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"Infrastructural Development in India: The Roadmap Ahead"

Abstract:

Infrastructure is a key driver of economic growth. The much anticipated further growth in all sectors of the economy will be increasingly contingent on the availability of the physical infrastructure and related services. The development of human resources contributes to sustained growth and productive employment. A healthy, educated and skilled workforce can contribute more significantly and effectively in economic development. Infrastructure is basic physical and organizational structures needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide framework supporting an entire structure of development. It is an important term for judging a country or region's development. The strong population growth in India and its booming economy are generating enormous pressures to modernize and expand the country's infrastructure. This applies all the more since the past few decades have seen the development of an investment backlog going into the billions. Present paper covers the growth story of Indian Infrastructure with special reference to Road, Telecommunication and Electricity. This paper also covers the comparative analysis of 10th and 11th 5 year plan.

Key words: Infrastructural Development, Economic development, Infrastructure growth

Introduction:

Infrastructure is the prime necessity for future sustainable growth of the nation - this is the most unanimously accepted fact at the current state of affairs of India, given the GDP growth rate is estimated at 8.2% in 12th five year plan. It is a means to meet the growing economic and technological growth, urbanization and increasing congestion in the country. Infrastructure development creates production facilities, reduces transaction costs and generates employment in large scale. So far, it has happened in mixed proportions. In the initial days of planning, the investments in infrastructure were made purely by the public sector largely due to the high amounts of money involved, high gestation period, uncertain return on investments and political complicacies. But ever since the liberalization of the economy, the sector has been opened up for both domestic and foreign private players for involvement in investment.

Types of Infrastructure:

The term typically refers to the technical structures that support a society, such as roads, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions. Mainly infrastructure is categorized in two broad category viz., Hard Infrastructure and Soft Infrastructure.

(A) Hard Infrastructure

"Hard" infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation. It is limited to capital assets that serve the function of conveyance or channeling of people, vehicles, fluids, energy, or information, and which take the form either of a network or of a critical node used by vehicles, or used for the transmission of electro-magnetic waves. This Infrastructure system include both the fixed assets, and the control...
systems and software required to operate, manage and monitor the systems, as well as any accessory buildings, plants, or vehicles that are an essential part of the system. Also included are fleets of vehicles operating according to schedules such as public transit buses and garbage collection, as well as basic energy or communications facilities that are not usually part of a physical network, such as oil refineries, radio, and television broadcasting facilities.

Transportation infrastructure

Road and highway networks, including structures (bridges, tunnels, culverts, retaining walls), signage and markings, electrical systems (street lighting and traffic lights), edge treatments (curbs, sidewalks, landscaping), and specialized facilities such as road maintenance depots and rest areas. Mass transit systems (Commuter rail systems, subways, tramways, trolleys, City Bicycle Sharing system, City Car Sharing system and bus transportation). Railways, including structures, terminal facilities (rail yards, train stations), level crossings, signalling and communications systems. Airports, including air navigational systems.

Energy infrastructure

Electrical power network, including generation plants, electrical grid, substations, and local distribution. Natural gas pipelines, storage and distribution terminals, as well as the local distribution network. Petroleum pipelines, including associated storage and distribution terminals. Some definitions may include the oil wells, refineries, as well as the fleets of tanker ships and trucks. Specialized coal handling facilities for washing, storing, and transporting coal. Some definitions may include Coal mines.

Water management infrastructure

This type of system includes drinking water supply, including the system of pipes, storage reservoirs, pumps, valves, filtration and treatment equipment and meters, including buildings and structures to house the equipment, used for the collection, treatment and distribution of drinking water. Drainage systems (storm sewers, ditches, etc.) It also includes major irrigation systems (reservoirs, irrigation canals). Coastal management, including structures such as seawalls, breakwaters, groynes, floodgates, as well as the use of soft engineering techniques such as beach nourishment, sand dune stabilization and the protection of mangrove forests and coastal wetlands.

Communications infrastructure

It includes postal service, including sorting facilities, telephone networks (land lines) including telephone exchange systems, mobile phone networks, television and radio transmission stations, including the regulations and standards governing broadcasting, the Internet, including the internet backbone, core routers and server farms, local internet service providers as well as the protocols and other basic software required for the system to function.

Solid waste management

It includes municipal garbage and recyclables collection, solid waste landfills, solid waste incinerators and plasma gasification facilities, materials recovery facilities, hazardous waste disposal facilities, etc.

(B) Soft Infrastructure

Soft infrastructure includes both physical assets such as highly specialized buildings and equipment, as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these systems, as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience, and are disciplined if required by professional associations.

Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people. Unlike much of the service sector of the economy, the delivery of those services depend on highly developed systems and large specialised facilities or institutions that share many of the characteristics of hard infrastructure.
Governance infrastructure

This includes the system of government and law enforcement, including the political, legislative, law enforcement, justice and penal systems, as well as specialized facilities (government offices, courthouses, prisons, etc.), and specialized systems for collecting, storing and disseminating data, laws and regulation, Emergency services, such as police, fire protection, