttar Pradesh, Rajasthan, Uttarakhand, Madhya Pradesh, Maharashtra and Andhra Pradesh), said it had seen a fall in rural demand in the past two to three months. The reason for the same is drop in prices of potatoes, onions and some other vegetables, leading to low realization for farmers, and an increase in cost of fertilizer.

The article mentioned above also throws light on issued faced by major retailers in rural markets due to infrastructure, distribution and fluctuating rural incomes, along with competition from local kirana stores, which operate at much lower costs. In early 2010, Triveni Engineering shut its rural retail arm, Khushali Bazaar, after incurring a loss of ₹ 19 crore in five years. ITC has not expanded its Choupal Sagar business for the past few years. Godrej sold its Aadhaar rural retail business to the Future Group and the latter revamped it into a wholesale format. Hariyali Kisaan Bazaar had to shut at least 70 outlets over the past couple of years.

The article also mentioned a study by CII-Technopark on rural retail, the biggest bottleneck towards development in the rural markets is excessive dependence on agriculture and, consequently, on rainfall. There is overall slowdown of GDP growth every time there is poor rainfall.

According to an article on “Rural India Promises Growth for Retail”, the experts are of the opinion that in rural markets, consumers are practical and price sensitive but they are more loyal even though they have varying income.

According to an article on “Features of Indian Rural Market”, it says “Study on buying behaviour of rural consumer indicates that the rural retailers influence 35% of purchase decisions. Therefore, mere product availability can affect decision of brand choice, volumes and market share”.

According to an article on “Rural Retail Revolution: The Rise of Rural Market” – the biggest challenge in rural retailing is to ensure product availability across the 638,000 villages, which are spread out over three million sq km in India. The problem is further compounded by the geographical vastness of reaching the 12 million-strong kirana stores in the country. The cost of distribution gets added when reachability becomes a major problem and is possible only through channel of distributors and wholesalers.

In a paper “Prospects and Problems of Indian Rural Markets”, it says “Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes”.

An article on "The Future on Sale: The Indian Retail Market" has a report by the Indian Council for Research on International Economic Relations (ICRIER) which states that only 1.7% of stores in the unorganized market close each year and that by 2013, unorganized retail businesses will still account for 85% of the Indian retail market. Though businesses located near a newly opened organized retailer lost 23% of their sales in the first year after that new business opened, ICRIER found that after five years, sales totals for unorganized businesses returned to their previous levels.

In an article on "Why Companies See Bright Prospects in Rural India?", B.N. Garudachar, General Manager, Corporate Communication and Investor Relations at Voltas quoted that Voltas Group recognize rural India by certain characteristics," says, a Tata group company in air-conditioning and engineering services. "These are: low population numbers, low median income, poor infrastructure [roads, electricity, communications], and agrarian rather than industrial activity. Such rural areas are within the sphere of influence of neighboring cities and metros. This influence determines their aspiration levels and their viability as markets."

OBJECTIVES OF THIS PAPER

1. To analyze the challenges in retailing in rural India with special reference to kirana shops.
2. To explore the issues faced by large organized retail stores in entering rural India.

ANALYSIS AND FINDINGS

Nearly 75% of the rural India is depend on 6 million kirana stores and entry to these markets are restricted by Government of India since these small villages don't have population of more than one million (Source: http://business.wikinut.com).

Profit Margin of Kiranas

Kiranas basically sell FMCG products which are affordable to the local consumers. The most expensive product is usually ₹15-20 which is the Colgate toothpaste, and least expensive is ₹ 0.10 which is a sachet or a candy. Kirana shops cater to all types of consumer like for children they sell biscuits, candy, pens, and notebooks. For women, they sell shampoo, soap, powder, hair oil, and agarbattis. For men, they sell beedis, cigarettes, and matches. (Source: http://www.frontiermkts.com)

The large retailers stock wide range of FMCG products and are sold at discounted prices. If they have to attain the profit, the volume of sales should be above the BEP which means they need to sell more which is very difficult in rural markets since an average rural consumer earns anywhere between ₹ 35 and 66 per day which is less than sufficient to meet their day-to-day requirements.

A typical Kirana shopper's profit margin ranges from 10-12%.Companies give a time period of 5-7 days to pay for their stock and kirana shop owners only order items that are sold often and thus the stock maintained is less. Whereas food and grocery retailers typically have a 14% gross margin in India, compared with around 17% in developed markets. (Source: http://businesstoday.intoday.in) Thus, the reduced profit margin is a feasibility issue for large retailers in underdeveloped markets.

According to Paresh Parekh, Ernst & Young, retail and consumer partner there is space for both Kirana and organized retailers. Moreover, there is always a chance for coexistence for both Kirana and organized retailers considering the scope of the rural market.

According to a study by global consulting firm, AT Kearney, modern trade accounts only for 7%. The growth is expected to touch 20% by the end of 2012 because of the new retail investment rules by the government. Still kirana stores enjoy the benefit from difficulties faced by the large retailers like:

- Poor infrastructure
- High setup and operational cost
- Inefficient supply routes
- Difficult tax laws and rigid labour rules.

Organized Retailers vs. Kiranas

- Kirana have small investments compared to large organized retailers and hence less risk of managing the business.
- Most of the Kirana shops are operating only in local markets where they have a thorough knowledge of what can be sold within their territory, on the other hand organized retail has a large chain of outlets and has national or international operations which invite a close control over the key variables.
- Most Kiranas sell FMCGs at MRP compared to discounts given by organized retailers thus earns a higher profit margin.
- Variety of items stocked at Kiranas is limited compared to large retailers, thus reducing the inventory carrying cost and wastage.
- The instances of major organized retailers like Subhiksha, Vishal Retail, Big Bazaar which is mentioned below substantiate the above statements.

Major Setbacks Faced by Few of the Retail Giants

1. Chennai-based Subhiksha which ran around 1600 outlets selling groceries and medicines to mobile phones across the country, shut down in 2007, primarily because of a cash crunch.
2. Vishal Retail went bust after several attempts to revive itself.
3. According to news reports, Kishore Biyani's Future Group, which runs Big Bazaar, Food Bazaar and Pantaloon Retail stores among others, is sitting on a debt of more than 60 billion rupees (about $1.13 billion).
4. Aditya Birla Group reportedly lost 4.23 billion rupees ($79.4 million) last year.

Source: blogs.reuters.com

According to sources, the FMCG biggies in India (especially toiletries, soft drinks, foods, etc.) still continue to depend on selling their products through Kiranas because most of their customers live in rural areas where organized retail outlets haven't opened. (Source: blogs.reuters.com)

According to an official who works with a popular Indian FMCG company, "We are here to do business with both local shopkeepers and big chains. The rural market is very significant for us." (Source: blogs.reuters.com)

The above information is indicates that, the vast rural market have the potential to accommodate both large and small retailers, meanwhile both the players will have separate space and customers in the market. Also the large retailers always carry the huge risk of large investments made towards building the infrastructure, promotions, training the employees whereas Kiranas are normally managed by either a proprietor or 2 or 3 partners and the investment made is vary less compared to the latter. Thus, there is no direct competition expected from the MNCs entering the rural markets.

According to S.C. Sinha, Executive Director of Oriental Bank of Commerce, Kirana store owners have good information about the financial well-being of the households they serve and this will help the bank to increase the financial inclusion .This implies there is a strong personal bonding between the local store owners and the rural households which in turn helps the existence and growth of many kirana stores blocking the entry to large retailers who lack a personal touch. Commercial banks in India are utilizing this relation to enlist kirana owners as their business facilitators to increase their reach. (Source: Economic Times)

Major Setbacks Faced by Retail Giants in Entering Rural Markets

1. **No entry for foreign retailers to cities where the population is below 10 lakhs:**

   As per the Indian Government rule, these retail giants can't enter the rural markets since their population is much below the 10 lakh margin. Hence, small kirana shop owners need not face stiff completion from these retail giants.

2. **Population density of Indian villages is much lesser compared to the cities:**

   In Indian villages where the infrastructure and transportation are the major problems, big retail stores will have few customers accessible to them. The population density makes is much more difficult for any marketing campaigns to attract these customers.

3. **Rural customers already enjoy the personal touch and small credit facilities provided by the kirana shops:**

   In India, business happens through relationships and especially in rural markets where the number of kirana shops are few in a particular locality the villagers share strong bonding with these shop owners. Also the kirana shop owners give small credit facilities which enable them to manage the expenses for that particular month. Big retail stores lack this.

4. **Frequency of purchase:**

   The main items which are purchased from the retail outlets include groceries, toiletries, detergents and hair and personal care. Most urban customers prefer shopping for a month since they don't have time. Hence, the volume of purchase is very high. Whereas the rural customers do buy in smaller quantities and frequently since their income varies on day to day basis.

5. **The low literacy rate in rural markets:**

   The low literacy levels in rural markets are another major cause to worry at, because of the marketing communication by retailers doesn't reach them in the way it is supposed to be. Print media becomes ineffective in such areas.

External and Internal Risk Factors for the Companies Entering the Indian Rural Markets

Following tables present the risk elements need to be considered by any company willing to enter the rural markets of India. The grade A represents the high attention factors with some solutions while grade B represents the factors with exceptional solutions.

External Risk Factors for the Companies Entering in the Rural Markets of India

Particulars	Category	Grade
Less information about the markets and consumer behaviour	Controllable	A
Unavailability of skilled local talent	Controllable	B
Uneven demand	Non-controllable	A
Imperfect local distribution channel	Controllable	A
Pathetic infrastructure	Non-controllable	B
Scarce access to money market	Controllable	B

Socio-cultural mosaic	Non-controllable	A
Lack of adequate logistic support	Controllable	A
Legal hassles	Non-controllable	A
Confrontation of local business communities	Non-controllable	B
Paradigm shifts in the consumer behaviour	Non-controllable	A

Internal Risk Factors for the Companies Entering in the Rural Markets of India

Particulars	Category	Grade
Less experience of the rural areas	Non-controllable	B
Organization structure and culture	Controllable	A
Sales force bottlenecks	Controllable	A
Doubt about the feasibility of the rural market conditions	Non-controllable	B
Large window period	Non-controllable	B
Huge investment	Non-controllable	A
Leadership qualities and motivational ability of the management	Controllable	A
Local competition	Non-controllable	A
Imitated goods	Non-controllable	B

Source: Article on Fortune Rural India: An Overview by Prof. Preeti M. Kulkarni, Navjeevan Institute of Management, Pune.

CONCLUSION

It is obvious that kirana stores are growing and trying to adapt to the market conditions by offering wider product ranges in FMCG and better services like free home delivery, better credit facilities, and payment options. According to Prime Minister's Economic Advisory Council Chairman, C. Rangarajan, "The small retailers will continue to remain and the international experience shows that even in advanced countries where there are large scale department stores operating, the 'mom and pop' stores have not disappeared." (Source: The Hindu, September 21, 2012) They continue to exist. Just to add to the credits of kirana stores, they provide employment for over 39.5 million people in India. Even though there are many issues connected with the basic amenities in rural markets, kirana stores remain the most preferred shopping destination for the villagers in the neighbourhoods. Moreover, the market which is catered by both kiranas and organized retailers do not conflict because of the diversified outlook by both of these on the same market. It is important to mention here that the kirana stores still rule the major retail market in India even today with lots of development in technology and modern means of marketing and services by the larger retail stores. The existences of both the traditional and modern retail chains are complementary to each other and their coexistence is important for each other's functioning while providing wider options to producers and consumers. With all these, kiranas will enjoy their share of market without much trouble from large retailers.

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4 Global Business Environment Affecting Indian Banking

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INTRODUCTION

Indian Banks have played a major role post to the economic reforms implemented in the year 1991 and changed the economy of India within a span of 20 years. A liberal economy open to global competition as well as encouraging Liberalization, Privatization and Globalization (LPG) so far witnessed changes in structure, strategies and foci in many industries.

The major changes witnessed were due to privatization of public banks and entry of foreign banks in India. The wave of privatization started from 1980 reduced the ownership of banks by government from 58.9% in 1970 to 41.6% in 1995. Still the ownership of banks by the government is larger than other general economic activities, such as production and investment.

India has majority of public sector banking system monitored and/or supervised by Reserve Bank of India, and has performed best in stable way during worst times in the world financial system with less developments in innovation and inclusion. The Indian Banks are considered among the safest banks in the world with the risk weighted capital adequacy with 13% to 14% which is well above the Basel norms.

Contrary to the above point, Indian banks are widely fragmented and the largest bank, The State Bank of India could not make in the position of top 50 of the world's largest bank when compared to China which is having 3 banks out of 10 largest banks in the world (Chakrabarti, 2012).

Several banks have established outstanding record of growth, value creation and innovation. While McKinsey Report, 2010 on Indian Banking 2010 identifies four important opportunities and challenges in Indian Banking sector highlighting:

1. Market is falling in discontinuous growth with new products, services, fee-based income and Investment Banking.
2. Windfall gains with the decrease in interest rates would not be enjoyed.
3. The increase in competition and added interest in Foreign Banks will intensify.
4. With changes in the demographic factors, the requirements of service and institutional capabilities will also increase. Foreign Banks will begin the Mergers and Acquisitions in recent years buying out old sector and new sector banks. As a result, new private banks and foreign banks will grow at the rate of 50%, whereas public sector banks will grow at the rate of 15%.

Post-liberalization phase witnessed the major developments in banking sector that is deregulation of foreign ownership and banking industry expansion geographically by developing countries led the foreign banks to enter into banking markets of developing economies. Thus, recent competitive banking environment after liberalization and globalization had two major implications that is competitive viability of domestic banks versus foreign banks on one side and private banks versus public sector banks on other side.

In order to changing scenario, there were much needed reforms for banks. There was a committee which was formed in 1991, the Committee on Financial System and presented a detailed report with several changes and recommendations such as:

1. Control of banking system should be monitored by RBI.
2. Restructuring of government bond market.
3. Corporate sector debt-equity norm to high and unsustainable in long run.
4. Liberalization of entry and exit norms which will lead to entry of New Foreign Banks and formation of New Private Sector Banks.
5. Freeing the lending and deposit rates within the preview of each and every bank.
6. Implementation of new technology in banking operations.
7. Making public sector Banks to enter public equity markets in raising capital and dilution of government stake.
8. Financial Auditing, Reporting and Consulting.

In addition to the above positive impacts, there were other changes such as significant growth in banking business, decrease in non-performing assets and increase in capital adequacy. The financial performance and profitability of all the banking groups witnessed sharp growth and prepared for all the competition from further liberalization in year 2009.

Structure of Indian Banking Sector

The commercial banks which are included in second schedule of Reserve Bank of India Act, 1934 are more popularly known as Scheduled Commercial Banks (SCBs). Further, scheduled commercial banks are classified into five different groups based on nature of operation and ownership. They are as mentioned as below:

1. Nationalized Banks
2. State Bank of India and its associates
3. Foreign Banks
4. Private Sector Banks
5. Regional Rural Banks (RRBs)

Public/Nationalized Banks	Private Banks	Foreign Banks
	I. Old Private Sector Banks	
1. Allahabad Bank	1. City Union Bank Ltd.	1. AB Bank Ltd.
2. Andhra Bank	2. ING Vysya Bank Ltd.	2. Abu Dhabi Commercial Bank Ltd.
3. Bank of Baroda	3. SBI Commercial & International Bank Ltd.	3. American Express Banking Corporation
4. Bank of India	4. Tamilnad Mercantile Bank Ltd.	4. Antwerp Diamond Bank N.V.
5. Bank of Maharashtra	5. The Catholic Syrian Bank Ltd.	5. Bank International Indonesia
6. Canara Bank	6. The Dhanalakshmi Bank Ltd.	6. Bank of America N.A.
7. Central Bank of India	7. The Federal Bank Ltd.	7. Bank of Bahrain and Kuwait B.S.C.
8. Corporation Bank	8. The Jammu & Kashmir Bank Ltd.	8. Bank of Ceylon
9. Dena Bank	9. The Karnataka Bank Ltd.	9. Barclays Bank Plc.
10. IDBI Bank Ltd.	10. The Karur Vysya Bank Ltd.	10. BNP Paribas
11. Indian Bank	11. The Lakshmi Vilas Bank Ltd.	11. China Trust Commercial Bank
12. Indian Overseas Bank	12. Nainital Bank Ltd.	12. Citibank N.A.
13. Oriental Bank of Commerce	13. The Ratnakar Bank Ltd.	13. Commonwealth Bank of Australia
14. Punjab & Sind Bank	14. The South Indian Bank Ltd.	14. Credit Agricole Corporate & Investment Bank
15. Punjab National Bank		15. Credit Suisse AG
16. Syndicate Bank		16. DBS Bank Ltd.
17. UCO Bank	**II. New Private Sector Banks**	17. Deutsche Bank AG
18. Union Bank of India	1. Axis Bank Ltd.	18. First Rand Bank Ltd.
19. United Bank of India	2. Development Credit Bank Ltd.	19. JPMorgan Chase Bank
20. Vijaya Bank	3. HDFC Bank Ltd.	20. JSC VTB Bank
	4. ICICI Bank Ltd.	21. Krung Thai Bank Public Company Ltd.
The SBI and Its Associates	5. Indusind Bank Ltd.	22. Mashreqbank Psc.
21. The State Bank of India	6. Kotak Mahindra Bank Ltd.	23. MIZUHO Corporate Bank Ltd.
22. State Bank of Bikaner & Jaipur	7. YES Bank	24. Oman International Bank S.A.O.G.
23. State Bank of Hyderabad		25. Sberbank
24. State Bank of Mysore		26. Shinhan Bank
25. State Bank of Patiala		27. Societe Generale
26. State Bank of Travancore		28. Sonali Bank
		29. Standard Chartered Bank
		30. State Bank of Mauritius Ltd.
		31. The Bank of Nova Scotia
		32. The Bank of Tokyo-Mitsubishi UFJ Ltd.
		33. The Hong Kong and Shanghai Banking Corporation Ltd.
		34. The Royal Bank of Scotland N.V.
		35. UBS A.G.
		36. United Overseas Bank Ltd.

Source: Reserve Bank of India and Indian Banks' Association, 2012.

An Overview of Financial Performance in Indian Banks – Profitability and Growth

The banking profits have gained significant importance in recent years as banks are the institutions, which contribute for overall economic activities that are happening in any country. Post 1990s, due to financial liberalization and deregulation of banks, there has been entry of foreign banks and some large private sector banks with the huge capital and manpower has played a key role in Indian economy. Even public sector has not lagged behind as they have constantly changed and adapted to the new technological innovations (like Centralized Online Real-time Environment – CORE Banking Solutions, Basel Capital Adequacy Norms) and so on.

Bank's traditional mode of getting funds at a low cost and the spread between getting funds and providing loans and advances has reduced. Thus, traditional banking activities yielded low profits and banks started looking for new avenues for increasing their bottom-line (Chowdhury and Chowdhury, 2010). According to Chowdhury, Banking conventions usually suggests that with the increase in fee-based income, risks can be diversified. Thus, Indian banking sector has to focus on fee-based income like other developed nations. According to industry estimates, the fee-based income has contributed only 25% out of total income as on 31st March, 2008 and expected to increase over years. Thus, it becomes important to understand the factors playing in total profit, total income, interest income and non-interest income in order to provide stability to business of banking.

Few studies have revealed that the impact of privatization on banks' performance and efficiency shown that privatized banks have performed better than fully public sector banks and they are catching up with the banks in the private sector (Sathye, 2005). The major factors affecting the profitability and efficiency of the banks were directed investments, directed credit, growth in assets, growth in advances and increased proportion of other income in total income of the banks (Bhaumik and Dimova, 2004).

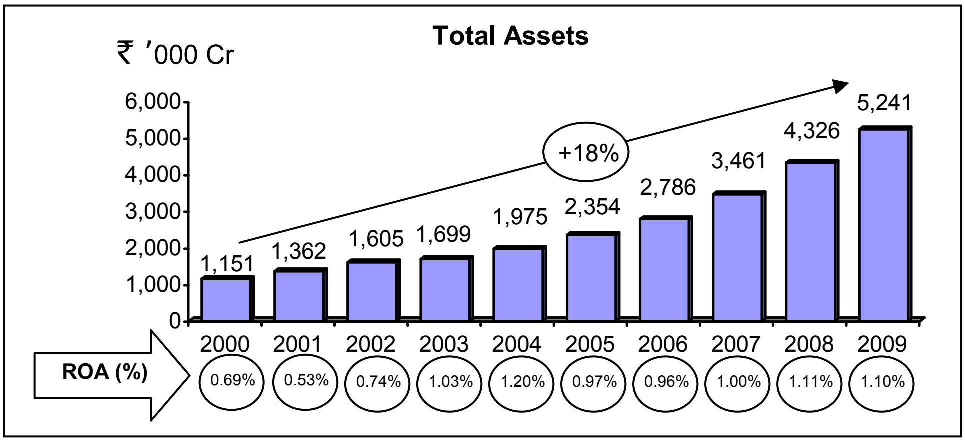
The banks in advanced economies are moving with slow credit growth along with insufficient capitalization and weak funding positions. The customer's confidence in the banking system was severely affected due to changing sovereign risks in the Euro area. Compared to this, in India, banks are well capitalized, with their asset quality and profitability indicating significant improvement over the previous year. There was fast reformation in credit off take during 2010-11 when compared to the subdued growth in 2009-10 (Reserve Bank of India, 2012).

The banks' liquidity position was severely affected due to increasing mismatches in deposits and credit growth rates, apart from several structural components such as huge gaps in maturity of assets and liabilities due to increasing exposure in infrastructure projects, which are long term in nature. The Banking Stability, when compared to previous period, depicted relative movements in risk parameters of the banking system over a period of time, which indicated marginal rise in the risks with reference to liquidity compared to the previous year. However, the Banking Stability Indicator showed overall improvements in stability compared to the previous reporting period (Reserve Bank of India, 2012).

From last decade, banks in India have shown tremendous performance in the form of growth and profitability. According to Boston Consulting Group, 2010, Financial Metrics of Banking Sector indicated drastic improvements as bad debts have considerably fell down. Comparing 10% in the year 2000, the gross Non-performing Asset (NPA) ratio is 3% currently. The cost to income ratio has decreased from 60% in year 2000 to 45% currently. Net Interest Margins (NIMs) was approximately 3% with small changes from previous two years. Thus, embarking all this significant facts, Indian banking sector looks forward for next decade with lots of opportunities.

The below exhibit will provide growth in Banking Industry in the form of Return on Assets from the year 2000 and also highlights that Indian Banking sector is showing all the positive signs in the form of financial performance.

Exhibit 1.1: Indian Banking Industry – Growth with Rising Profitability



Source: Annual Reports; BCG Analysis.

ANALYSIS AND INTERPRETATION OF DATA

Introduction

The data for analysis and interpretation is collected mainly from the Reserve Bank of India (Central Bank) and Indian Banks' Association (IBA). The data analyzed and interpreted is based on the latest information available from the Reserve Bank of India and Indian Banks' Association. Further, the data is classified into three major groups namely, Public Sector Banks (26 PSBs), Private Sector Banks (21 Private Sector Banks) and Foreign Banks (36 FBs) operating in India for the three periods that is for the year 2009, 2010 and 2011.

The analysis and interpretation section would highlight in detail the profitability, liquidity and other components which had direct bearing on all the groups such as public sector banks, private sector banks and foreign banks. The components analyzed are Net Profit, Total Assets, Total Income, Net NPA, Deposits, Advance, Return on Asset (ROA), Capital to Risk-weighted Assets Ratio (CRAR-II), Business per Employee and Profit per employee.

Each component selected for analysis is carefully interpreted based on highest value or percentage or highest market share achieved by individual banks in the method of highest to lowest in each of the groups (i.e., Public, Private and Foreign) and what factors had led to that reason and comparison for all the three years that is year 2009, 2010 and 2011.

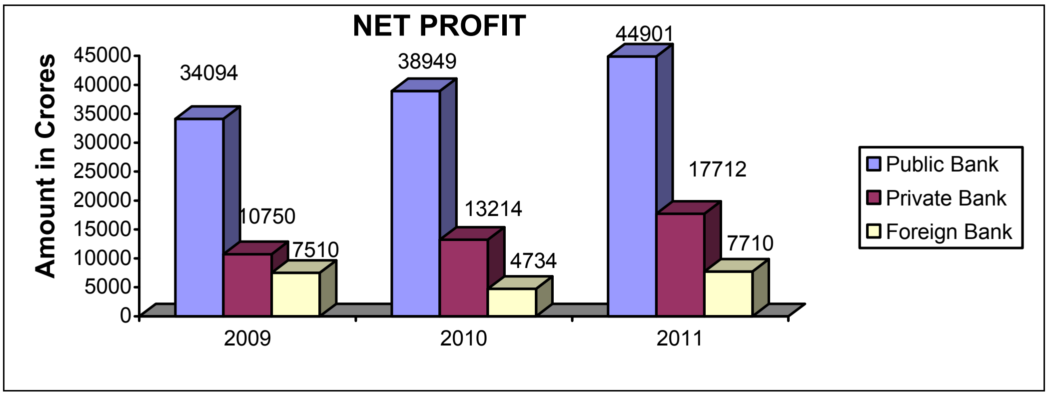
Net Profit

In the management of General business or Banking business, Net Profit is a crucial determinant as it states the financial health of any bank or business carried out and the future prospects of the bank lies on the net profit earned because the shareholder gets the dividend on the basis of net profit earned, prospective investors will look in to the profits as one of the parameter to invest in the bank and banks will think to invest or retain the earnings for future projects.

The Income Statement or Profit and Loss Account captures the financial transaction the bank operated over a period of time mostly quarterly or annually. The difference between revenues earned and expenses incurred over a specified period is known as profit (loss). After all the expenses or costs have been deducted from banks revenue, the bank's earnings before taxes are computed. Then Banks as other businesses, would have to pay taxes on earnings for national, state and local governments after paying taxes to respective governments the remaining portion would be called as '*Net profit*'.

Table 1: Net Profit of Public, Private and Foreign Banks

	2009	2010	2011
Public Bank	34094	38949	44901
Private Bank	10750	13214	17712
Foreign Bank	7510	4734	7710



By analyzing the above Table 1 and chart, it can be interpreted as public sector banks in India has played a dominating role in the scheduled commercial banks' segment as the net profit has grown in volume-wise year on year with ₹ 34,094 crore in 2009, ₹ 38,949 crore in 2010 and ₹ 44,901 crore in 2011.

Net profit of public banks is massively higher than the profits of foreign banks (FBs may face restrictions and other factors which might have led to low net profit or their strategy might be low risk and low profits) and 2 to 3 times higher than that of private sector banks. The one reason would be general public has shown more confidence or reliance on public sector banks than that of foreign or private players in terms of deposits or advances.

Public Sector Banks

In public sector banks, two banks earned major share of profits – State Bank of India and Punjab National Bank. The State Bank of India stood as market player with ₹ 9,121 crore (27%), ₹ 9,166 crore (24%) and ₹ 8,265 crore (18%) for 2009, 2010 and 2011 respectively. Even though there was down fall in the percentage or volume, SBI stood first over the years in public sector. Then followed by Punjab National Bank with ₹ 3,091 crore (9%), ₹ 3,905 crore (10%) and ₹ 4,433 crore (10%) for 2009, 2010 and 2011 respectively.

Private Sector Banks

In private sector banks, three banks earned major share of profits – ICICI Bank, HDFC Bank and Axis Bank. ICICI Bank Ltd. stood as market player with ₹ 3,758 crore (34%) in 2009, ₹ 4,025 crore (30%) in 2010 and ₹ 5,151 crore (29%) in 2011. Even though there was down fall in volume and percentage of ICICI due to tough competition from other players in the market, it stood first. Then followed by HDFC Bank Ltd., with ₹ 2,245 crore (21%) in 2009, ₹ 2,949 crore (22%) in 2010 and ₹ 3,926 crore (22%) in 2011 and Axis Bank Ltd. stood at third position with ₹ 1,815 crore (17%) in 2009, ₹ 2,515 crore (19%) in 2010 and ₹ 3,388 crore (19%) in 2011. The significant point to be noted is that all these private sector banks mentioned above belong under the category of new private sector banks.

Foreign Banks

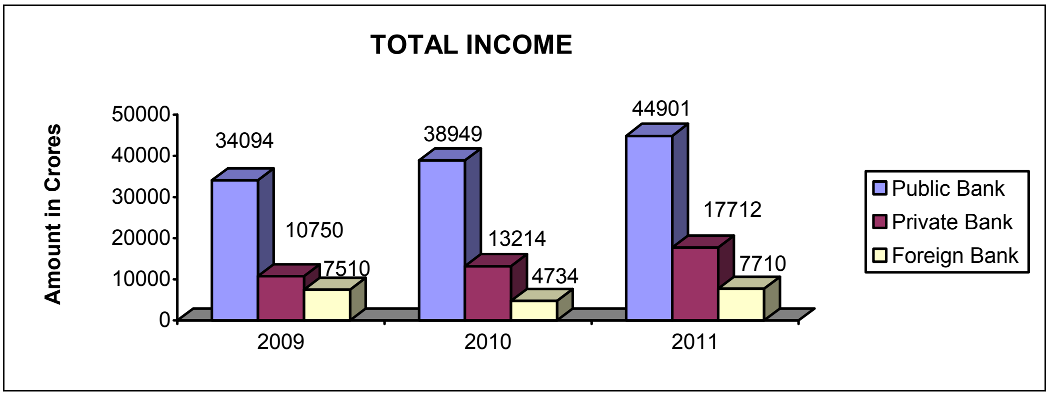
Under foreign banks, three banks have contributed for major share of profits – Standard Chartered Bank, Citibank N.A. and HSBC. Standard Chartered Bank stood as market player with ₹ 1,907 crore (25%) in 2009, ₹ 2,127 crore (34%) in 2010 and ₹ 2,059 crore (26%) in 2011. Followed by Citibank N.A. with ₹ 2,173 crore (28%) in 2009, ₹ 860 crore (14%) in 2010 and ₹ 1,425 crore (18%) in 2011. Further by HSBC with ₹ 1,291 crore (17%) in 2009, ₹ 810 crore (13%) in 2010 and ₹ 1,528 crore (20%) in 2011. But one of the notable factors identified by using the data for foreign banks was the total volume fell in 2010 due to negative impacts of global financial crisis which was reported in 2008.

TOTAL INCOME

"The Total Income or Total Revenue equals total interest income plus non-interest income and realized securities gains (losses)". Interest Income are the one the bank earns on the loans it makes minus the interest rate it pays for its depositors. Usually, banks' profit interest income would be more than its interest expense. The banks non-interest incomes (fee-based incomes) are those which the banks charge on its customers for valuation, registrations, underwriting and so on.

Table 2: Total Income of Public Banks, Private Banks and Foreign Banks

	2009	2010	2011
Public Bank	312491	351766	414183
Private Bank	101424	101740	117553
Foreign Bank	45216	36343	39503



By analyzing the above Table 2 and the chart, it can be interpreted as public sector banks are having majority in total volumes in the scheduled commercial banks segment with ₹ 3,12,491 crore in 2009, ₹ 3,51,766 crore in 2010 and ₹ 4,14,183 crore in 2011.

Total income of public sector banks is 6 to 8 times higher than that of foreign banks due to the support from government and less restrictions from government on public sector banks and more regulations and governance on foreign banks might be the reason, adding to most of the general public always trust on public sector banks and invests or deposit money in pubic banks rather than private banks.

Public Sector Banks

In public sector banks, two banks earned major share of Total Income – State Bank of India and Punjab National Bank. The SBI stood as the major bank with ₹ 76,479 crore (24%) in 2009, ₹ 85,962 crore (24%) in 2010 and ₹ 97,219 crore (23%) in 2011. Then followed by Punjab National Bank with ₹ 22,192 crore (7%) in 2009, ₹ 25,032 crore (7%) in 2010 and ₹ 30,599 crore (7%) in 2011 and further shared by Bank of Baroda, Bank of India and Canara Bank with 6% for all the years.

Private Sector Banks

In private sector banks, three banks earned major portion of Total Income – ICICI, HDFC and Axis Bank. ICICI Bank Ltd. stood as the market player with ₹ 38,696.28 crore (28%) in 2009, ₹ 33,184.58 crore (33%) in 2010 and ₹ 32,621.95 crore (28%) in 2011. Followed by HDFC Bank Ltd. with ₹ 19,622.87 crore (19%) in 2009, ₹ 20,156.01 crore (20%) in 2010 and ₹ 24,263.36 crore (21%) in 2011. Then followed by Axis Bank with ₹ 13,732.36 (14%) in 2009, ₹ 15,583.8 (15%) in 2010 and ₹ 19,786.94 (17%) in 2011. Thus, new private sector banks have played a major role in earnings of Total Income.

Foreign Banks

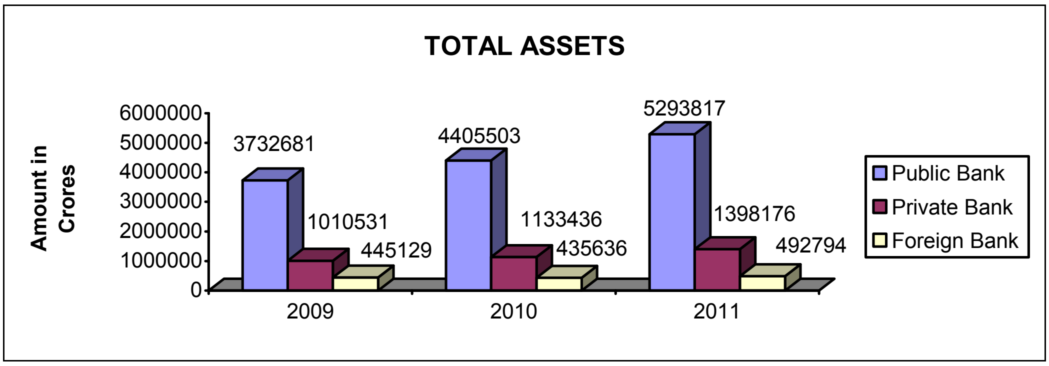
Under foreign banks, three banks have contributed for major share of Total Income – Standard Chartered Bank, Citibank N.A. and HSBC. Standard Chartered Bank as ₹ 8,746 crore (19%) in 2009, ₹ 8,513 crore (23%) in 2010, ₹ 8,824 crore (22%) in 2011. Followed by Citibank N.A. with ₹ 10,423 crore (23%) in 2009, ₹ 7,662 crore (21%) in 2010, ₹ 8,216 crore (21%) in 2011. Then followed by HSBC with ₹ 9,026 crore (20%) in 2009, ₹ 7,301 crore (20%) in 2010 and ₹ 6,984 crore (18%) in 2011.

TOTAL ASSETS

In the balance sheet, assets are listed according to the liquidity promptness with which it can be converted into cash or in reverse order. All the assets are grouped into different categories that are asset with characteristics of similarity are placed in one category. However, the Total Assets can be broadly classified into: (i) Fixed Assets, (ii) Current Assets, (iii) Investments and (iv) Other Assets (Khan and Jain, 2004).

Table 3: Total Assets of Public, Private and Foreign Banks

	2009	2010	2011
Public Bank	3732681	4405503	5293817
Private Bank	1010531	1133436	1398176
Foreign Bank	445129	435636	492794



By analyzing the above Table 3 and the chart, it can be interpreted as public sector banks are having majority in total volumes in the scheduled commercial banks' segment with respect to Total Assets with ₹ 37,32,681 crore in 2009, ₹ 44,05,503 crore in 2010 and ₹ 52,93,817 crore in 2011.

Public Sector Banks

In public sector banks, two banks earned major share in Total Assets – State Bank of India and Punjab National Bank. The SBI stood as the major bank with ₹ 9,64,432 crore (26%) in 2009, ₹ 10,53,414 crore (24%) in 2010 and ₹ 12,23,736 crore (23%) in 2011. Then followed by Punjab National Bank with ₹ 2,46,919 crore (7%) in 2009, ₹ 2,96,633 crore (7%) in 2010 and ₹ 3,78,325 crore (7%) in 2011 and further shared by Bank of Baroda, Bank of India with 6% and 7% for all the years.

Private Sector Banks

In private sector banks, three banks earned major portion of Total Assets – ICICI, HDFC and Axis Bank. ICICI Bank Ltd. stood as the market player with ₹ 3,79,301 crore (38%) in 2009, ₹ 3,63,400 crore (32%) in 2010 and ₹ 4,06,234 crore (29%) in 2011. Followed by HDFC Bank Ltd. with ₹ 1,83,271 crore (18%) in 2009, ₹ 2,22,459 crore (20%) in 2010 and ₹ 2,77,353 crore (20%) in 2011. Then followed by Axis Bank with ₹ 1,47,722 (15%) in 2009, ₹ 1,80,648 (16%) in 2010 and ₹ 2,42,713 (17%) in 2011. Thus, new private sector banks have played a major role in earnings of Total Assets.

Foreign Banks

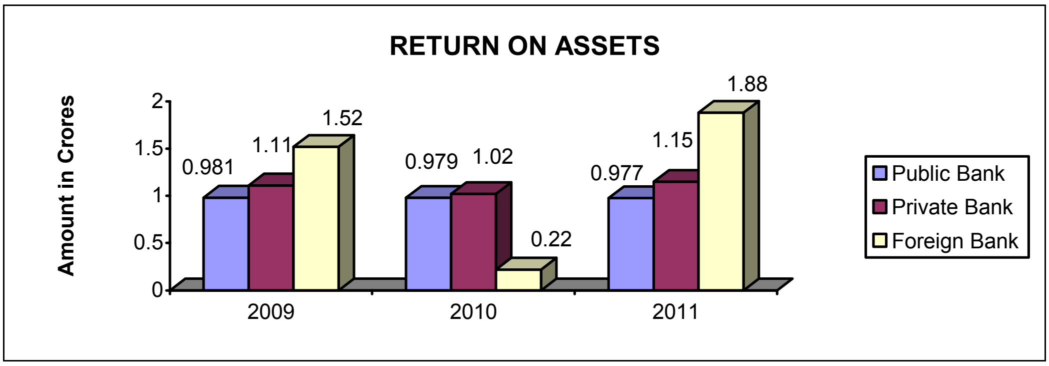
Under foreign banks, three banks have contributed for major share of Total Assets – Citibank N.A., Standard Chartered Bank and HSBC. The Citibank N.A. as ₹ 1,05,264 crore (24%) in 2009, ₹ 95,489 crore (22%) in 2010, ₹ 1,11,586 crore (23%) in 2011. Followed by Standard Chartered Bank with ₹ 97,465 crore (22%) in 2009, ₹ 88,775 crore (20%) in 2010, ₹ 1,06,683 crore (22%) in 2011. Then followed by HSBC with ₹ 94,620 crore (21%) in 2009, ₹ 90,434 crore (21%) in 2010 and ₹ 91,148 crore (18%) in 2011.

RETURN ON ASSETS (ROA) IN PERCENTAGE

Return on Assets is the very important measure or indicator for the financial performance of a company. In the Profitability Analysis part, the ROA holds an important component which measure financial performance measure of a company or a bank. The Return on Assets (ROA) means net income divided by average total assets.

Table 4: ROA of Public, Private and Foreign Banks

	2009	2010	2011
Public Bank	0.981	0.979	0.977
Private Bank	1.11	1.02	1.15
Foreign Bank	1.52	0.22	1.88



Return on Assets

By analyzing the above Table 4 and the chart, it can be interpreted as foreign banks are having higher average Return on Assets in 2009 and 2011 (except in the year 2010 due to global financial crisis negative impacts and S&P downward grading of most of the banks in global and in particular to US), the scheduled commercial banks' segment with average ROA ₹ 1.52 in 2009 and ₹ 1.88 in 2011.

The average ROA of foreign banks are comparatively higher than that of public sector banks and private sector banks expect in the year 2010 due to negative effects of global financial crisis and S&P downgrading of few of the global banks, thus, leading to negative ROA of few of the foreign banks operating in India. This also implies that foreign banks have also undertaken huge risk on their part in the investment and advances part in India thus leading to more ROA in the year 2009 and 2011 whereas, private sector banks have maintained more than one percentage of average ROA for all the years (i.e., 2009, 2010 and 2011). Even public sector banks have maintained a calculated percentage of 0.98 (Average ROA) for all the years.

Public Sector Banks

In public sector banks, few banks shown major share in the category of ROA – Indian Bank, Bank of India, Canara Bank, Punjab National Bank and Andhra Bank. The Indian Bank stood as the major bank with ROA (%) 1.62 in 2009, 1.67 in 2010 and 1.53 in 2011. For the second position stood by Bank of India with 1.49 in 2009, Punjab National Bank with 1.44 in 2010 and Canara Bank with 1.42 in 2011 and for the third position Punjab National Bank with 1.39 in 2009, Andhra Bank with 1.39 in 2010 and 1.36 in 2011.

Private Sector Banks

In private sector banks, three banks earned major portion of ROA – The Ratnakar Bank Ltd., Nainital Bank Ltd., The Jammu & Kashmir Bank Ltd., The Karur Vysya Bank Ltd., YES Bank Ltd., Kotak Mahindra Bank Ltd. and Tamilnad Mercantile Bank Ltd. For the first position, The Ratnakar

Bank Ltd. with 1.96% in 2009, YES Bank Ltd. with 1.79% in 2010 and Kotak Mahindra Bank Ltd. with 1.77% in 2011. For the second position, Nainital Bank Ltd. with 1.68% in 2009, The Karur Vysya Bank Ltd. with 1.76% in 2010 and Tamilnad Mercantile Bank Ltd. with 1.74% in 2011. For third position, The Jammu & Kashmir Bank Ltd. with 1.09% in 2009, Nainital Bank Ltd. with 1.73% in 2010 and The Karur Vysya Bank Ltd. with 1.71% in 2011.

Foreign Banks

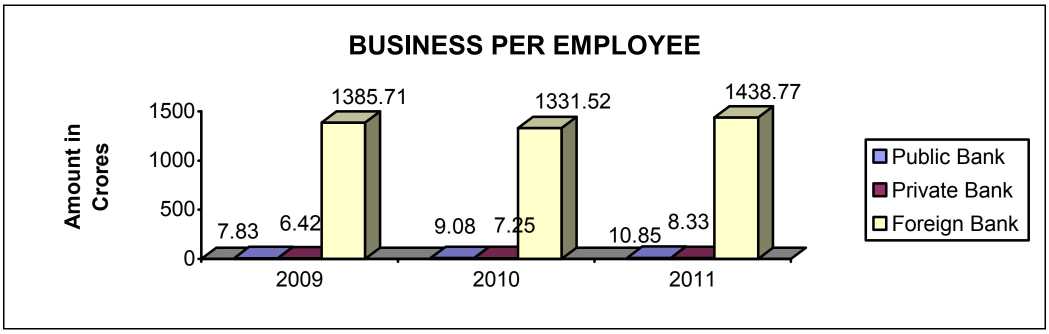
Under foreign Banks, few banks have contributed for the ROA (%) – AB Bank Ltd., Bank of Ceylon, Commonwealth Bank of Australia, Mashreqbank PSC, Oman International Bank S.A.O.G. For the first position, Bank of Ceylon with 10.23% in 2009, AB Bank Ltd., with 5.58% in 2010 and Commonwealth Bank of Australia with 11.5% in 2011. For the second place, AB Bank Ltd. with 4.75% in 2009, Oman International Bank S.A.O.G. with 3.52% in 2010 and Mashreqbank Psc. with 5.03% in 2011. For the third position, Mashreqbank Psc. with 4.43% in 2009, 3.35% in 2010 and AB Bank Ltd. with 4.53% in 2011.

BUSINESS PER EMPLOYEE

Business per Employee means the overall business generated by each employee who is working in any organization or bank. This can be done by dividing overall business generated divided by per head of the employees working in each of the banks forming business per employee.

Table 5: Business per Employee of Public, Private and Foreign Banks

	2009	2010	2011
Public Bank	7.83	9.08	10.85
Private Bank	6.42	7.25	8.33
Foreign Bank	1385.71	1331.52	1438.77



By analyzing the above Table 5 and the chart, it can be interpreted as foreign banks are having higher average Business per Employee (BPE) for the year 2009 with ₹ 1,385.71 crore, 2010 with ₹ 1,331.52 crore and 2011 with ₹ 1,438.77 in the scheduled commercial banks' segment.

The average BPE signifies how the foreign banks are comparatively efficient in generating business when compared to public sector banks and private sector banks. This also implies that foreign banks utilizes the employees in efficient ways and pose the challenge to other sector banks in terms of brain drain. Also, it can be analyzed due to huge capital or money at its disposal. They efficiently undertake the risk and get the things done quickly and efficiently whereas in the case of private and public sector banks it is quite difficult to achieve.

Public Sector Banks

In public sector banks, few banks shown major share in the category of BPE. Those are IDBI Ltd., Oriental Bank of Commerce and Corporation Bank. For the first position, IDBI Ltd. with ₹ 20.30 crore in 2009, ₹ 24.17 crore in 2010 and with ₹ 23.46 crore in 2011. For the second position, Oriental Bank of Commerce with ₹ 11.42 crore in 2009, with ₹ 13.31 crore in 2010 and Corporation Bank with ₹ 15.73 crore in 2011. For the third position, Corporation Bank with ₹ 10.49 crore in 2009, ₹ 12.69 crore in 2010 and Oriental Bank of Commerce with ₹ 14.19 crore in 2011.

Private Sector Banks

In private sector banks, few banks had major share in BPE – ICICI Bank Ltd., Axis Bank Ltd, SBI Commercial and International Bank Ltd., YES Bank Ltd., and Tamilnad Mercantile Bank Ltd. For the first position, ICICI Bank Ltd. with ₹ 11.54 crore in 2009, YES Bank Ltd. with ₹ 16.24 crore in 2010 and ₹ 22.20 crore in 2011. For the second position, Axis Bank Ltd. with ₹ 10.60 crore in 2009, ₹ 11.11 crore in 2010 and ₹ 13.66 crore in 2011. For the third position, SBI Commercial and International Bank Ltd. with ₹ 9.60 crore in 2009, ₹ 10.55 crore in 2010 and Tamilnad Mercantile Bank Ltd. with ₹ 9.59 crore in 2011.

Foreign Banks

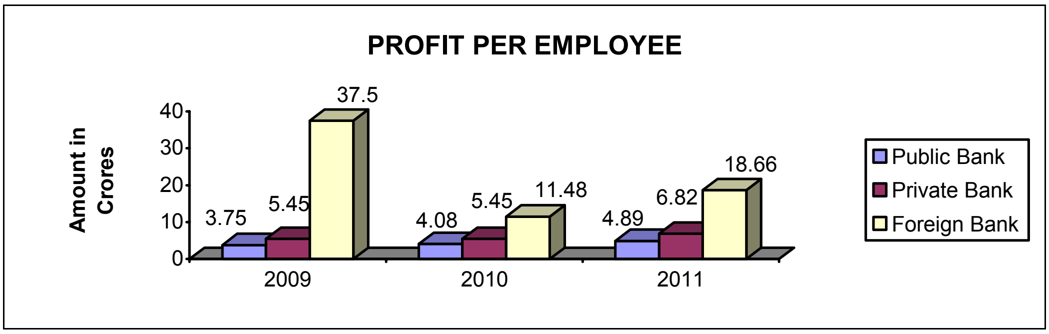
In foreign banks, few of the banks have performed very well in terms of Business per Employee – Antwerp Diamond Bank N.V., Bank of America N.A., Credit Agricole Corporate and Investment Bank, The Bank of Nova Scotia and The Bank of Tokyo-Mitsubishi UFJ Ltd. For the first position, The Bank of Nova Scotia with ₹ 3,890.97 crore in 2009, ₹ 3,750.43 crore in 2010 and ₹ 4,294.06 crore in 2011. For the second position, Antwerp Diamond Bank N.V. with ₹ 3,371.97 crore in 2009, Bank of America NA with ₹ 3,101.97 crore in 2010 and Bank of America N.A. with ₹ 3,852.5 crore in 2011. For the third position, The Bank of Tokyo-Mitsubishi UFJ Ltd. with ₹ 3,107.91 crore in 2009, ₹ 3,069.80 crore in 2010 and Credit Agricole Corporate and Investment Bank with ₹ 3,614 crore in 2011.

PROFIT PER EMPLOYEE

Profit per employee therefore focuses companies on intangible-intensive value propositions and in turn, on talented people – those who, with some investment, can produce valuable intangibles. Companies can redesign the internal financial performance approach and set goals for the return on intangibles by paying greater attention to profit per employee and the number of employees rather than putting all of the focus on returns on invested capital.

Table 6: Profit per Employee of Public, Private and Foreign Banks

	2009	2010	2011
Public Bank	3.75	4.08	4.89
Private Bank	5.45	5.45	6.82
Foreign Bank	37.50	11.48	18.66



By analyzing the above Table 6 and the chart, it can be interpreted as foreign banks are having higher average Profit per Employee (PPE) for the year 2009 with ₹ 37.50 lakhs, 2010 with ₹ 11.48 lakhs and 2011 with ₹ 18.66 lakhs in the scheduled commercial banks' segment.

The average PPE signifies how the foreign banks are comparatively efficient in generating profits when compared to public sector banks and private sector banks. This also implies that foreign banks utilize the employees in an efficient way and lead to more profits thus leading the shareholders' wealth maximization objective. Also, it can be analyzed due to huge capital or money at its disposal. They efficiently undertake the risk and get the things done quickly and efficiently whereas in the case of private and public sector banks it is quite difficult to achieve due to scarce capital and high talented employees.

Public Sector Banks

In public sector banks, few banks shown major share in the category of PPE – IDBI Ltd., Canara Bank, Bank of India, Indian Bank and Corporation Bank. For the first position, IDBI Ltd. with ₹ 8.42 lakhs in 2009, Corporation Bank with ₹ 9.52 lakhs in 2010 and IDBI Ltd. with ₹ 11.93 lakhs in 2011. For the second position, Corporation Bank with ₹ 7.64 lakhs in 2009, IDBI Ltd. with ₹ 8.44 lakhs in 2010 and Corporation Bank with ₹ 10.92 lakhs in 2011. For the third position, Bank of India with ₹ 7.49 lakhs in 2009, Indian Bank with ₹ 7.92 lakhs in 2010 and Canara Bank with ₹ 9.76 lakhs in 2011.

Private Sector Banks

In private sector banks, four banks had major share in PPE – ICICI Bank Ltd., Axis Bank Ltd., Yes Bank Ltd. and SBI Commercial and International Bank Ltd. For the first position, SBI Commercial and International Bank Ltd. with ₹ 13.17 lakhs in 2009, YES Bank Ltd. with ₹ 16.75 lakhs in 2010 and ₹ 20.89 lakhs in 2011. For the second position, YES Bank Ltd. with ₹ 11.38 lakhs in 2009, Axis Bank Ltd. with ₹ 12 lakhs in 2010 and ₹ 14 lakhs in 2011. For the third position, ICICI Bank Ltd. with ₹ 11 lakhs in 2009, ₹ 9.00 lakhs in 2010 and ₹ 10 lakhs in 2011.

Foreign Banks

In foreign banks, few had major share with respect to PPE – Bank of America N.A., Credit Agricole Corporate and Investment Bank, JP Morgan Chase Bank, The Bank of Nova Scotia, UBS A.G. For the first position, JP Morgan Chase Bank with ₹ 253.63 lakhs in 2009, Bank of America N.A. with ₹ 121.26 lakhs in 2010 and JP Morgan Chase Bank with ₹ 219.41 lakhs in 2011. For the second position, Credit Agricole Corporate and Investment Bank with ₹ 130 lakhs in 2009, The Bank of Nova Scotia with ₹ 101.43 lakhs in 2010 and Bank of America N.A. with ₹ 139.02 lakhs in 2011. For the third position, Bank of America N.A. with ₹ 110.85 lakhs in 2009, Credit Agricole Corporate and Investment Bank with ₹ 1 lakh in 2010 and UBS AG with ₹ 109.28 lakhs in 2011.

CONCLUSION

Thus, to conclude with the above, all the studies reflect one important factor that deregulation has opened the avenues for foreign banks to enter into new markets with the capital, system and technology with manpower has led to the major competition to domestic banks that is both public sector banks and private sector banks.

This also led to new changes for both public and private sector banks to compete with foreign banks, by changing themselves with the technological changes and serve the customers with new customer relationship management methods and also adapt to the consolidations or necessary mergers in order to be competitive.

Thus, even though public sector banks in few areas are strong and government support is more to bank them up in case of adverse situations, foreign banks are far higher and better in terms of profits and efficiency compared to old private sector banks and public sector banks.

The Public sector banks have an upper hand over the private sector banks and foreign banks respect to Net Profit, Total Assets, Deposits, Total Income and Advances. But, however, there is problem with the Net NPA which is at the alarming stage wherein public sector banks have to realize its importance and act on its recovery (bad assets). However, Foreign banks are well staged in Indian market with lot of financial performance improvements proved by them in case of ROA, CRAR-II, Business per Employee and Profit per Employee and their management in Indian market is very well and booming because they are having Technical competence, Product Innovations, Marketing, Human Resources, Capital etc. Whereas Private Banks especially new private sector banks have really grown with width and breadth, there is matter of concern for old private banks because they are lagging behind in so many innovations and performance. Thus Foreign Banks, New Private sector banks and Public sector banks has catered to the needs of the Indian economy to a considerable extent. But there is severe challenge from NBFCs in present and future years.

It is found that the key determinants or factors for the financial performance of the Indian banking sector are: Market share, Investment to deposit ratio and Dummy variables, the public sector banks and some private sector banks have to increase the market share in order to achieve higher profits, while investment to deposit ratio should also be increased.

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5 Entry of FDI in Retail Sector: Probable Impact on Local Grocery Shops

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INTRODUCTION

FDI in the retail sector can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers, and suppliers (farmers). This also can result in net gains in employment at the aggregate level.

Today, retail is one of the biggest employers in the world and a large portion of the world economy. The retail industry is a sector of the economy that is comprised of individuals and companies selling finished products to end-user consumers.

Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage area is limited. Once the shopper requests the food staple or household product they are looking for, the shopkeeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper.

Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the consumer is asking for. The product typically has no price label in these small retail shops; although some products do have a manufactured suggested retail price (MSRP) pre-printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two consumers may pay different prices for the same product on the same day. Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products.

For votaries of the great Indian middle class, it is good news since the presence of Wal-Mart is supposed to provide consumers wider choice. They also claim that big stores pose no threat to neighbourhood kirana stores. But there is little empirical evidence to support these two arguments. Unfortunately, little qualitative research has been done to evaluate impact of changes in Indian retail markets, particularly the presence of our own organized retail chains for close to a decade now. An impression is being given that multi-brand retail is all about making available fresh farm produce – grains, fruits and vegetables – sourced from Indian farmers to urban consumers.

However, experience from other parts of the world shows that big retail is all about marketing big food – processed and ultra-processed food, sugary and fizzy beverages, alcohol and tobacco. Big food multinationals have already penetrated deep into Indian food markets over the past 20 years and big retail is only going to boost sales of their products like chips, noodles, soft drinks, cookies and so on. All these are energy-dense food rich in salt, sugar and fat – a sure recipe for lifestyle diseases such as hypertension, diabetes, heart disease and cancers. The combination of big food and big retail could play havoc with health of citizens in countries like India which are at critical stage of economic and nutrition transition.

ENTRY OF FDI IN MULTI-BRAND RETAIL

Government has decided to allow 51% FDI in Multi-brand retails.

The Pre-conditions of Foreign Direct Investment in Multi-brand Retails

- Minimum investment of $100 million.
- 50% of the investment is to be in backend infrastructure development.
- 30% of all raw materials has been procured from India's small and medium industries.
- Permission to set up malls only in cities with a minimum population of 10 lakh.
- Government has the first right to procure material from the farmers.
- Products should be sold under the same brand internationally.
- Foreign investor should be the owner of the brand.

In India, cities with population of more than 10 lakh are just 53 in number. This means that any negative impact will not have huge repercussions. Kirana store walas in majority of other cities will be totally unaffected. It is a small but steady step on the path of liberalization.

DEFINITIONS OF KEY CONCEPTS

Foreign Direct Investment

Direct investments in productive assets by a company incorporated in a foreign country, as opposed to investments in shares of local companies by foreign entities is an important feature of an increasingly globalized economic system.

Retail Sector

Retail sector is the sale of goods and services from individuals or businesses to the end-user. Retailing is a term for collective selling from any of the retail sectors of business, either from regular market, a permanent market, or even peddling of goods.

Grocery Shops

A grocery store is a store that retails food. A grocer, the owner of a grocery store, stocks different kinds of foods from assorted places and cultures, and sells these "groceries" to customers.

Supermarket (Self-service Store)

Being a retail commercial enterprise or a service in which the customers or users help themselves: a self-service market; a self-service elevator.

Hypermarket (Malls)

A retail store combines a department store and a grocery supermarket. Often, a very large establishment, hypermarkets offer a large variety of products such as appliances, clothing and groceries.

Hypermarkets offer shoppers a one-stop shopping experience. The idea behind this big box store is to provide consumers with all the goods they require, under one roof. Some of the more popular hypermarkets include the Wal-Mart Supercenter, Fred Meyer and Super Kmart.

A shopping mall, shopping centre, shopping arcade, shopping precinct or simply mall is one or more buildings forming a complex of shops representing merchandisers, with interconnecting walkways enabling visitors to easily walk from unit to unit, along with a parking area – a modern, indoor version of the traditional marketplace.

Food Court

A common feature of shopping malls is a food court: this typically consists of a number of fast food vendors of various types, surrounding a shared seating area.

Hawkers

One who sells goods aggressively, especially by calling out someone who travels about selling his wares (as on the streets or at carnivals).

Purpose of the Study

The researcher has tried to study likely impact on local grocery shops due to entry of FDI in retail sector.

OBJECTIVES OF THE STUDY

1. To find out the probable effect on direct sale of shops.
2. To find out the effect on indirect employability.
3. To study the probable effect on earning of the shop owners.

RESEARCH METHODOLOGY

The study is based on primary as well as secondary data. For the present study, the researcher has selected the purposive sampling method. The total 100 respondents of shop owners from western Nagpur city have been selected as a sample. To collect the primary data, the researcher has prepared the interview schedule containing 10 questions related to the objectives of the study. Secondary data has been collected from the books, journals and Hitvada newspapers.

LIMITATIONS

- The study is confined to grocery shops only.
- The sample size is restricted to 100 only.
- Primary data survey is conducted in Nagpur city itself.

REVIEW OF LITERATURE

- **Prime Minister Manmohan Singh,** (2002) as then the Leader of the Opposition in Rajya Sabha (Upper House of Indian Parliament) in, “I don't recall what was said by every person on every day. Things move forward, perceptions change, circumstances change. I don’t think that there is any lack of clarity on FDI in retail. BJP was at that time pro-reform.”

- **Amartya Sen** (2011), the Indian born Nobel prize winning economist, in an interview claims foreign direct investment in multi brand retail can be good thing or bad thing depending on the nature of the investment. Quite often, claims Professor Sen, FDI is a good thing for India.
- **Ahluwalia** (2012) said, "This is a structural change. I don't believe modern retail can expand fast enough to raise real wages. What happened in Thailand is not a predictor, what will happen here. In the next 20 to 30 years, do you want small retailers to have same share what it is today. I think it is completely wrong. This is like saying when taxis were introduced the share of tangas (horse cart) went down, one could bring them back, no. The notion that the foreign retailers are going to be faster to import at importing than our own modern retailer or small retailier... We have huge tendency to import. Today, Indian modern retail has no compulsion to do domestic sourcing. If there is FDI, they will be compelled to do significant amount of domestic sourcing."
- **Indian economist, Jayati Ghosh's** (2012) estimate that one Wal-Mart store would replace 1,400 small retailers at the cost of 5,000 jobs, he said, "The notion of modern retail, it may involve much higher labour productivity at the front end but at the back of that it is entire new supply chain system where jobs are being created not in selling physically to people but in upgrading the supply. Unless you take that in account this comparison are meaningless."
- **Anand Sinha,** RBI Deputy Governor said Government's decision to allow 51% FDI in multi-brand retail has improved the market sentiment and helped the rupee to rebound. Rupee has rebounded to a considerable extent there is certainly promise. The success of FDI in retail depends on how much India gets in the end. The government had earlier this month allowed 51% FDI in multi-brand retail, 49% investment by foreign airlines in aviation sector. The slew of reforms also included raising FDI cap in broadcasting from 49% to 74% and allowing foreign investment in power exchanges, beside a hike in diesel prices (The Hitavada, Monday October 1, 2012).

Opinions of Politicians, NGOs and Stakeholders (The Hitavada, Newspaper)

- **L.K. Advani,** BJP Leader said "The red carpet was being rolled out for Wal-Mart when it faced protest even in the US and New York City – Shut Wal-Mart out, over 10,000 people shouting Wal-Mart is Poverty, marched through Los Angeles against Wal-Mart stores. He also quoted on 'New York Times' report on how Mexico has become the second largest country for Wal-Mart after USA in terms of number of stores.' "I think the circumstances are completely different and the reason for that is the US, it is very easy for someone to increase its share hugely by following a particular pricing policy." (The Hitavada, October 2, 2012, Tuesday, p. 5)
- **Arun Jaitley,** BJP Leader, concerns "The notion that the foreign retailers are going to be faster to import at importing than our own modern retailer or small retailer. We have huge tendency to import. Today, Indian modern retail has no compulsion to do domestic sourcing. If there is FDI, then will be compelled to do significant amount of domestic sourcing." ((The Hitavada, September 24, 2012, Monday, p. 5)
- **Mamta Banerjee,** Trinamool Congress Supremo, accused it of pushing the future of pensioners in India towards uncertainty. During 2008-09 economic slowdown in the US, the savings of pensioners were lost in that country when the stock market crashed. FDI in pension funds cited an example of an Indian residing in the US who lost 50% of his savings which he had invested in pension funds as a result of 2008-09 economic slowdown. "I want you to relate to you a tragic experience of an Indian working in a well-known IT company in California which explains the real life impact of allowing FDI in pensions. He

lost 50%of his entire savings. He was left high and dry without compensation and an uncertain future. This is not just a stray case, but one among millions of sufferers in the US where pension funds are invested in, stock markets. This is what is being attempted by UPA-II. With the introduction of FDI, the future of pensioners will crash. Let us be united and oppose this move. It is an unprecedented decision on FDI in retail, cap on subsidized LPG and diesel price hike. Withdrawing from the UPA was the first step. A series of protests have been in the coming days till the decisions are withdrawn. The actual issue is the decision of the government which is anti people. In a democracy, people are supreme. Our voice is the voice of the people. We must raise our voice so that the Govt. must reconsider. Reforms are meant to usher development for the people. Nowadays, the trend is when ever any anti-people decision is taken, it is taken in the name of reform." (The Hitavada, Monday, October 1, 2012)

- **Arun Shourie,** Senior BJP Leader, "With the coming of FDI in retail, business to the tune of USD 400 billion will go to different hands and five crore people will lose their income and livelihood." (The Hitavada, September 25, 2012, Tuesday, p. 5)
- **Sarkaryawah Suresh alias Bhaiyyaji Joshi,** Rashtriya Swayamsevak Sangh (RSS), on Friday advocated strongly in favour of reconsidering the model of allowing FDI in various sectors. Pollution, unemployment, inequality, social conflicts, corruption, and exploitation of national wealth are immediate results of FDI in each sector. To make the country free of these vices, there is a need to reconsider FDI model. In his speech, Joshi also flayed the schemes like Mahatma Gandhi National Rural Employment Guarantee Scheme as a step towards making people 'lazy, non-performing, and slaves.' Instead of imitating pseudo-development models, there was a need to promote indigenous research and make India self sufficient in every field. He appealed Indian youths to realize their potential, shed slave mentality, and utilize their energy for development of nation on the solid foundation of indigenous philosophy. (The Hitavada, Saturday, October 6, 2012)
- **Surendra Naik,** Secretary, ABVP National and National Secretary of Laghu Udoyg Bharati Shashbhusan Vaidya "In the era of liberalization, privatization and globalization (LPG), Indian culture, traditions and customs were under attach of western thoughts. He asked the organizations. Owing to adoption of such policies, there was glittering development on one hand and abject inequality, poverty and hunger on the other in India. He underlined the need for development of high end technology and manufacturing, promoting research and development in Defense, IT another knowledge-based sectors." (The Hitavada, Saturday, October 6 2012, p. 5)

Opinions of Stakeholders

- **Shubhranshu Pani,** Joint Managing Director, Retail Services, Jones Lang LaSalle India, has his hand on his pulse. "Food is a major footfall driver and food courts give single customers and entire families the option of cuisine," says Pani. "As such, they are often a primary reason for people to visit malls. Also, since they are usually on the top floor, customers are required to pass all floors below to access then. This increases the opportunities for impulse shopping."
- **Pratichee Kapoor,** AVP, Food Services and Agriculture, Technopak Advisors, concurs: "Food courts are getting prime attention by mall developers, as they attract more visitors than any single retail store or restaurant located in the mall. Of late, the concept of food courts has moved out of malls to other places such as office complexes. Various food courts operators have emerged to tap the opportunity in 'food court space' such a as Lite Bite Foods, Ravel Food Services, Pan India, etc. They operate with a portfolio mix of 'own brands' and F&B chains."

- **Omer Bin Jung,** CEO, Prestige Leisure Resorts says "Both our food courts, Transit 1 at Forum and Transit at forum value Mall (Bangalore), started as convenience spaces for the mall visitors and have now actually evolved into anchors for the mall. If any of our kitchens happen to be vacant, we receive at least 10 enquiries a month, or else three or four. As much as 70% of all the people visiting Forum Value Mall eat at Transit 2, the Food Court…which is clearly a highly capture rate."
- **Kishore Bhatija,** CEO, Inorbit Malls, says "A good food court can certainly help build more loyalty amongst the patrons. Moreover, the food courts at in orbit Malls contribute about 6.5% of the total sales of the mall."
- **Puri** of Pioneer Property Zone agrees "We notice that, in a well-planned mall with a good sized food court, over 30% of the mall traffic would visit the court. This could even go beyond 50%. The percentage allocation towards food courts has grown over the past few years and I would see this expand further with new operators and categories entering the market. One thing that needs to be taken into consideration is the mixing of the food court counters in such a way that the same products are not repeated in too many kiosks."

Analysis and Interpretation

For the present study, the data is collected from the shop owners (respondents) of Western Nagpur. This area is the cream of the Nagpur City. People belonging to the rich, neo-rich, upper middle class, middle middle class, lower middle class are the residents of this area. This area is surrounded by the slums also. It means people of both the categories, i.e., Have and Have-not (gulf) are residents of this area.

People of the first category (Have) preferred to go Malls to buy the things because they have enough money to buy things in cash. It is observed no personal relations are maintained by the mall owners with their customers.

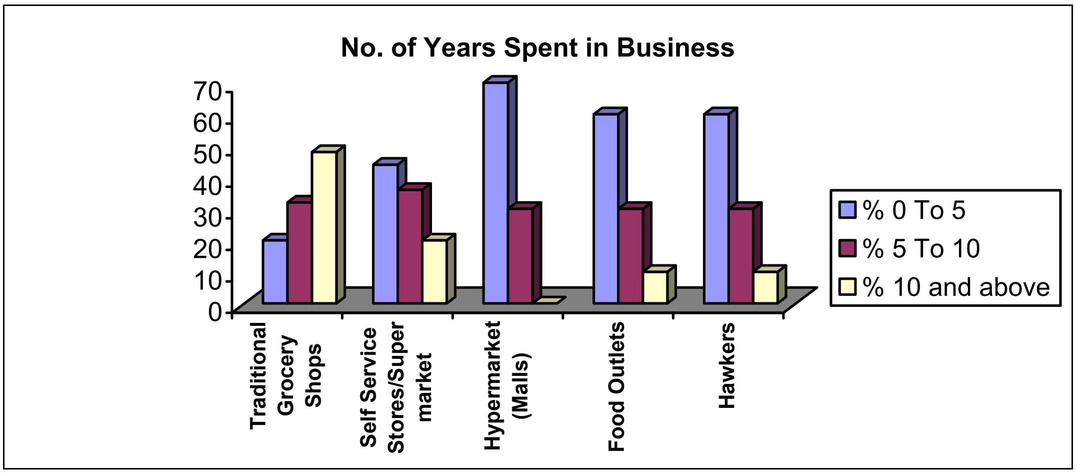
On the contrary, people belonging to second category (Have-not) preferred to go to small traditional grocery shops of their locality to buy things because they do not have enough money to buy their livelihood all in cash. Hence, they ask for credit to this small grocery shop owners. This facility is provided only by traditional grocery shop owners and sometimes hawkers. It is observed that personal relations are maintained by these shop owners to their customers

Table1: Longitivity of Business

Particulars	0 to 5	5 to 10	10 and above	Total
Traditional Grocery Shops	05 (20%)	08 (32%)	12 (48%)	25(100%)
Self-service Stores/Supermarket	11 (44%)	09 (36%)	05 (20%)	25 (100%)
Hypermarket(Malls)	07 (70%)	03 (30%)	–	10(100%)
Food Outlets	18 (60%)	09 (30%)	13 (10%)	30(100%)
Hawkers	06 (60%)	03 (30%)	01(10%)	10 (100%)
Total	**37 (254%)**	**32 (158%)**	**31 (88%)**	**100(500%)**

Source: Primary data.

Since how long have you been in this business?



From the Table 1 and graph, it is obvious that respondents of Traditional Grocery shops, Supermarket, Food outlets and hawkers are running their business from more than ten years. And Hypermarket or malls have been introduced in the last 5-10 years.

On the basis above interpretation, it can be concluded that nowadays to spare more time for shopping all the items is not possible so customers prefer to go to self-service store, supermarket, hyper market/retail malls where they can get everything in packed packet and according to their needs they can pick up their packets say 1 kg, ½ kg as it saves their time. They do not have to wait for long hours for weighing and packaging of goods. It means these self-service stores, supermarket; hypermarket facilitates ease shopping for the customers as compared to traditional grocery stores.

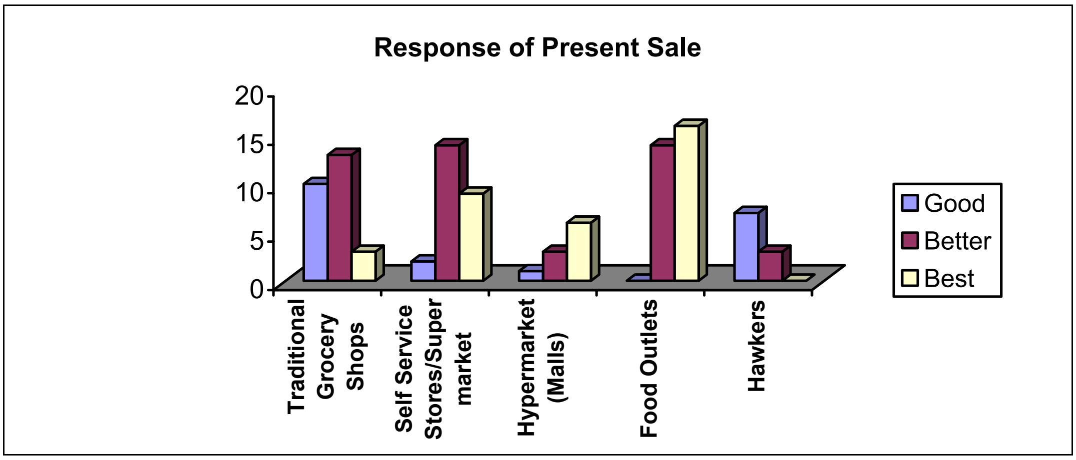
As people are very busy, they do not have time to go for weekly market to purchase vegetable and fruits so they prefer to go to nearby hawkers in their area.

Table 2: Response of Present Sale

Particulars	Good	Better	Best	Total
Traditional Store	10 (40%)	13 (50%)	03 (10%)	25 (100%)
Self-service/Supermarket	02(08%)	14 (56%)	09 (36%)	25 (100%)
Hypermarket (Malls)	01 (10%)	03 (30%)	06 (60%)	10 (100%)
Food Outlets	–	14 (45%)	16 (55%)	30(100%)
Hawkers	07(70%)	03(30%)	–	10(100%)
Total	**26 (128%)**	**50 (211%)**	**24 (192%)**	**100(500%)**

Source: Primary data.

What is the response of present sale to your shop?



From the above graph, it can be concluded that the traditional grocery shops are getting response at all levels, i.e., good, better and best because middle class people, lower middle class people and also the people who belong to below poverty line are their customers. People who belong to higher middle class or rich people prefer to buy goods from self-service store/supermarket, or hypermarkets or malls.

In case of self-service store, supermarket, hypermarket and food outlets maximum response of sale is best, i.e., above 50%.

Table 3: Probable Impact of FDI on Sale

Particulars	0 to 25%	25 to 50%	50 to 75%	75% & above	No Impact	Total
Traditional Grocery Shop	10 (40%)	11 (44%)	04 (16%)	–	–	25 (100%)
Self-service/Supermarket		13 (52%)	10 (40%)	–	02 (08%)	25 (100%)
Hypermarket (Malls)	03 (30%)	03 (30%)	–	–	04 (40%)	10 (100%)
Food Outlets	03 (10%)	–	–	–	27 (90%)	30 (100%)
Hawkers	04 (40%)	01 (10%)	–	–	05 (50%)	10 (100%)
Total	**20 (120%)**	**28 (136%**	**14 (56%)**	–	**38 (188%)**	**100 (500%)**

Source: Primary data.

From the above Table 3 and graph, it is inferred that maximum respondents of Traditional grocery shop and supermarkets say that there will be decrease in the sale approximately 40-50%. On the contrary maximum, i.e., 40% Hypermarkets, 90% Food outlets, 50% Hawkers say that there will be no impact on their sale because they sell branded and imported goods and also take care of customers personal preferences and taste.

Is there any impact of FDI on the sale of your shop?

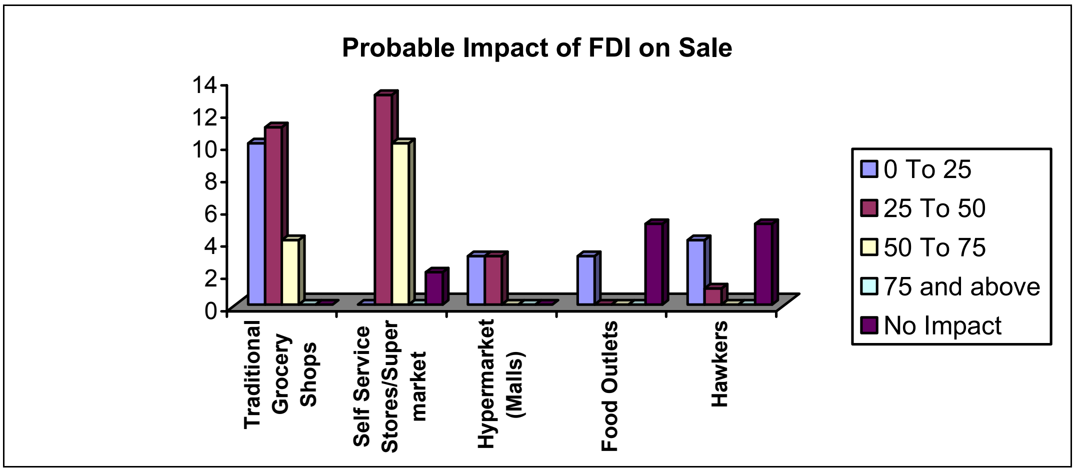


Table 4: Number of Employees

Particulars	0-5	5-10	10-15	15 & Above	None	Total
Traditional	–	–	–	–	25 (100%)	25 (100%)
Self-service Store	19 (76%)	06 (24%)	–	–	–	25 (100%)
Malls	–	–	–	10 (100%)	–	10 (100%)
Food Outlet	21 (70%)	09 (30%)	–	–	–	30 (100%)
Hawkers	–	–	–	–	10 (100%)	10 (100%)
Total	**40 (146%)**	**15 (54%)**	–	**10 (100%)**	**35 (200%)**	**100 (500%)**

Source: Primary data.

From the above Table 4 and graph, it is evident that the traditional stores and hawkers do not have employees working under them.

In self-service stores maximum 40%, i.e., 19 respondents responded that they have more than 5 employees in their shop and rest 24%, i.e., 6 respondents responded that they have approximately 5 to 10 employees working in their shop.

In case of malls 100%, i.e., 10 respondents said that they are having number of employees more than 15 working in their shops.

Supermarket, Hypermarket or malls and food outlets are generating employment by employing minimum 5 or maximum more than 15 employees in their shop.

How many employees working in your shop?

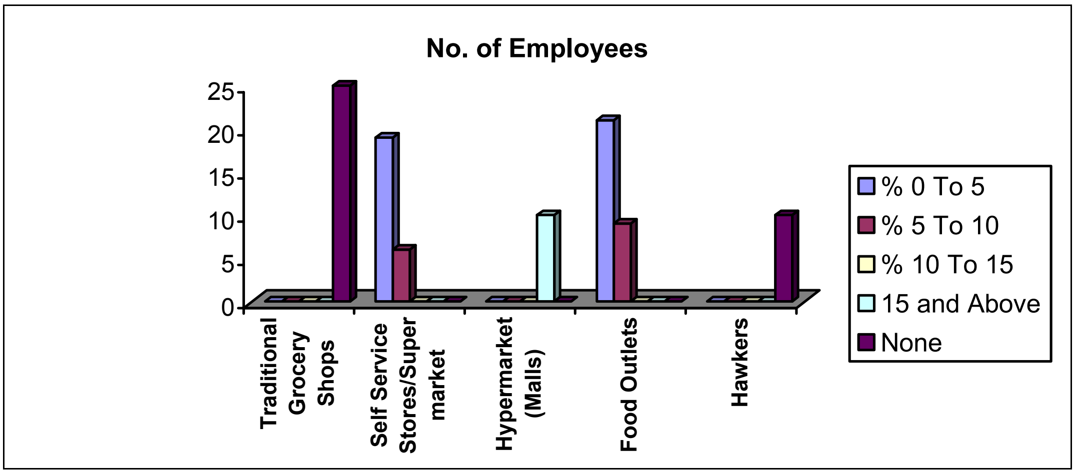
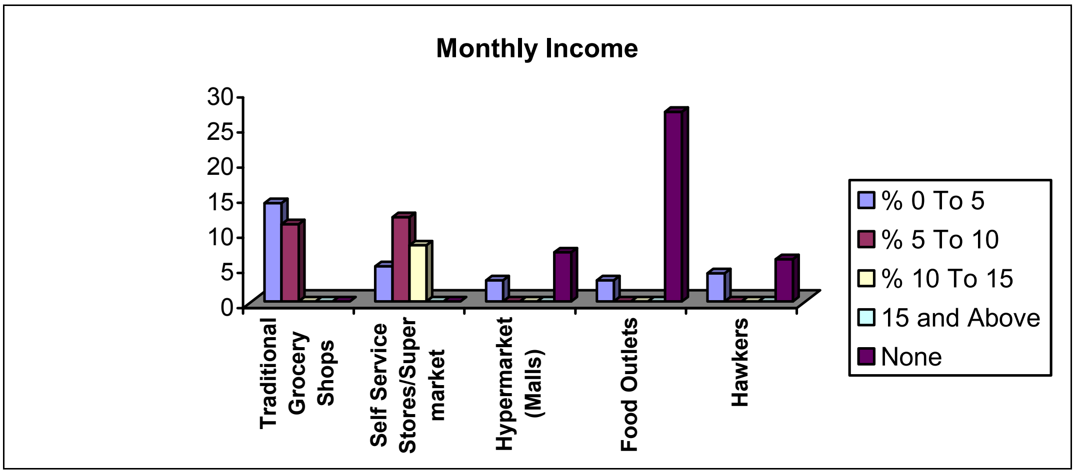


Table 5: Impact of FDI on Monthly Income

Particulars	0 to 25%	25 to 50%	50 to 75%	75% & above	No Impact	Total
Traditional Store	14 (56%)	11 (44%)	–	–	–	25 (100%)
Self-service	05(20%)	12 (48%)	08 (32%)	–	–	25 (100%)
Hypermarket (Malls)	03 (30%)	–	–	–	07 (70%)	10 (100%)
Food Outlets	03 (10%)	–	–	–	27 (90%)	30 (100%)
Hawkers	04 (40%)	–	–	–	06 (60%)	10 (100%)
Total	**29 (156%)**	**23 (92%)**	**08 (32%)**	–	**40 (220%)**	**100 (500%)**

Will there be any impact of FDI on your monthly earnings?



From the above Table 5 and graph, it is inferred that traditional grocery shop owners feel that their income will decrease by 20% to 56% by the entry of FDI in retail sector. Because of less income, they might have faced the problems of higher education of their children, marriage, standard of living etc.

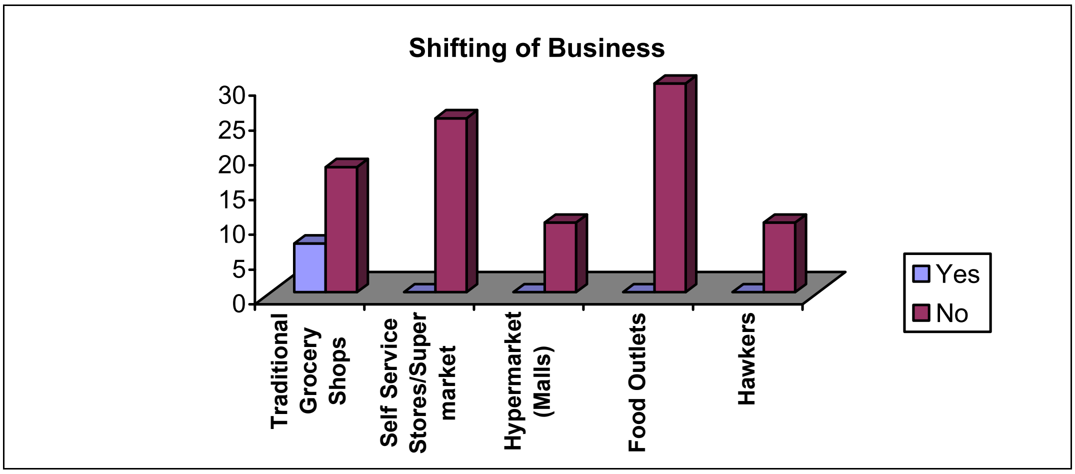
In case of Hypermarkets, Food Outlets and Hawkers maximum respondents say that there will be no effect on their monthly income because goods available in the hypermarket are branded and imported quality. In case of food outlets, nowadays, working people are very busy and overworked so they prefer pack food instead of cooking at home. Hawkers are providing the fresh goods at the doorstep of the people and people are habitual to buy the fresh goods daily from the local hawkers, so there will be no effect on the sale of hawkers.

Table 6: Shifting of Business

Particulars	Yes	No	Total
Traditional Store	07 (28%)	18 (72%)	25 (100%)
Self-service/Supermarket	–	25 (100%)	25 (100%)
Hypermarket (Malls)	–	10 (100%)	10 (100%)
Food Outlets	–	30 (100%)	30 (100%)
Hawkers	–-	10 (100 %)	10 (100%)
Total	**07 (28%)**	**93 (472%)**	**100 (500%)**

Source: Primary data.

For survival would you like to shift to another business?



From the above Table 6 and graph, it can be concluded that in case of traditional stores 72%, i.e., 18 respondents will not shift to another business while 28%, i.e., 7 respondents are likely to change their business for survival.

Almost 100% of respondents from the self-service store, supermarkets, hypermarket/malls, food outlets and hawkers are not at all willing to shift to another business for the sake of survival.

CONCLUSION

People of the first category (Have) preferred to go to Malls to buy the things because they have enough money to buy things in cash. On the contrary, people belonging to second category (Have-not) preferred to go small traditional grocery shops of their locality to buy things because they do not have enough money to buy their livelihood all in cash. Hence, they ask for credit to this small grocery shop owners. On the basis of above interpretation it is concluded that the people of India are not in favour of FDI in retail sector.

Reliance and other present corporates are too small comparing to Wal-Mart and other foreign companies. No competition possible, no middlemen required if Wal-Mart start functioning in India. All middlemen have their employment or livelihood on this Retail. More than 4-5 crore retailers will be affected by this decision. No new business can be started after FDI comes in India. They will share retailers business. If only 30% present business of retailer goes to foreign company, then it will be net loss of 30% profit directly. 1 lakh earning reduced to 70 thousand. Entire structure will be affected.

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6

Entry of MNCs in Indian Rural Market

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ABSTRACT

"Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products and services and moving these products and services to the people in rural areas to create satisfaction and to increase standard of living and thereby achieving organizational goals". When the Indian markets were opened to the world after the complete overhaul of the policies related to the entry of Multinational Corporations (MNCs) in India. With increasing globalization and international trade, a number of international brands are entering into India which is one of the fastest growing and highly competitive markets in the world. A Multinational Corporation (MNC) is a corporation or enterprise that manages production establishment or delivers services in at least two countries. Though most of the global firms failed to understand the needs of Indian consumers as well as the market characteristics, but there are a few of them who have been successful in positioning their brands into the Indian market because they attempt to understand well the needs of target group before introducing a brand into the market. Rural Indian purchasing habits tend to be of an "earn today, spend today" mentality. Global brands who initially introduced standard products by following standardized global strategies but later realized their mistakes and thus modified their product or services according to the needs of Indian consumers and became successful. Indian rural market so called untapped markets! We are a country with 1.20 billion people of which 70-72% live in rural areas which means more than 840 million people spread around 6,35,000 villages. India's rural population comprises of 12% to 15% of the world's population presenting a huge, untapped market. But often, rural marketing is confused with agricultural marketing. The big reason for the growth is that India's rural consumers are steadily gaining more spending power. Rural India is hugely complex, not least because of its diverse pace of development. As a recent study from IMRB International, a research company in Mumbai, notes, some markets are big but not as affluent as other markets (Uttar Pradesh, Bihar) while some are affluent but not very large (Himachal Pradesh, Goa). As a result of the growing affluence, fuelled by good monsoons and the increase in agricultural output to 205 million tons from 178 million tons, rural India has a large consuming class with 41% of India's middle-class and 58% of the total disposable income. Nearly 60-65% of the rural income is from agriculture. Hence rural prosperity is tied with agricultural prosperity. Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems. The main problem in Rural India is the number of languages and dialects vary widely from

state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects. Even though the numbers of recognized languages are only 16, the dialects are estimated to be around 850. Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence, the per capita incomes are low compared to the urban areas. The rural consumer is not unlike his urban counterpart in many ways. The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness (the so-called 4As). The rural market has grown at an impressive rate of 25% compared to the 7-10% growth rate of the urban consumer retail market. According to a survey conducted recently, rural India, with a population of 840 million, would become bigger than the total consumer market in countries such as South Korea or Canada and it would grow almost four times from its existing size in the next few years. The MNCs can try and use a three steps approach to succeed in the Indian market: (a) organize its business structure for Indian market; (b) customize their offerings for Indian markets; and (c) form partnerships with Indian companies. Doing so successfully requires one thing: "listen to people," states Karishma Kiri, a Seattle-based strategy and product management consultant, who was a director of Microsoft's Unlimited Potential initiative which provides computers, software and IT training in emerging markets. "A lot of companies tend not to listen to rural consumers say they need."

Keywords: *MNCs, Globalization, Global brands, Indian market, International marketing, Rural Market.*

INTRODUCTION

840 million Indians constituting 140 million households reside in 6,35,000 villages (Census). The size of rural market itself speaks of its potential. The current marketing environment and economic scenario have brought the corporate under contemporary roofs of modern India, which is challenging the current standards of segmenting, targeting and reaching the customers. Realistically, India as a nation has come a long way from the place where only urban population which constitutes 20% of customer base for companies are responsible for 80% of their profits. The MNCs are looking for new opportunities and avenues, as they are witnessing a decline in their growth rates in urban markets due to market saturation and they do have a huge, untouched and untapped rural Indian market. The driving force for this is rural youth who are educated, have access to technology and have openness to change. Also rural markets have acquired significance, as the overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. A survey by India's premier economic research entity, National Council for Applied Economic Research (NCAER) indicates that rise in rural incomes is keeping pace with the rise in urban incomes. The rural middle class is growing at 12%, close to the urban middle class which is growing at 13%. Punjab, Kerala, Haryana, Rajasthan, Gujarat, Andhra Pradesh and Maharashtra are considered highly prosperous states.

OBJECTIVES OF THE STUDY

1. To understand the rural market and to unleash the potential of rural market.
2. To assess the paradigm shift from urban to rural market.
3. To analyze the various parameters of potential of rural market.
4. To offer the conclusions.
5. To find out opportunities for MNCs in Indian rural market.

METHODOLOGY

The relevant information using secondary data is collected from various sources such as websites, case studies, newspapers, academic journals, and business magazines in order to understand the marketing strategies adopted by selected global brands. This research paper is an attempt to explore how MNCs have been making inroads to the hearts of Indian consumers after committing some initial blunders. The marketing strategies of these global brands have been critically analyzed to present the view of how they encountered with initial failures and were able to overcome the enormous amount of challenges due to diverse nature of the Indian markets.

MULTINATIONAL CORPORATIONS (MNCs)

A Multinational Corporation (MNC) is a corporation or enterprise that manages production establishment or delivers services in at least two countries.

MNCs can be divided into three broad groups according to the configuration of their production facilities:

1. **Horizontally integrated multinational corporations:** Manage production establishments located indifferent countries to produce the same product (e.g., McDonalds).
2. **Vertical integrated multinational corporations:** Manage production establishments in certain country/countries to produce product that serve as input to its production establishments in other country/countries (e.g., Adidas).
3. **Diversified multinational corporations:** Manage production establishments located in different countries that are neither horizontally, vertically, straight, or non-straight integrated (e.g., Microsoft).

Jacques Maisonrouge, President of IBM World Trade Corporations, defines a MNC as a company that meets five criteria:

(a) It operates in many countries at different levels of economic development.
(b) Its local subsidiaries are managed by nationals.
(c) It maintains complete industrial organizations, including R&D and manufacturing facilities, in several countries.
(d) It has a multinational central management.
(e) It has multinational stock ownership.

James C. Baker defines the MNCs as a company:

(a) which has a direct investment base in several countries;
(b) which generally derives from 20% to 50% or more of its profits from foreign operations; and
(c) whose management makes policy decisions based on the alternatives available anywhere in the world.

RURAL MARKETING – CONCEPT AND SCOPE

India's economy can be thought of as comprising of two main sectors, namely, the Rural Sector and the Urban Sector. The Rural sector is, in turn composed of two main sub-sectors, i.e., the agricultural sub-sector and the non-agricultural sub-sector.

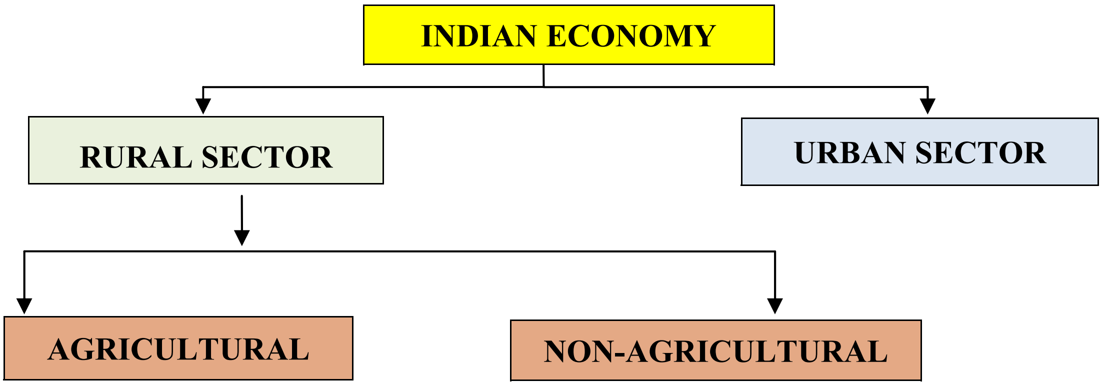

Fig. 1: Classification of Indian Economy

With more than 840 million people living in rural areas, in some 6,35,000 villages, about two-third of its workforce was engaged in agriculture and allied activities with a contribution of 29% of India's Gross Domestic Product (GDP), India's economy is predominantly rural in character.

The non-agricultural sub-sector comprises agricultural and allied economic activities such as Crop Cultivation, Animal Husbandry, Dairying, Fisheries, Poultry and Forestry (Floriculture) etc. The non-agricultural sub-sector consists of economic activities relating to Industry, Business and Services. Industry have refers to cottage and village industries, Khadi, handloom, handicraft, etc. Business refers to trading of general goods, small shops, petty traders etc., whereas services refer to Transportation, Communications, Banking, Postal, Education etc. The focus of marketers in India was the urban consumer and by large number specific efforts were made to reach the rural markets. But now it is felt that with the tempo of development accelerating in rural India, coupled with increase in purchasing power, because of scientific agriculture, the changing lifestyle and consumption pattern of villagers with increase in education, social mobility, improved means of transportations and communication and other penetrations of mass media such as television and its various satellite channels have exposed rural India to the outside world and hence their outlook to life has also changed. Because of all these factors, rural India is now attracting more and more marketers. Increase in competition, saturated urban markets, more and move new products demanding urban customers, made the companies to think about new potential markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. According to a recent survey conducted by the National Council for Applied Economic Research (NCAER), the purchasing power of the rural people has increased due to increase in productivity and better price commanded by the agricultural products. By and large this rise in purchasing power remains unexploited and with the growing reach of the television, it is now quite easy for the marketers to capture these markets. Rural marketing has become the latest mantra of most Multinational Companies (MNCs) like Pepsi, Coca-Cola, LG, Philips are all eyeing rural markets to capture the large Indian market.

FEATURES OF INDIAN RURAL MARKETS

1. **Large, diverse and scattered market:** Rural market in India is large, and scattered into a number of regions. There may be less number of outlets available to market products.
2. **Major income of rural consumers is from agriculture:** Rural prosperity is closely tied with agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected.
3. **Standard of living and rising disposable income of the rural customers:** It is known that majority of the rural population lives below poverty line and has low literacy rate, low per capital income, societal backwardness, low savings, etc. But the new tax structure, good monsoon, government regulation on pricing has created disposable incomes. Today, the rural customer spends money to get value and is aware of the happening around him.
4. **Traditional outlook:** Villages develop slowly and have a traditional outlook. Change is a continuous process but most rural people accept change gradually. This is gradually changing due to youth power that has begun to change the outlook in the villages.
5. **Rising literacy levels:** The literacy level in rural area is increased. It is documented that approximately 45% of rural Indians are literate. Hence, awareness has increases and the farmers are well-informed about the world around them. They are also educating themselves on the new technology around them and aspiring for a better lifestyle.
6. **Diverse socio-economic background**: Due to dispersion of geographical areas and uneven land fertility, rural people have disparate socio-economic background, which ultimately affects the rural market.
7. **Infrastructure facilities:** The infrastructure facilities like cemented roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence, physical distribution is a challenge to marketers who have found innovative ways to market their products. As part of planned economic development, the government is making continuous efforts towards rural development. In this age of liberalization, privatization and globalization, rural market offers a big attraction to the marketers to explore markets that are untapped.

In this article, let me share with you my views on opportunities and challenges for all the companies targeting to tap this huge rural untapped markets.

Opportunity

The Indian rural market with its vast size and demand base offers a huge opportunity that companies cannot afford to ignore. We are a country with 1.20 billion people of which 70-72% live in rural areas which means more than 840 million people spread around 6,35,000 villages. India's rural population comprises of 12% of the world's population presenting a huge, untapped market. The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for 55% of LIC policies; 70% of toilet soaps; 50% of TV, Fans, Bicycles, Tea, Wristwatches, Washing soap, Blades, Salt, Tooth Powder and 38% of all Two-wheelers purchased. Of the two million plus BSNL connections, 50% is from small towns/villages and out of 20 million Rediffmail signups, 60% are from small towns! A recent forecast revealed that the Indian Cellular Services revenue will grow at a rate of 18.5% with most of the growth coming from rural markets. In 2010, the rural market has grown at an impressive rate of 25% compared to the 7-10% growth rate of the urban consumer retail market. According to a survey conducted recently, rural India, with a population of 840 million, would become bigger than the total consumer market in countries such as South Korea or Canada and it would grow almost four times from its existing size in the next few years.

The rural consumer is different from his urban counterpart in many ways.

Availability

The first challenge is to ensure availability of the product or service. India's 635,000 villages are spread over 3.2 million sq km; 840 million Indians live in rural areas, finding them is not easy. However, given the poor state of roads, it is an even greater challenge to regularly reach products to the villages. Over the years, India's largest MNC, Hindustan Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To provide services in remote village, stockiest use autorickshaws, bullock-carts and even boats in the backwaters of Kerala. Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. LG Electronics defines all cities and towns other than the seven metro cities as rural and semi-urban market.

Affordability

The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of them who are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol in 50-gm packs, priced at ₹ 4-5 meant specifically for rural markets. Cavin Kare, a company that began in a small way. It started the Chic shampoo sachet for 50 paise when shampoo was available at ₹ 1, and it revolutionized the market. Hindustan Lever, among the first MNC's to realize the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at ₹ 2 for 50 gm. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at ₹ 5. The initiative has paid off.

Acceptability

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics. It developed a customized TV for the rural market and was a runway hit selling highest sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes – a tin box for new outlets and thermocol box for seasonal outlets. The insurance companies that have tailor-made products for the rural market have performed well. HDFC Standard LIFE topped private insurers.

Awareness

Since large parts of rural India are inaccessible to conventional media, building awareness is another challenge. Hindustan Lever relies heavily on its own company-organized media. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses Radio to reach the local people in their language. Coca-Cola uses a combination of TV, Cinema and Radio to reach rural households. LG Electronics uses vans and road shows to reach rural customers. Philips India uses wall writing and Radio advertising to drive its growth in rural areas.

BARRIERS OF INDIAN RURAL MARKETS

There are several barriers that make it difficult to progress in the rural market. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets. The major problems are listed below.

1. **Standard of living:** The more the number of people below the poverty line in rural markets. Thus the market is also underdeveloped. The marketing strategies must be different from those used in urban marketing.
2. **Low literacy levels:** The low literacy levels in rural areas leads to a problem of communication. Print media has less utility compared to the other media of communication.
3. **Low per capita income**: Agriculture is the main source of income and hence spending capacity depends upon the agriculture produce. Demand may not be stable or regular.
4. **Transportation and warehousing:** Transportation is one of the biggest challenges in rural markets. As far as road transportation is concerned, about 50-60% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough and complicated task.
5. **Ineffective distribution channels:** The distribution chain is not very well organized and requires a large number of intermediaries, which in turn increases the cost and creates administrative problems. Due to lack of proper infrastructure, manufacturers are reluctant to open outlets in these areas. This is a challenge to the marketers.
6. **Many languages and diversity in culture:** Factors like cultural differentiation, different behaviour and language of the respective areas make it difficult to handle the customers. Traits among the sales force are required to match the various requirements of these specific areas.
7. **Spurious brands:** Cost is an important factor that determines purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy.
8. **Seasonal demand:** Demand may be seasonal due to dependency on agricultural income. Harvest season might see an increase in disposable income and hence more purchasing power.

The entire points discussed above offer challenges to the marketer. He tries to uncover newer ways to market his product as he cannot afford to miss this huge opportunity existing in rural markets. He tries to identify solutions to these marketing problems.

SOLUTIONS TO PROBLEMS OF RURAL MARKETS

To solve the problems of rural markets in India, the following suggestions can be used by marketers.

1. Regarding the problems of physical distribution, the marketer may have a joint network of stockiest/clearing-cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The main advantage of this scheme is that the costs of physical distribution can be shared by the companies and stockiest. The combination of different modes of transport based on availability of tracks will be beneficial to the companies.

   Example: An ideal example is that of multinational insurance companies like Tata-AIG, Bajaj-Allianz for their business for life insurance policies, endowment policy etc. This Insurance Companies generates life insurance business by appointing the insurance agent from the village itself so that he can easily convince his near and dear ones.
2. The rural market is composed of a number of retail sales outlets along with fair price shops under the public distribution system. It is suggested that the government should encourage private shopkeepers and cooperative stores to come forward and establish their business in

rural areas instead of the weekly market known as weekly bazaar. Fertilizer companies have opened their outlets for proper distribution of fertilizer among the farmers. Similarly, the companies dealing in consumer goods can apply this model.

Example: Fertilizer companies like Zuvari agro. have opened their outlets for proper distribution of fertilizer among the farmers. Similarly, the companies dealing in consumer goods can apply this model. The companies like HUL, P&G etc. started packaging strategy in small size like Sunsilk, Pantene shampoos are available in smaller packs. Fair and Lovely was launched in a smaller pack. Colgate toothpaste launched its smaller packs to cater to the traveling segment and the rural consumers.

3. To solve the problems of sales force management, it is suggested that the company takes due care in the recruitment and selection of sales people because the traits they require are different from urban and sub-urban sales persons. For the rural markets, only those sales people should be preferred for selection that who is willing to work in rural areas. They must be aware of the local language and must have the patience to deal with rural customers and can discharge the duties of a bare-footed salesman. Administration of such a large and scattered sales force, supervising and supporting them in sales calls, guiding them, attending to their official and personal problems, and motivating them for better results should be task for the sales manager. Thus, the people operating in rural areas should invariably be from the rural background and should have a missionary zeal to serve the rural masses.

   Example: Company like AMWAY they provide training for their product regarding product feature, attributes to distributors so that they can easily sale the product in rural area. When Kellogg's first entered India in 1994, it heavily bet on transforming the Indian breakfast cereal market through switching breakfast habits of Indian consumers who were used to hot breakfast foods. The company wanted the Indian consumer to change its traditional habits of having either Idli, Dosas or Parathas in their breakfast and these habits too varied from region to region. They wanted them to make an instant switch from their own traditional habits to start having the healthier breakfast cereals which was a huge challenge for the company. Presently, Kellogg's is estimated to hold about 60-65% of India's ₹ 400 crore worth of breakfast cereal market.

4. With reference to marketing communication in rural areas, the company should use organized promotion-mix like TV, Radio, cinema and POP (point of purchase) advertising. Television is gaining popularity in the rural areas but due to poor supply of electricity, radio is performing significantly better. Since, the rural people need demonstration, short-feature films with disguised advertisement messages, direct advertisement films and documentaries that combine knowledge and advertisements will perform better rural marketing communication. Here the companies may also use audiovisual publicity vans, which may sell the products with promotion campaign. To attract the rural consumers, companies can organize village fairs, dance and drama shows, group meetings to convince the rural consumers about the products and services mainly in weekly bazaar. In most Indian villages, there are some opinion leaders. For the rural markets, only those sales people should be preferred for selection who is willing to work in rural areas like Sarpanch, and other elderly persons. They can be approached by the marketers to propagate their messages; these persons can prove to be effective communicators within the rural masses.

   Example: Coca-Cola uses a combination of TV, cinema and radio to reach the rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of ₹ 5 per bottle in all media.

LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising.

Philips India uses wall writing and radio advertising to drive its growth in rural areas.

The rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses they also have tremendous opportunities which should be availed by the marketers. The marketers have to come up with innovative ideas through which the villagers also get involved in getting business from their respective villages. The Indian rural market is quite fascinating and challenging. It provides tremendous opportunities which beckon a marketer to explore.

INFLUENCING THE RURAL CONSUMERS

The biggest challenge today is to develop a scalable model of influencing the rural consumers' mind over a large period of time and keep it going. This needs to be achieved in a limited budget. That's where the marketers who really understand rural markets and advertising agencies can make a difference and develop a scalable communication model. The mass media has the drawback that the time gap between the point of exposure and the time of purchase is long. Hence, it is difficult to use it in rural communication. The most important element in rural communications is that the marketer has to integrate three things in communication.

1. **Exposure of a message**
2. **Trial or demonstration**
3. **Final sale**

There is minimal brand loyalty in rural consumers. This is mainly due to a bigger problem of brand recognition. There are a lot of looks alike in the rural market. The challenge is to create communication that would help the rural consumer in recognizing brands, logos, visuals, colours, etc., so that he or she actually buys the actual brand and not something else.

CONCLUSION

A wide array of problems hinders marketers in approaching rural areas with confidence. The lack of fair roads, widely dispersed villages, low density of population, lack of bank and credit facilities, higher costs and administrative problems, and lack of retailers are the problems in rural distribution. Intelligent way of approaching rural areas is required. The emerging distribution approaches include: Cooperative societies, agricultural input dealers, NGOs, etc. Latest approaches include the direct to home selling methods: network marketing and internet marketing. India a country of near about 840 million people living in villages and MNCs are looking as untapped market for this rural area. Besides of different problems faced by these companies still there is emerging market in rural area. The focus of these MNCs is must not only to make profits but also to hear and satisfy the needs for products of this untapped market by very intelligent way.

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7

A Study of Advanced Banking Services in Amravati City with Special Reference to Nationalized Banks

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ABSTRACT

The bank, in general term, is defined as an institution acting as an individual who takes money from the public and lend them whenever the demand occur from their side. A bank is not only providing their money but also provide loan on their credit. Basic function of a bank is to take deposits from the public and provide them interest on their deposits.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases.

- *Early phase from 1786 to 1969 of Indian Banks.*
- *Nationalization of Indian Banks and up to 1991 prior to Indian banking sector reforms.*
- *New phase of Indian Banking System with the advent of Indian financial and banking sector reforms after 1991.*

Technology Progress in the Various Areas of Banking

The impact of technology on banking is enormous. Technology changes has given the new direction to the banks in terms of efficient operations, new and diversified products to the customers, customer-oriented services etc. It gives the bank the ability to create and distribute new financial products and services both for the corporate and private individual market.

With the advancement of this technology and the birth of competition, banks are in the race of becoming the best in the country. As in the competitive market, the use of technology increases substantially volume of transaction, reduce transaction cost and processing time. For staying in the competition for the longer period of time, banks are introducing various services like Internet banking, Mobile banking, RTGS/NEFT, DMAT services etc. Now, customer doesn't have to wait long queues. Just log in into your account and log out with the cash.

Banks in recent have been able to provide services using new delivery channels and improve quality of services using IT based solutions. Facility such as internet banking, mobile banking has become accepted delivery channels that are becoming increasingly popular among the discerning customers. Internet banking which commenced as a mere browse only facility, today allow for the customer to perform almost all transactions. Similarly, using mobile technology, customers are able to transmit messages which result in fund transfer details for their respective account. Mobile telephone alerts on transaction beyond a particular threshold limit, internet-based notification and other phone banking facilities are also available by the banks.

In modern terms with the process of deregulation, disintermediation, emergence of advanced technologies, along with the consolidation wave in the banking sector have been instrumental in making banks to diversify their operations. And they are more concentrating on providing customer oriented services. In current scenario, every business is facing challenges of globalization. deregulation and liberalization has opened up new opportunities for banks but at the same time the pressure of competition have lead to narrowing spreads, shrinking margins, consolidation and restructuring. With the usage of internet technology, E-Banking has contributed a lot in the volume of Bank's E-Business.

The technology advancement and its application in banking services changed the banking business and its nature because of advancement, e.g., transfer of money by the various modes takes no times, and a depositor does not want to wait for the withdrawals of money and the E-Banking made banking at your home, considering these issue the study designed of the following objectives.

1. *To find out the banks providing Advanced Banking Services together with its quality.*
2. *To find out the changes in banking business because of these Advanced Services in the views of employees.*

This paper interrogates the impact of technology in the banking sector. It also examines the effects of usage Internet services on banking business in general. The paper provides an overview of traditional banking services and E-Banking services. The study is descriptive in nature based on Primary data collected from Survey and Personal interviews as well as from secondary data collected from journals magazines and the research conducted earlier. The study restricted only to the Nationalized Banks in Amravati city. The study is limited only to the Core Banking, Net Banking, Mobile Banking, Credit Card, Debit Card, Electronic Fund transfer, Real Time Gross Settlement, Demat Account.

The data extracted from the various sources has been used to drawn informative conclusions in context of technological advances in the banking business.

Keywords: *Advance Banking services, E-Banking, Globalization, Nationalization, Core banking and E-Revolution.*

ADVANCED BANKING SERVICES

INTRODUCTION

Today's generation is totally dependent on the advancement of technology. With the advancement of this technology and the birth of competition, banks are in the race of becoming the best in the country. With an eye upon customer satisfaction policy, they are providing best of the best services with the minimum cost and risk. For staying in the competition for the longer period of time, banks are introducing various services like Internet banking, Mobile banking, RTGS/NEFT, Demat services etc. In last two or three decades, the picture of banks was the person sitting upon the table and checking the entries and taking more time for checking the account balances and other enquiries but nowadays the scenario is changed. With the help of this technology, the things are moving fast. Even the nationalized banks also adopt this technology based banking. Following are the services which are included in the Advanced banking services:

1. Core Banking
2. Net Banking
3. Mobile Banking

4. Credit Card
5. Debit Card
6. Electronic Fund Transfer
7. Real Time Gross Settlement
8. Demat Account

1. Core Banking

Core Banking solution is defined as a platform where communication technology and information technology are merged to suit core needs of banking. Here, computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, and interest calculations on loans and deposits, customer records, balance of payments and withdrawal, etc. This software is installed at different branches of bank and then interconnected by means of communication lines like telephones, satellite, internet, etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions. This new platform has changed the way banks are working. Core banking is all about knowing customers' needs. Provide them with the right products at the right time through the right channels 24 hours a day, 7 days a week using technology aspects.

2. Net Banking

Net Banking (also refers to the E-Banking). Net banking is used for delivering banking products and services. With Net Banking is now no longer confirmed to the branches where one has to approach the branch in person, to withdraw cash or deposits a cheque or request a statement of accounts. In Net Banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The Net Banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services.

(i) Attract new customers.
(ii) Easy online application for all accounts, including personal loans and mortgages.

3. Mobile Banking

In terms of penetration net banking is yet to achieve the kind of usage that is witnessed by ATMs. The fact that it necessitates computer means that it is not accessible to a large chunks of bank customer. This is the gap that has to be bridged by Mobile banking – the latest channel opened up to the customer.

Mobile banking is also known as M-Banking, M-banking, SMS Banking etc. "Mobile Banking refers to provision and availability of banking and financial services with the help of mobile telecommunication devices. Mobile Banking is a term used for performing balance checks, account transactions, payments etc. via a mobile device such as a Mobile Phone. The scope of offered services may include facilities to conduct bank and stock market transactions, to administer accounts and to access customized information. Mobile phones as a delivery channel for extending banking services have assumed increased significance in recent years. The rapid growth in users and wider coverage of mobile phone networks have made this channel an important platform for extending banking services to customers. Many countries have identified the mobile phone as the ideal mode for providing banking facility to their remote territories. With the rapid growth in the number of mobile phone subscribers in India (about 261 million at end-March 2008 and growing at about 8 million a month), banks have been exploring the feasibility of using mobile phones as an alternative channel of delivery of banking services.

4. Debit Cards

Debit cards are plastic cards connected with electromagnetic identification. Banks issue such cards to customers who could use them to take for their purchases at specified points of sales terminals. Debit card is a card through which a customer can withdraw money from ATM as well as day-to-day purchases from merchant locations. The customers can use debit cards for shopping, ATM transaction, getting cash, immediate banking. With debit cards, the customers are using their own money and not the issuer's money. Debit card is known as check cards. Debit card looks like credit cards but operates like cash or personal check. Debit cards are different from credit cards. While a credit card is a way to pay later debit card is way to pay now. When a customer uses a debit card, the money is quickly deducted from customer's saving account.

5. Credit Cards

The credit cards are shape and size, as specified by the ISO 7810 standard. It is generally of plastic quality. It is also sometimes known as Plastic Money. A credit card is part of a system of payment named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services. Credit cards allow the consumers to 'revolve' their balance, at the cost of having interest charged. The amount the issuer allows the customer to use is determined by the customer's credit history, income, debts, and ability to pay. The customer can use credit cards with the understanding that they will repay the amount plus interest. Convenience is always remained a watchword of market. Credit cards in India are gaining ground. A number of banks in India are encouraging people to use credit card. Credit card in India became popular with the introduction of foreign banks in the country. Basically banks, retail stores and other businesses issue these.

6. Electronic Funds Transfer (EFT)

Electronic funds transfer or EFT refers to the computer based systems used to perform financial transactions electronically. EFT may be initiated by a cardholder when a payment card such as a credit card or debit card is used. EFT transactions require communication between a numbers of parties. When a card is used at a merchant or ATM, the transaction is first routed to an acquirer, then through a number of networks to the issuer where the cardholder's account is held.

The system called electronic funds transfer (EFT) automatically transfers money from one account to another. In general term, these system facilitates speedier transfer of funds electronically from any branch to any other branch.

7. Real Time Gross Settlement System (RTGS)

The inter-bank payments handles large amount of money. The RTGS system is one which payment instruction between banks are processed and settled individually and continuously throughout the day. In India, currently it covers more than 28000 branches of banks. RTGS system do not create risk for the receiving participant because they settle the each payment individually, as soon as it is accepted, liquidity risk remains, as well as the possibility of the risks being shifted to the outside the system. Minimum amount of RTGS transaction is one lakh reach your beneficiaries within two hours.

Every branch of bank has a distinctive RTGS Code and the same can be seen in the branch network under the details for every branch. Through this facility, one can receive payment from any other banks' branches who are RTGS members having IFS code or make payment to any other banks' branches who are RTGS members having IFS code located across the country within two hours at cheaper cost and at the same time with high safety. RTGS facilitates quick fund transfer and settlements among the banks for interbank and customer transactions. It reduces the settlement risk, as payments are made online basis.

8. Demat

Demat is short for dematerialization of shares. In short, Demat is a process where at the customer's request the physical stock is converted into electronic entries in the depository system. In January 1998, SEBI (Securities and Exchange Board of India) initiated DEMAT ACCOUNTING System to regulate and to improve stock investing. As on date, to trade on shares it has become compulsory to have a share Demat account and all trades take place through demat.

TECHNOLOGY AND BANKING

With the adoption of technology, the major changes have taken place in banking system which are as follows.

1. **Cultural and technological changes:** Work culture has been change with the adoption of technology. Introduction of technology replace the manual job in banking sectors.
2. **Network coverage:** The technology has shifted the branch banking to the net banking with high access to the customers.
3. **New product and service innovation:** Globalization has made the banking system more advanced. Early, the banks were dealing in the limited products and service area but to cope up with the competitive environment the bank has spread it into the various areas. Now they are providing M-Banking, Internet banking, ATM services and offering products such has Mutual funds, Insurance etc.
4. **Effective operation:** With the adoption of technology, banking operations are getting more effective as compared to the previous one.
5. **Profit generation:** With the adoption of technology, the area of working expands and ultimate result of that profit generation to the bank.
6. **Convenience to customers:** In the tight busy schedule of working, the technology made the banking transaction more easy and convenient. Now, by sitting at home and pressing button of cell phone, the customers can do number of transactions.
7. **Growth in economy:** As with the adoption of technology, the banks are on the path of progress which ultimately leads to growth of Indian economy.

TECHNOLOGICAL OBSTACLES

1. **Better customer services at low cost:** With the increase in technology, the cost associated with technology also increases. But in today's competitive environment where the customer is considered at the centre point so to provide right product, right information right services at least cost is the major challenge that banks are facing.
2. **Security:** In the fast growing country where the customer are demanding more advanced base services, the question arises of security because as the customer focusing on use of Net banking services, M-Banking services and technology-based services. In the use of these services, there may be chances of fraud so the bank is needed to more focus on security related issues.
3. **Skilled workers:** With the enormous changes in technology, banks are facing problems of skilled workers. The banks need highly skilled workers to manage the things but it is one of the major hurdles that banks are facing in these competitive world.

4. **Illiteracy:** In the globalized area of banking, the banks need effective employees to perform their major tasks. In India, the illiteracy rate is more so here the banks are not getting skilled workers as well as the customers are also illiterate. So, it is also one of the major hurdles that banks are facing.
5. **Electricity:** In today's scenario where the major of banking operation were carried out through computers but because of electricity problem in India the banks failed to carry out its operations in effective manner.
6. **Approach of employees towards adopting new technology:** In the competitive world, to stand in the market, the banks were using new technology. But the employees are showing their conservative approach towards the adoption of new technology.
7. **Cultural changes: C**ulture has changed now the technology has replaced the manual job. So, to shaping the existing employees, providing the training to new employees and educating the customer the banks are facing problems.
8. **Competitive market condition:** As the new institution are entering into the market with such as private banks, foreign banks, institutions which are providing non banking financial services the market is getting competitive. So, this is one of the obstacles for banks to stand in this competitive world.

RESEARCH METHODOLOGY

Rationale of Study

The Indian Banking sector moved from mass banking to class banking. It has been shifted from profit to professionalism. The changes have been taken place because of advanced banking system. This advancement has taken place through the advancement in technology and its applications in the interest of all by the banking sector. There is long list of advancement in banking sector but the study was considered only eight services mention in the introductory part. The study was restricted to these Advanced Banking Services. This research is carried out for knowing the various different aspects of the technological based banking and also to know the changes which have been taken place.

Research Objectives

1. To find out the banks providing Advanced Banking Services together with its quality.
2. To find out the changes in banking business because of these Advanced Services in the views of employees.

Research Design

The study is descriptive in nature with major focus on studying the Advance banking services.

Tools for Data Collection

The data was collected through well designed tools**.** For this research primary data was collected through questionnaire and personal interviews and schedules, i.e., through survey. Secondary data will be collected from earlier researches, Magazines, Books, Newspapers, Internet etc.

Sampling

Sampling means it consist what is the sampling unit, sample size and sampling technique.

(a) **Sample universe:** All the nationalized banks providing advanced banking services in Amravati city are the universe for the study.

(b) Sample size: Sample size is the primary purpose of research to discover principles that have universal application. Sample referred to the numbers of items to be selected from universe. Sample size should be optimum. For the research study, sample size is taken as follow.

No.	Name of the Banks	Gender			Employees of Banks			
		Male	Female	Total	Manager	Technical Staff	Clerk	Total
1	Bank of Baroda	8	2	10	2	1	7	10
2	Bank of Maharashtra (3) branches	12	5	17	5	3	9	17
3	Canara Bank	4	0	4	1	1	2	4
4	Dena Bank (2)	6	0	6	2	2	2	6
5	Indian Bank	5	0	5	1	1	3	5
6	Union Bank	5	0	5	1	1	3	5
7	Syndicate Bank	5	2	7	1	1	5	7
8	UCO Bank	5	0	5	1	1	3	5
9	SBI Bank (3)	16	5	21	5	3	13	21
10	Bank of India (3)	6	0	6	2	1	3	6
11	Oriental Bank of Commerce	6	1	7	1	1	5	7
12	Allahabad Bank (2)	7	1	8	3	2	3	8
13	Punjab National Bank	6	0	6	2	1	3	6
14	Central Bank of India	6	0	7	2	1	4	7
15	Indian Overseas Bank	4	0	4	1	1	2	4
16	Andhra Bank (2)	6	1	7	1	1	5	7
	Total			**125**				**125**

Through the sample size, it can be clearly observed that as the ratio of female employees working in nationalized banks is very less as compare to the male employees. The majority of respondents were from Bank of Maharashtra and State Bank of India. The reason behind these the numbers of branches are more as compared to others.

(c) Sampling technique: The sampling technique taken for study is quota convenient sampling. In this study project the quota sampling is coupled with convenience sampling. At final level of gathering data, the convenience sampling is used for accomplishment of the quota fixed above.

(d) Scope and limitation of the study: In Amravati private banks, cooperative banks, nationalized banks are working to satisfy the need of the customers. But my study is restricted only to the Nationalized Banks in Amravati city. To know the level of awareness of customers in view of employees, various services which are provided by Nationalized Banks in Amravati. Scope of my study was limited only to eight Advanced Banking Services which are mentioned in the introductory part provided by Nationalized Banks in Amravati.

DATA ANALYSIS AND INTERPRETATION

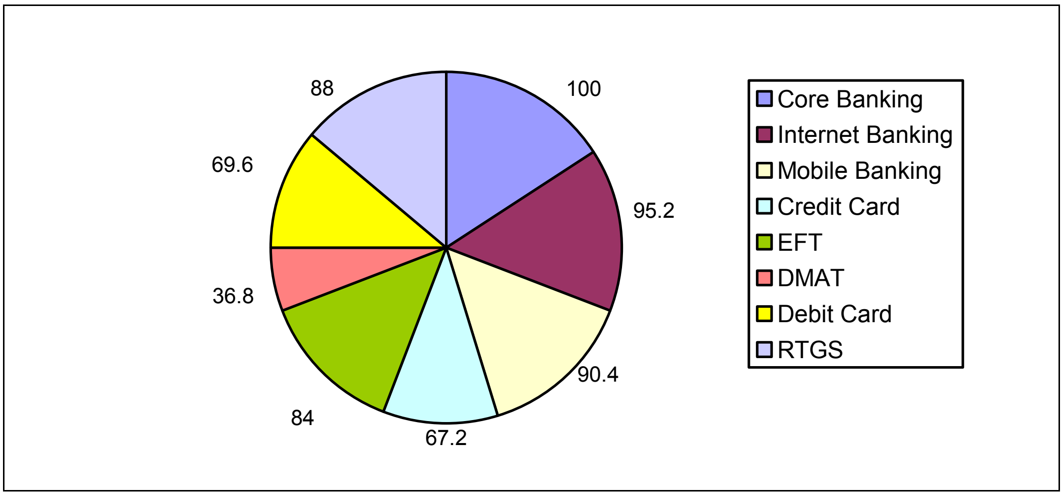
A. Services Quality

These questions were set in this area in questionnaire to find out the services provided by nationalized banks and the quality rating of highly provided services, finding satisfaction level of customers in view of employees.

Table 1: Advanced Services Provide by Nationalized Banks

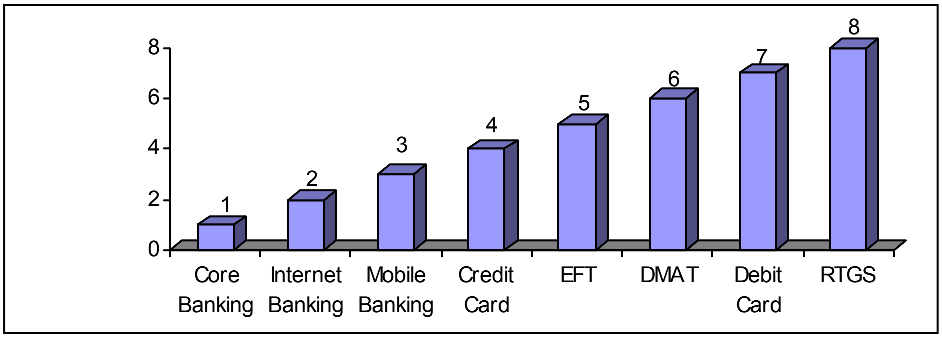
Sl. No.	Advanced Services	Total No. of Respondents	Percentage
1	Core Banking	125	100
2	Internet Banking	119	95.2
3	Mobile Banking	113	90.4
4	Credit Card	84	67.2
5	EFT	105	84
6	DMAT	46	36.8
7	Debit Card	87	69.6
8	RTGS	110	88
Total		**789**	

Advanced Services Provide by Nationalized Banks



It can be interpreted from the above table and graph in the advanced services provided by nationalized banks include core banking services at the highest level.

Rating of Services According to Customers' Preference



It can be interpreted from the above graph that employees rate core banking at the highest rating and DMAT as the lowest rating in views of employees.

Table 2: Awareness of Customers about Advanced Banking Services

Sl. No.	Awareness Level	Number of Respondents	Percentage
1	High Awareness	59	47.2
2	Moderate Awareness	56	44.8
3	Low Awareness	10	8
4	No Awareness	0	0
5	Cannot say	0	0
Total		**125**	**100**

It can be interpreted from the above that there is high awareness amongst the customers in views of employees.

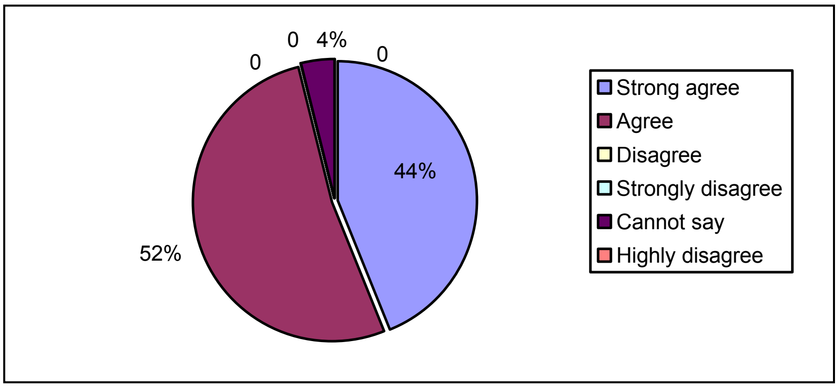
Satisfaction Level of Customers Regarding Advanced Services in Views of Employees (%)

It can be interpreted from the above graph that maximum customers are satisfied with the service provided by the banks.

B. Services Benefits

The question was set in this area to find out services benefits in terms of security level, factors in the quality services need to be included and consultancy to the customer provided by the banks.

Security Level of Services



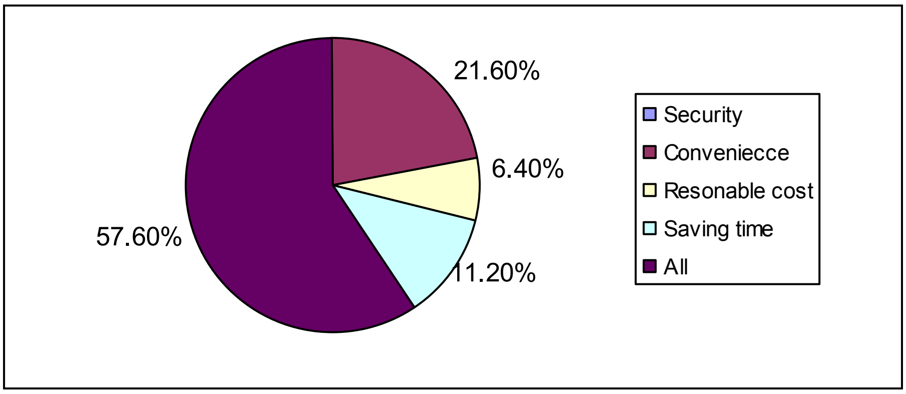
It can be interpreted from the above graph that majority of respondents are in favour that services are secure.

Table 3: Factors Needed to be Included in Quality of Services

Sl. No.	Quality Factor	Number of Respondents	Percentage
1	Timely services	58	28
2	Easy accessibility	54	26
3	Reasonable cost	59	28
4	Security	37	29.6
Total respondents		**125**	

It can be interpreted from the above table that security is the most important factor besides that timely services and reasonable cost are the other factors in quality services.

Benefits of Advanced Banking Services



It can be interpreted from the graph that maximum benefits are availed by the customers due to advancement in technology.

C. Technology in Business

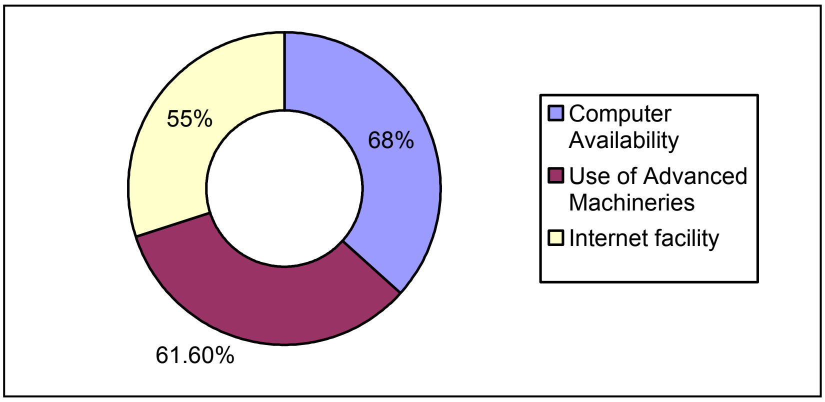
Similarly to get acquaint with accessibility, recruitment criteria and duration of training programme within the nationalized banks.

Table 4: The Way Advanced Services Change in Banking Scenario

Sl. No.	Contents	Number of Respondents	Percentage
1	Efficiency in transaction	46	36.8
2	Increase in number of transactions	52	41.6
3	Creditability of banks	37	29.6
4	Convenience to customers	57	45.6
5	Profit generation	43	34.4
Total respondents		**125**	

It can be interpreted from the above table that advanced banking services in terms of technology has resulted in change of increase number of transactions and convenience to customers.

Technology Adopted by the Bank to Start up Advanced Services



It can be interpreted from the above graph maximum adopted technology used to start up advanced services is availability of computers.

Table 5: Satisfaction Level of Employees towards Change in Banking Era

Sl. No.	Satisfaction Level	Number of Respondents	Percentage
1	Highly satisfied	34	27.2%
2	Satisfied	87	69.6%
3	Not satisfied	0	0%
4	Highly dissatisfied	0	0%
5	Cannot say	4	3.2%
Total		**125**	**100**

It can be interpreted from the above table that maximum numbers of employees are satisfied with the change in business era because of adoption of technology.

Table 6: Services Made the Banking Industry Easier in Accessibility

Sl. No.	Satisfaction Level	Number of Respondents	Percentage
1	Highly satisfied	47	37.6
2	Satisfied	74	59.2
3	Not satisfied	0	0
4	Highly dissatisfied	0	0
5	Cannot say	4	3.2
Total		**125**	**100**

It can be interpreted from the above table the majority of employees are satisfied with the statement that the advanced services made the banking business easy in accessibility.

Table 7: Changes in Recruitment Criterion

Sl. No.	Level of Change	Number of Respondents	Percentage
1	Change	42	33.6
2	Moderate change	61	48.8
3	No change	9	7.2
4	Cannot say	13	10.4
Total		**125**	**100**

It can be interpreted from the above table that there is moderate change in recruitment criteria with the advancement in technology.

Table 8: Duration of Training Programme

Sl. No.	Duration of Training Programme	Number of Respondents	Percentage
1	Monthly	13	10.4
2	Quarterly	40	32
3	Half-yearly	28	22.4
4	Yearly	44	35.2
Total		**125**	**100**

It can be interpreted from the above table that majority of the employees' views that there is need of training programme but the duration should be once in year. But as the same way, the second response was given to quarterly training programme.

CONCLUSION

Following conclusions can be drawn from the research conducted:

- It is concluded that nationalized banks have taken broader approach towards investing in technology compared to a conservative approach before because they are providing technology-oriented services to the customers.

- As per the survey with the opinion of the employees, it is concluded that there is need of educating and reeducating employees on protecting information pertaining to the customers.
- It is concluded that technology has helped the banks to handle the phenomenal expansion of the volume of transactions, reduce cost and improve accessibility to remote and rural area. This shows the quality of services is getting much better.
- Changes were found in bank business because of advanced services in the form of recruitment criteria and training programme.
- Employees as well as users feel that these services have moderately secured and they are moderately satisfied with it but they feel there should be improvement in quality of software used in these services for more security.

SUGGESTIONS

Following are the suggestions for the improvement.

- In today's scenario, the different service channels like internet banking, mobile banking and ATM are available, managing security risk is becoming very important so banks have recognized the need to put efforts to take care of customers' information.
- There is a need to raise awareness about identity thefts while listing hacking, inside negligence and malicious employees as three of the factors responsible for such incidents. So, the banks need to be more conscious.
- Banks should give rewards in the form of schemes to those customers using Advanced banking services to increase its use. The banks should promote them by using different promotional tools like gifts, charges relaxations etc. so that more and more customers will start using these advanced banking services.
- Banks should organize awareness campaign, to create awareness amongst the customers regarding these Advanced Services. Hence, if such programme is arranged by banks, the people will come to know about these services.
- Customers should follow the standard rules of websites account handling specially related to transfer of money, assessing to the account with the use of passwords, sign out from the account etc. All websites guide users to follow these rules which create more safety for personal information.

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8

The Study of Causes, Effects and Ways to Reduce Employee Absenteeism in Academic Institutes with Reference to Non-teaching Staff in Nagpur City

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ABSTRACT

Absenteeism is a serious workplace problem and an expensive occurrence for employees seemingly unpredictable in nature.

The study of Employee absenteeism examines causes and effects of employee absenteeism and will also analyze disciplinary action taken by management and will suggest suitable measures to reduce absenteeism in an academic Institution with reference to Non-teaching staff.

In India, the problem of absenteeism is greater than other countries. That's why the study of employee absenteeism is necessary.

Keywords: *Management, Employee Absenteeism, Organizations.*

INTRODUCTION

Absenteeism is referred to herein as failure of employees to report for work when they are scheduled to work. Employees who are away from work on recognized holidays, vacations, approved leaves of absence, or leaves of absence allowed for under the collective agreement provisions would not be included.

Employee's presence at workplace during the schedule time is highly essential for the smooth running of the production process in particular and the organization in general. Despite the significance of their presence, employees sometime fail to report at the workplace during schedule time, which is known as 'absenteeism'.

Labour Bureau, Simla, defined the term 'absenteeism' as "the failure of a worker to report for work when he is schedule to work".

Labour Bureau also states that "absenteeism is the total man-shifts lost because of absence as a percentage of the total number of man-shifts schedule to work".

RECENT SURVEYS INDICATE THE FOLLOWING TRENDS IN ABSENTEEISM

- The higher the rate of pay and the greater the length of service of the employee, the fewer the absences.
- As an organization grows, there is a tendency towards higher rates of absenteeism.
- Women are absent more frequently than men.
- Single employees are absent more frequently than married employees.
- Younger employees are absent more frequently than older employees but the latter are absent for longer periods of time.
- Unionized organizations have higher absenteeism rates than non-union organizations.

Types of Absenteeism

- Authorized Absenteeism.
- Unauthorized Absenteeism.
- Willful Absenteeism.
- Absenteeism caused by circumstances beyond one's control.

Authorized Absenteeism: If an employee absent himself from work by taking permission from his superior and applying for leave, such absenteeism is called Authorized Absenteeism.

Unauthorized Absenteeism: If an employee absent himself from work without informing or taking permission from his superior and applying for leave, such absenteeism is called Unauthorized Absenteeism.

Willful Absenteeism: If an employee absents himself from duty willfully, such absenteeism is called Willful Absenteeism.

Absenteeism caused by circumstances beyond one's control: If an employee absent himself from duty owing to the circumstances beyond his control like involvement in accidents or sudden sickness, such absenteeism is called absenteeism caused by circumstances beyond one's control.

The Causes of Absenteeism

The causes of absenteeism are many and include:

- Serious accidents and illness
- Low morale
- Poor working conditions
- Boredom on the job
- Lack of job satisfaction
- Inadequate leadership and poor supervision
- Personal problems (financial, marital, substance abuse, child care, etc.)
- Poor physical fitness
- Transportation problems
- Inadequate nutrition
- Stress
- Workload

The Effects of Absenteeism

Decrease in Productivity

- Employees may be carrying an extra workload or supporting new or replacement staff.
- Employees may be required to train and orientate new or replacement workers.
- Staff morale and employee service may suffer.

Financial Costs

- Payment of overtime may result.
- Cost of self-insured income protection plans must be borne plus the wage costs of replacement employees.
- Premium costs may rise for insured plans.

Administrative Costs

- Staff time is required to secure replacement employees or to reassign the remaining employees.
- Staff time is required to maintain and control absenteeism.

Control of Absenteeism

- Initial Warning(s)
- Written Warning(s)
- Suspension(s)
- Discharge

Traditional methods of absenteeism control based only on disciplinary procedures have proven to be ineffective. It is almost impossible to create a fair disciplinary procedure because even well-run disciplinary systems, which treat similar actions in consistently similar ways, are usually seen as unfair. The reason for this is discipline alone usually does not identify or address the root causes of absenteeism.

RESEARCH METHODOLOGY

- **Collection of Data:** The research is based on both primary and secondary data.
- **Primary Data:** Primary Data collect through interview, discussion and observation.
- **Secondary Data:** Gathered by collecting magazines, books, journals, internet and other publications.
- **Tools for Analysis:** Percentage analysis is used.
- **Sample Size:** Sample size is 50.

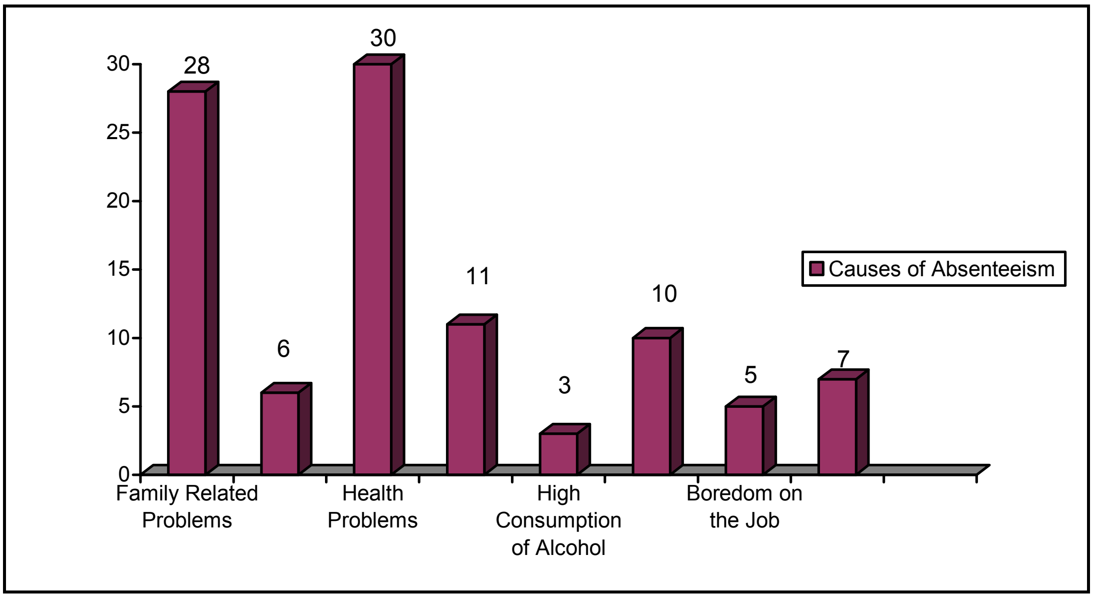
OBJECTIVES OF THE STUDY

1. To know the main causes of absenteeism in academic institution both for teaching and non-teaching staff.
2. The effect of unauthorized absenteeism of employees on academic institution.
3. To understand factors are to be considered in order to reduce absenteeism.
4. To study disciplinary actions taken by management.

LIMITATIONS OF THE STUDY

- Shortage of time to go in depth of the topic.
- Most of the time maximum employees were too busy that is why they could not give us sufficient time to answer our questions.
- Language barrier to interact with the employees.
- They cannot easily disclose absenteeism records.

Causes of Absenteeism	In %
Family related problems	28
Supportiveness by colleagues	6
Health problems	30
Inadequate salary structure	11
High consumption of alcohol	3
Poor working conditions	10
Boredom on the job	5
Work stress	7



For calculating the rate of absenteeism, we require the number of people scheduled to work and number of people actually present. Absenteeism can be found out of absence rate method.

For example

(a) Average number of employees in workforce: 100

(b) Number of available workdays during period: 20

(c) Total number of available workdays (a × b): 2,000

(d) Total number of lost days due to absences during the period: 93

(e) Absenteeism per cent (d [divided by] c) × 100: 4.65%

FINDINGS

- On analyzing the response, it is found that 10% of the employees are absent due to poor working conditions.
- 7% of the employees have an opinion that stress is part of their work life.
- Some of the employees feel lonely while working with others.
- 5% of workers feel bored in their routine work.
- 28% don't have time to solve family related problems.
- Some of the workers are not satisfied with the welfare measures adopted by the Management.
- Health problems seem is one of the causes of absenteeism for the work.
- Some of the employees feel that their colleagues did not help them in case of personal problems.

CONCLUSION

It is observed that absenteeism can be controlled and reduced to a great extent if the employees are committed and are supported by management.

An effective attendance record-keeping system, consultation and open communication by the management can create a healthy productive work environment in academic institute. This would reduce grievances and give greater employee satisfaction.

In all cases, management action must be fair and reasonable and consistently applied.

SUGGESTIONS TO REDUCE ABSENTEEISM

Management can reduce employee absenteeism. Obviously, Management cannot improve absenteeism due to personal reasons, but management can directly influence the main causes of absenteeism through the following initiatives.

1. **Increase employee motivation:** This is easier said than done, but it can be accomplished by enhancing the intrinsic motivation employees receive from their job by making goals more realistic, increasing desirable job responsibilities, and improving working conditions. Management can also increase extrinsic motivation by implementing a type of recognition or reward programme.
2. **Enhance job satisfaction:** Job satisfaction is influenced by many employment factors. However, the best way to improve employee satisfaction is to reduce workplace stressors to make working conditions more enjoyable and consistently provide honest and meaningful feedback and praise.
3. **Implement a job rotation or job enlargement strategy:** One of the reasons employees are frequently absent is lack of challenging work due to repetition, boredom, and burnout. A way that employers can improve an employee's perspective of his or her position is to provide opportunities to rotate among job and to gain more skills and knowledge in an area of personal and professional interest.
4. **Reward and discipline employees for increased or decreased absenteeism:** Although this may seem elementary, the reward/punishment motive is still an effective way to influence absenteeism rates in organizations. If a financial or recognition-based reward is attached to instances of decreased absenteeism, employees that are motivated to receive the reward will

have fewer instances of absenteeism and strive to achieve attendance goals. Furthermore, employees that are motivated to avoid consequences positively react to this type of strategy.

5. **Allow employees to utilize a modified work schedule:** Since some absenteeism is a result of personal-related matters, providing employees the opportunity to be flexible in their schedules, occasionally or permanently, helps employees feel more able to balance their work and personal life. Flexi time, or modified work schedules can range in degrees of formality and type. So, the flexibility can be easily controlled by management.
6. **Verification of medical certificates:** Verification of medical certificates' process of employees should be planned and implemented.
7. **Mediclaim policies, weekly or monthly medical checkups etc.** should be provided to the employees in order to make them physically fit for the job.

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Entry of FDI in the Insurance Sector

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INTRODUCTION

The insurance sector in India used to be dominated by the state-owned Life Insurance Corporation and the General Insurance Corporation and its four subsidiaries. But in 1999, the Insurance Regulatory and Development Authority (IRDA) Bill opened it up to private and foreign players, whose share in the insurance market has been rising.

As a part of overall financial sector reforms, the Government set up the Committee for Reforms in the Insurance Sector in 1992. In its report released in early 1994, it recommended the opening up of the sector to private sector participation. This was done in 2000. Since then there has been rapid growth and share of insurance in total financial savings of the economy has improved significantly. The number of life insurance companies has increased from 13 at end-March, 2003 to 18 at end-March, 2008. Competition in the industry is increasing with new players trying to establish a significant presence. Currently, the total insurance market in India is about US$ 30 billion, in which the element of FDI is US$ 0.5 billion. This is 1.6% of total insurance business in India. Foreign direct investment (FDI) will increase in insurance sector by US$ 0.46 billion in next 2 years and likely to touch US$ 0.96 billion as it is still regulated.

Currently, only 26% of FDIs is permitted in insurance sector. The total insurance business would touch US$ 60 billion size. If insurance sector is opened up to an extent of 49% for FDIs, it is expected that FDI's contribution to insurance business would touch nearly US$ 2 billion. In this paper, we will examine the advantages and disadvantages of FDI in the insurance sector.

REVIEW OF LITERATURE

J. Dunning (1981), Availability of valuable and unique resources in an industry such as cheap production capacity, cheap skilled labour and advanced technology which are necessary for running a business successfully provides the basis for selecting particular sector or organization by investors to invest in. By investing in a well established industry or organization, foreign companies get competitive advantage against the brand image of existing domestic companies with whom they enter the sector and this also protect the company from the risk of takeover.

Charles W.L. Hill (1998), "FDI occurs when a firm invests directly in facilities to produce and market a product in a foreign country". The growth of FDI is more than the growth of world trade and world output so role played by FDI in world economics is very vital.

De Mello (1999) asserts that scope for business in a country, opportunities for expansion, market size etc. are some of the factors that attract FDI. Growth rate of a company or an industry leads to magnetism of more and more investment as investors know that their investment is safe enough.

Patterson, N. and Montanjees (2004) say that FDI is the most favoured form of external finance for the reason that it is non-debt creating, non-volatile and the outcome depends upon the projects performance initiated by investors. FDI is advantageous because it facilitates international trade and transfer of technology, knowledge and skills.

J. Hari Narayan (2012), Insurance Regulatory and Development Authority (IRDA) Chairman said on the sidelines of a CII event here. “Absolutely (in favour of hike in FDI limit). I do think unless we go for 49%, we will not have the kind of capital required to underpin the growth of insurance industry,” “This sector requires lot of money, so unless we enable inflow... Look at it, in banks it (FDI) is 74%. In Asset Management Companies, 100%. I do not see why, in insurance companies, it should be 26%. We should increase that,” he said.

FDI

Companies by foreign entities. An important feature of an increasing direct investments in productive assets by a company incorporated in a foreign country, as opposed to investments in shares of locally globalized economic system.

Insurance

A promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss.

New Trends

New trends are the general course and new or prevailing tendency; style or vogue.

Global Environment

Global environment can be defined as the environment about our nature and the surroundings that influence worldwide scale.

Corporate

Corporates are the most common form of business organization, and one which is chartered by a state and given many legal rights as an entity separate from its owners.

OBJECTIVES OF THE STUDY

1. To know about Foreign Direct Investment.
2. To study the impact FDI in insurance sector.

RESEARCH METHODOLOGY

The researcher has used analytical research method. In analytical research, the facts or information already available is analyzed and critically evaluated.

Limitation

The research is based on secondary data which is collected from books, journals, magazines and websites.

ANALYSIS AND INTERPRETATION

Insurance and FDI

Insurance penetration in India is lower than in many East Asian countries. But the penetration as a percentage of GDP has improved from 2.5% in 2005 to 4.0% in 2007 for life insurance in India.

ADVANTAGES OF FDI IN INSURANCE SECTOR

Capital for expansion

FDI has the potential to meet India's long-term capital requirements to fund the building of infrastructures which is critical for the development of the country. Infrastructure has been the major factor which has restricted the progress of the Indian economy. Insurance sector has the capability of raising long-term capital from the masses as it is the only avenue where people put in money for as long as 30 years even more. An increase in FDI in insurance would indirectly be a boon for the Indian economy, the investments notwithstanding but by making more people invest in long-term funds to fuel the growth of the Indian economy.

Wider scope for growth

FDI in insurance would increase the penetration of insurance in India, where the penetration of insurance is abysmally low with insurance premium at about 3% of GDP against about 8% global average. This would be better through marketing effort by MNCs, better product innovation, consumer education etc.

Moving towards global practices

India's insurance market lags behind other economies in the baseline measure of insurance penetration. At only 3.1%, India is well behind the 12.5% for the UK, 10.5% for Japan, 10.3% for Korea and 9.2% for the US. Currently, FDI represents only ₹ 827 core of the ₹ 3,179 crore capitalizations of private life insurance companies.

Provide customers with competitive products, more options and better service levels

Opening the FDI in the insurance sector would be good for the consumers, in a lot of ways. Increasing FDI limit would impact a lot of industries in a positive way and that we could even do without the FDI in many other sectors.

ISSUES IN FDI IN INSURANCE SECTOR

Efficiency of the companies with FDI

The opening up of this sector for private participation in 1999, allowed the private companies to have foreign equity up to 26%. Following this up, 12 private sector companies have entered the life insurance business. Apart from the HDFC, which has foreign equity of 18.6%, all the other private companies have foreign equity of 26%. In general insurance, 8 private companies have entered, 6 of which have foreign equity of 26%. Among the private players in general insurance, Reliance and Cholamandalam does not have any foreign equity. The aggregate loss of the private life insurers amounted to ₹ 38,633 lakhs in contrast to the ₹ 9,620 crore surplus (after tax) earned by the LIC. In general insurance, 4 out of the 8 private insurers suffered losses in 2002-03, with the Reliance, a company with no foreign equity, emerging as the most profitable player. In fact, the 6 private players with foreign equity made an aggregate loss of ₹ 294 lakhs. On the other hand, the public sector insurers in general insurance made aggregate after tax profits of ₹ 62,570 lakhs.

Credibility of foreign companies

The argument that foreign companies shall bring in more expertise and professionalism into the existing system is debatable after the recent incidents of the global financial crisis where firms like AIG, Lehman Brothers and Goldman Sachs collapsed. Earlier too, The Prudential Financial Services (ICICI's partner in India) faced an enquiry by the securities and insurance regulators in the US based upon allegations of having falsified documents and forged signatures and asking their clients to sign blank forms. This was after it made a payment of $ 2.6 billion to settle a class-action lawsuit attacking wrong insurance sales practices in 1997 and a $ 65 million dollar fine from state insurance regulators in 1996. AMP closed its life operations for new business in June 2003. Royal Sun Alliance also shut down their profitable businesses in 2002. A recent report by Mercer Oliver Wyman, a consultancy, found that European life insurance companies are short of capital by a whopping 60 billion Euros. According to the Mercer Oliver Wyman Report the German, Swiss, French and British insurers suffer from severe capital inadequacy, which is a result of undertaking risky investments in equity and debt instruments in the past. Hence, FDI in Insurance in India would expose our financial markets to the dubious and speculative activities of the foreign insurance companies at a time when the virtues of regulating such activities are being discussed in the advanced countries.

Greater channelization of savings to insurance

One of the most important duties played by the insurance sector is to mobilize national savings and channelize them into investments in different sectors of the economy. However, no significant change seems to have occurred as far as mobilizing savings by the insurance sector is concerned even after the liberalization of the insurance sector in 1999. Therefore, the private or foreign participation has not been able to achieve the goal.

Flow of funds to infrastructure

The primary aim of life insurance is about mobilizing the savings for the development of the economy in long-term investment in social and infrastructure sectors. The same vision was argued for the opening up of insurance market would enable huge flow of funds into infrastructure. But more than 50% of the policies they sell are ULIPS where the investments go into the equity markets. As per a report, 95% of policies sold by Birla Sunlife and over 80% of policies sold by ICICI Prudential were unit-linked policies during 2003-04. Under these schemes, nearly 50% of the funds are invested in equities thus limiting the fund availability for infrastructural investments. On the other hand, the LIC has invested ₹ 40,000 crore as at 31.3.2003 in power generation, road transport, water supply, housing and other social sector activities. IRDA figures further imply that the share of the public sector life and non-life insurance companies in investment in infrastructure is greater than their market share. Despite the FDI cap being set at 26%, the investment from the insurance sector to the infrastructure sector was predominantly from the public sector companies. Hence, the point of raising the FDI cap in the insurance sector for mobilizing resources does not hold good.

Our country has a low insurance density and every company selling the insurance feels that there is abundant scope to expand its operations and hence this proposal to increase FDI in insurance has been received with great applause by the industry. Only time alone will tell whether this irrational exuberance is justified considering the fact that there is political opposition to this move and this change requires approval of the Parliament.

If and when this proposal becomes a law, there is bound to be a great demand from foreign companies to enter our country because of the abundant opportunity provided by the large population and the growing per capita income of our people. During the last twelve years, if over 40 foreign companies have entered our country as joint venture partners, with the increased FDI cap, we may expect another 100 companies to come within the next twelve years. Unfortunately, some of our people are carried away by the foreign names and brands, and that there is a perception among our people that foreign companies are better than the home-grown companies. But the fact is that foreign companies are as bad as or as good as local companies, and insurance business, whether run by Indians or by foreigners has the same objective, as in all business, of maximizing returns to the owners even at the cost of the insured.

It is abundantly clear that mere hiking the FDI cap to 49% does not in any way benefit the common man, unless it is accompanied by stringent regulations to protect the common man from exploitation.

SUGGESTIONS

- Opening the FDI in the insurance sector would be good for the consumers, in a lot of ways. Increasing FDI limit would impact a lot of industries in a positive way and that we could even do without the FDI in many other sectors.
- IRDA (Insurance Regulatory and Development Authority) plays significant role in navigating the trends of industry and deciding business operation of insurance company. So, IRDA should keep on changing and framing new policies which directly impacts on employee, customer and company's interest.
- Insurance industry should tap the rural market which has vast potential. High risks due to vagaries of the monsoon and natural calamities compared to low revenues have prevented companies from going rural.
- The large class segment in India does not understand the concept of financial, tax and investment planning. Indians still have a misconception that insurance policies are only for death hazards. Companies have to change this mindset among the public.
- The insurance sector should mobilize national savings and channelize them into investments in different sectors of the economy.

CONCLUSION

The outlook for the general insurance industry in India is stable based on steady fundamental credit conditions in the sector over the next 12-18 months. With the Indian economy forecast to grow at 9% in 2010 and given rising income levels and higher risk awareness among insured, the country's insurers are optimistic about demand for their products. However, intense competition from new entrants, deregulation and a moderation in returns from the equities market will pressure pricing and ultimately short-term profitability.

At the same time, despite rising inflation and a severe correction in the stock market, the prevailing view in Asia is that while China and India are not insulated from the credit crisis afflicting the US and EU, domestic demand is strong enough to support GDP growth. But until the existing insurance players show substantial benefits or it addresses the issues at hand, there would not be much of value addition to the country.

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10 Global Issues of Millennium Development Goals and Microfinance in Context to India

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ABSTRACT

The Millennium Development Goals (MDGs) commit the international community to a common vision of development – one in which human development and poverty reduction have the highest priority. The objective of the MDGs is to serve as guideposts and focus the efforts of the world community on achieving significant, measurable improvements in poor people's lives. The goals grew out of the agreements and resolutions of various development conferences organized by the UN in the 1990s.

The paper argues for mainstreaming impact assessment of microfinance in evaluation of programmes for realizing the full potential in achievement of Millennium Development Goals (MDGs) in India.

MICROFINANCE: mantra for rural finance

Microfinance is an effective tool for poverty alleviation. The policies and programmes designed by the donors and apex institution can be proved for the efficiency for the credit inclusion in the rural financial market in India. The formal credit delivery system fails to recognize the need and credit availability to the rural poor. Microfinance provides the solution for the problem and the poor find their own way to move out of the poverty.

GLOBAL ISSUES OF MILLENIUM DEVELOPMENT GOALS AND MICROFINANCE IN CONTEXT TO INDIA

In September 2000, the member states of the United Nations unanimously adopted the Millennium Development Goals (MDGs). The MDGs commit the international community to a common vision of development—one in which human development and poverty reduction have the highest priority. The objective of the MDGs is to serve as guideposts and focus the efforts of the world community on achieving significant, measurable improvements in poor people's lives. The goals grew out of the agreements and resolutions of various development conferences organized by the UN in the 1990s.

The paper argues for mainstreaming impact assessment in evaluation of programmes for realizing the full potential in achievement of Millennium Development Goals (MDGs). **The Millennium Development Goals are:**

1. Eradicate extreme poverty and hunger.
2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV/AIDS, malaria and other diseases.
7. Ensure environmental sustainability.
8. Develop a global partnership for development.

SOME IMPORTANT GLOBAL ISSUES RELATED TO MDGS

Almost half the world – over three billion people – lives on less than \$ 2.50 a day. At least 80% of humanity lives on less than \$ 10 a day. More than 80% of the world's population lives in countries where income differentials are widening. The poorest 40% of the world's population accounts for 5% of global income. The richest 20% accounts for three-quarters of world income. According to UNICEF, 24,000 children die each day due to poverty. And they "die quietly in some of the poorest villages on earth, far removed from the scrutiny and the conscience of the world. Being meek and weak in life makes these dying multitudes even more invisible in death."

Around 27-28% of all children in developing countries are estimated to be underweight or stunted. The two regions that account for the bulk of the deficit are South Asia and sub-Saharan Africa. If current trends continue, the Millennium Development Goals target of halving the proportion of underweight children will be missed by 30 million children, largely because of slow progress in Southern Asia and sub-Saharan Africa. Based on enrolment data, about 72 million children of primary school age in the developing world were not in school in 2005; 57% of them were girls. And these are regarded as optimistic numbers.

Nearly, a billion people entered the 21st century unable to read a book or sign their names. Infectious diseases continue to blight the lives of the poor across the world. An estimated 40 million people are living with HIV/AIDS, with 3 million deaths in 2004. Every year, there are 350-500 million cases of malaria, with 1 million fatalities: Africa accounts for 90% of malarial deaths and African children account for over 80% of malaria victims worldwide.

Rural areas account for three in every four people living on less than US\$ 1 a day and a similar share of the world population suffering from malnutrition. However, urbanization is not synonymous with human progress. Urban slum growth is outpacing urban growth by a wide margin.

Approximately 790 million people in the developing world are still chronically undernourished, almost two-thirds of whom reside in Asia and the Pacific." For economic growth and almost all of the other indicators, the last 20 years [of the current form of globalization, from 1980-2000] have shown a very clear decline in progress as compared with the previous two decades [1960-1980]. For each indicator, countries were divided into five roughly equal groups, according to what level the countries had achieved by the start of the period (1960 or 1980). Among the findings:

- **Growth:** The fall in economic growth rates was most pronounced and across the board for all groups or countries.
- **Life Expectancy:** Progress in life expectancy was also reduced for 4 out of the 5 groups of countries, with the exception of the highest group (life expectancy 69-76 years).

- **Infant and Child Mortality:** Progress in reducing infant mortality was also considerably slower during the period of globalization (1980-1998) than over the previous two decades.
- **Education and literacy:** Progress in education also slowed during the period of globalization.

STATUS OF MILLENIUM DEVELOPMENT GOAL IN INDIA

Shri G.K. Vasan, Minister of State (independent charge), Ministry of Statistics and Programme Implementation, released the first Millennium Development Goals – India Country Report for the year 2005 on 13th February 2006 in a simple function at Delhi. The Millennium Declaration adopted by the General Assembly of the United Nations in September 2000 reaffirmed its commitment to the right to development, peace, security and gender equality, to the eradication of many dimensions of poverty and to overall sustainable development. These are intended for the member countries to take efforts in the fight against poverty, illiteracy, hunger, lack of education, gender inequality, infant and maternal mortality, disease and environmental degradation.

India's position with reference to the various goals is given below:

1. To achieve the goal of eradicating extreme poverty and hunger, India must reduce by 2015 the proportion of people below poverty line from nearly 37.5% in 1990 to about 18.75%. As on 1999-2000, the poverty headcount ratio is 26.1% with poverty gap ratio of 5.2%, share of poorest quintile in national consumption is 10.1% for rural sector and 7.9% for urban sector and prevalence of underweight children is of the order of 47%. National Rural Employment Act is a positive step to reduce the poverty ratio further.
2. To achieve universal primary education under Goal 2, India should increase the primary school enrolment rate to 100% and wipe out the drop-outs by 2015 against 41.96% in 1991-92. The drop-out rate for primary education during 2002-03 is 34.89%. The gross enrolment ratio in primary education has tended to remain near 100% for boys and recorded an increase of nearly 20 percentage points in the ten years period from 1992-93 to 2002-03 for girls (93%). The literacy rate (7 years and above) has also increased from 52.2% in 1992-93 to 65.4% in 2000-01. To ensure gender parity in education levels in Goal 3, India will have to promote female participation at all levels to reach a female-male proportion of equal level by 2015. The female-male proportion in respect of primary education was 71 : 100 in 1990-91 which has increased to 78 : 100 in 2000-01. During the same period, the proportion has increased from 49 : 100 to 63 : 100 in case of secondary education.
3. Goal 4 aims at reducing under five mortality rate (U5MR) from 125 deaths per thousand live births in 1988-92 to 42 in 2015. The U5MR has decreased during the period 1998-2002 to 98 per thousand live births. The infant mortality rate (IMR) has also come down from 80 per thousand live births in 1990 to 60 per thousand in 2003 and the proportion of 1 year old children immunized against measles has increased from 42.2% in 1992-93 to 58.5% in 2002-03.
4. To achieve Goal 5, India should reduce maternal mortality (MMR) from 437 deaths per 100,000 live births in 1991 to 109 by 2015. The value of MMR for 1998 is 407. The proportion of births attended by skilled health personnel has been continuously increasing, (from 25.5% in 1992-93 to 39.8% in 2002-03) thereby reducing the chances of occurrence of maternal deaths.
5. Insofar as Goal 6 is concerned, though India has a low prevalence of HIV among pregnant women as compared to other developing countries, yet the prevalence rate has increased from 0.74 per thousand pregnant women in 2002 to 0.86 in 2003. This increasing trend needs to be reversed to achieve MDG 6. The prevalence and death rates associated with malaria are consistently coming down. The death rate associated with TB has come down from 67 deaths

per 100.000 population in 1990 to 33 per 100,000 population in 2003. The proportion of TB patients successfully treated has also risen from 81% in 1996 to 86% in 2003.

6. Goal 7 aims at ensuring environmental sustainability. As per assessment made in 2003, total land area covered under different forests has been 20.64% due to Government's persistent efforts to preserve the natural resources. The reserved and protected forests together account for 19% of the total land area to maintain biological diversity. The energy use has declined consistently from about 36 kilogram oil equivalent in 1991-92 to about 32 kilogram oil equivalent in 2003-04 to produce GDP worth ₹ 1,000. The proportion of population without sustainable access to safe drinking water and sanitation is to be halved by 2015 and India is on track to achieve this target.
7. Goal 8 is regarding the developing global partnership for development. It is basically meant for the developed countries to provide development assistance to developing countries. The Government of India holds the following views regarding the role of the developed countries in achieving this goal:
   - The financial support needed to achieve the targets under this Goal had been estimated for the least developed land locked and small countries by a high-level panel on 'Financing for Development' at an additional amount of US$ 50 billion which would be required for this purpose every year till 2015.
   - However, a huge gap still exists for those countries between the development assistance required to meet the MDGs and what has been pledged by the developed countries so far.
   - Recent months have seen new commitments toward reaching the internationally accepted 0.7% of Gross National Income (GNI) target. We have reminded that these potential increases still leave development assistance donor countries as a group well short of 0.7%.
   - It is also a matter of satisfaction that actual disbursements of ODA, in recent years, have shown a welcome reversal of the declining trend that lasted for almost a decade since the early 1990s. In this regard, it is important to realize that unless aid commitments translate into actual delivery, securing MDGs will remain elusive goals. We do hope that all the developed countries would scale up the ODA to realize the goals reaffirmed at the Monterrey Consensus.
   - It has also been our consistent position that additional resources for implementing the development agenda should be channelized through the existing multilateral agencies. Moreover, allocations must be based on pre-defined and transparent criteria. Our own development experience clearly indicates that, ultimately, it is the availability of untied additional resources for use in accordance with national development strategies, which is most beneficial for recipient countries.
   - To deal with the problems of debt, the Heavily Indebted Poor Countries (HIPC) Initiative was launched by the World Bank and IMF and endorsed by 180 governments. In regard to the HIPC Initiative, India is of the view that the Initiative should be met by additional funding from the developed countries and the flow of concessional assistance to other countries should not be reduced. India also opposes the concept of "equitable burden sharing" since some of the non-Paris Club creditor countries are themselves poor countries.
   - We have supported the G8 initiative on irrevocable debt cancellation for the HIPC countries, which has now been adopted by IMF and the World Bank as the Multilateral Debt Relief Initiative (MDRI). We have always been supportive of all efforts being

extended to the low-income countries (LICs), including those in Africa, where debt burdens are serious threats to attainment of the MDGs.

8. With regard to one of the targets of the Goal 8, i.e., in cooperation with the private sector, make available the benefits of new technologies, especially information and communications, India has made substantial progress in recent years. The overall teledensity has remarkably increased from 0.67% in 1991 to 9.4% in June 2005. Use of Personal Computers has also increased from 5.4 million PCs in 2001 to 14.5 million in 2005 and there are 5.3 million Internet subscribers as on March 2005 (2.3 internet users per 100 population and 0.5 per 100 internet subscribers).
9. The National Employment Guarantee Act, Sarva Siksha Abhiyan, Total Literacy Campaign of the National Literacy Mission, 73rd and 74th constitutional amendments providing reservation for women, commitment for women empowerment in the NCMP, National Health Mission, Total Sanitation Campaign and Bharat Nirman are some of the important steps taken by the Government which will help in achieving the Millennium Development Goals.

MICROFINANCE AS A TOOL OF POVERTY ALLEVIATION IN INDIA

Demand and Supply of Microfinance in India

Many of India's anti-poverty programmes and social welfare schemes such as IRDP (Integrated Rural Development Programme), TRYSEM, JRY, DWRC, etc. do not meet the development criteria of poor people. In addition to programme-specific problems, the schemes have been weakened by a lack of political commitment as well as limited transparency and accountability. A breakthrough is needed to ensure an adequate flow of credit to poor farmers and micro entrepreneurs. As long as provision of credit to all sectors suffers due to the weak commercial orientation of the public banks that dominate India's financial system, the poor are particularly vulnerable, both directly and indirectly. High transaction costs along with the absence of suitable collateral means that poor people in India are often unable to access credit from institutional sources. Purely state-led efforts to provide financial services to the poor have not been successful, and new approaches should be sought. Microfinance is the solution to this problem but still there is mismatch between the demand and supply of the services. Savings facilities by poor both serve the demand for financial services by the customers and fulfill an important requirement of financial sustainability to the lenders. Poor people are vulnerable due to the socio-economic factors and have multiple needs which adversely affect their saving habit therefore.

Microfinance institutions can either provide savings services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner. (Barry, 1995)

Outreach and Impact of Microfinance in India

Providing microfinance by forming groups may be an easy task for SHGs in India because of the demand for microfinance services but organizing a group is not at all simple. It is as difficult as any other developmental intervention. It appears simple only because the results are quick to see. For instance, when MFIs start forming groups or any other microfinance activity, they are servicing almost the same clients who were either served or deprived of loans by all the governmental schemes like the Integrated Rural Development Programme (IRDP), and have seen loan meals. Organizing them and ensuring financial discipline from these people is a lot of hard work. MFIs do take a lot of risk by lending to people who are otherwise classified as 'non-bankable'. Considerable work goes into teaching them how to keep accounts, process transactions and design systems to make the intervention last. The very fact that there are a large number of experts working in this area indicates the amount of intellectual input that this activity demands. The idea of 'organizing' people, especially women, is very attractive. But Question arises organizing women for what?

Microfinance and Vulnerability of Poor

The poor in India have meager holdings or access to land, little or no capital and off-farm employment is seasonal. It is almost impossible for farmers to secure credit and loans needed to purchase agricultural inputs except at prohibitive rates from private moneylenders leading to risk-prone farming. Markets are underdeveloped or difficult to access. Extension services are few and far between, and development initiatives aimed specifically at their needs is sparse.

Few employment opportunities and low levels of education and skill result in low cash incomes. This in turn affects the ability to purchase basic needs (such as medicines, education for children, etc.). Women and children in particular are the hardest hit especially when access to safe and adequate sources of water are low, resulting in high vulnerability in terms of health. Women are also more affected by underemployment. Mere, Microcredit itself is not as simple ask for the empowerment of poor as it is perceived to be. Microfinance services require integrated services such as saving, micro insurance, micro pension etc.

Microfinance Programme Should Focus on BPL Poor

The problems of the microfinance delivering agency is facing the huge number of below the poverty line (BPL) households in the state, and how to give access to sustainable microfinance services to them. The alternative system (SHG Linkage to Banks), is not nationwide. It is concentrated mainly in the southern states which are relatively less poor, both in percentage and in absolute numbers of households below the poverty line. SHGs have not caught on in the north and east, particularly in the BIMARU states (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh), Orissa and West Bengal, in which much more than half of the country's BPL households live. So, definitely other approaches, both alternative and mainstream, are needed to grow the outreach of microfinance services to a significant proportion of the poor, all over the country.

Its skewed growth aside, there are other limitations of the SHG-Bank Linkage programme. In the SHG-Bank Linkage programme is open to considerable leakage of funds and subsidies meant for the poor, to the non-poor. This is because normally being a BPL household is not a condition for entry into SHGs, and SHG-promoting NGOs do not normally take the trouble (and cost) of identifying on the ground in the villages, who is BPL and who is not. Given that BPL households are less than half of all rural households in the country, probably they are less than half of SHG members, as well and a huge amount of effort and funds, made and allocated in the name of the poor, are not reaching them. This can lead to the same old story of so-called 'poverty-focused' programmes being hijacked by the non-poor.

BPL households must be cost-effectively identified on the ground in their villages, and SHGs should be formed among them alone, if we are to ensure that the SHG-Bank Linkage programme provides access to microfinance services to significant numbers of the poor, As on the part of NGOs they can promote Sanghamithras, who can get around their inevitable capital constraint by linking with banks, with MFIs acting as agents for the banks' financial intermediation with BPL households.

MFIs could receive bulk funds from the banks, and deliver the microfinance services to poor women in their villages (the only way that the latter could participate). The MFI could charge its clients an administrative fee to cover the additional costs of delivering the financial services, so that the service becomes sustainable, and the banks could charge their prime lending rate for the loans. Provided large numbers of BPL households could be reached, the programme would be profitable for banks. If it were profitable, it would spread to even larger numbers of BPL households, and make a significant impact on rural poverty in India.

Regulatory Environment and Capacity Building

In most countries, like in India, the provision of savings facilities, credit and insurance were regulated before microfinance for the poor became established. It is necessary now for these regulations to be reviewed in terms of whether they promote or hinder the impact of microfinance on poverty. Currently, the Reserve Bank of India (RBI) prohibits the collection of savings by any institution except banks and non-banking finance companies (NBFCs) that have been licensed to do so. Microfinance clients in India are simultaneous sly savers and debtors with their NGO-MFIs. Normally they have much more of the NGO-MFI's money in their hands as loans outstanding, than it has of their money in the form of savings. The ongoing deregulation of the insurance sector in India provides adequate opportunities for NGO/MFIs to arrange the needed insurance cover for their clients, by becoming agents of established insurance companies. On the institutional side, it is of course necessary for NGO-MFIs to build the institutional capacity to provide quality savings and insurance products to their clients, including the necessary staff training and market research.

CONCLUSION

It is necessary to appreciate that microfinance is not a panacea but is one of the effective tools to help poor people from a self-development perspective. Extremely poor people like people suffering from under and/or malnourishment, illnesses, lack of skills, etc, cannot be a target for microfinance. This is because intervention in the form of microfinance will not be an efficient solution for them. The problems of such people have to be tackled at the government level through an appropriate mix of welfare measures. For these people, as Robinson has said – "Microfinance is the next step after they are able to work".

While microfinance is still an evolving sector in a country like India and in many developed countries it is highly commercialized; partnerships are being created, public and private sectors' assets are being leveraged, and know-how is being shared. The lessons from some of the best managed microfinance institutions around the world show that use of certain methods like group lending, peer guarantees, step-ladder lending, matching repayment terms with borrower cash-flows, etc., have contributed largely to their success. Also, they have competently used information technologies and performance-linked incentives for their staff.

Most of all, the strong and firm commitment of the top management of the bank to microfinance operations is the essential precondition for the sustainability of this business in any commercial bank for its sustainability in long run.

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11

Managing Multicultural Workforce in Global Business Environment: Tools and Strategies

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ABSTRACT

Diversity refers to differences of age, sex, race, religion and culture etc. People with different demographic differences working in the organization makes diverse workforce. It is important for the organizations to know about these differences and how to manage them. As companies are becoming more and more diverse it has become more and more important for companies to understand and manage it. There is an importance of having diverse workforce to provide better performance. There is a perception of managing the diverse workforce, which requires the organization leaders and managers to be responsible of attaining better diverse workforce.

Some of the problems that multicultural teams experience include: ethnocentrism, stereotyping, cultural clashes, lack of synergy among cross-cultural team members, communications breakdowns and unresolved conflicts among members. These negative dynamics can in turn combine with imbalanced power structures to create work disadvantages for women and minorities. This paper reviews major challenges faced by multicultural teams and describes some managerial implications. The main objective of this research paper is to empirically investigate multicultural challenges in diverse workforce, the benefits of workforce diversity and to understand various strategies that help in increasing the productivity of a diverse workforce.

PREAMBLE

As more and more companies have started recruiting people irrespective of their race, religion, gender and nationality, they are bound to face some of the common problems that can be associated with a multicultural workforce. The concept of “Multicultural Workforce” is evident across the globe, as a large number of businesses are recruiting people from different nations for operating their worldwide business efficiently. A multicultural workforce is connected with a number of advantages that have overshadowed some of its trivial disadvantages like cultural difference, personality conflict and communication problem. Some of the unique benefits of a multicultural workforce are:

- It gives the business a competitive edge.
- It inspires a high level of creativity and promotes innovation in the workplace.
- Creates consistency and unity in workplace and high turnout.

Multicultural workforce refers to the changing age, sex, ethnicity (traditions/customs), physical ability, race, and sexual orientation of employees across all types and places of work. Multicultural workforce as a descriptive term or phrase has, however, largely been supplanted by the term "diversity" in describing the increasing heterogeneity of the workplace through the inclusion of different groups of people. While "multicultural workforce" is still sometimes used in reference to employees of varying social, racial, and ability characteristics, the scope of diversity goes further and includes not only the personal characteristics of an organization's employees but also the way an organization responds to a multicultural or diverse workforce. The challenge posed by diversity, is to accommodate different groups by addressing their lifestyles, values, work style, and family needs without compromising the goals and operations of the organization.

Diversity and multiculturalism, however, should not be confused with affirmative action. The most striking difference between the two social schemes is that affirmative action is initiated by government regulation and legislation, whereas diversity is voluntary although various governmental agencies may pressure companies under certain circumstances to diversify their workforce. Affirmative action is also legally driven, quantitative, problem focused, assimilated, and reactive, whereas diversity is productivity driven, qualitative, opportunity focused, integrated, and proactive. Today's organizations are beginning to understand the power of diversity, all the way down to the bottom-line. They have started valuing diversity in the workplace and believe that it leads to higher profits and greater business success. Many companies have kept their diversity programmes intact or increased their funding and companies are experiencing direct payoffs from their investments in diversity.

Benefits of Workplace Diversity

An organizations success and competitiveness depends upon its ability to embrace the diversity and realize the diversity. When organization actively access their handling of the workplace diversity issues, develop and implement diversity plans, multiple benefits are reported such as:

- **Increase adaptability:** Organizations employing a diverse workforce can supply a greater variety of solutions to problems in service, sourcing, and allocation of resources. Employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible.
- **Broader service range:** A diverse collection of skills and experiences allows a company to provide service to customers on a global basis.
- **Variety of viewpoints/create a larger talent pool:** A diverse workforce that feels comfortable communicating varying points of view provides a larger pool of ideas and experiences. It helps organizations to attract and retain the best available talent. It helps organizations to meet the business strategies needs and the needs of the customers more effectively.
- **More effective execution:** Companies that encourage diversity in workplace inspire all of their employees to perform to their highest abilities. Company-wide strategies can then be executed resulting in higher productivity, profit and return on investment.
- **Increases creativity in organizational processes**: A diverse workforce possesses more innovative ideas, creative approach and diverse strategies for dealing with organizational issues.
- **Creates organizational flexibility**: With less traditional-bound and more divergent thinking. Accommodating diversity makes the organization more adaptable to other organizational issues.

Areas of Concern

Diversity is among the most serious issues in the workplace today, yet most employers are not prepared to deal with it, nor are their managers. Many managers grew up having little contact with other cultures. They are actually 'culturally deprived,' and their academic training did not cover the kinds of situations that arise in today's multicultural surroundings. These affect the values that people bring to the workplace. Different people feel differently about their roles in an organization, how they can make a contribution and how they want to be recognized for their efforts.

The negligence of the management on issues related to cultural differences may lead to under utilization of human resources and in extreme cases mismanagement and fragmentation of the organizational structure. What motivates one worker might completely inhibit another – for example, rewarding people who don't like to be touched with pats on the back, or publicly recognizing people who don't like to be isolated from the group. Workers unintentionally humiliated in this manner may become less productive. Then, the manager who made the mistake will fall back on stereotypes to explain an employee's disappointing behaviour. Therefore, it is the management's duty to understand the diversity in the workforce, the respective cultures and plan the training modules accordingly. Employees from different parts of the country or world may face communication problems, due to which they will be unable to express their ideas clearly, because of which the management may under rate the employee's performance. If the management does not ask, cares, or encourages them, they may not perform up to the mark. If the organization does not takes an interest in their employees lives, the employee will not give his heart and soul to the company. If the employees do not feel included in the company's vision, their talent and willingness to contribute will lie untapped and it will be a waste of valuable human resource.

Higher turnover and absenteeism are problems faced by diverse organizations. Many people feel threatened by working with people of a different age, sex, or culture. Initially, there is an increase in the cost of training that is incurred by the company. This increase comes from costs associated with seminars, programmes and lectures given to promote diversity in the corporation. These types of training are given to all levels of staff within the organization. Employees are taught how to accept the personalities, ideas and thoughts of others. Employees are taught to deal with conflicts and prejudice in a professional and civil manner.

Another disadvantage a company may encounter is reverse discrimination. This is a feeling that is associated with affirmative action policies. It is a major argument against such policies. Reverse discrimination is a claim by white males that they have been unfairly discriminated. They claim they are equally or more qualified for the position, yet were passed over for a minority to receive the job. This can cause lawsuits in some cases, but mostly a sense of rejection by other workers in the company toward the minority who received the position.

A cultural environment must allow differences to be celebrated instead of merely tolerated. All employees must understand the competitive and moral advantages of diversity. They must respect and support cultural diversity through the recognition of cultural and religious holidays, observances, practices, and diet restrictions. In an ideal world, every person is treated equally when it comes to receiving a job, advancing in their career, and being treated fairly in the workplace. In reality, we know this is not the case. Unfortunately, our reality is unfair treatment in regards to an individual's gender, race, culture, ethnic origin and lifestyle. These discriminations still exist in salary decisions, hiring, firing, and promotions.

Challenges of Diversity in the Workplace

There are challenges to managing a diverse work population. Managing diversity is more than simply acknowledging differences in people. It involves recognizing the value of differences, combating discrimination, and promoting inclusiveness. Managers may also be challenged with losses in personnel and work productivity due to prejudice and discrimination and complaints and legal actions against the organization.

Negative attitudes and behaviours: Negative attitudes and behaviours can be barriers to organizational diversity because they can harm working relationships and damage morale and work productivity. Negative attitudes and behaviours in the workplace include prejudice, stereotyping, and discrimination, which should never be used by management for hiring, retention, and termination practices (could lead to costly litigation).

Communication: Perceptual, cultural and language barriers need to be overcome for diversity programmes to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork and low morale.

Resistance to change: There are employees who will refuse to accept the point that the cultural and social make up of their workplace is changing.

Implementation of diversity in the workplace policies: This can be overriding challenge to all diversity advocates. Armed with the results of employee assessment and research data, they must build and implement a customized strategy to maximize the effects of diversity in the workplace for their particular organization.

Successful management of diversity in the workplace: Diversity training alone is not sufficient for your organization's diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organization.

STRATEGIES AND SUGGESTIONS

Mentioned below are some of the best practices of workforce diversity that are implemented by various organizations around the world.

1. **Top management should be committed to diversity:** Success in workforce diversity begins with an active and visible commitment by senior leaders. Diversity strategies are doomed or severely limited without a sincere commitment from the top. Also the commitment should be uniform throughout the company irrespective of the situation and the people involved. This is possible only if the rules are explicit and written.

For example: AT&T provides growth opportunities to people from different background by providing an inclusive work environment, offering performance-based rewards and creating a culture of excellence. In 2009, AT&T created the Chief Diversity Officer (CDO) Forum as a venue to formally integrate, leverage and grow enterprise-wide initiatives to become best-in-class in diversity and inclusiveness. The forum meets quarterly during the year to monitor the progress of initiatives and share best practices.

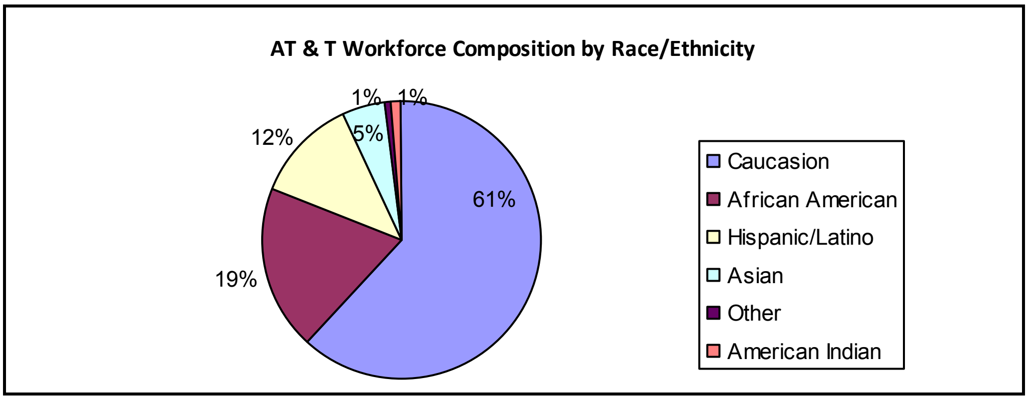

Fig. 1: AT&T Workforce Composition by Race/Ethnicity

AT&T's diversity and inclusion management strategy aligns with the business goals and leadership priorities in key areas including workforce inclusion, community impact, multicultural marketing and supplier diversity.

2. A safe place for dialogue on diversity issues should be provided: Employees need to be able to communicate their concerns and/or satisfaction-related to issues of diversity. Honest, open dialogue can be healthy for individuals and organizations, but must be accommodated by safe, supportive environments for sensitive dialogue. Facilitated study circles, peace circles or roundtable discussions can be used to implement productive dialogue on diversity.

For example: At Microsoft, they consider a multicultural workplace key to achieve business innovation and results, as well as employee satisfaction and development. Microsoft has developed an internal "Buddy Programme" aiming at helping their international colleagues to integrate easily at work – and to enjoy a rich social life outside office hours as well. The buddy programme helps the international employees to gel with the local people where in they can openly discuss their problems, know more about the local life and connect easily to the people around.

3. Workforce inclusion should be managed efficiently: Like other major changes within an organization, changes in workforce composition must be managed. Through strong and consistent communication, information sharing, and diversity education, employees must be prepped for anticipated changes. Demographic shifts create tension in organizations. Proper management of an inclusive workforce, can result in long-term benefits overall. Building harmony takes up a lot of time and needs ample of patience. The trust factor is a major issue in a multicultural work environment. A manager must work extra hard to make sure that members of a multicultural workforce trust him or her. This can be done by celebrating their religious festivals, providing different cuisines catering to the diverse workforce, putting up notices in different languages, etc.

For example: Google's Mountain View campus serves a variety of international foods, catering to its multicultural workforce. (Fig. 2)

4. Diversity should be defined broadly: The study shows the organizations found to be most effective in their diversity efforts define diversity broadly, beyond race and gender, to include all of its dimensions. This means that everyone should be included in the process of diversity. It is important to help employees understand that diversity includes all characteristics and experiences that define each person as an individual.

For example: Google encourages its employees to work and play together so that a family bond is formed. This really does reinforce a team environment. Everyone is pretty much on the same level and everyone works together. The limited walls in the building help the employees to feel like a group rather than an outsider in another department. Google's Mountain View campus acknowledging employees coming from different sections of the globe. (Fig. 3)

5. Create a diversity plan and hold leaders and managers responsible for diversity: Implementing diversity is not a single person's responsibility. To be effective, responsibility for diversity must be shared throughout the organization; its leaders and managers must be held accountable for diversity goals and measurable results.

For example: Google has successfully incorporated the concept of multiculturalism in its work culture that has enabled it to promote innovation and to emulate its competitors in different fields. Half of the total Google employees at its Mountain View headquarter in the US are from overseas. Google's Mountain View office can be termed as a perfect showcase of international workforce and the rooms are named after some foreign cities to celebrate its multicultural workforce. The Mountain View office celebrates Google's global ambition and international workforce. Work rooms are named for foreign cities, like Navrongo in northern Ghana. (Fig. 4)

6. Align diversity goals and objectives with organizational mission and goals: Best-of-class organizations align diversity goals and objectives with the company's mission and goals. Diversity, thereby, becomes integrated as an organizational priority. The manager should consider making diversity a core value or strategic objective of the organization.

7. Make the distinction between diversity and Affirmative Action/EEO: Designed to correct historical wrongs, Affirmative Action programmes have been instrumental in opening doors of employment opportunity for women and minorities, and Equal Employment Opportunity (EEO) laws have prohibited discrimination in the workplace. While Affirmative Action and EEO help to complement a workforce diversity strategy, they are not synonymous with diversity, and it is important to make this distinction. Diversity is proactive, as opposed to reactive and calls for change within the culture of the organization. With inclusion at its core, diversity favours all.

8. Increase the numbers of underrepresented populations at all levels of the organization: Organizations should make it a priority to increase their number of underrepresented populations throughout various levels of the organization. Most often, this means expanding the numbers of racial and ethnic minorities, female executives and people with disabilities. Remember that a diverse workforce better serves a diverse customer base, enhances innovation, makes the organization more adaptable, and often increases financial performance. Many people expect women, minorities and others outside the mainstream to do all the adapting. But it has to be a two-way street. While women and minorities must perform, build relationships, learn the rules and work to become members of the club, managers must share the rules, invite people into the club, accommodate cultural differences, create climates that support diversity, and establish systems that enable different types of employees to succeed.

For example: Deutsche Bank – "Bringing Women up through the Ranks". In the aftermath of the financial crisis, a diverse workforce has become even more of a priority for financial service companies. "The crisis made the diversity efforts more intense," said Eileen Taylor, Managing Director and Global Head of Diversity at Deutsche Bank. "We are a survivor because of our relative diversity." One area of diversity that Deutsche Bank paid particular attention to was getting more women into senior positions. Internal company research revealed that female managing directors who had left the firm did so because they were offered better positions elsewhere. In response, Deutsche created a sponsorship programme aimed at assigning women to critical posts. The company paired female executives with executive committee members who served as mentors. This not only raised the women's visibility, but also ensured that they would have a powerful advocate when promotions were being considered. As a result of this programme, one-third of the participants were in larger roles, and another third have been deemed ready to move up by senior management.

9. Establish an internal diversity committee: A company diversity committee can be instrumental in engaging employees to take an active role in diversity initiatives. The committee can plan diversity awareness events and activities, disseminate diversity education information and materials, and serve in an advisory capacity. Attentive listening and openness in receiving communication are not enough to make it happen. As a manager of a multicultural workforce, he must actively encourage others to make sure that communication occurs. He must look for the places where communication is missing amongst his workforce and find solutions to the problem.

For example: At Ford, they practice a concept known as Employee Resource Groups (ERGs). For more than a decade, ERGs have provided support, outreach and development to employees who share ethnicity, race, religion, life experiences, disabilities or backgrounds. ERGs hold educational and cultural events and support many diversity-related efforts such as college campus recruiting. In some cases, Ford Motor Company employees who share common interests or backgrounds choose to join corporate-sponsored Employee Resource Groups (ERGs). ERGs provide support networks and fellowship, identify barriers, contribute to employees' professional development and organize activities for employees of diverse backgrounds.

Some of the ERGs are: Ford-employees African-Ancestry Network (FAAN), Ford Asian Indian Association (FAIA), Ford Chinese Association (FCA), Ford Employees Dealing with disabilities (FEDA) Ford Gay, Lesbian, Bisexual or Transgender Employees (GLOBE), Ford Hispanic Network Group (FHNG) Ford Interfaith Network (FIN), Ford Parenting Network (FPN), Professional Women's Network (PWN).

CONCLUSION

Diversity is imperative in order to maintain a competitive business advantage. It is incumbent upon organizations to capitalize on the richness of our diversity. Workforce diversity is a necessity for clarity and efficiency of all organizations. In order to make this work, strategies must be put into place to make the each organization become a multicultural, diverse workplace. This process begins with managers but must include assistance from employees within the corporation. Some principles that we propose to maximize and capitalize on workplace diversity includes making a concerted effort to understand and learn about the employees' culture, helping the employees to build a culture of inclusion so as to provide opportunities to have constructive informal dialogues and make the employee feel comfortable and responsible at the same time.

Diversity programmes are considered to be good investments whose returns have been very beneficial to organization. Successful professionals are learning to demonstrate the contribution of diversity programmes to the business on macro and micro levels. We have to remember that having a diversified workforce is not something a company should have; actually it is something that has happened or is soon going to happen due to the fact that we have a more diversified population.

Unfortunately, there is no single recipe for success. It mainly depends on the manager’s ability to understand what is best for the organization based on teamwork and the dynamics of the workplace. Managing diversity is a comprehensive process for creating a work environment that includes everyone. When creating a successful diverse workforce, an effective manager should focus on personal awareness. Both managers and associates need to be aware of their personal biases.

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Foreign Direct Investment in Indian Retail Sector – An Analysis

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ABSTRACT

The Indian government initially is very interested for introducing the Foreign Direct Investment in the retail sector in India. Indian retail industry is one of the sunrise sectors with huge growth potential, according to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $ 660 billion by 2015. However, in spite of the recent development in retailing and its immense contribution to economy, retailing continues to be the least evolved industries and the growth of organized retailing in India has been much slower as compared to rest of the world.

The unorganized retail sector contributes about 14% to the GDP and absorbs about 7% of our labour force. Hence the issue of displacement of labour consequent to FDI is of primal importance.

There are different viewpoints on the impact of Foreign Direct Investment in the Indian retail sector.

This paper highlight the Introduction and definitions of retail, Classification of retail sector, FDI policy with regard to retailing in India, and SWOT analysis of retail sector and conclusion.

Keywords: *Retail Sector, Competition, Foreign Direct Investment, SWOT Analysis.*

INTRODUCTION

India being a signatory to World Trade Organizations General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment (FDI). In 1997, FDI in cash and carry (wholesale) with 100% ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51% investment in a single brand retail outlet was also permitted in 2006. FDI in Multi-brand retailing is prohibited in India.

All Indian households have traditionally enjoyed the convenience of calling up the corner grocery “kirana” store, which is all too familiar with their brand preferences, offers credit, and applies flexible conditions for product return and exchange. And while mall based shopping formats are gaining popularity in most cities today, the price-sensitive Indian shopper has reached out to store such as ‘Big Bazaar’ mainly for the sleep discounts and bulk prices.

OBJECTIVES OF THE STUDY

The following are the main objectives of this paper.

1. To study the FDI Inflow in Indian retail industry.
2. To understand the FDI policy towards retail industry.

METHODOLOGY OF THE STUDY

The study is based on secondary sources of data. The sources of data are various Economic Surveys of India and Ministry of Commerce and Industry data, online database of Indian Economy, journals, articles, newspapers, etc.

Definition of Retail: In 2004, The High Court of Delhi defined the term "Retail" as a sale for final consumption in contrast to a sale for further sale or processing (i.e., wholesale). A sale to ultimate consumer.

Thus, Retail can be said that the sale of goods and services from individuals or business to the end-user, or in other words, all activities involve in selling goods or services directly to final consumer for their personal, non business use. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesaler, and then sells smaller quantities to the consumer for a profit.

Classification of the Retail on the basis of types of products as follows:

- Food products.
- Hard goods or durable goods – Appliances, electronics, furniture, sporting goods, etc. Goods that do not quickly wear out and provide utility over time.
- Soft goods or consumables – Clothing, apparel, and other fabrics. Goods that are consumed after one use of have a limited period (typically under three years) in which you may use them.

Division of Retail Industry: The retail industry is mainly divided into:

1. Organized and
2. Unorganized Retailing.

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hyper markets and retail chains, and also the privately owned large retail businesses. In other words we can say that organized retailing comprises mainly of modern retailing with busy shopping malls, multi-storied malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience.

Unorganized retailing, on other hand, unorganized or traditional retail outlets are normally street markets, counter stores and vendors, where the ownership and management rest with one person only. This sector accounts for two third of the market and requires low skilled labour. These are highly competitive outlets, with negligible rental costs and low taxes and overheads. In other words, we can say that unorganized retailing refers to the traditional formats of low-cost retailing, for example the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

RETAILING SCENARIO IN INDIA

Most of the retail sector in India is unorganized, which were known as mom-pop stores. The biggest advantage in this sector is the consumer familiarity that passes on from one generation to next. The transformation stage of the retail sector started in late 1990s. The emergence of pure retailer has started at this stage as it is been perceived as a beginner and the organized retailing is getting more attractive. In India, the retail business contributes around 11% of GDP in 2005. Of this, the organized retail sector accounts only for about 3% share, and the remaining share is contributed by the unorganized sector.

FDI POLICY IN INDIA

FDI as defined in Dictionary of Economics (Graham Bannock *et al.*) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India (RBI) in this regard had issued a notification, which contains the Foreign Exchange Management (transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board (FIPB) would be required.

FDI POLICY WITH REGARD TO RETAILING IN INDIA

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

(a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

(b) FDI up to 51% with prior Government approval (i.e., FIPB) for retail trade of Single Brand ‘products, subject to Press Note 3 (2006 Series).

(c) FDI is not permitted in Multi-brand Retailing in India.

Prospected Changes in FDI Policy for Retail Sector

In India, the government led by Dr. Manmohan Singh, announced following prospective reforms in Indian retail sector:

1. India will allow FDI of up to 51% in multi-brand sector.
2. Single brand retailers such as Apple and IKEA, can own 100% of their Indian stores, up from previous cap of 51%.
3. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers.

4. All retail stores can open up their operations in population having over 1million. Out of approximately 7935 towns and cities in India, 55 suffice such criteria.
5. Multi-brand retailers must bring minimum investment of US$ 100 million. Half of this must be invested in back-end infrastructure facilities such as cold chains, refrigeration, transportation, packaging etc. to reduce post-harvest losses and provide remunerative prices to farmers.
6. The opening of retail competition (policy) will be within parameters of state laws and regulations.

FOREIGN INVESTORS CONCERN REGARDING FDI POLICY IN INDIA

For those brands which adopt the franchising route as a matter of policy, the current FDI Policy will not make any difference. They would have preferred that the Government liberalize rules for maximizing their royalty and franchise fees. They must still rely on innovative structuring of franchise arrangements to maximize their returns. Consumer durable majors such as LG and Samsung, which have exclusive franchisee owned stores, are unlikely to shift from the preferred route right away. For those companies which choose to adopt the route of 51% partnership, they must tie up with a local partner. The key is finding a partner which is reliable and who can also teach a trick or two about the domestic market and the Indian consumer.

Currently, the organized retail sector is dominated by the likes of large business groups which decided to diversify into retail to cash in on the boom in the sector corporate such as Tata through its brand Westside, RPG Group through Food world, Pantaloon of the Raheja Group and Shopper's Stop. Do foreign investors look to tie up with an existing retailer or look to others not necessarily in the business but looking to diversify, as many business groups are doing?

An arrangement in the short to medium term may work wonders but what happens if the Government decides to further liberalize the regulations as it is currently contemplating? Will the foreign investor terminate the agreement with Indian partner and trade in market without him? Either way, the foreign investor must negotiate its joint venture agreements carefully, with an option for a buy-out of the Indian partner's share if and when regulations so permit. They must also be aware of the regulation which states that once a foreign company enters into a technical or financial collaboration with an Indian partner, it cannot enter into another joint venture with another Indian company or set up its own subsidiary in the 'same' field' without the first partner's consent if the joint venture agreement does not provide for a 'conflict of interest' clause. In effect, it means that foreign brand owners must be extremely careful whom they choose as partners and the brand they introduce in India. The first brand could also be their last if they do not negotiate the strategic arrangement diligently.

FDI IN SINGLE BRAND RETAIL

The Government has not categorically defined the meaning of "Single Brand" anywhere neither in any of its circulars or nor any notifications. In single brand retail, FDI up to 51% is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned in following:

(a) Only single brand products would be sold (i.e., retail of goods of multi-brand even if produced by the same manufacturer would not be allowed);

(b) Products should be sold under the same brand internationally;

(c) Single brand product retail would only cover products which are branded during manufacturing and

(d) Any addition to product categories to be sold under "single brand" would require fresh approval from the government.

FDI IN MULTI-BRAND RETAIL

The government has also not defined the term Multi-brand. FDI in Multi-brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof.

In July 2010, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail. The paper doesn't suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous 'kirana' store.

GROWTH AND EVOLUTION OF INDIAN RETAIL SECTOR

The Indian Retail Industry is the 5th largest retail destination and the second most attractive market for investment in the globe after Vietnam as reported by AT Kearney's seventh annual Globe Retail Development Index (GRDI), in 2008. The growing popularity of Indian Retail sector has resulted in growing awareness of quality products and brands. As a whole, Indian retail has made life convenient, easy, quick and affordable. Indian retail sector specially organized retail is growing rapidly, with customer spending growing in unprecedented manner. It is undergoing metamorphosis. Till 1980 retail continued in the form of kiranas that is unorganized retailing. Later in 1990, branded retail outlet like Food World, Nilgiris and local retail outlets like Apna Bazaar came into existence. Now big players like Reliance, Tata, Bharti, ITC and other reputed companies have entered into organized retail business.

The multinationals with 51% opening of FDI in single brand retail has led to direct entrance of companies like Nike, Reebok, Metro etc. or through joint ventures like Wal-Mart with Bharti, Tata with Tesco etc.

SWOT ANALYSIS OF RETAIL SECTOR

Strengths

- **Major contribution to GDP:** The retail sector in India is hovering around 33-35% of GDP as compared to around 20% in USA.
- **High growth rate:** The retail sector in India enjoys an extremely high growth rate of approximately 46%.
- **High potential:** Since the organized portion of retail sector is only 2-3%, thereby creating lot of potential for future players.
- **High employment generator:** The retail sector employs 7% of workforce in India, which is right now limited to unorganized sector only. Once the reforms get implemented, this percentage is likely to increase substantially.

Weaknesses

- Lack of competitors: AT Kearney's study on global retailing trends found that India is least competitive as well as least saturated markets of the world.
- Highly unorganized: The unorganized portion of retail sector is only 97% as compared to US, which is only 20%.
- Low productivity: McKinsey study claims retail productivity in India is very low as compared to its international peers.
- Shortage of talented professionals: The retail trade business in India is not considered as reputed profession and is mostly carried out by the family members (self-employment and captive business). Such people are not academically and professionally qualified.
- No industry status, hence creating financial issues for retailers: The retail sector in India does not enjoy industry status in India, thereby making difficult for retailers to raise funds.

Opportunities

- There will be more organization in the sector: Organized retail will need more workers. According to findings of KPMG, in China, the employment in both retail and wholesale trade increased from 4% in 1992 to about 7% in 2001, post reforms and innovative competition in retail sector in that country.
- Healthy competition will be boosted and there will be a check on the prices (inflation): Retail giants such as Wal-Mart, Carrefour, Tesco, Target and other global retail companies already have operations in other countries for over 30 years. Until now, they have not at all become monopolies rather they have managed to keep a check on the food inflation through their healthy competitive practices.
- Create transparency in the system: The intermediaries operating as per mandi norms do not have transparency in their pricing. According to some of the reports, an average Indian farmer realizes only one-third of the price, which the final consumer pays.
- Intermediaries and Mandi system will be evicted, hence directly benefiting the farmers and producers: The prices of commodities will automatically be checked. For example, according to Business Standard, Wal-Mart has introduced Direct Farm Project at Haider Nagar in Punjab, where 110 farmers have been connected with Bharti Wal-Mart for sourcing fresh vegetables directly.
- Quality control and control over leakage and wastage: Due to organization of the sector, 40% of the production does not reach the ultimate consumer. According to the news in Times of India, 42% of the children below the age group of 5 are malnourished and Prime Minister Dr. Manmohan Singh has termed it as national shamel. Food often gets rot in farm, in transit and in state-run warehouses. Cost conscious and highly competitive retailers will try to avoid these wastages and losses and it will be their Endeavour to make quality products available at lowest prices, hence making food available to weakest and poorest segment of Indian society.
- Heavy flow of capital will help in building up the infrastructure for the growing population: India is already operating in budgetary deficit. Neither the government of India nor domestic investors are capable of satisfying the growing needs (school, hospitals, transport etc.) of the ever growing Indian population. Hence, foreign capital inflow will enable us to create a heavy capital base.
- There will be sustainable development and many other economic issues will be focused upon: many Indian small shop owners employ workers, who are not under any contract and also under aged workers giving rise to child labour. It also boosts corruption and black money.

Threats

- Current independent stores will be compelled to close: This will lead to massive job loss as most of the operations in big stores like Wal-Mart are highly automated requiring fewer workforces.
- Big players can knock-out competition: They can afford to lower prices in initial stages, become monopoly and then raise price later.
- India does not need foreign retailers: As they can satisfy the whole domestic demand.
- Remember East India Company it entered India as trade rand then took over politically.
- The government hasn't able to build consensus.

In view of the above analysis, if we try to balance opportunities and prospects attached to the given economic reforms, it will definitely cause good to Indian economy and consequently to public at large, if once implemented. Thus the period for which we delay these reforms will be loss for government only, since majority of the public is in favour of reforms. All the above mentioned drawbacks are mostly politically created. With the implementation of this policy all stakeholders will benefit whether it is consumer through quality products at low price, farmers through more transparency in trading or Indian corporate with 49% profit share remaining with Indian companies only.

FDI AND GLOBAL BUSINESS ENVIRONMENT

FDI is regarded as predominantly a source of finance, which has impact on the balance of payments and macroeconomic management of the global economy. A significant characteristic of FDI is that it has become a key source of external finance for developing countries (DCs). Flow of FDI has reduced the degree of international conflict and encouraged co-operation between countries.

If we considering FDI and globalization, it should be mentioned that apart from being a source of finance, Business Globalization can benefit from FDI through:

- A transfer of technology.
- Spillovers, whereby the indirect impact of FDI is to increase productivity in local firms.

Here again, there is a wealth of information on these topic areas. In brief, it has been found that a country is more likely to benefit from multinational investment when it is integrated into the national development and technological policies and plans. This is particularly adopted in the context of sustainable development.

It is well known fact that FDI can complement local development efforts in a number of ways, including boosting export competitiveness, generating employment and strengthening the skills base, enhancing technological capabilities (transfer, diffusion and generation of technology) and increasing financial resources for development. It can also help plug a country into the international trading system as well as promote a more competitive business environment.

CONCLUSION

The government has added an element of social benefit to its latest plan for calibrated opening of the multi-brand retail sector to foreign direct investment (FDI). Only those foreign retailers who first invest in the back-end supply chain and infrastructure would be allowed to set up multi-brand retail outlets in the country. The idea is that the firms must have already created jobs for rural India before they venture into multi-brand retailing.

It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP.

Moreover, in the fierce battle between the advocators and antagonist of unrestrained FDI flows in the Indian retail sector, the interests of the consumers have been blatantly and utterly disregarded. Therefore, one of the arguments which inevitably need to be considered and addressed while deliberating upon the captioned issue is the interests of consumers at large in relation to the interests of retailers.

It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in retail market, the interests of the retailers constituting the unorganized retail sector will not be gravely undermined, since nobody can force a consumer to visit a mega shopping complex or a small retailer/sabji mandi. Consumers will shop in accordance with their utmost convenience, where ever they get the lowest price, max variety, and a good consumer experience.

The Industrial policy 1991 had crafted a trajectory of change whereby every sectors of Indian economy at one point of time or the other would be embraced by liberalization, privatization and globalization. FDI in multi-brand retailing and lifting the current cap of 51% on single brand retail is in that sense a steady progression of that trajectory. But the government has by far cushioned the adverse impact of the change that has ensued in the wake of the implementation of Industrial Policy 1991 through safety nets and social safeguards. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government. One hopes that the government would stand up to its responsibility, because what is at stake is the stability of the vital pillars of the economy – retailing, agriculture, and manufacturing. In short, the socio-economic equilibrium of the entire country.

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A Study on FDI in Indian Retail Sector

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ABSTRACT

In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets profound changes have occurred in the size, scope and methods of FDI.

FDI can be defined as a cross-border investment, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company.

Retailing is one of the world's largest private industries. Liberalizations in FDI have caused a massive restructuring in retail industry. The benefit of FDI in retail industry superimposes its cost factors. Opening the retail industry to FDI will bring forth benefits in terms of advance employment, organized retail stores, availability of quality products at a better and cheaper price. It enables a country's product or service to enter into the global market. India's retail industry is divided into organized and unorganized sectors.

India is ranked as the third most attractive nation for retail investment among 30 emerging markets with domestic companies like the Future Group, Tata's Westside, Reliance Fresh, Raheja Group and Bharti Retail competing for market share.

Keywords: *FDI, Retail industry, Liberalizations in FDI.*

DEFINITION OF RETAIL

In 2004, The High Court of Delhi defined the term 'retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e., wholesale). A sale to the ultimate consumer.

Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

OBJECTIVES OF THE STUDY

1. To discuss the concept of Foreign direct investment in retail.
2. To discuss the present scenario of FDI in retail in India.
3. To discuss the growth of retail in India.
4. To put light on the opportunities and challenges with respect to FDI in Retail in India.

RESEARCH METHODOLOGY

Analytical Research – Secondary data has been used to perform research.

ANALYSIS

The Indian Scenario

Trade or retailing is the single largest component of the services sector in terms of contribution to GDP. Its massive share of 14% is double the figure of the next largest broad economic activity in the sector.

As per the current scenario in India,

(a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
(b) FDI up to 51% with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series).
(c) FDI is not permitted in Multi-brand Retailing in India.

Division of Retail Industry – Organized and Unorganized Retailing

The retail industry is mainly divided into:

1. Organized and
2. Unorganized Retailing

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local *kirana* shops, owner manned general stores, *paan/beedi* shops, convenience stores, handcart and pavement vendors, etc.

The Indian retail sector is highly fragmented with 97% of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10% of India's GDP.

FDI POLICY IN INDIA

FDI as defined in Dictionary of Economics (Graham Bannock *et al.*) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP).

ADVANTAGES OF FDI IN RETAIL SECTOR IN INDIA

- **Growth in economy:** Due to coming of foreign companies, new infrastructure will be build, thus real estate sector will grow consequently banking sector, as money need to be required to build infrastructure would be provided by banks.
- **Job opportunities:** Estimates shows that this will create about 80 lakh jobs. These career opportunities will be created mostly in retail, real estate. But it will create positive impact on others sectors as well. Read about career options in retail sector.
- **Benefits to farmers:** In most cases, in the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence, the farmers and manufacturers lose their actual share of profit margin as the lion's share is eaten up by the middlemen.
- **Benefits to consumers:** Consumer will get variety of products at low prices compared to market rates, and will have more choice to get international brands at one place.

FDI POLICY WITH REGARD TO RETAILING IN INDIA

(a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

(b) FDI up to 51% with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series).

(c) FDI is not permitted in Multi-brand Retailing in India.

ENTRY OPTIONS FOR FOREIGN PLAYERS PRIOR TO FDI POLICY

Although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country. Some of entrance routes used by them have been discussed in sum as below:

1. Franchise Agreements

It is an easiest track to come in the Indian market. In franchising and commission agents' services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.

2. Cash and Carry Wholesale Trading

100% FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

3. Strategic Licensing Agreements

Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Pyramid, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodlands Pvt. Ltd.

4. Manufacturing and Wholly-owned Subsidiaries

The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorized to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

Quick Facts on Indian Retail sector

- Indian Retail sector is the fifth largest global retail destination.
- India retail market is dominated by the unorganized sector.
- The top five companies in retail hold a combined market share of less than 2%.
- The Indian retail market has been ranked by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009 as the most attractive emerging market for investment in the retail sector.
- Currently, the share of retail trade in India's GDP is around 12%, and is estimated to reach 22% by 2010.
- According to Government of India estimate, the retail sector is likely to grow to a value of 2,00,000 crore (US$45 billion) and could yield 10 to 15 million retail jobs in the coming five years; currently this industry employs 8% of the working population.
- India continues to be among the most attractive countries for global retailers. According to the Department of Industrial Policy and Promotion, approximately US$ 47.43 million was the amount of Foreign Direct Investment (FDI) inflow as on September 2009, in single brand retail trading.

More than 80% of the retail sector in the country is concentrated in the large cities. A study reveals that among the more than 20 locations, for organized retail in India, Mumbai was found to be the most preferred location followed closely by Bengaluru in the second position.

Key Players in Indian Retail Sector

- **AV Birla Group** has a strong presence in apparel retail and owns renowned brands like Allen Solly, Louis Phillipe, Trouser Town, Van Heusen and Peter England. The company has investment plans to the tune of ₹ 8,000-9,000 crores till 2010.
- **Trent** is a subsidiary of the Tata Group; it operates lifestyle retail chain, book and music retail chain, consumer electronic chain etc. Westside, the Lifestyle retail chain registered a turnover of ₹ 3.58 million in 2006.
- **Landmark Group** invested 300 crores to expand Max chain, and ₹ 100 crores on Citymax 3 star hotel chain. Lifestyle International is their international brand business.

- **K. Raheja Corp. Group** has a turnover of ₹ 6.75 billion which is expected to cross US$ 100 million mark by 2010. Segments include books, music and gifts, apparel, entertainment etc.
- **Reliance** has more than 300 Reliance Fresh stores; they have multiple formats and their sale is expected to be ₹ 90,000 crores ($ 20 billion) by 2009-10.
- **Pantaloon** Retail has 450 stores across the country and revenue of over 20 billion and is expected to touch 30 million by 2010. Segments include food and grocery, e-tailing, home solutions, consumer electronics, entertainment, shoes, books, music and gifts, health and beauty care services.

India Retail Reforms

Until 2011, Indian Central Government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers.

The government of Dr. Manmohan Singh, Prime Minister, announced on 24th November, 2011 the following:

- India will allow foreign groups to own up to 51% in “multi-brand retailers”, as supermarkets are known in India, in the most radical pro-liberalization reform passed by an Indian cabinet in years;
- Single brand retailers, such as Apple and Ikea, can own 100% of their Indian stores, up from the previous cap of 51%;
- Both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;
- All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India;
- Multi-brand retailers must have a minimum investment of US$ 100 million with at least half of the amount invested in back-end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers

WAL-MART ENTRY IN INDIA

Introduction

Wal-Mart is the world’s largest corporation and it is one among the biggest private employer of America. Wal-Mart retail store was established in the year 1962 by Sam Walton. Wal-Mart is also doing international operation in United Kingdom, Mexico, Canada and many countries throughout the world. In 1970, a Wal-Mart has listed in New York stock exchange. The first Sam club membership warehouse opened in 1983. Wal-Mart has different types superstores, supermarkets, and Wal-Mart discount stores. In the year 2009, the sale of Wal-Mart employs is $401 billion. The Wal-Mart is world first retail store in the world. (www.walmartstores.com)

Effects of the Wal-Mart Entry

Negative effect on the Indian small-scale industry since many of the small-scale department stores in India are the major contributors to the Indian economy, the entry of Wal-Mart into Indian market creates a lot of negative effect on the Indian small-scale industry. This may lead to loose the business to many of the middle and small scale people.

Local Traders

Local traders from the major of the cities were opposed the entry of retail giant Wal-Mart especially in Delhi because it will affect the local traders or business man and also for small retail shop. They have the issue of domestic traders will be totally neglected.

Low Price Products

Wal-Mart in order to capture the Indian market is trying to introduce low price strategy on their products which in turn affect the other local businesses. Local traders later also should implement this pricing strategy which may affect their profit margin. But in return the consumers may benefit a lot from this.

Creates Excess Competition

Due to the entry of Wal-Mart into the Indian market, the competition may increase between local retailing businesses like Pantaloon, Reliance etc., we can see a tough competition between these business units in future.

SWOT ANALYSIS OF WAL-MART

Strengths

- Wal-Mart's supply chain capabilities
- Bharti experienced in local markets
- Bharti brand in India

Weaknesses

Opportunities

- Booming retail sector with increased consumption

Threats

- Competition from other Indian groups
- Government policy may slow down growth

Will FDI Help Indian Retail Market Grow?

The UPA government is keen to open up the Indian market for foreign investments despite opposition from other parties in Parliament. According to the government, the 51% foreign direct investment will benefit consumers and farmers, and will also aim at bringing down inflation, along with protecting the interests of small traders.

51% FDI will accelerate retail market growth, providing more employment opportunities. It is a basic principle that creating competition in general is good for the market. But I have a doubt that since proper procurement and distribution system is not yet fixed, how will the rest fall in place when the giant retailers enter our market. Back-end procurement will still remain a big problem.

The 51% foreign direct investment (FDI) will obviously have a negative impact on small retailers, but it will benefit the consumers as they will have wider choices at competitive prices. It will accelerate the retail market growth and provide more employment opportunities.

The debate that by introducing 51% FDI, a lot of money will flow out of the country is an old school of thought. Lot of our Indian companies are operating abroad and have successfully contributed to our economy. The bigger issue is that with benefits we might end up paying a price hence we must work on a reasonable solution.

Foreign Brands Will Promote Healthy Competition in Market

Every time the government brings up the subject of FDI, the domestic retailers with the support of some politicians jump to lobby against the bill. As we are initiating the FDI, there is bound to be some problems, which can definitely be resolved. The government in near future can appoint a regulating body to monitor the retail sector just like other sectors.

By allowing 51% foreign investments in the Indian market, it will teach the local retailers about real competition and help in insuring that they give better service to Indian consumers. It is obviously good for local competition and I don't see as a consequence, our local kirana shops disappearing. The kirana stores operate in a different environment catering to a certain set of customers and they will continue to find new ways to retain them. I don't see a problem with FDI as it will boost our economy.

Customers Feel that Retail Stores Offer Better Deals, But They Don't Realize that They End Up Buying More

If 51% FDI is allowed in retail market, it will be a big trouble for the small shopkeepers. The big giants entering the market will surely impact the small store owners. The government says that the farmers will benefit, but I feel it will just be a temporary benefit. Once these giant foreign retailers have monopoly, they will start exploiting the market I feel in the long run, it will not benefit the Indian economy.

For example in a country like France, Wal-Mart was not permitted to set up its stores whereas in Germany, FDI is not allowed. If the US is not allowing Indian goods to be sold in their market, why should then we give them a chance to set up base here. The discounts that these big retail stores offer in order to lure customers are also now being offered by our kirana stores. I feel that people should not fall prey to big retail stores because it is a trap wherein consumers end up buying more than what is required. Customers feel that they are getting better deals, but they are at the same time enticed to buy more.

RECOMMENDATIONS

1. The Government and RBI need to evolve suitable lending policies that will enable retailers in the organised and unorganized sectors to expand and improve efficiencies. Policies that encourage unorganized sector retailers to migrate to the organised sector by investing in space and equipment should be encouraged.
2. A National Commission must be established to study the problems of the retail sector and to evolve policies that will enable it to cope with FDI – as and when it comes.
3. Entry of foreign players must be gradual and with social safeguards so that the effects of the labour dislocation can be analyzed and policy fine tuned. Initially allow them to set up supermarkets only in metros. Make the costs of entry high and according to specific norms and regulations so that the retailer cannot immediately indulge in 'predatory' pricing.
4. Set up an Agricultural Perishable Produce Commission (APPC), to ensure that procurement prices for perishable commodities are fair to farmers and that they are not distorted with relation to market prices.

CONCLUSION

A Start Has Been Made

Wal-Mart has a joint venture with Bharti Enterprises for cash-and-carry (wholesale) business, which runs the 'Best Price' stores. It plans to have 15 stores by March and enter in many new states like Duke, Wal-Mart's CEO opined that FDI in retail would contain inflation by reducing wastage of farm output as 30% to 40% of the produce does not reach the end-consumer. "In India, there is an opportunity to work all the way up to farmers in the back-end chain. Part of inflation is due to the fact that produces do not reach the end-consumer," Duke said, adding, that a similar trend was noticed when organized retail became popular in the US.

Many of the foreign brands would come to India if FDI in multi-brand retail is permitted which can be a blessing in disguise for the economy

Back-end Logistics Must for FDI in Multi-brand Retail

The government has added an element of social benefit to its latest plan for calibrated opening of the multi-brand retail sector to foreign direct investment (FDI). Only those foreign retailers who first invest in the back-end supply chain and infrastructure would be allowed to set up multi-brand retail outlets in the country. The idea is that the firms must have already created jobs for rural India before they venture into multi-brand retailing.

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14

Study of Innovative Strategies Used by the Multinational Companies in the Indian Rural Market

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ABSTRACT

Rural Marketing is said to be the real marketing as it involves real tests for the multinational companies to survive in Rural India. There has been a transition in the economic activities of Rural India. Rural Marketing is no longer called as Agricultural Marketing. Apart from the problems and challenges which exists in the rural market, there has been a change in the scenario of rural market. Companies can no longer take the rural market for granted. Gone are the days when the rural consumer will consume whatever he is offered to consume. Change in technology and increase in awareness have led the rural consumer to get more educated in terms of products. The Rural Consumer is now more aware of the products being available in the market and the usage of those products. This change has been brought by several companies in rural market. Some of them are from India while others are from abroad. THINK GLOBAL, ACT LOCAL is the MANTRA for success for the MNCs. ACUMEN acts as the base for implementing strategies and is also an indispensable function in rural market. Those MNCs which have focused on the innovative strategies after understanding the actual need and want of the rural consumer has been very successful. There is also a case of an MNC which failed in its implementation plan in rural market. Innovation in 4Ps has played a very important role for getting success in rural market.

Keywords: *Rural, Challenges, Strategies for success, Failure, Conceptual Model.*

INTRODUCTION

According to the report published by Census of India (Ministry of Home Affairs) in 2012, India's population was 1.22 billion of which the Male population consisted of 628.8 million whereas the Female population consisted of 591.4 million. Out of the total population, nearly 70% of the population lives in Rural India. Today, the rural market offers a vast untapped potential. Development programmes in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural India is not just witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy, but often, rural marketing is confused with agricultural marketing. The increasing population of our country gives an opportunity to the companies to design successful marketing strategies and provide goods to the consumer as per their needs and wants. We would be focusing on the strategies used by the multinational companies in the Indian rural market.

RESEARCH OBJECTIVES

1. To know about the problems in the rural market.
2. To know the challenges involved in rural market.
3. To know about the innovative strategies used by various multinational companies in rural market (Includes HUL, ITC, Tata Salt, BPCL, Amul, etc.).
4. To study the reason for failure of a Multinational Company in Rural Market (AIRCEL).
5. To design a Conceptual Model (Guidelines) for the Companies which will help them in doing business in Rural Market.

RESEARCH METHODOLOGY

For my research work, I have considered Secondary data over primary data as it was relevant to my subject area. I have collected information from various books, journals, website of companies, newspapers, magazines, publications of foreign universities, publications of central government. I could not get information from Primary source due to time constraint and data from secondary source proved to be more reliable for my study.

My research is descriptive in nature. However, it also provides guideline which acts as a solution.

I have not used hypothesis as my focus is on studying the strategies of MNCs and my study doesn't involve making comparisons between two or more variables.

Indian Economy

India's economy comprises of two main sectors, namely, the Rural Sector and the Urban Sector. The Rural sector is, in turn composed of two main sub-sectors, i.e., the agricultural sub-sector and the non-agricultural sub-sector.

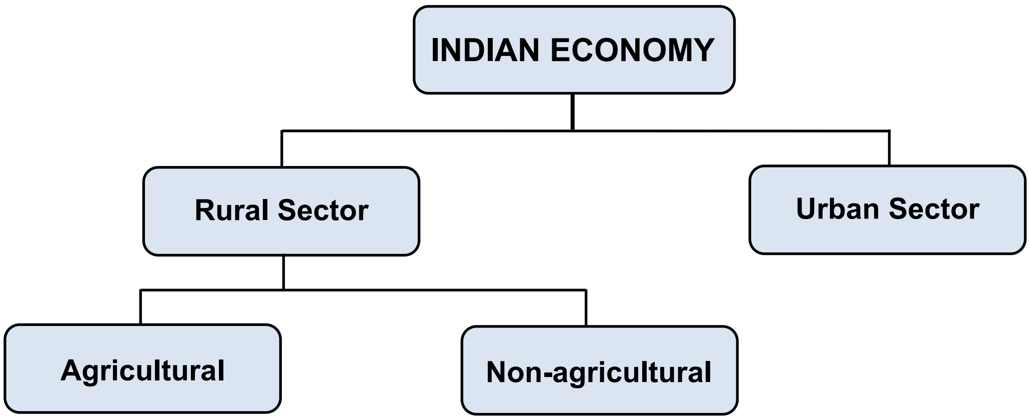
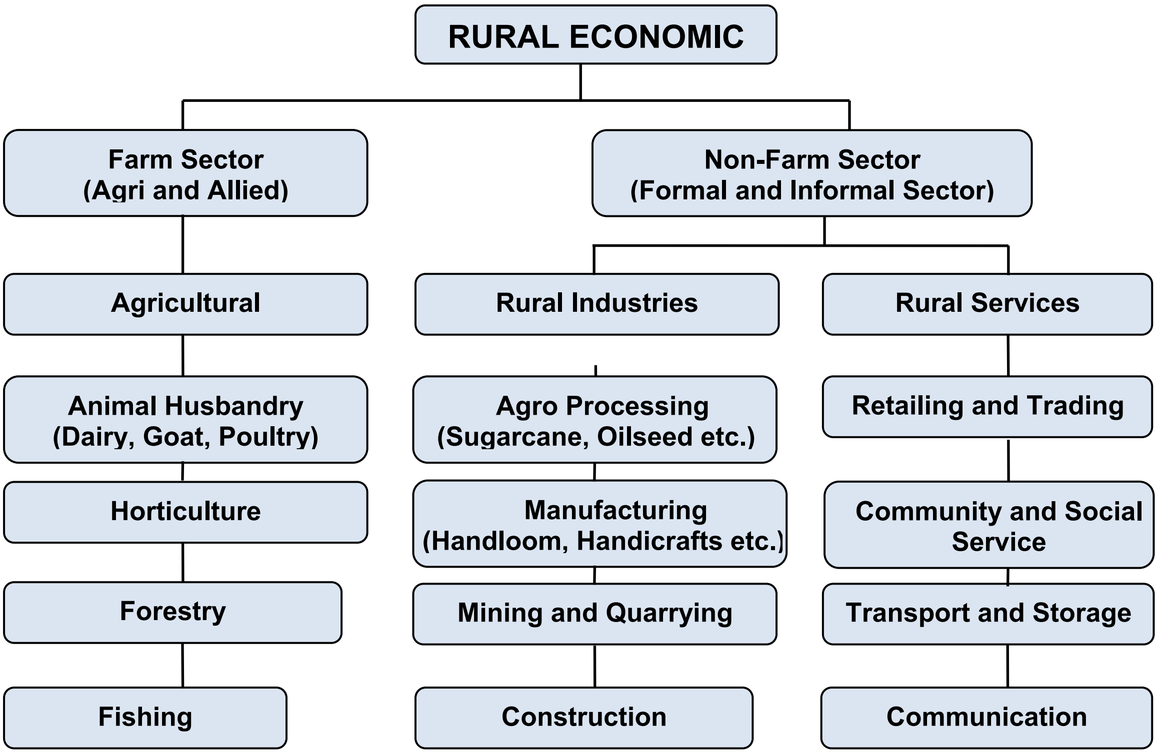


Fig. 1

The Rural Economic Structure



- The non-agricultural sub-sector comprises agricultural and allied economic activities such as Crop Cultivation, Animal Husbandry, Dairying, Fisheries, Poultry and Forestry (Floriculture) etc.
- The non-agricultural sub-sector consists of economic activities relating to Industry, Business and Services. Industry have refers to cottage and village industries, Khadi, handloom, handicraft, etc.

DEFINITIONS OF RURAL

"Rural India" is defined by different entities as:

1. The rural and semi-urban area is defined as all other than the seven metros (LG Electronics).
2. Locations with population up to 10,000 will be considered as rural and 10,000 to 100,000 as semi-urban (RBI).
3. Towns with population up to 15,000 are considered as rural (Indian Planning Commission).
4. All locations irrespective of villages or town, up to a population of 10,000 will be considered as 'rural' (NABARD).
5. The census of India considers those areas as rural where the population is below 5,000 and the density of population less then 400 per square kilometer. It further provides that in such areas at least 75% of the males of the working population are engaged in agricultural pursuits (Census of India).

What is Meant by Rural Marketing?

"Rural Marketing can be defined as a function that manages all activities involved in assessing, stimulating, and converting the purchasing power of rural consumers into an effective demand for specific products and services and moving these products and services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals."

– Pradeep Kashyap

Rural Marketing is a two-way marketing process wherein the transactions can be:

1. **Urban to Rural:** It involves the selling of products and services by urban marketers in rural areas. These include: pesticides, FMCG products, consumer durables, etc.
2. **Rural to Urban:** Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government cooperatives, etc. who sell fruits, vegetables, grains, pulses and others.
3. **Rural to Rural:** These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Features of Indian Rural Market

1. The rural market is diverse in nature. There are people from diverse cultural, linguistic and religious background. No two markets are alike and it is dispersed across India.
2. Shift towards rural markets are mainly because of saturation and competitiveness of urban market. Marketers do not want to neglect this huge untapped market.
3. The incomes of rural customers are also increasing. As seen earlier, disposable income of rural consumers have increased and they spend on FMCG and consumer durables.
4. Rising literacy has generated a demand of lifestyle products. Lot of youth move out of the village and visit surrounding cities. They come back and influence decision-making in their peer groups.
5. Cable television has also contributed to an increase in lifestyle. The reach has increased and marketers are in a position to promote their products much more easily

PROBLEMS IN RURAL MARKET

Rural Market involves problems which the multinationals have to go through. These problems act as a hindrance to do business in rural markets. Even if the companies are self-sufficient, they have to do an in-depth study of the rural market. The problems faced by the companies are:

1. **Transportation Problems:** Transportation infrastructure is quite poor in rural India. Nearly 80% of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.
2. **Warehousing:** In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.
3. **Packaging:** It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. For example, small poly pack of refined oil is more popular than in containers of the same product due to its lowest cost. One more important factor is the size package, e.g., the size of the package should be small.

4. **Media Problems:** Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.
5. **Seasonal Marketing:** The main problem of rural marketing is seasonal demand in rural areas, because 75% of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behaviour.
6. **Low Per Capita Income:** The literacy rate is low in rural areas compared to urban areas. This creates a problem for the rural consumer to work and earn handsome amount but he fails to do so and thus ends up earning less amount and cannot do expenditure as compared to urban consumer.
7. **Low Level of Electricity:** This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.

CHALLENGES IN RURAL MARKETING

The rural markets are attracting the marketers but it is also facing problems of: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media.

However, the rural consumer is not unlike his urban counterpart in many ways. The marketers are meeting the consequent challenges of availability, affordability, acceptability and awareness in rural market which are also known as the 4As of Rural Marketing.

1. **Availability**

   The first challenge in rural marketing is to ensure availability of the product or service. India has 7,00,000 villages. More than 700 million Indians may live in rural areas and reaching out to them is not easy. They are highly dispersed. Given the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages. Marketer should plan accordingly and strive to reach these markets on a regular basis. India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To service remote village, stockiests use auto rickshaws, bullock carts and even boats in the backwaters of Kerala. Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. To ensure full loads, the company depot supplies, twice a week, large distributors which act as hubs. These distributors appoint and supply, once a week, smaller distributors in adjoining areas.

2. **Affordability**

   The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. A solution to this has been introduction of unit packs by some companies. This ensures greater affordability. Most of the shampoos are available in smaller packs. Chik Shampoo was the first to enter rural market in sachet form and offered shampoo for ₹ 0.50 per sachet initially. In another example, Fair and lovely was launched in a smaller pack. Colgate toothpaste launched its smaller packs to cater to the traveling segment and the rural consumers. Godrej introduced three brands of Cinthol, Fair Glow and Godrej in 50 gm packs.

3. **Acceptability**

   The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. LG Electronics have reaped rich dividends by doing so. In 1998, it developed a customized TV for the rural market named Sampoorna. It was a runway hit selling 1,00,000 sets in the very first year. Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets. The insurance companies that have tailor-made products for the rural market have also performed well.

4. **Awareness**

   A large part of rural India is inaccessible to conventional advertising media. Building awareness is another challenge in rural marketing. A common factor between the rural and the urban consumer is the interest for movies and music. Family is the key unit of identity for both the urban and rural consumer. However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the channels of their choice. Consumption of branded products is treated as a special treat or indulgence. Hindustan Lever has its own company-organized media. These are promotional events organized by stockiests. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language. Coca-Cola uses a combination TV, cinema and radio to reach the rural households. It has also used banners, posters and tapped all the local forms of entertainment vans and road shows to reach rural customers. The company uses local language advertising. Philips India uses wall writing and radio advertising to drive its growth in rural areas.

Scenario of Indian Rural Market

The market scenario in the rural areas today is changing very rapidly. Villagers who used to crack open peanut candies, eat the nut and throw away the shell are now demanding chocolate candies that will melt in their mouths, not in their hands. The new advertisement of Perk featuring Rani Mukherjee speaks about the demand created in rural markets for chocolates. Charcoal, neem twigs and twigs of babool tree to cleaned teeth are replaced by Paste. Today, the ultra bright shine of Colgate or some other international brand of toothpaste holds more appeal than the traditional methods of cleaning teeth. The terminologies being used to describe activities are also undergoing change with respect to marketing appeal of products. Consumerism and globalization is invading parts of India where, as some would venture to say, time seems to have ceased for centuries. These villages and small towns, which were once inconsequential dots on maps, are now getting the attention of global marketing giants and media planners. Thanks to globalization, economic liberalization, IT revolution, female power, and improving infrastructure, middle-class rural India today has more disposable income than urban India. Rural marketing is gaining new heights in addition to rural advertising.

SUCCESS IN RURAL MARKET: "FIRST IMPRESSION IS THE LAST IMPRESSION"

There have been many MNCs which have entered rural market. All of them had different strategy to start with and also had a unique model to focus on. We will have a look on few companies namely HLL, ITC, BPCL, Nokia, Tata Salt, Amul and Colgate.

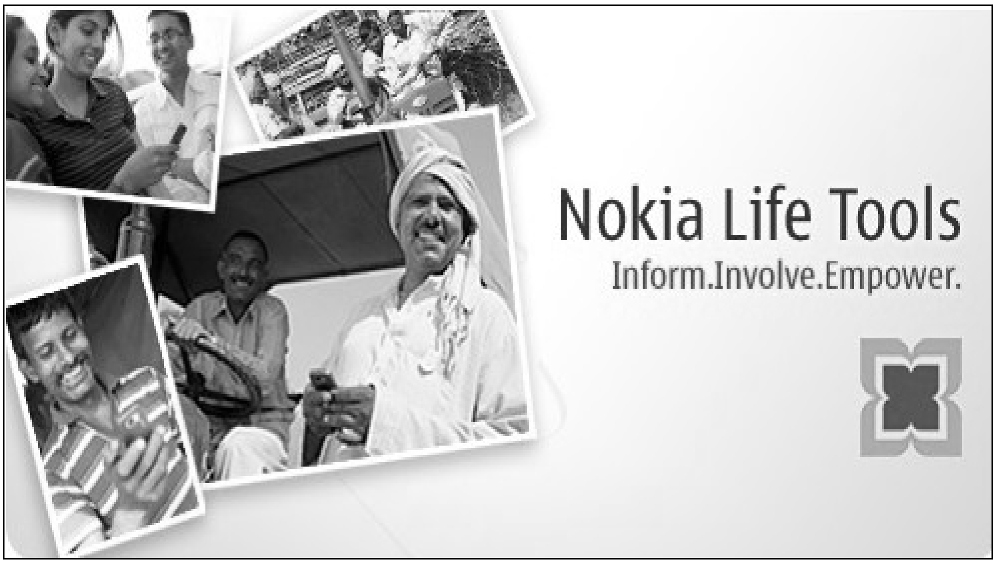
● **HLL** started 'Operation Bharat' to tap the rural markets. Under this operation it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households.

Another initiative taken by HLL to gain success in Rural India is the launch of Project Shakti through which they created Women Entrepreneurs through various NGOs and Self-help Groups; launch of iSHAKTI – the Portal through which they empowered the rural community by creating access to information through Information and Communication Technology (ICT); Launch of Shakti Vani wherein a local woman was appointed as a Vani, trained and positioned as an expert on matters relating to personal and community health and hygiene.

● **ITC** is setting up e-Choupals which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal – all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

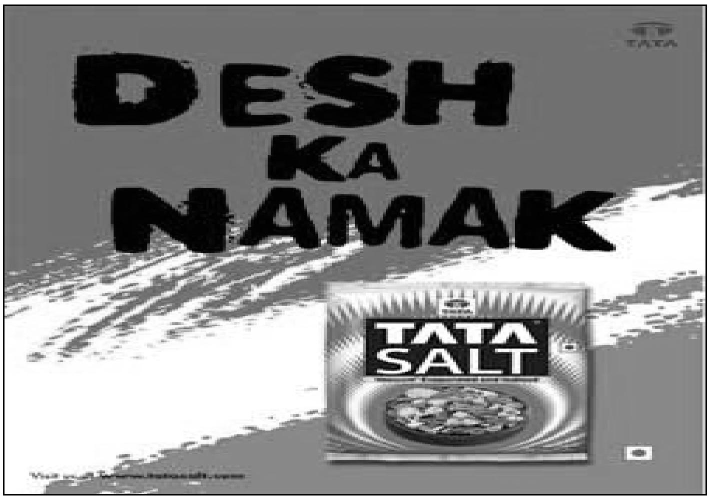
● **BPCL** introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. BPCL considered low-income of rural population and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost.

- **Nokia** introduced SMS alerts from Malayalam Manorama based on the feedback that newspapers don't reach a lot of villages and it has received a good response from the rural areas. Nokia has also lined up applications meant exclusively for the non-urban population, which provide entertainment, education (helping people learn English, for example) and agricultural information to subscribers. The first pilot of these applications, called Nokia Life Tools (NLT), was rolled out in January 2009 in five districts of Maharashtra. "Many of the applications in NLT help those without access to regular TV and newspapers, with information.

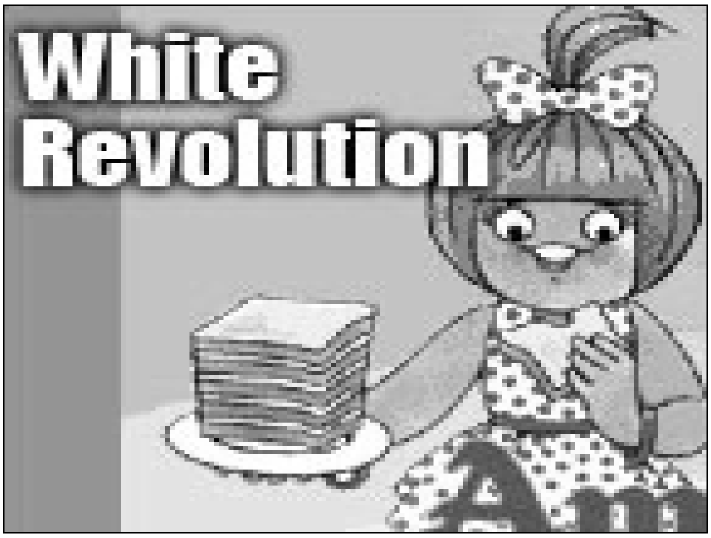


- Ever since its launch in 1983, Tata Salt has been synonymous with iodized salt in India. The positioning statement used earlier was '*Namak ho Tata ka, Tata namak*'. The communication was built around the fact that Tata Salt, India's first iodized salt, was manufactured by a Tata company. Tata appreciated that in order to sustain a competitive advantage over a long period of time, what is needed is for the consumer to perceive the company to be different from others. The best way to differentiate is to connect with the consumer at an emotional level.

The challenge was to take purity, a rational product benefit, and create an emotional link with the consumers. Tata Group follows the policy to give returns to the nation. Therefore, they came up with ***'Desh ka Namak'*** Ad campaign.



- AMUL Model – Amul (Anand Milk Union Limited), formed in 1946, is a dairy cooperative movement in India. It is managed by Gujarat Cooperative Milk Marketing Federation Ltd. (GCMMF). Amul has spurred the White Revolution of India. Amul followed a unique business model which aimed at providing value for money products to its consumers. The main secret of success of Amul is the people power – it connects to all level and provides socio economic development of the participant. The Amul Pattern has established itself as a uniquely appropriate model for rural development.



- **Coalgate** Bicycle Entrepreneur: "The bicycle model is a rural distribution cum promotion model. The model uses local persons with entrepreneurial spirit to take up sales of the promoted brand in a rural territory. The entrepreneurs (BEs) earn from the margins on sales".

For Aircel – It Is Long To Go

After discussing about the innovative models used by various companies to create market, we will now have a look on one such company which failed to focus on the basic needs of the rural consumer and then faced problems.

No Network for Aircel

AIRCEL offers various services to its customers and have also kept its price for various services comparatively low as compared to other players in the market. It started LAST MILE REACH campaign wherein it was to provide services in those remote areas of Rural India wherein it is not easy to reach out to its customers. It took help of MART and implemented its plan. It gave various offerings to the farmers and almost enjoyed success but it failed to realize the problem of Network connectivity which the people were facing. Farmers using the services of AIRCEL had negative opinion about the company as it failed to provide better network facility in the remotes areas. Recently, the company is believed to be cutting down operations in at least five circles, starting with Madhya Pradesh, to cut cost of service following severe margin pressures and a maturing voice market.

CONCEPTUAL MODEL FOR COMPANIES

Thus, after knowing about the innovative models used by the companies to enter Rural Market of India, based on the research, we will now design a conceptual model for companies which will help them in designing their strategies when they are to enter the rural market in future as the future lies in RURAL INDIA.

Dedicated Rural Teams

Companies need to hire MBAs from B-grade small town institutes. Not only they would work at lower salaries, but they will also stick around as they belong to the local areas and will prefer to continue rather than being forced to relocate from urban centres.

Products

Product redesign from the beginning can be done. Marginal changes to existing product will not work effectively. Product must work in hostile conditions in noise, dust and electricity blackouts etc.

Pricing

Products can be priced to build up volume in the rural market, especially for smaller pack size SKUs. Marketing Research should be undertaken involving focus groups. Of all the Ps, price is the most easy to change from. However, frequent changes in price in rural areas can lead to customers shift for brand preference.

Distribution Network

It should be designed to reach highly dispersed rural markets as compared to highly dense urban markets. Companies should use innovative models through which it can make its product available to the customers. Retail and IT models are now being more preferred by the companies.

Promotion

There is a need to find out the appropriate media, which could reach the hearts of the rural masses. This is required as none of the media like television, print, radio etc. has absolute reach to the rural masses. Mass media have to be supplemented with traditional media. Haats, melas, street theatre etc. are integral to village life and these platforms allow the much-needed two way communication process, to create a strong connect with rural audiences.

Market Research

Multinational Companies should effectively take help of the research companies like MART, IMRB, AC Nielsen ORG-MARG, NCAER etc… so as to better understand the market scenario.

Public-Private Partnerships

Companies need to join hands with Government, NGOs, Self-help groups etc. so as to create economic activities in villages and thus creating the need of its products in the market

SUGGESTIONS

- For promotional activities, companies must use more of local media and personalized media which will have much more impact as compared to the mass media. Promotion at Haats, Melas and the use of wall paintings, hoardings, vans folk can be used which will attract the customers at large. Latest example of HUL Lifebuoy ROTI Campaign at KUMBH MELA which involved written message on top of Roti which stated "*Aaj Lifebuoy se haath dhoya* *kya*". Use of demonstration techniques should be increased as it attracts the mob at large and creates more interest. Advertising in their local language should be given more preference as it can instantly result in a two way communication, if such methods are being followed, companies can gain more success in short time and will also save cost. The media to be used should be a mixture of mass, local and customized one to one. The message must be Rational or Emotional or Moral in nature.

- For distribution purpose, companies must create opinion leaders like local political leaders, doctors, teachers etc. who highly influence the people at large.

  The current need is to activate and develop wholesaler of the adjoining market as a distributor of products to rural retail outlets and build his loyalties to the company.

  Products should be made available at Melas and Haats as it involves inflow of large number of consumers. Companies must create more entrepreneurs which would mean selling their products through rural consumer who will also act as Companies Ambassador. This will reduce the burden of Sales Force. Use of Hub and Spoke model can also be used. Companies must provide those products through kirana stores which are of different nature. For example, providing Plastic Chair to Rural consumers with the help of local kirana stores.
- Companies must always introduce those products which fit well with the perception of the consumers. For example, Chinese Mobiles has been a big hit in Rural Market which had features of Torch Light, Speaker, Wireless Radio, Camera, Audio and Video songs etc. and that too at a lower cost as compared to the products of other companies. This has acted as a multipurpose usage product and been liked by all in rural market.
- Thus, companies must adapt to the local conditions in rural market considering the Problems and Challenges and it will give them an edge over its competitors.

CONCLUSION

The rural market is where the markets of the future are likely to be. Rural markets offer growth opportunities. Rural market is the real test for the MNCs. Understanding the behaviour of the Indian Rural consumer is not so easy. To succeed in the rural market, 4As has to be taken care off. They are the lifeline. Owing to increase in disposable income and rising production and consumption, it is must for the companies to offer products and services which the rural consumers most like. Marketers will have to understand the rural customers before they can make inroads into the rural markets. Rural consumers no longer want to purchase cheapest of the cheap product but would want value for what he purchases. Companies must always be ready with innovative ideas to tap the rural markets. Only those companies have been successful in the rural market which has effectively managed its 4Ps and offered products as demanded by the Rural consumer.

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15

Entry of MNCs in Rural Market

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ABSTRACT

The research paper is based on the views and perspectives of consumers in India, pertaining to the channel of communication which the companies use for advertisement and promotions. For MNCs' involvement to occur in the rural market, the economy of India is going to face a major competition between big corporate houses targeting to the people of villages. This is a need-based study. The research methodology followed is descriptive and the analysis is qualitative. Primary data is collected through a survey carried out using a non-disguised, structured questionnaire. Secondary data was gathered using the internet and existing research papers. The study was carried out for two-and-half months. The data was then collected and analyzed. Few MNCs have already entered in the rural market, but some were successful, some backed out, and some are still struggling with hope.

The paper studies the consumer behaviour of the rural people, the strategies of the companies which they adopted to enter in the rural market and the scope for new companies to enter rural market.

The future lies with those companies who see the "poor" as their customers.

– C.K. Prahalad to Indian CEOs, Jan 2000)

"Survival of the Fittest."

– Darwin Theory

Keywords: *Rural Economy, Marketing Strategies by MNCs, Product Performance.*

INTRODUCTION

RURAL MARKETING

According to the report published by Census of India (Ministry of Home Affairs) in 2012, India's population was 1.22 billion of which the male population consisted of 628.8 million whereas the female population consisted of 591.4 million. Out of the total population, nearly 70% of the population lives in Rural India. Today, the rural market offers a vast untapped potential. Development programmes in the field of agriculture and related activities such as health education, communication, rural electrification, etc. have improved the lifestyles of village population. Rural India is not just witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy, but often, rural marketing is confused with agricultural marketing. The increasing population of our country gives an opportunity to the companies to design successful marketing strategies and provide goods to the consumer as per their needs and wants. We would be focusing on the success and the failures of the multinational companies in the Indian rural market.

INDIAN ECONOMY

India's economy comprises of two main sectors, namely, the Rural Sector and the Urban Sector. The Rural sector is, in turn composed of two main sub-sectors, i.e., the agricultural sub-sector and the non-agricultural sub-sector.

RURAL ECONOMIC STRUCTURE

- The non-agricultural sub-sector comprises agricultural and allied economic activities such as Crop Cultivation, Animal Husbandry, Dairying, Fisheries.
- The non-agricultural sub-sector consists of economic activities relating to Industry, Business and Services. Industry have refers to cottage and village industries, Khadi, handloom, handicraft, etc.

"Rural Marketing can be defined as a function that manages all activities involved in assessing, stimulating, and converting the purchasing power of rural consumers into an effective demand for specific products and services and moving these products and services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals."

– Pradeep Kashyap

Rural Marketing is a two-way marketing process wherein the transactions can be:

1. **Urban to Rural:** It involves the selling of products and services by urban marketers in rural areas. These include pesticides, FMCG products, consumer durables, etc.
2. **Rural to Urban:** Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government cooperatives, etc. who sell fruits, vegetables, grains, pulses and others.
3. **Rural to Rural:** These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Features of Indian Rural Markets

- The rural markets are of diverse nature. There are people from diverse cultural, linguistic and religious background. No two markets are alike and it is dispersed across India.
- Shift towards rural markets are mainly because of saturation and competitiveness of urban market. Marketers do not want to neglect this huge untapped market.
- The incomes of rural customers are also increasing. As seen earlier, disposable income of rural consumers have increased and they spend on FMCG and consumer durables.
- Rising literacy has generated a demand of lifestyle products. Lot of youth move out of the village and visit surrounding cities. They come back and influence decision-making.
- Cable television has also contributed to an increase in lifestyle. The reach has increased and marketers are in a position to promote their products much more easily.

Successful Companies in Rural Market

Few companies which entered the market with appropriate strategies in mind and have been successful after the implementation. We will have a look on the example of four companies namely Escort Motors, HLL, ITC and BPCL.

- One very fine example can be quoted of Escorts where they focused on deeper penetration. They did not rely on TV or press advertisements rather concentrated on focused approach depending on geographical and market parameters like fares, melas etc. Looking at the 'kuchha' roads of village, they positioned their bike as tough vehicle. Their advertisements showed Dharmendra riding Escort with the punch line '*Jandar Sawari, Shandar Sawari'*. Thus, they achieved whopping sales of 95,000 vehicles annually.
- HLL started 'Project Shakti' to tap the rural markets. Under this operation it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households.
- ITC is setting up e-Choupals which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal – all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.
- BPCL introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. BPCL considered low-income of rural population and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost.

LITERATURE REVIEW

There are many research projects, which took place to understand rural marketing. There are various studies by many authors then also companies are not able to achieve their goal in rural market. Many companies like Aircel assigned a task to Mart Consultancy to understand the buying behaviour of the rural consumers, but then also Aircel failed to leverage their brand in rural market. ITC's E-choupal was a grand success. The study of the behaviour of the consumers helped ITC to popularize their brand in rural market. Considering the environment in which the rural market operates and other related problems, it is possible to evolve effective strategies for rural marketing.

1. Rural Marketing – Indian Perspective, an Article published by Awadesh Kumar Singh and Satyaprakash Pandey, New Age International Publishers, 2005.

   The major areas highlighted in this book are:

   - Liberalized economy and the impact on rural marketing. The response of the rural economy to the change and companies strategies in the changed scenario.
   - Rural Consumers in India, geographically spread and the socio-economic profile. Diversity, literacy, lifestyles, use of durables and non-durable by the Indian rural folk was taken into consideration and understood.
   - The communication channels and the traditional and dynamic strategies for marketing in rural areas where studied.
   - The focus was on to understand the consumers, their preference and the suitable channel for communication.

- The distribution channel making and the effectiveness was measured. The attention was given on rural retailer and their growth. Rural retailers can push the product in the market.

2. Arieh Goldman conducted a study in "Confined Shopping Behaviour among Low-income Consumers: An Empirical Test". The purpose of the study was to ding whether respondents from lower income areas tend to confine their purchases of two shopping good – furniture and ladies shoes. The findings if the study indicated that the respondents from lower class areas are not being forced because of economic, social, and cultural factors to confine their purchases to a small subset of the stores in the system or to the low quality small stores.
3. R.G. Bhatt and M.C. Jaiswal conducted a study to analyze the consumers' reaction towards washing powder advertising and the purchase behaviour of consumers in Baroda city. The study revealed that in most of the cases, females make decision regarding the purchase of a particular brand considering, important factors like good quality, less consumption, advertisement and low costs. It was found that maximum numbers of consumers is seeing the television advertisements and they are unconsciously affected by it. Nirma was found to be the most popular brand in the market.

NEED FOR THE STUDY

- The rural markets are attracting towards the marketers but it is also facing problems of: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media.
- However, the rural consumer is not unlike his urban counterpart in many ways. The marketers are meeting the consequent challenges of availability, affordability, acceptability and awareness in rural market which are also known as the 4As of Rural Marketing.
- Many companies have entered the rural market, because of competition and saturation in the urban area. MNCs failed to understand the buying behaviour of the consumers. The rural market scenario is now changing and as this is a dynamic era the taste of consumers is also changing. This study will provide information about the reasons behind the failure of the products and companies in the rural market and the strategies to overcome those failures.
- This study will help in designing new strategies for rural market by overcoming the problems faced by both the MNCs and the consumers of rural market. As there is transition in the taste and behaviour of the consumers in rural area, this study will provide an idea to understand the rural consumer's needs and wants.
- There is need to study the reasons behind the transition in rural market.

CHALLENGES IN RURAL MARKETING

- **Availability:** The first challenge in rural marketing is to ensure availability of the product or service. India has 7,00,000 villages. More than 700 million Indians may live in rural areas and reaching out to them is not easy. They are highly dispersed. Given the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages.
- **Affordability:** The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. A solution to this has been introduction of unit packs by some companies. This ensures greater affordability.

- **Acceptability:** The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. LG Electronics have reaped rich dividends by doing so. In 1998, it developed a customized TV for the rural market named Sampoorna. It was a runway hit selling 100,000 sets in the very first year. Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets.
- **Awareness:** A large part of rural India is inaccessible to conventional advertising media.. Building awareness is another challenge in rural marketing. A common factor between the rural and the urban consumer is the interest for movies and music. Family is the key unit of identity for both the urban and rural consumer. However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the channels of their choice. Consumption of branded products is treated as a special treat or indulgence.

RESEARCH OBJECTIVES

1. To identify the problems faced by MNCs in rural market.
2. To study the consumer buying behaviour of the people living in rural areas.
3. To study the most suitable channel of communication for rural people.
4. To identify the opportunities for the MNCs in rural market.
5. To provide an innovative strategies to leverage the MNCs brand in rural market.

HYPOTHESIS OF THE STUDY

H0: Rural people don't prefer low-price products.

H1: Rural people prefer low-price products.

H0: The unethical practices adopted by local companies don't allow MNCs to leverage their brand in rural market.

H1: The unethical practices adopted by local companies don't allow MNCs to leverage their brand in rural market.

SCOPE OF STUDY

This study is mainly concerned with the MNCs who have entered the rural market. The researchers have taken a sample size of 140. It is also concerned with the perception of rural consumers towards the different type of advertisements. The study is limited to the factors which influence the consumers towards the product. The scope considers the media like print, radio, newspaper, hoarding and the strategies adopted by the companies to reach rural consumers. The study and the experiments are done in rural areas. Advertisement elements that attracts consumer towards their product are studied. The research is done with the help of questionnaire survey, interview and observations of the consumers. Survey was conducted in Chattisgarh towards Bilaspur (Nandghat, Mungeli, Malda, Tarenga, Jogideep, Mau, Birampur, Tuma, Bitkuli, and Zhiriya) area in which 10 villages where selected with the population of one thousand. The retailers and Area Sales Manager for different products of these areas were also interviewed. The study is limited to the people of these areas only. Marketing of soaps, mobile handsets and toothpaste are taken into consideration. The study was conducted for two-and-half month, in which several consumers filled the questionnaire and experiments were done.

RESEARCH METHODOLOGY

In this project, the activities that go by the name of research involve mainly a survey research method that is activities undertaken to refer to the critical and exhaustive investigation of consumer perception and behaviour towards the advertisement. An experiment was conducted using 100 people, who were not educated. Three variables were manipulated in the experiment: humor in the ads (Message), number of ad exposures (Repeat), and the size of the audience exposed to the ads (Size). The strategies which the companies are using to reach these rural customers were studied. The most preferable and most understandable channel of communication was searched and identified.

Sources of Data

To achieve the set of objectives, the researchers identified certain sources of data. The sources could be categorized as below:

1. Primary data
2. Secondary data

Primary data is important for all areas of research because it is unvarnished information about the results of an experiment or observation. It is like the eyewitness testimony at a trial. No one has tarnished it or spun it by adding their own opinion or bias so it can form the basis of objective conclusions. Primary data is the specific information collected by the person who is doing the research. It can be obtained through clinical trials, case studies, true experiments and randomizes controlled studies. This information can be analyzed by other experts who may decide to test the validity of the data by repeating the same experiments.

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

Advantages of Secondary data:

1. It is economical. It saves efforts and expenses.
2. It is time-saving.
3. It helps to make primary data collection more specific since with the help of secondary data, we are able to make out what are the gaps and deficiencies and what additional information needs to be collected.
4. It helps to improve the understanding of the problem.
5. It provides a basis for comparison for the data that is collected by the researcher.

Research Design

After the trainees have formulated the problem, the research design is prepared. It would state the conceptual structure within which the research would be conducted. The research design would facilitate and yield maximum information.

The research design implemented here is **Descriptive Research.**

Descriptive research is more rigid than exploratory research and seeks to describe users of a product, determine the proportion of the population that uses a product, or predict future demand for a product. As opposed to exploratory research, descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection. In other words, the who, what, where, when, why and how aspects of the research should be defined. Such preparation allows one the opportunity to make any required changed before the costly process of data collection has begun.

Research Approach

The basic approached to research are quantitative and qualitative research. This research is qualitative approach as it deals with feelings, perceptions and behaviour of the respondents. That does not focus on any statics as in quantitative research.

Research Instrument

Research instrument is the tool used to collect data for sample. Researcher has choice of mainly one research instrument which can help to find out the primary data.

The research instrument used in the research study is structured non-disguised questionnaire.

Questionnaires:

The questionnaire is an important tool for gathering primary data. Poorly constructed questions can result in large errors and invalidate the research data, so significant effort should be put into the questionnaire design. The questionnaire should be tested thoroughly prior to conducting the survey.

Sampling Plan

All items under consideration in any field of inquiry constitute a total population known as census inquiry. It can be assumed that in such an enquiry when all items are covered, no elements of chance is left and highest accuracy is obtained. But in practice, this may not be true, since the elements of bias are increased and the number of observations is increased. Besides, this type of inquiry involves a great deal of time, money or energy.

Who is to be surveyed? The researcher must define the target population that will be sampled. In this study the researcher has characterized the sampling unit as the illiterate rural people from all age groups who are aware of different products. Interviews of some area sales managers were also taken to identify the problems faced by them in rural market.

Samples Size

How many people should be surveyed? Large samples give more reliable results than small samples. However, it is not possible to sample the entire target population in a very short time span.

Sampling Techniques

How should the respondents be selected? Researcher should know whom he/she is going to survey, or the reason that the respondents must adequately represent.

The main techniques in this study are:

1. **Non-probability Sampling:**

   Non-probability Sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected.

2. **Convenience Sampling:**

   Convenience Sampling is probably the most common of all sampling techniques. With convenience sampling, the samples are selected because they are accessible to the researcher. Subjects are chosen simply because they are easy to recruit, this technique is considered easiest, cheapest and least time-consuming.

OBSERVATION AND ANALYSIS

Objective 1:

To identify the problems faced by MNCs in rural market.

For this objective, the researchers approached ASM of different areas in Chattisgarh, who were handling different regions for their FMCG products. After interviewing them, the researchers identified the problems which the companies are facing in rural areas.

Observation:

The first and foremost problems of the marketers were the infrastructure and illiteracy. Many of the population are not educated. The disposable income is low and the companies are not able to generate revenue. The poor infrastructure makes it difficult for the marketers to reach the deep rural area and supply the goods. There is communication problem due to illiteracy and not commonly used language in villages; it becomes difficult for the companies to communicate with them. The unethical practices and duplication of the products were also a major problem for the marketers.

Objective 2:

To identify the opportunities for the MNCs in rural market.

Observation:

The people belonging to these areas are of different age group, most of the people are involved in farming. The percentage of literacy rate is low that means most of the people living in these areas are not much educated. Due to less communication from the MNCs, the brand awareness is low. The standard of living of the people living in rural area is low as compared to urban area, but the standard is constantly increasing. The population of these areas is more and the disposable income of the people is also increasing and the people now want quality product “Value for Money”. So there is a big opportunity for MNCs in rural market. There is transition in the buying behaviour of the people in rural market.

Objective 3:

To study the consumer buying behaviour of the people living in rural areas.

Observation:

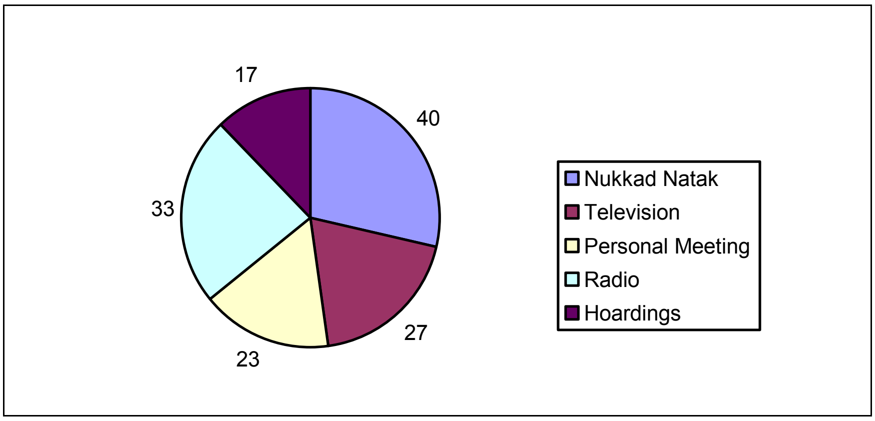
For this objective, the researcher did an experiment for understanding the consumer behaviour in rural area. Several local brands of soap were available in the rural market at cheap rate. Researchers asked various consumers why they prefer the local brand over a branded product. Many of the consumers answered that the product is cheap and they just want soap to bath with, nothing else. That time the people gave an excuse of low disposable income. After this the researchers gave an advertisement in retail stores that Lifebuoy Soap of ₹ 10 price is now available at ₹ 5. Consumers started buying that soap, when the consumers were asked again why they are buying Lifebuoy soap instead of their previous soap. The researchers interviewed the consumers again, this time the consumers answered that they are buying Lifebuoy, because they think that the quality of Lifebuoy is better than local soap. There were many influences like social influence, when one person was buying Lifebuoy, he was telling it to others and the positive word-of-mouth was spreading.

Interpretation:

By this response researcher concluded that **"If the branded products are sold at low rate then sales can be increased and the rural consumers will buy more of it."** The taste of the consumer can change with the change in the price of the product.

Objective 4:

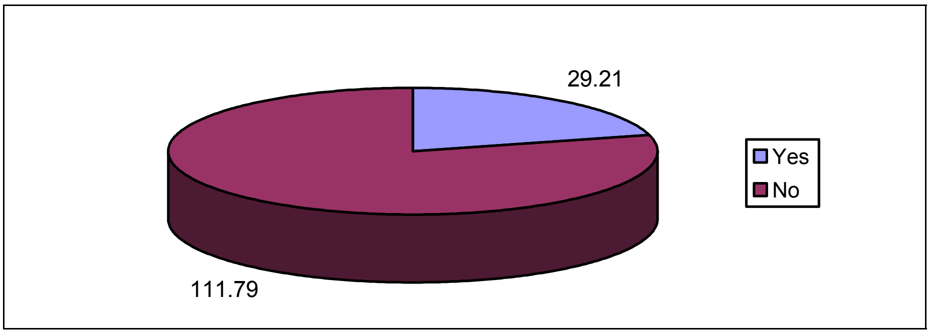
To identify the most suitable channel of communication for rural people.



Analysis:

When the consumers were asked how they came to know about the product, the majority of the people said through word-of-mouth. The person who is spreading the positive word-of-mouth is always the person who is bit educated and the elder person of the village. When they were asked, which the most suitable media of communication for them, they answered Nukkad Natak, the hoardings are mostly in Hindi or English, but if the advertisement is done in Chattisgarhi language then it will be easy for them to understand the advertisements. For now Nukkad Natak is gaining more importance, because it is a kind of promotion with demonstration.

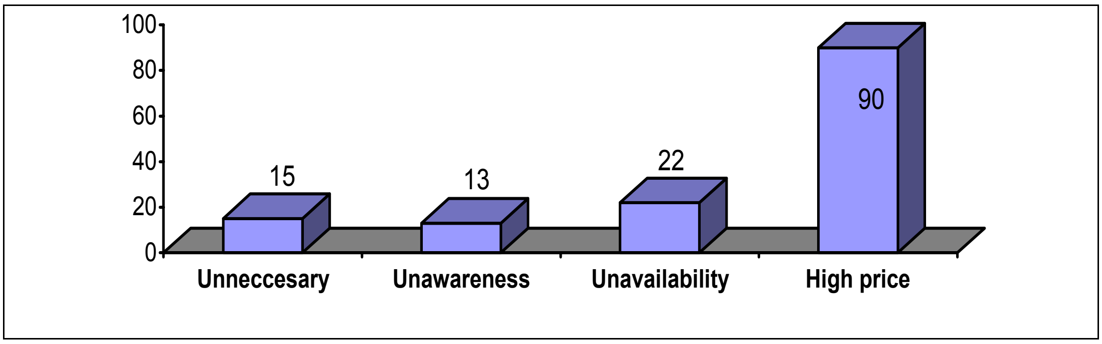
Are the companies approaching them to know their needs?



Analysis:

When rural people were asked this question, more than 50% people said that companies are not taking any effort to approach them. Only 21% people said yes that the companies are reaching them. The companies which are approaching them are the Seeds and Fertilizers Company of local brand. These seeds companies are making personal relations with the customers and are getting good deal.

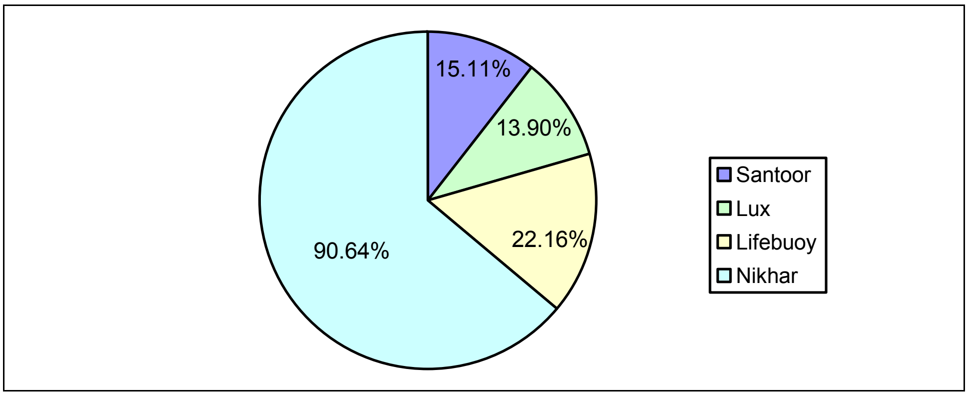
What are the reasons behind not buying quality branded products?



Analysis:

FMCG – Lifebuoy, Colgate, and Neha and Lovely beauty cream were the example. Here, the 90 consumers said that the product is a quality product, but the price of the product is too high for them, 22 consumers told that they want to buy that product, but it is not available in their villages. Hence they cannot buy it. Only 13 people said that they are unaware of these products that why they prefer buying local brand products. 15 people said that buying branded soap is unnecessary, they just want to wash their body and they don't see any problem in the local brand so they don't think there is any need to buy expensive branded product.

Which Soap you are using?



Analysis:

When the people of the rural area were asked about which soap they are using, 64% people said that they are using a local brand soap named as Nikhar. The production of Nikhar soap is done in Bilaspur and the company sends people to the villages to spread awareness. The company actually educates the people residing these areas. The soap is of ₹ 10/- with weight of 100 gm, where as other soap are also of ₹ 10/- but the weight is less that's why people prefer local brand soap over other branded soap.

To Provide an Innovative Strategies to Leverage the MNCs Brand in Rural Market

After doing the research work on the field, the researchers found out that the buying behaviour of the consumers living in rural areas can change, if the goods are affordable to them and if there is proper communication with them. This design will provide suggestion to both the MNCs and the consumers.

After survey, the researchers designed a conceptual model for the companies to capitalize their opportunity in rural market.

1. The hoardings should be made in local language, i.e., Chhattisgarhi.
2. A proper dedicated team should be assigned to that territory for awareness.
3. People living in these areas have increased disposable income, so the companies can help in managing the disposable income of the people.
4. The problem of infrastructure is more in rural areas, so the companies should try to reach the consumers through bullock carts and waterways.
5. The companies can use push strategy to push their product in the market.
6. The retailers are to be given good commission for pushing the product in rural areas.
7. The public relation should be developed by giving and emotional touch.
8. The sales executives should give demonstration of the product to the people.
9. The companies can display their products during Gram Panchayat.
10. The prices of the product should be kept low for certain period without compromising the quality of the product.

CONCLUSION

HYPOTHESIS TESTING

H0: Rural people don't prefer low-price products.

H1: Rural people prefer low-price products.

Description:

After analyzing the data collected from the rural people, it was seen that they will prefer the low-cost product, but if the branded quality product will be available to them then they will definitely prefer that product. The experiment shows when the people were offered quality product at the same rate, then the people were buying Lifebuoy over Nikar Soap. Rural people want quality branded product with low price. Hence, the H1 is accepted that rural people prefer low-price products.

H0: The unethical practices adopted by local companies don't allow MNCs to leverage their brand in rural market.

H1: The unethical practices adopted by local companies don't affect MNCs to leverage their brand in rural market.

Description:

After interviewing the Area Sales Managers of FMCG of this region, researchers came to know that the unethical practices of local companies duplicate the product of major brand and take advantage of their advertisements. The sales executives of these areas were also facing the problem, because duplicate product look alike the original one and the price of those products are low as compared to their original brand. Because of these unethical practices MNCs are not able to reach the customers. Hence, H0 is accepted that the unethical practices adopted by local companies don't allow MNCs to leverage their brand in rural market.

So, here to conclude with MNCs have a broad scope in rural area, but the emotional touch is needed to make them understand what is good and what is bad. Customer education is needed. The companies should not try to change the customer's behaviour, rather than that companies can make the people habitual for their product.

SCOPE FOR FUTURE RESEARCH

Future is bright for rural research particularly in FMCG category. Research can be done to suggest how marketing of FMCG in rural areas in India can also be performed through encouraging rural entrepreneurship. The existing business models like Project Shakti by HUL can be studied and further improvized models can be built and tested with reference to marketing of FMCG in rural areas. Also in future research can be oriented towards each sub-category of FMCG like, hair care, child-care, house cleansers, premium product categories like, colour cosmetics and body. The study of this research is still under process.

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Implication of Training in Manufacturing Unit: Thrust on Retention of Workforce

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ABSTRACT

Human resources are the most valuable assets of any organization, with the machines, materials and even the money; nothing gets done without man-power. In today's business climate, businesses are faced with stiff internal and external competition. There are various human resource functions that give an organization a competitive edge, but most scholars argue that human resource functions becomes only operational when training has run through them all. This places training and development as an essential function in the survival of any organization.

Increasingly, high performance organizations today are recognizing the need to use best training and development practices to enhance their competitive advantage. Training and development is an essential element of every business if the value and potential of its people is to be harnessed and grown.

Employee retention is a continuing issue for employers, even at the tail end of a recession. Many employers in the late 2000s believed that high unemployment figures allowed them to ignore things such as employee morale and compensation, since negative job markets force unhappy employees to stay in their current job.

The study have shown that the investing in training is one of the ways an employer can help retain employees, while reaping other benefits. The study is carried out in manufacturing unit in Nagpur which strongly believes on the training effectiveness .Data has been collected through the process of interviewing higher authorities of the organization, supervisors and workers as well as by conducting questionnaire survey for workers. Samples of workers for survey is selected on the basis of probability calculation, whereas samples of higher authorities and supervisors for interview are selected according to convenience, as approval and support of the participating organization for the study was a factor not under the control of the researcher. Company records has helped a lot to reach to conclusion. After collection of data, that data has been systematically pooled for further analysis. Hypothesis testing has been done with the help of Chi square test.

Key assumptions about retention and training are relevant to this effort are: First, it is assumed that retention of effective staff is desirable for any organization. Retention of effective staff keeps knowledge and experience at the company. Turnover is costly in terms of resources required to recruit and train new employees and turnover creates burdens on remaining staff as well as gaps in coverage, which may have negative impacts. However, it is also assumed that not all staff retention is desirable.

The company would not retain staff who ceases to be effective in their work or who (despite training and counseling) do not improve their skills. Ineffective staff places other burdens on the rest of the staff, the supervisor, and the organization as a whole. One must, therefore, regard retention as a goal with a qualifier.

Next, it is assumed that training is a valuable activity for enhancing skills and improving staff performance, and that training can address some of the factors contributing to staff retention, such as perceived support from the supervisor, the agency, and community. Training alone cannot address all of the factors contributing to staff retention, however, such as excessive caseloads and promotional opportunities within the agency. It is, therefore, reasonable to assume that training can play a role in improving retention, but it may not be sufficient to improve retention if other systematic barriers are not addressed.

Specifically, commitment was enhanced by three factors: stronger perceived support from both the supervisor and the agency; opportunities for advancement within the agency; and a strong service orientation, Conversely, commitment was reduced when workload was perceived as excessive and when the employee perceived negativity from the community toward the agency.

Many of the factors that have been suggested as contributing to commitment were not significant in this multivariate causal model. These variables included: job security, support from coworkers, autonomy, decision-making authority, perceived bureaucratization, emotional stress of the work, job safety, role conflict, role ambiguity, salary, and fairness in how employees are treated.

Keywords: *Training, Retention, commitment, job security, job satisfaction, role conflict.*

INTRODUCTION

Several training strategies such as training for supervisors that strengthens support, and improving supervisor's skills in identifying workers with a strong service orientation, and in nurturing that service orientation. Creating promotional opportunities and manageable workloads are less likely to be solved completely through a training programme.

Providing training to supervisors helps to strengthen supervisors' skills, their sense of self-efficacy and their perceived support. Thus to improve workers' skills, sense of self-efficacy, and perceived support, which leads to enhanced commitment on the part of workers and a greater likelihood of retention.

A key challenge is maintaining a primary focus on our goal of improving recruitment and retention through training while remaining cognizant of and responsive to those ecological changes which have an impact on the training programme and on retention. No training programme is ever really immune from these external influences but the nature of our programme requires a higher level of sensitivity in this area. As we learn more about the impact of training on staff retention we will be examining changes in perceptions of the workplace and subsequent changes in job satisfaction, commitment to the organization, and intentions to stay or leave.

The competencies are organized into five general areas, each of which contains a set of specific competencies. The general areas are:

1. Understanding and supervising within the organization, which concerns the supervisor's role within the organization like communication at various levels.
2. Managing work through people: The human resources role, which deals with a variety of personnel and performance related tasks.

3. Social work supervisor as clinical supervisor, which focuses on the supervisor's important role in supporting and guiding effective practice.
4. Supervisor's role in public and community relations, which addresses strategies for improving the agency's image in the community, handling stakeholder complaints, etc.
5. Supervisor's role in addressing personal stress and safety issues, which relates to both supervisors and their staff. The next step involves sharing the competencies with all supervisors and asking them to self-assess for each one on two dimensions. The first dimension is the degree of perceived need for skill development. The second is the perceived importance of each competency to their job. The combination of perceived need and perceived importance produces a score for each competency. Our plan is to use this information to help prioritize areas of focus for training.

OBJECTIVES

1. To analyze the relation between training and workers' retention.
2. To study the effectiveness of training programmes organized for supervisors.

REVIEW OF LITERATURE

Employee turnover is highest among employees who are not satisfied with their jobs. Because qualified employees are becoming more scarce and difficult to retain, organizations need to focus on increasing employee satisfaction suggests that one useful approach for increasing employee satisfaction is to view workers as customers. Based on the notion of employee as customer, illustrates how a customer satisfaction measurement approach can be applied to the measurement of employee attitudes suggests that the metaphor of employee as customer is indeed useful. Also demonstrates how this approach yields actionable results that managers can implement to increase employee satisfaction and thereby retention.

Roland T. Rust, Greg L. Stewart, Heather Miller, Debbie Pielack (1996) "The Satisfaction and Retention of Frontline Employees: A Customer Satisfaction Measurement Approach", International Journal of Service Industry Management, Vol. 7, Issue 5, pp. 62-80.

The relationship between the employees' job performance and their retention also varied significantly with organizational culture values. The cultural effects were stronger than the combined exogenous influences of the labour market and the new employees' demographic characteristics.

John E. Sheridan, "Organizational Culture and Employee Retention", Acad Manage J, December 1, 1992, Vol. 35, No. 5, pp. 1036-1056.

A positive, fulfilling, affective-motivational state of work-related well-being that is characterized by vigour, dedication, and absorption. Although there are different views of work engagement, most scholars agree that engaged employees have high levels of energy and identify strongly with their work. Engagement is a unique concept that is best predicted by job resources (e.g., autonomy, supervisory coaching, performance feedback) and personal resources (e.g., optimism, self-efficacy, self-esteem).Study have shown that work engagement is predictive of job performance and satisfaction.

Arnold B. Bakker, Wilmar B. Schaufeli, Michael P. Leiter and Toon W. Taris (2008), "Work Engagement: An Emerging Concept in Occupational Health Psychology", An International Journal of Work, Health and Organizations, Vol. 22, Issue 3, pp. 187-200.

The above literatures discussed about employee engagement, job performance, job satisfaction and their retention in service organizations where as this paper try to analyze the relationship between training and retention of workers in manufacturing organization.

RESEARCH HYPOTHESIS

- **Null Hypothesis:** There is no relationship between training and retention of employees.
- **Alternative Hypothesis:** There is a positive relationship between training and retention of employees.

RESEARCH METHODOLOGY

Study is carried out by taking into consideration the opinions of workers from manufacturing unit in Nagpur. An interview is conducted with the senior authorities at the workplace with day-to-day responsibility for employee relations or personnel matters. For questionnaire survey, sample of 80 workers were selected out of a pool of 100 (with margin error of 5% and confidence level of 95%). Samples are representatives of different departments.

Chi-square test has been used to analyze the collected data.

Analysis and Interpretation

Table 1: Review of Types of Workers with Respect to their Retention Capacity

Workers	Retention level		Total
	High	Low	
Trained	46	4	50
Untrained	6	24	30
Total	52	28	80

Table 1.2: Analysis of chi square test

Observed value	Expected value	$(O - E)^2$	$(O - E)^2/E$
46	32.5	$(13.5)^2$	5.60
4	17.5	$(-13.5)^2$	10.41
6	19.5	$(-13.5)^2$	9.34
24	10.5	$(13.5)^2$	17.35
			Total 42.78

Degree of freedom = (R – 1) (C – 1) = 1

Value of Chi-square at degree of freedom 1 is 3.84

Since tabulated value is greater than table value so Null hypothesis is rejected and alternative hypothesis is accepted. Hence, there is a positive relationship between training and retention of employees.

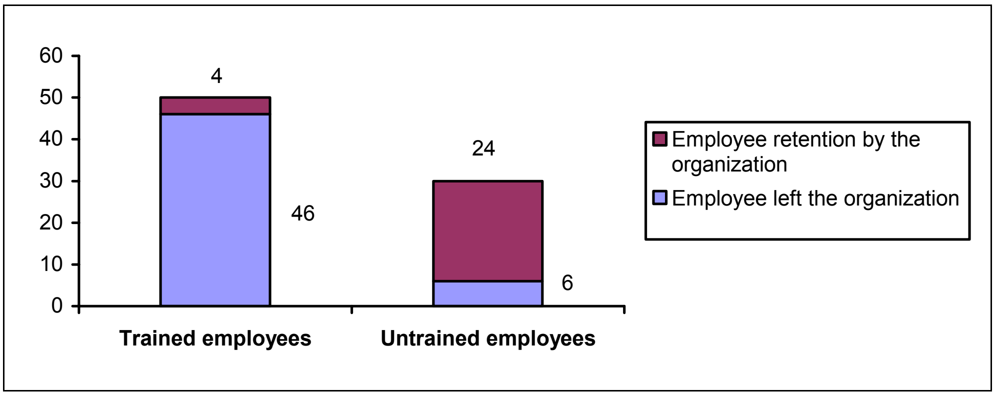

Fig. 1: Analysis of Workers with Respect to their Retention Capacity

CONCLUSION

The connection between training and employee retention is not a direct cause and effect relationship. Employees do not view training alone as a reason to remain with an employer. Training indirectly contributes to increased employee retention by increasing morale, which boosts employee retention. In the organization 90% of responders consider training to be a significant part of career advancement opportunities and a contributor to job satisfaction. People who feel more satisfied in their jobs are much more likely to stay in that job.

The ability to move up within a job is another factor that increases employee retention. Advancement Opportunities is a prime factor in retaining quality employees. Consistent quality training fosters an employee's skill set and provides the base for them to advance.

Training helps an organization to retain staff the training must be effective, relevant and directed toward the learning style that best suits the employees receiving it. However, if the training is not targeted to the employees, they will not use the knowledge and could even see it as an imposition. Additionally, the training should be tied to a motivational factor, such as a review or incentive programme to increase employee commitment to the training.

SUGGESTIONS

1. Module Manager and ER & D Manager should try more to communicate with workers and should understand the problems faced by the workers while doing their job to identify their current training needs in view of need-based training.
2. As in a manufacturing firm workers requires practical knowledge to work efficiently on machines so simulation training should be used more.
3. From data analysis, it is found that workers are not getting opportunity to perform the different jobs which requires same set of skills they have so on job training method like job rotation should be implemented.
4. Behavioural training programmes such as Control your Destiny, Work- life balance, Mind Innovation, Attitude for excellence, Creativity and Innovation, Ethical decision-making could be added in training programmes.
5. Expand training in performance planning and monitoring.

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Impact of Social Media Advertisement on Customers' Buying Behaviour

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ABSTRACT

With the growing importance of internet in day-to-day life, social media has gained rapid acceptance in the minds of youngsters. Most of the companies ensure to have their presence felt on social media websites to attract potential customers. The basic objective of paper is to understand the usage pattern of social media among youth in the city of Nagpur. It also aims at assessing the impact of social media on the consumer buying behaviour. Thus, the research justifies the corporate spending enormous funds behind advertising of their brands on social media websites like Facebook, Twitter etc.

Keywords: *Social Media, Youth, Brands, Marketing, Companies, Usage, etc.*

INTRODUCTION

"Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating value."

Philip Kotler (2011)

Globalization is the shift towards a more integrates and interdependent world economy thereby merging historically distinct and separate national markets into one huge global marketplace.

The Economic Intelligence Unit (2009) reported that during the recession which commenced in 2007, the global marketplace was affected by changes in exchange rates, inflation and consumer purchasing behaviour. These changes in the economy forced organizations to remodel business strategies in order communicate their brands more effectively. Davis (2001) writes that one of an organization's most valuable assets is its brand and the modern organization needs to realize that capitalizing on its brand is important as it can help achieve growth, profitability objectives and sustainability.

Brands can be built by means of advertising, meeting customer-specific needs, associating a specific type of image to a product, identifying and closing a gap that competitors have not identified, aggressive communication and pricing strategies (Burger, 2009). As recessions are times of high anxiety, it was important for organizations to keep honest, open channels of communication and maintain a good reputation in the most cost-effective way (Economic Intelligence Unit, 2009). One of the most popular means of communicating brands during the recession was through social media marketing; online or electronic media which facilitates participation, openness, conversation, community and connectivity amongst online user's social media such as Facebook, Twitter and YouTube are dynamic tools that facilitate online relationships. It is a relatively low-cost form of marketing and allows organizations to engage in direct and end-user contact. Given the choices made available to consumers and the influential role of social media marketing, the brands and consumers.

Have a changing role to play in the organization's strategy in that they now have an economic impact. Brands influence customer choice. Customers influence other customers. These chains of events affect repurchases, which further affect future earnings and long-term organizational sustainability. A leading brand, thus, influences consumer's buying behaviour and creates value by generating demand through repurchases and securing future earnings for the business. Therefore, social media marketing represents communication opportunities and requires new and unconventional thinking to ensure that consumers experience brand orientation and product orientation.

This new era of social engagement and digital communication is paramount to Business strategy. As organizations become more globally competitive, it is important for marketing strategy to explore more innovative and compelling avenues to attract larger pools of customers.

OBJECTIVES

Social networking has been used by most of the people in and around the nations. It has reached even to basic sectors. Despite the enormous growth of social networks in these years, the advertisements sectors have never faced major success due to several reasons, thus a useful growth turning into an effectual way for those sectors. To make it effective, we have to put-forth a positive trait in this fast moving world by proposing some new methodologies and inducing some modifications to the existing system.

1. To determine the impacts of advertisements on social networking sites.
2. To determine the criteria for successful advertising in social networking medium.
3. Consumer perception towards different social networking advertisement.

REVIEW OF LITERATURE

Advertising, sales promotion and public relations are mass communication tools available to marketers. As its name suggests, mass communication uses the same message for everyone in an audience. Today, definitions of advertising abound. We might define it as communication process, a marketing process, an economic and social process, a public relations process or information and persuasion process (Arens, 1996). Dunn *et al.* (1978) viewed advertising from its functional perspectives, hence they define it as a paid, non-personal communication through various media by business firms, non-profit organization, and individuals who are in some way identified in the advertising message and who hope to inform or persuade members of a particular audience. Morden (1991) is of the opinion that advertising is used to establish a basic awareness of the product or service in the mind of the potential customer and to build up knowledge about it.

Technology advancement had not given us new products and services, but they had changed the meaning of many words. With increase in mass media, advertising effectiveness, as more traditional mass media, had reduced. Now, advertiser is looking for new and presumably less cluttered media. The current age of digital media had given consumer choices to opt in and opt out of marketing messages and advertising. Consumers are getting more control of what they want and when they want.

All these things are moving toward the interactive marketing (Newell and Merier, 2007; Kondo and Nakahara, 2007).

As a promotional strategy, advertising provides a major tool in creating product awareness and condition the mind of a potential consumer to take final purchase decision. As advertiser's primary mission is to reach potential customers and influence their awareness, attitudes and buying behavior (Ayanwale *et al*., 2005 and Adelaar *et al*., 2003). Ayanwale *et al*., (2005) conducted research on advertisement of Bournvita, he found as advertising has a major influence on consumers' likeness for Bournvita food drink. Similar researches have already been conducted for the quality of Bournvita.

PROPOSED MODEL AND HYPOTHESES

Current study examines a proposed model of belief, attitude, and behavioural response in the context of social media advertising. It advances that consumers' belief about social media advertising (BASMA) influence their attitudes toward social media advertising (ATSMA). Past studies (e.g., Bauer and Greyser, 1968; Durvasula *et al*., 1997; Mehta, 2000) documented that consumers' beliefs about advertising influence their attitudes toward advertising. Similarly, Belief affects consumer attitudes toward online advertising (Wang and Sun, 2010). However, belief is a multidimensional construct. Majority of the previous studies conducted in traditional and online advertising environments found information, entertainment, good for economy and value corruption important belief factors affecting consumer attitudes toward advertising (see Polly and Mittal, 1993; Wang and Sun, 2010; Wolin *et al*., 2000; Yaakop *et al*., 2011). Current study expects these four belief factors are significant predictors of consumer attitudes towards social media advertising (ATSMA) (See Figure 1).

Furthermore, current study postulates that consumers' positive ATSMA influences their ad clicking behaviour, which in turn affects their online buying behaviour (See Figure 1). Attitude towards the ad is an important mediator of advertising effects (Lutz *et al*., 1983).

Several studies in the context of online advertising confirmed the mediating effects of attitude. For example; Dreze and Zufryden (1997) and Wang and Sun (2010) found that ATOA mediates the relationship between consumers' beliefs of advertising and their behavioural response to it. In case of online advertising, consumers' attitudes toward advertising may result into ad clicking or online buying behaviors (if ads are shown on the parent site of the company). However, in case of social media consumers' attitudes toward advertising would affect first ad clicking behavior which may then motivate them to log on the commercial site of the products mentioned in social media ads and buy the product there. This difference exists because mostly online advertising is conducted on commercial sites where users can place the online order without clicking on the ad. Social media is not a commercial media (although commercial activities take place on social media) so placing the direct order without clicking on the ad appearing on social media sites is not possible.

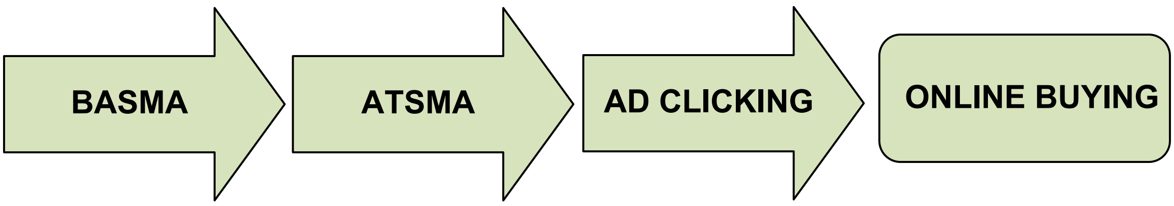


Fig. 1: Proposed Model

On the basis of past research findings and proposed model, current study suggests the following hypotheses:

- **H0:** There is no impact of social media advertisement on customer buying behaviour.
- **H1:** There is positive impact of social media advertisement on customer buying behaviour.

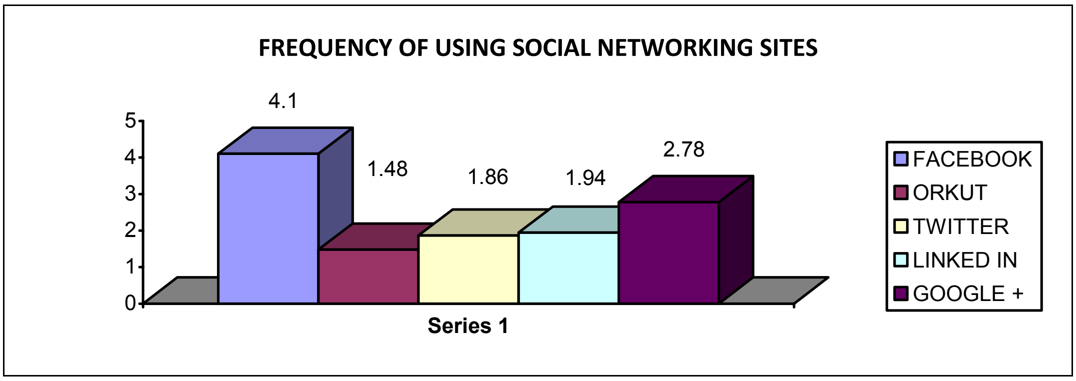
METHOD

Respondents of the current study were students of MBA of DAIMSR Nagpur and other MBA colleges. Through a survey, questionnaires were distributed among a random sample of 80 students. Sample students were the student drawn by asking them primary questions (Do they purchase goods from internet?) by applying basic lottery system. Student sample population was used as they have easy access to internet facility and more exposure to social media sites. Out of 80 questionnaires, 50 were received backed in a usable condition. Finally, 50 questionnaires (n = 50) were used for data analysis. Out of 50 respondents, 44% were male and 56% were females. All belongs to same age group 21-25 years.

In the questionnaire, they rated everything on the scale of 1 to 5 (1 – disagree/low frequency, 5 – agree/high frequency). Feed the data on excel sheet manually and analyze the data by using convenient sample non probability technique.

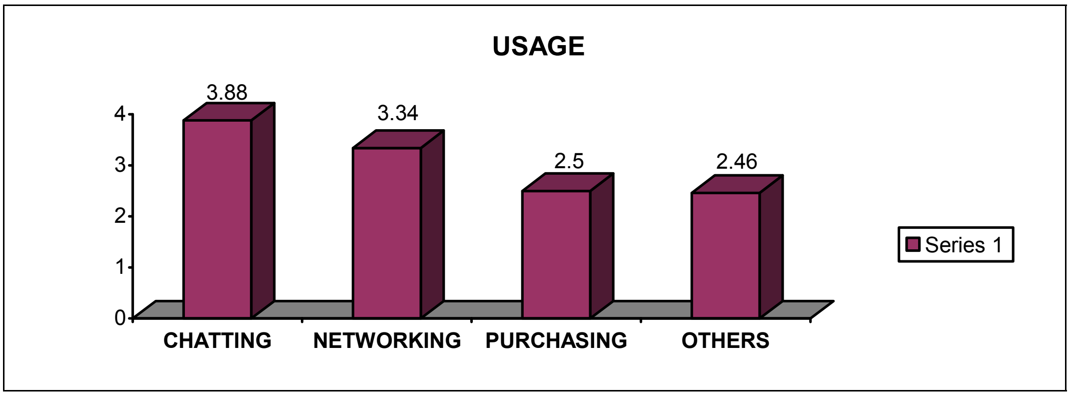
MEASUREMENT

1. Site do you use for social networking?



Inference: From the question asked, it is observed that most of the people use the sites in the following order, Facebook, Google+, LinkedIn.

2. Usage of these sites?



Inference: It can be seen from the graph above that most of the people use this social networking sites for chatting followed by networking. Using this sites as the mode of purchase falls behind these two.

3. Time spent on these sites?

Inference: When asked the frequency of using these sites or the total time spent on these sites it is found that people use theses site more often it found on an average that people when asked to give there rating on the scale 1-5 its 2.92.

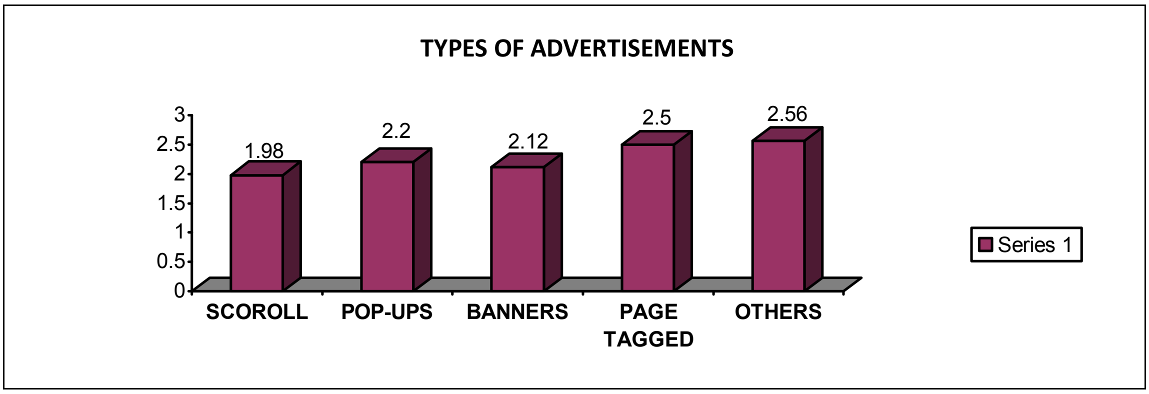
4. Do you usually click the advertisements shown on these sites?

Inference: It is found that out of 5 times people generally click this advertisement at least three times.

5. Do you always purchase goods once you click these sites?

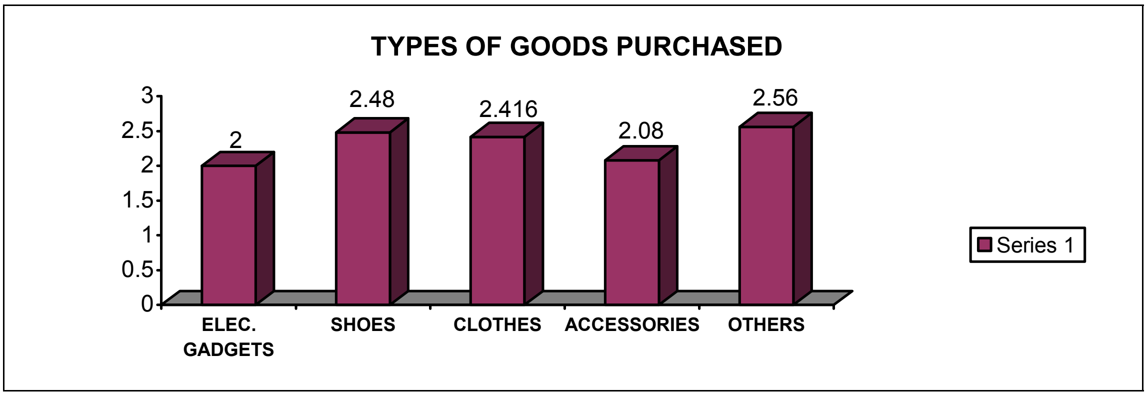
Inference: When asked if they purchase goods every time, they click these sites it is found that there are 50-50% chances of purchase.

6. Type of advertisements clicked?



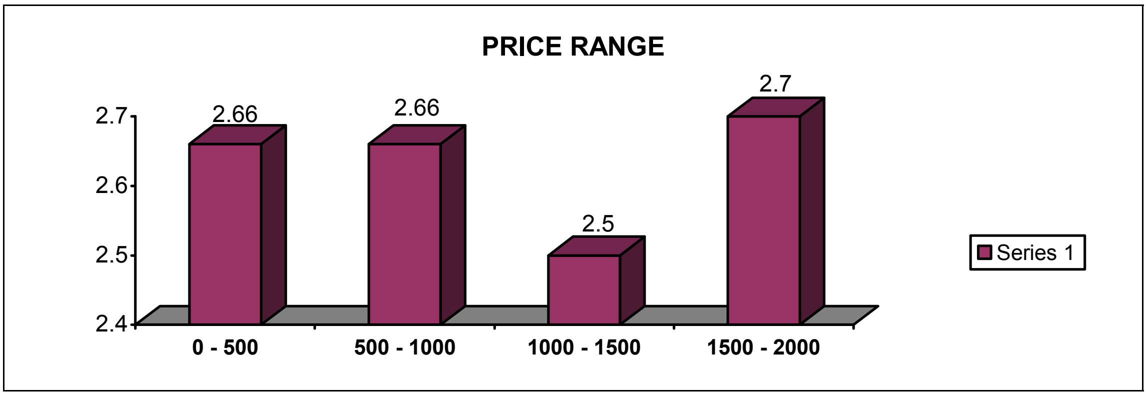
Inference: It is found that people usually click page tagged, pop-ups followed by banners.

7. What type of goods you usually purchase?



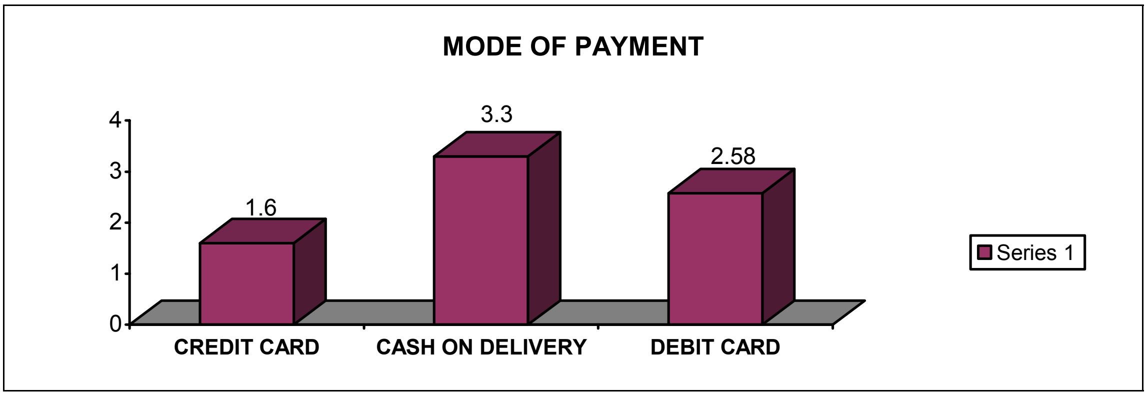
Inference: Talking of types of goods usually purchase shoes, clothes and accessories in case of girls are the most purchased items followed by electrical gadgets.

8. Price range you like to buy in?



Inference: Normally, the price range mostly preferred is 500-2000 followed by 0-1000.

9. Mode of payment preferred?



Inference: In this case, there are three modes of payment, i.e., credit card, debit card and cash on delivery. Out of these, cash on delievery is the most convenient and therefore mostly used.

10. Frequency of purchases?

Inference: From this question, we can say that half of the people purchase again.

11. Are you satisfied with the product and the services provided?

Inference: Most of the product is good in quality so the people using such good found to be satisfied.

12. Will you prefer to purchase again?

Inference: From the analysis done, we can say that 60% will buy again**.**

FINDINGS

This analysis helps to define the direction that consumer behaviour is used to make and to give ideal trends in product development, qualities of the alternative communication method etc. This study provides information that is represented by the combination of sound, sight, and touch sources. This study covers numerous areas of the visual and verbal media messages through which people takes information. The verbal and visual information touches individual's perception of the environmental incitements.

Therefore, taking into account three questions that affect the most:

1. Most of the goods purchased are shoes and clothes which is universal, if distinguished according to the gender female prefer to buy accessories the most, on the other hand, male prefer to buy electrical gadgets and shoes the most.
2. Taking in to account the price in which thy buy the things is 1000-2000 because most of the goods purchase are electrical goods and Shoes which are generally expensive up to these range
3. This research is basically done in the age group of 20- 25 and in tier-2 cities like Nagpur and people don't feel secure to pay online or to share their credit and debit card details. Therefore, they prefer to pay cash on delivery.

CONCLUSION

By analyzing all the findings, we can conclude that event though in tier-2 cities there is positive impact of the social media advertisement. The use of social media is growing rapidly. For marketing professionals, social media is a new outlet that can potentially be used to help increase the interest in a product or service. In this paper, we report, analyze and interpret the results of a survey that asked several questions concerning the relationship between social media use and the overall impact social media marketing has on purchase behaviour. In addition to demographics, key questions included the membership status in several social media sites and the frequency of visit to these sites as well as the frequency with which selected opinions were expressed during these visits.

SUGGESTIONS

1. When marketers want to reach users of social networks such as Facebook, MySpace, or Cyworld, they have two choices: buy advertising or start a viral campaign.
2. If the purpose of advertising is to influence consumers' purchases, our research shows that there is another way to influence their behaviour. Imagine that Sony wants to promote its new digital camera. Sony can either advertise on Facebook and accept a very low click-through rate, or give away free cameras to several Facebook members (potentially at a lower cost than advertising) and generate a viral campaign. Our research shows that this viral campaign is possible. We further show what type of users is more likely to be influenced by such a campaign.
3. Consider a cosmetic company such as Mary Kay. Its website currently allows consumers to upload their picture and try different cosmetics virtually to see how they may look before making a purchase. However, if users (especially young consumers) really value the opinion of their friends, Mary Kay may benefit from linking its online site to a social networking site such as Facebook where users may even get instant feedback from their friends before making a purchase.

4. Some of the companies didn't deliver their product in small or tier-2 cities so to improve sales they must provide their services in small tier-2 cites.
5. Companies must have to make customer aware about online transaction because the buyer in small cities are not comfortable to provide their credit card or debit card details online so they prefer to buy good by cash on delivery.

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"Above the Clouds" – A Conceptual Study of Cloud Computing

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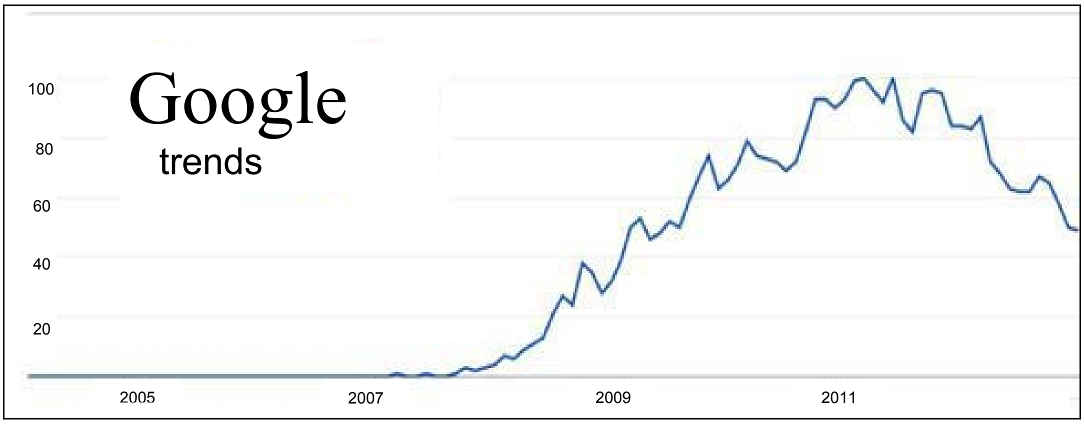
INTRODUCTION

Computing is being transformed to a model consisting of services that are commoditized and delivered in a manner similar to traditional utilities such as water, electricity, gas, and telephony. In such a model, users access services based on their requirements without regard to where the services are hosted or how they are delivered. Several computing paradigms have promised to deliver this utility computing vision and these include cluster computing, Grid computing, and more recently Cloud computing. The latter term denotes the infrastructure as a "Cloud" from which businesses and users are able to access applications from anywhere in the world on demand. Thus, the computing world is rapidly transforming towards developing software for millions to consume as a service, rather than to run on their individual computers. At present, it is common to access content across the Internet independently without reference to the underlying hosting infrastructure. This infrastructure consists of data centers that are monitored and maintained around the clock by content providers. Cloud computing is an extension of this paradigm wherein the capabilities of business applications are exposed as sophisticated services that can be accessed over a network. Cloud service providers are incentivized by the profits to be made by charging consumers for accessing these services. Consumers, such as enterprises, are attracted by the opportunity for reducing or eliminating costs associated with "in-house" provision of these services. However, since cloud applications may be crucial to the core business operations of the consumers, it is essential that the consumers have guarantees from providers on service delivery. Typically, these are provided through Service Level Agreements (SLAs) brokered between the providers and consumers.

Providers such as Amazon, Google, Sales force, IBM, Microsoft, and Sun Microsystems have begun to establish new data centers for hosting Cloud computing applications in various locations around the world to provide redundancy and ensure reliability in case of site failures. Since user requirements for cloud services are varied, service providers have to ensure that they can be flexible in their service delivery while keeping the users isolated from the underlying infrastructure. Recent advances in microprocessor technology and software have led to the increasing ability of commodity hardware to run applications within Virtual Machines (VMs) efficiently. VMs allow both the isolation of applications from the underlying hardware and other VMs, and the customization of the platform to suit the needs of the end-user. Providers can expose applications running within VMs, or provide access to VMs themselves as a service (e.g., Amazon Elastic Compute Cloud) thereby allowing consumers to install their own applications. While convenient, the use of VMs gives rise to further challenges such as the intelligent allocation of physical resources for managing competing resource demands of the users. In addition, enterprise service consumers with global operations require faster response time, and thus save time by distributing workload requests to multiple Clouds in various locations at the same time. This creates the need for establishing a computing atmosphere for dynamically interconnecting and provisioning Clouds from multiple domains within and across enterprises. There are many challenges involved in creating such Clouds and Cloud interconnections.



Google Search Trends for Cloud Computing

Cloud computing is a relatively new concept but has its roots in many not so new technologies. One of the main tenets of cloud computing is the sharing of computing resources among a community of users. A successful predecessor of the idea is the Condor project that started in 1988 at the University of Wisconsin-Madison. This project was motivated by the observation that a high percentage of the capacity of user's workstations is idle while their users are away of their offices or doing other tasks such as reading or talking on the phone. These idle cycles can be harvested by the Condor system and made available to users who need more computing power than that available to them at their local workstations. Another technology related to cloud computing is grid computing. The grid is defined as a hardware and software infrastructure that provides dependable, consistent, pervasive, and inexpensive access to high-end computational capabilities. It became the main computing paradigm for resource-intensive scientific applications and more recently for commercial applications. Although grid computing and cloud computing are closely related, they are indeed truly distinct. Resource allocation issues are crucial to the performance of applications on the grid. One of the technologies that has enabled cloud computing is virtualization because it allows for easy isolation of applications within the same hardware platform and easy migration for purposes of load balancing. Isolation is important for security concerns and load balancing is important for performance considerations. Service oriented architectures (SOA) and Web services are also an important development for building clouds that provide services as opposed to just computing resources. This paper discusses the concepts of cloud computing as well as its advantages. The paper also focuses on essential characteristics, deployment model and service models of cloud computing.

CONCEPT OF CLOUD COMPUTING

Let's firstly start by establishing what the word "cloud" means in this context. Cloud is a metaphor for the Internet. It is quite common these days to draw network diagrams that depict the Internet as a cloud hence the use of the word in this instance. So why didn't they just call it "Internet Computing"? Well that's because cloud computing goes beyond just using the Internet, as we do for, say, websites. The Internet is the carrier but there is a whole set of other technologies involved that are essential in a cloud computing environment. Getting a commonly agreed definition of cloud computing is still quite difficult. There are many opinions on this, some of them driven by vendors' own view of the world. Whilst they all generally refer to the same thing we thought we should try and agree on one of these for the purposes of this guide. Gartner defines cloud computing as

"A style of computing where massively scalable IT-enabled capabilities are delivered 'as a service' to external customers using Internet technologies."

The three keywords in this definition are scalable, service and Internet. Cloud computing is about how an application is deployed and delivered over the Internet and which is scalable on demand. Cloud computing is not something that an end-user buys. In fact, end-users should be oblivious to, and shouldn't care, whether an application is delivered using cloud computing. Cloud computing is a deployment model for applications that is used by organizations in order to reduce infrastructure costs and/or address capacity/scalability concerns. Effectively these organizations are saying that they don't want to own the assets or to operate the system in their own data centres. They are buying results not assets (of course, it is still possible to own the intellectual property in the software and to have it operating in the cloud).

Overview of Cloud Computing

Cloud computing has many different meanings for different people. However, a basic definition that encompasses virtually all definitions is the following: Cloud computing is a modality of computing characterized by on demand availability of resources in a dynamic and scalable fashion. The term resource here could be used to represent infrastructure, platforms, software, services, or storage. The cloud provider is responsible to make the needed resources available on demand to the cloud users. It is the responsibility of the cloud provider to manage its resources in an efficient way so that the user needs can be met when needed at the desired Quality of Service (QoS) level. For example, an infrastructure cloud offers computing infrastructure, typically in the form of virtual machines allocated to physical servers, as needed by its users. Cloud users are charged, in most cases, by how much resources they consume (e.g., ₹ per hour of CPU usage). An analogy between cloud computing and the power grid is useful to capture some of the similarities but also some important distinctions. Consumers use electric energy on-demand according to their needs and pay based on their consumption. The electric power utilities (analogous to cloud providers) have to be able to determine at each point in time how much energy to generate in order to be able to match the demand. A variety of models that include weather prediction models and historic data on power consumption for each day of the year and each hour of the day drive the decisions made by utilities. The analogy breaks in some of important aspects. The product delivered by the power grid is homogeneous (e.g., 220 V of Alternating Current). On the other hand, computing clouds offer a variety of resources on demand. Another important difference has to do with the interface and plug-compatibility. One can plug any appliance to the power grid and it will work seamlessly as long as it conforms to a very simple specification of voltage and frequency. The same is not true with computing clouds. The APIs offered by cloud providers are not standardized and may be very complicated in many cases. In other words, computing clouds are not "plug-and-play" yet.

The defining attributes of the cloud computing for delivering computing services are:

- Cloud computing uses Internet technologies to offer elastic services. The term "elastic computing" refers to the ability of dynamically acquiring computing resources and supporting a variable workload. A cloud service provider maintains a massive infrastructure to support elastic services.
- The resources used for these services can be metered and the users can be charged only for the resources they used.
- The maintenance and security are ensured by service providers.
- Economy of scale allows service providers to operate more efficiently due to specialization and centralization.
- Cloud computing is cost-effective due to resource multiplexing; lower costs for the service provider are passed on to the cloud users.
- The application data is stored closer to the site where it is used in a device and location independent manner; potentially, this data storage strategy increases reliability and security and, at the same time, it lowers communication costs.
- There is a huge amount of hype surrounding cloud computing but despite this more and more C-level executives and IT decision makers agree that it is a real technology option. It has moved from futuristic technology to a commercially viable alternative to running applications in-house.
- Vendor organizations such as Amazon, Google, Microsoft and Salesforce.com have invested many millions in setting up cloud computing platforms that they can offer out to third parties. They clearly see a big future for cloud computing.
- Of course, no technology comes without a set of advantages and disadvantages so we've tried to sort to wheat from the chaff when it comes to the reality of cloud computing. In particular, one always has to be cautious in believing the claims of any specific vendor.

THE FIVE ESSENTIAL CHARACTERISTICS OF CLOUD COMPUTING

1. **On-demand Self-service:** A consumer can unilaterally provision computing capabilities, such as server time and network storage, as needed automatically without requiring human interaction with each service's provider.
2. **Broad Network Access:** Capabilities are available over the network and accessed through standard mechanisms that promote use by heterogeneous thin or thick client platforms (e.g., mobile phones, laptops, and PDAs).

3. **Resource Pooling:** The provider’s computing resources are pooled to serve multiple consumers using a multi-tenant model with different physical and virtual resources dynamically assigned and reassigned according to consumer demand. There is a sense of location independence in that the customer generally has no control or knowledge over the exact location of the provided resources but may be able to specify location at a higher level of abstraction (e.g., country, state, or datacenter). Examples of resources include storage, processing, memory, network bandwidth, and virtual machines.
4. **Rapid Elasticity:** Capabilities can be rapidly and elastically provisioned, in some cases automatically, to quickly scale out, and rapidly released to quickly scale in. To the consumer, the capabilities available for provisioning often appear to be unlimited and can be purchased in any quantity at any time.
5. **Measured Service:** Cloud systems automatically control and optimize resource use by leveraging a metering capabilityat some level of abstraction appropriateto the type of service (e.g., storage, processing, bandwidth, and active useraccounts). Resource usage can be monitored, controlled, and reported providing transparency for both the provider andconsumer of the utilized service.

THE SIX REASONS TO CONSIDER ADOPTING CLOUD COMPUTING

Cloud computing brings benefits across three categories: economic, architectural, and strategic. First, it helps reduce IT costs and shift budgets from CAPEX to OPEX. Second, it improves the experience of end-users. Third, it helps companies focus on their core competencies.

Scalability

As mentioned above, scalability is a key aspect of cloud computing. The ability of the platform to expand and contract automatically based on capacity needs (sometimes referred to as “elasticity”), and the charging model associated with this, are key elements that distinguish cloud computing from other forms of hosting. Cloud computing provides resources on-demand for many of the typical scaling points that an organization needs including servers, storage and networking. The on-demand nature of cloud computing means that as your demand grows (or contracts) you can more easily match your capacity (and costs) to your demand. There is no need to over-provision for the peaks. At the software level, cloud computing allows developers and IT operations to develop, deploy and run applications that can easily grow capacity, work fast and never – or at least rarely – fail, all without any concern as to the nature and location of the underlying infrastructure. One shouldn’t forget the advantage cloud computing can offer newer or smaller players. With easy access to a cost-effective, flexible technology platform small competitors can punch well above their weight in terms of application capacity and scalability and can quickly turn into significant adversaries.

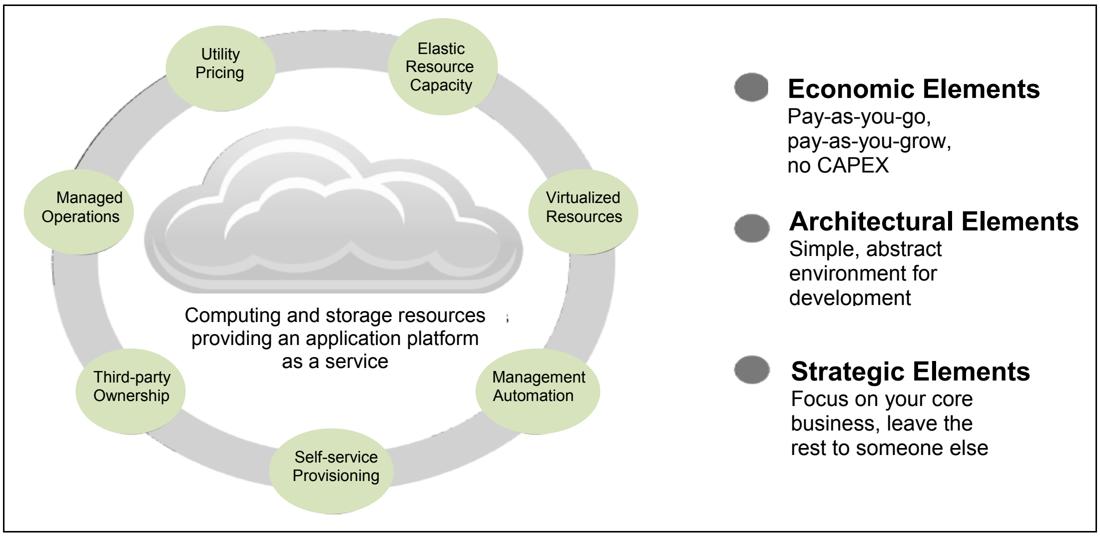
Cost Saving

There is still some debate about whether there are real cost savings with cloud computing. McKinsey recently published a report claiming that there was no cost saving to be had and that; on the contrary, it could work out more expensive. This report has since been debunked by others claiming that it only focused on one (failed) project and that it didn’t accurately reflect the true cost of running systems internally. On the other hand, a report by Forrester emphasizes the fact that use of cloud computing matches cash flow to system benefits more appropriately than the traditional model. In the old way of doing things, a large investment is made early in the project prior to system build out, and well before the business benefits (presumably financial in some shape or form) are realized. This model is even more troubling given the risk factors associated with IT systems: they are notorious for failing to deliver their promised benefits, and a large percentage of projects end up scrapped due to poor user acceptance. With cloud computing, you move from a capital investment to an operational expense. Whilst cost won't be the only driver in the adoption of cloud computing it is often seen as the key factor. Clearly if a decision to adopt cloud computing (or not) is to be based primarily on the potential cost savings, then the true cost of operating an application internally needs to be understood and this is something that most organizations are not good at. Many organizations home in on the cost of provisioning a server internally (including software licenses) and end up comparing that with the cost of a cloud-based solution. This inevitably will lead to the conclusion that cloud computing is more expensive. The problem with this type of costing is that it omits a whole range of costs that are often not assigned to the internal server's costs such as:

(a) Technical personnel necessary to keep a data centre up and running
(b) Extra personnel necessary to manage server procurement
(c) Utility bills and capital expense investments for power and cooling
(d) Internal technical people to do assessments and trials of different hardware offerings
(e) Procurement people to do the negotiating for hardware purchase
(f) Internal and external costs for data centre designers, facilities management, etc
(g) Contract and account people to keep track of all the various licenses, leases, etc.

In addition, most organizations' data centers are often oversized when they are built and typically will run at an utilization rate of less than 60%. It is also reckoned that over the four year life of a server, the combined facility, capital and operational expense will be up to four times greater than the cost of the server itself. One of the key advantages offered by cloud computing is that you can pay on a consumption basis e.g. per hour, per gigabyte etc. This has a huge impact on the economics. When a true comparison is done, using a fully costed model, the decision weighs more favourably towards cloud computing. And when the other advantages are taken into account then cloud computing can really stack up as a viable option.

Research firm IDC summed it up the thus – "The cloud model offers a much cheaper way for businesses to acquire and use IT. In an economic downturn the appeal of that cost advantage will be greatly magnified".



Business Agility

One of the understated advantages of cloud computing is that it enables an organisation to be more agile. The speed at which new computing capacity can be requisitioned is a vital element of cloud computing. Adding additional storage, network bandwidth, memory, computing power etc. can be done rapidly and often instantaneously. Most cloud providers employ infrastructure software that can easily add, move, or change an application with very little, if any, intervention by cloud provider personnel. This dynamic, elastic nature of cloud computing is what gives it a big advantage over an in-house data centre. Many internal IT departments have to work through procurement processes just to add additional capacity. Once the procurement has been authorized it can still take weeks to acquire and rack new equipment. In many cases, the demand for IT services is outstripping the ability of the IT department to manage using traditional practices. Cloud computing allows organizations to react more quickly to market conditions and to scale up and down as needed. New applications can be quickly released with lower up-front costs. The flexibility offered by cloud computing enables innovative ideas to be rapidly tried and tested without the need to divert existing IT staff from their daily routine. Increasingly people won’t want to spend capital on these new ideas. They’ll want to pay for them operationally. They may represent a new market, a new technique, a new set of standards, or a new set of technologies. If you’re starting a new line of business, you can launch with a robust, state-of-the-art infrastructure without tying up limited capital. For development projects, organisations can provision multiple production-scale systems on demand in the cloud – saving time and expense over traditional testing scenarios and enabling faster handoff from development to operations. And when the project is finished they can be turned off again with nothing else to pay.

Built-in Disaster Recovery and Back-up Sites

With cloud computing, the burden of managing technology is placed on the technology provider. It is their responsibility to provide built-in data protection, fault tolerance, self-healing and disaster recovery. Typical disaster recovery costs are estimated at twice the cost of the infrastructure. With a cloud-based model, true disaster recovery is estimated to cost little more than one times the costs, a significant saving. Additionally, because cloud service providers replicate their data, even the loss of one or two data centers will not result in lost data. Cloud computing provides a high level of redundancy at a price point traditional managed solutions cannot match. Now every business can put a plan in place to ensure they are able to continue their business in the face of radical environment changes. Even the cloud computing cynics are agreed on this.

Device and Location Independence

Cloud computing is already enabling greater device independence, greater portability, and greater opportunities for interconnection and collaboration. With applications and data located in the cloud it becomes much easier to enable users to access systems regardless of their location or what device they are using. Tele-workers can be quickly brought online, remote offices can be quickly connected, temporary teams can be easily set up on site and mobile access can be easily enabled. With the growing use of smart phones, net books and other hand-held devices there is also an increasing need for data access on the go. The success of devices such as the iPhone and its App store is also opening up a whole new world of mobile applications. Connecting these types of applications to data stores will be significantly easier through the cloud. Location-based applications will reach their potential through cloud computing. Many smart phones are now location-aware (using inbuilt GPS facilities) and we will increasingly see applications that take advantage of this capability. Cloud computing will facilitate innovation in many areas. Much of it will be driven by the ease with which different devices can connect to cloud-based applications.

It's Greener

As mentioned above, most internal data centers are oversized and don't run at anything like full capacity. Most servers run significantly below capacity (real world estimates of server utilisation in data centers range from 5% to 20%) yet they still consume close to the same amount of power and require the same amount of cooling as a full capacity machine (granted that Virtualization is changing this in some cases). A typical data centre consumes up to 100 times more power than an equivalent sized office building. The carbon footprint of a typical data centre is therefore a significant concern for many organisations. In a cloud computing environment, resources are shared across applications (and even customers) resulting in greater use of the resources for a similar energy cost. For corporations spread over different time zones, the computing power lying idle at one geographic location (during off-work hours) could be harnessed at a location in a different time zone. This reduces not only the power consumption but also the amount of physical hardware required. With cloud computing, virtual offices can be quickly set up. Employees can easily work from home. Travelling salespeople can have all their data available in any location without needing to visit the office. These are just some of the other examples of how the carbon footprint can be reduced.

CLOUD COMPUTING INFRASTRUCTURE/DEPLOYMENT MODELS

There are many considerations for cloud computing architects to make when moving from a standard enterprise application deployment model to one based on cloud computing. There are public and private clouds that offer complementary benefits, there are three basic service models to consider, and there is the value of open APIs versus proprietary ones, Public, private, and hybrid clouds. IT organizations can choose to deploy applications on public, private, or hybrid clouds, each of which has its trade-offs.

Public clouds

Public clouds are run by third parties, and applications from different customers are likely to be mixed together on the cloud's servers, storage systems, and networks. Public clouds are most often hosted away from customer premises, and they provide a way to reduce customer risk and cost by providing a flexible, even temporary extension to enterprise infrastructure. If a public cloud is implemented with performance, security, and data locality in mind, the existence of other applications running in the cloud should be transparent to both cloud architects and end users. Indeed, one of the benefits of public clouds is that they can be much larger than a company's private cloud might be, offering the ability to scale up and down on demand, and shifting infrastructure risks from the enterprise to the cloud provider, if even just temporarily. Portions of a public cloud can be carved out for the exclusive use of a single client, creating a virtual private datacenter. Rather than being limited to deploying virtual machine images in a public cloud, a virtual private datacenter gives customers greater visibility into its infrastructure. Now customers can manipulate not just virtual machine images, but also servers, storage systems, network devices, and network topology. Creating a virtual private datacenter with all components located in the same facility helps to lessen the issue of data locality because bandwidth is abundant and typically free when connecting resources within the same facility.

Private clouds

Private clouds are built for the exclusive use of one client, providing the utmost control over data, security, and quality of service. The company owns the infrastructure and has control over how applications are deployed on it. Private clouds may be deployed in an enterprise datacenter, and they also may be deployed at a collocation facility. Private clouds can be built and managed by a company’s own IT organization or by a cloud provider. In this “hosted private” model, a company such as Sun Microsystems can install, configure, and operate the infrastructure to support a private cloud within a company’s enterprise datacenter. This model gives companies a high level of control over the use of cloud resources while bringing in the expertise needed to establish and operate the environment.

Hybrid clouds

Hybrid clouds combine both public and private cloud models. They can help to provide on-demand, externally provisioned scale. The ability to augment a private cloud with the resources of a public cloud can be used to maintain service levels in the face of rapid workload fluctuations. This is most often seen with the use of storage clouds to support Web 2.0 applications. A hybrid cloud also can be used to handle planned workload spikes. Sometimes called “surge computing,” a public cloud can be used to perform periodic tasks that can be deployed easily on a public cloud. Hybrid clouds introduce the complexity of determining how to distribute applications across both a public and private cloud. Among the issues that need to be considered is the relationship between data and processing resources. If the data is small, or the application is stateless, a hybrid cloud can be much more successful than if large amounts of data must be transferred into a public cloud for a small amount of processing.

CLOUD COMPUTING SERVICE MODELS

Cloud computing can described as services being provided at any of the traditional layers from hardware to applications. In practice, cloud service providers tend to offer services that can begrouped into three categories: software as a service, platform as a service, and infrastructure as a service.

SaaS (Software as a Service)

It is the most widely known and widely used form of cloud computing. It provides all the functions of a sophisticated traditional application to many customers and often thousands of users, but through a Web browser, not a “locally-installed” application. Little or no code is running on the user’s local computer and the applications are usually tailored to fulfill specific functions. SaaS eliminates customer worries about application servers, storage, application development and related, common concerns of IT. Highest-profile examples are Salesforce.com, Google’s Gmail and Apps, instant messaging from AOL, Yahoo and Google, and VoIP from Vonage and Skype.

PaaS (Platform as a Service)

Delivers virtualized servers on which customers can run existing applications or develop new ones without having to worry about maintaining the operating systems, server hardware, load balancing or computing capacity. These vendors provide APIs or development platforms to create and run applications in the cloud – e.g., using the Internet. Managed Service providers with application services provided to IT departments to monitor systems and downstream applications such as virus scanning for e-mail are frequently included in this category. Well known providers would include Microsoft's Azure, Salesforce’s Force.com, Google Maps, ADP Payroll processing, and US Postal Service offerings.

IaaS (Infrastructure as a Service)

Delivers utility computing capability, typically as raw virtual servers, on demand that customer configure and manage. Here, Cloud Computing provides grids or clusters or virtualized servers, networks, storage and systems software, usually (but not always) in a multitenant architecture. IaaS is designed to augment or replace the functions of an entire data center. This saves cost (time and expense) of capital equipment deployment but does not reduce cost of configuration, integration or management and these tasks must be performed remotely. Vendors would include Amazon.com (Elastic Compute Cloud [EC2] and Simple Storage), IBM and other traditional IT vendors.

CONCLUSION

This paper reviews the recent advances of Cloud computing and presents our views on Cloud computing: definition, key characteristics and enabling technologies. The perspective study aims to contribute the evolution of the Cloud computing paradigm and study deployment and service model of cloud computing. It is the technology of the decade and would help to create whole new generations of applications and business. Our prediction is that it is the beginning to the end of the dominance of desktop computing such as that with the Windows. It is also the beginning of a new Internet-based service economy: the Internet-centric, Web-based, on-demand, Cloud applications and computing economy. In last few years, Cloud computing has emerged to provide inexpensive on-demand pay per use computing resources to organizations of all sizes.

During the study, we found the following advantages of cloud computing:

1. **Flexibility**

   The second a company needs more bandwidth than usual, a cloud-based service can instantly meet the demand because of the vast capacity of the service's remote servers. In fact, this flexibility is so crucial that 65% of respondents to an Information Week survey said "the ability to quickly meet business demands" was an important reason to move to cloud computing.

2. **Disaster Recovery**

   When companies start relying on cloud-based services, they no longer need complex disaster recovery plans. Cloud computing providers take care of most issues, and they do it faster. Study shows that mid-sized businesses who use cloud computing had the best recovery times of all, taking almost half the time of larger companies to recover.

3. **Automatic Software Updates**

   Companies waste a lot of man-hours managing on-site security and other IT-related maintenance tasks. But cloud computing suppliers do the server maintenance including security updates themselves, freeing up their customers time and resources for other tasks.

4. **No or Low Capital Expenditure**

   Cloud computing services are typically pay as you go, so there's no need for capital expenditure at all. And because cloud computing is much faster to deploy, businesses have minimal project start-up costs and predictable ongoing operating expenses.

5. **Increased Collaboration**

   Cloud computing increases collaboration by allowing all employees wherever they are to sync up and work on documents and shared apps simultaneously, and follow colleagues and records to receive critical updates in real time.

6. **Work from Anywhere**

   As long as employees have internet access, they can work from anywhere. This flexibility positively affects knowledge workers work-life balance and productivity.

7. **Document Control**

   If a company doesn’t use the cloud, workers have to send files back and forth over email, meaning only one person can work on a file at a time and the same document has tones of names and formats. Cloud computing keeps all the files in one central location, and everyone works off of one central copy simultaneously.

8. **Security**

   When the machine carrying the sensitive data is lost or stolen it may cause high security issues, but when everything is stored in the cloud, data can still be accessed no matter what happens to a machine.

9. **Competitiveness**

   The cloud grants SMEs access to enterprise-class technology. It also allows smaller businesses to act faster than big, established competitors. SMEs get the most benefit from the cut in energy use and reduced carbon emissions.

10. **Environment-friendly**

    Businesses using cloud computing only use the server space they need, which decreases their carbon footprint. Using the cloud results in at least 30% less energy consumption and carbon emissions than using on-site servers.

Future Trends and Prospects in Cloud Technology – Year 2013

Technology experts think that cloud technology has not reached its maturity yet; it may take it about ten or more years to mature if the present pace of growth remains consistent. It is being anticipated that the growth will be even more in the field of cloud technology in the year 2013 and beyond. The study bring forth following future trends in the field of cloud computing:

- A huge increase in application and SaaS model of business is coming out to be one of the most powerful drivers of the increase in cloud technology. Many companies and start-ups have emerged recently and many are in the process of appearing in the marketplace.
- The increased demand of managed services based on PaaS, SaaS, and IaaS is another powerful and effective reason for the increasing trend of cloud technology.
- The increased public cloud services ecosystem has progressed very rapidly for the provisioning of both the technology and IT service by the service providers – thus a huge prospect is being anticipated in this domain of business based on cloud technology.
- The exponential increase in the development of the cloud storage ecosystem and data centre hubs has given new potential directions to the businesses based on cloud technology.
- The increasing demand of mobile application development platforms based on cloud hosting technologies is another very powerful dynamic to drive the cloud computing technology faster.

In the nutshell, it is expected that there will be a consistent increase in the usage of cloud technology and other technologies related to the cloud computing realm.

RESEARCH RECOMMENDATIONS

The research recommends the use of cloud computing to reduce the cost of IT infrastructure for the organizations. Especially, SMEs who adopt cloud technology can compete with the bigger organization in a more effective manner by increasing their productivity.

Below are a few of the practical ways we suggest a business can employ cloud computing to improve its operations and productivity:

- **Data duplication:** Unlike physical servers that can cost a lot to maintain let alone buying backups, cloud computing allows companies to have multiple copies of information on various virtual servers meaning work flow won't be affected by technical glitches.
- **Access control:** With the right amount of skill an intruder can access a physical server and damage or steal data. This kind of access is impossible under cloud as security is much tighter.
- **Innovation:** Businesses like banks and training institutions get a platform upon which they can build new products and services that are easily accessible to the consumer.
- **Outsourcing:** Clouds make it easier for a business to outsource non-core business activities like customer care to offsite and even overseas locations which is more cost-effective.
- **Tele-working:** It enables workers to carry out their jobs at convenient locations reducing fixed costs brought about by hiring premises and transport cost.
- **Efficient data handling:** Unlike in conventional situations where data access maybe slow or hampered by excessive traffic to one server, the cloud doesn't suffer from this.
- **Increase technical capability:** Cloud computing allows deployment of specialized software and tools that would have otherwise cost too much to use in the traditional setting.

Cloud computing has become a popular way for businesses to increase their presence online. Some of the benefits a business stands to gain by identifying how to use cloud computing for business improvements include:

- **Reduced cost –** The combined cost of physical infrastructure and maintenance is avoided.
- **Convenience –** Relocating to new facilities is easier as not much time is needed to set up.
- **Security and safety –** All data and software a firm uses is safe and secure in offsite locations.

These are just a few of the reasons why businesses should learn how to use cloud computing for business improvements. Small and big businesses are using this new technology to enhance their operations.

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Employee Retention Strategies and Practices: An Empirical Study from India's Perspective

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ABSTRACT

Employee turnover is a major challenge faced by the companies globally. This problem leads the company to lose its expert and may lead to less productivity. In this paper, we study the problem in front of the management is to retain high performer and stop them quitting. The organization by framing certain strategies that may stop the employee from quitting.

To study the reasons behind an employee refrain from the organization and to make arrangement for them not to leave the organization. This study helps to identify the factors responsible for high employee turnover and suggest measures for controlling those factors Result of the study showed that retention strategies has an impact on employee turnover. Other variables such as welfare benefits, personal satisfaction and organization culture, which are said to be associated with the employee turnover were also investigated as part of this study.

Methodology: In this paper, we mostly collected data by secondary method due to short period of time.

Keywords: *Employee turnover, management, retention strategies, framing strategies and other variables.*

INTRODUCTION

Retaining your best staff is essential to your company's performance. For managers, nothing feels better than having a productive and happy workforce who are collectively focused on the organization's success or managers, nothing feels better than having a strong, successful, happy workforce in place, who are mutually focused on the organization's performance. Hiring top-quality individuals is an important task on its own, but essential to any manager's ongoing process is a critical retention strategy. In fact, hiring does not end when the candidate has accepted the position. Advantageous initiatives and well-planned processes must be firmly in place and consistently nurtured so that employees will have reasons to remain with your company for growth to continue. Following a well developed strategy will let you reduce recruitment through retaining your top-performing talent. Obviously, you cannot hold onto all your best people, but you can certainly minimize the loss. Reducing employee turnover is a strategic and vital issue, beneficial to your company's bottom line. It has taken considerable time and resources to attain a staff whom you are proud of – to replace them starves your organization of many essential success factors (money, overall attitude, productivity, etc.) and the company's ultimate triumph. The intent of this whitepaper is to help you discover the importance of retaining your valuable employees and provide you with a list of solutions. Each individual who performs a function at your organization – no matter how junior or senior – are the puzzle pieces that fit together to create the larger picture of success. Missing one of those pieces puts a hole in the picture and stops your company being successful. To keep them, your company must develop a retention strategy with clearly defined goals.

LITERATURE REVIEW

The literature review consists of articles written by industry professionals who discuss employee retention issues across the country.

This paper will focus on employee retention strategies that managers can use to engage and retain their staff. These approaches are developed from the top reasons employees have stated for leaving a company. The best nonmonetary and other methods include making employees feel valued, making them feel connected and involved, providing opportunities for personal and professional growth, and promoting continuous learning. These practices can be accomplished through clear communication, providing feedback, offering training and development, providing employees with challenging assignments, and showing appreciation and recognition to employees for their work employers are able to engage employees before the economy has fully recovered and the job market opens up, they will be able to focus on filling positions that were unfilled during the recession without having to hire for newly vacated positions as well. Employee turnover is the replacement cycle each time a position is vacated either voluntarily or involuntarily Voluntary turnover is when an employee chooses to quit their job. When the company ends the working relationship through either layoff or discharge, this is an involuntary turnover. Not all employee turnovers can be controlled by the company but the rate of voluntary turnover can and should be a priority for managers.

According to Robison (2008), managers can influence at least 75% of the reasons for voluntary turnover. By implementing retention strategies companies can reduce and hold on to the key employees that are assets to their organization. Employee turnover is the replacement cycle each time a position is vacated. The cost associated with employee turnover has been estimated at one to two times the salary of the employee leaving. In addition to the base costs of recruiting, hiring, and training, there are hidden costs such as loss of productivity, lower guest satisfaction levels, reduced morale, and added stress to other workers staying. Implementing strategies that focus on employee retention allows companies to save time and money helping to improve profitability.

OBJECTIVES

- **Increase awareness of the importance of employee retention.**

  Rationale: Keeping employees in the workforce is key to reducing recruitment costs, increasing corporate knowledge and maintaining a committed employee workforce. This indicates the need to raise awareness about the importance of employee retention. Workplaces that address employee retention are generally work environments that experience less turnover and higher employee satisfaction.

- **Improve employers' access to information/tools to support their ability to retain employees.**

  Rationale: Access to information and tools is necessary to support employers' ability to incorporate retention practices and to build flexible workplaces. In addition, employer engagement in retention strategies outlined in workshops or conferences will strengthen workplaces and assist employers in employee retention.

- **Increase employers' awareness of the barriers to employee retention.**

  Rationale: Building awareness of the barriers to employee retention is key element in assisting employers in retaining under-represented workers in their organizations. This includes raising awareness of the tools available and providing information to assist employers in providing accommodation to their employee

HYPOTHESIS

A hypothesis is a statistical proposition formulated in a certain given situation as a part of research which state what the research is looking for. The proposed research hypothesis has been formulated as:

1. There is strong relationship between employee turnover and other variables such as welfare benefits, personal satisfaction and organization culture.
2. There is strong relationship between employee retention and best monetary and nonmonetary policy.
3. Again there is significant relationship between best practices run by the firm, i.e., clear communication, providing feedback, offering training and development, providing employees with challenging assignments, and showing appreciation and recognition.
4. This study shows the relationship between employee retention and selection, leadership, meaningful work and ownership and recognition and reward.

MATERIAL AND METHODOLOGY

Data collection

Secondary data is collected through journal, internet and latest news.

In this paper, we focus on:

Recognizing the Problem

Who is ultimately responsible for staff retention? Retention starts at the top. Sourcing, hiring and retaining motivated employees is the responsibility of the company's governing board and Leadership Team. Getting and keeping good staff demands focused, formal and informal policies and procedures that make retention a prime management outcome. Managers need to appreciate staff every day and constantly work to keep them on board. The HR department alone cannot reduce turnover. For significant, positive change, company leaders must establish distinct retention processes and programs within all levels of an organization. After finding the right people, it is management's primary role to take responsibility for the success of their employees including leading people towards performance goals and targets.

Why are people leaving? If you are baffled as to why people are leaving your company, then take a look at a typical workplace scenario: companies in North America. The nature of work environments at all levels has become such that employees are faced with increased workloads, ever-stressed bosses, lack of incentives and fear of reductions. This has caused many talented employees to leave their current organizations. In most cases they are not blind to the fact that things might not be better elsewhere but they are hoping for some recognition and perhaps a bit of relief, even if temporary, from their current situation. According to Dr. John Sullivan, an HR advisor to Fortune 500 and Silicon Valley firms, there are a number of factors that will contribute to a forthcoming wave of turnover. New job opportunities are steadily rising in fields that were once underperforming. Fast online job search resources let employees search and apply to new jobs easily. Globalization and off-shoring have created a sense of discomfort and lack of loyalty to companies. Increased corporate recruitment efforts are aiming to snatch top performers and the natural shift of age dynamics means retirement levels will soon come in waves, leaving once unattainable roles open. Never has it been more critical to organize your company's retention programs before high turnover takes hold and strongly impact your business goal.

Setting Goals for Retention

- **Top performer profiling:** Begin at the recruitment stage by comparing candidates to your best employees.
- **Orientation and on-boarding:** Well planned, post hiring "fitting-in" plans instills long-term employee confidence in the organization.
- **Performance reviews:** Performance feedback on a regular basis propels success.
- **Career pathing and the two-way value proposition:** Paralleling company goals with personal goals and planning for success in the future creates motivation to outperform in current positions.
- **Communication:** Listening commands respect and representation.
- **Morale boosting:** Respecting, valuing and appreciating employees does more than financial compensation to increase retention.
- **Competitive compensation:** Third-party salary surveys allow you to stay current and your employees to stay with the company.
- **Non-monetary reward and recognition:** A variety of rewards will increase employee gratification and happiness.
- **Employee surveys:** Let your employees be heard and listen to their concerns.
- **Exit interviews:** Learn from the recently departed and change the existing profiles and perhaps company structure.
- **The Boomerang Effect:** Tap the resource of returning employees whose experience and connections are invaluable.

Goal: Enhance employers' ability to retain skilled employees.

Rationale: Employee retention is important for building a productive, healthy and committed workforce. Retention practices help save costs associated with recruitment, business productivity or poor customer service. The objective of the Employee Retention Strategy is to increase the awareness, tools and information available to employers to assist them in employee retention. These objectives will all contribute to building more inclusive and flexible

The High Cost of Employee Turnover

The costs of high staff turnover can be incredible. Some of the substantial costs that occur when a person leaves your organization include the following:

1. **Recruitment costs:** From advertising to the time spent interviewing and sourcing.
2. **Training costs:** Orientation materials and trainers' time it require on average 4-6 weeks or more of classroom training.
3. **Lost productivity costs:** A new employee operates between 25% to 50% of productivity levels for the first three months, not including the time spent by existing employees to assist.
4. **Lost sales costs:** The loss of business when the role is vacant.

BEST PRACTICES FOR IMPROVING EMPLOYEE RETENTION

Selection

Retention starts up front, in the selection and hiring of the right employees. This requires both an assessment of basic job skills and an examination of the "softer" issues: motivation, values, and being able to fit into the organization. These factors have a powerful impact on employees' success and tenure with a company.

Leadership

An employees' experience at a company is shaped by his or her boss. Truly effective leaders work with others rather than over others to achieve results. Influential leaders build employee capacity for learning and accomplishing unrealized potential. They possess enhanced communication skills, develop strong interpersonal relationships and foster successful exchanges. Professional Growth and Development Training and development opportunities provide many employees with the incentive to stay with a company. This is especially true when employees become actively involved in their own career development and tailor a personal development plan that meets their particular goals.

Meaningful Work and Ownership

People need to know they are making a difference and being effective in their jobs. Expectations and responsibilities need to be clearly defined. Employees need to understand how their roles are linked to the organization's overall success. Employees who are involved in determining how work gets done have a sense of ownership and an opportunity to contribute to improvements in the company's performance.

Recognition and Rewards

In addition to salary and similar compensation, people appreciate and respond to alternative forms of acknowledgement, i.e., dinners, awards, comp time, etc. To be effective, such recognition should be clearly tied to achievement and encourage the desired behavior in individuals and teams.

Limitation of the Study

In this paper we mostly collected data by secondary method duo to short period of time.

Discussion and Analysis

According to the Bureau of Labor Statistics Job Openings and Labour Turnover Report for January 2011, the hospitality and leisure industry had a total annual separation rate of 82.9% in 2006, almost 100 to 200% higher than any other industry. In 2010, when the economy in the U.S. was very turbulent the total annual separations were still a staggering 56.1%, the national separation average was 35.7%. As the economy begins to stabilize and jobs become more available it is estimated that nearly half of employees are thinking about leaving their current jobs and 30% are actively looking .The Bureau of Labour Statistics shows that voluntary "quits" in 2006 accounted for 57.1% of the 82.9% of total separations. In 2011, of the 56.1% total separations, 32.9% were voluntary. "Not all-turnover is bad" new blood is healthy, and new employees can bring fresh ideas to their Companies. But losing a valuable employee costs a business in time, money, and stress to other employees. Understanding why people choose to leave can provide managers with the necessary information needed to develop strategies to retain employees. Some of the major causes for turnover in are quality of supervision, ineffective communication, quality of co-workers, lack of clear definition of responsibilities, and limited career opportunities. These reasons have been consistent in many studies prior to the recession and heading into the post-recession times.

CONCLUSION

It is essential that every recruiter and manager should be concerned with retention from the start of any recruiting programme. Making the new employee aware the intention is to keep them as long as possible encourages the employee in committing to long-term goals and planning within the organization. No retention strategy is static but should be constantly evolving to suit the changing needs of the workforce. Given the growing needs for organizations to retain its best employees in the face of competition, the findings of the study suggest that certain variables are crucial in influencing employees' decision to either leave or remain in an organization. Such variables include training and development, recognition/reward for good performance, a competitive salary package and job security. Nonetheless, the importance of other variables should not be underestimated when formulating a retention policy. It is only a comprehensive blend of intrinsic and extrinsic motivational variables that can enhance retention and reduce the high rate of employee turnover in our various organizations.

SUGGESTIONS

1. Need to increase the effectiveness of workforce – tie deployment and utilization of workforce to organizational goals and business demand through integrated talent management.
2. Need to innovate Human Capital Strategy – Nobody just hires a great workforce. Firm has to find, attract, and recruit them. Then train them to succeed and ensure they feel well compensated and well represented. Learn how you can innovate your Human Capital strategy.
3. Employs an easy-to-understand systems approach to ensure the root causes of turnover are addressed and the potential for lasting change unleashed.
4. Involves those responsible for implementing change in actually creating the change, ensuring input and improved shared understanding and support of all initiatives.
5. Integrates hands-on, action-oriented approaches that enable organizations to move forward quickly and effectively.
6. Bring leading-edge organization-development best practices to effectively and quickly build a retention-rich culture.

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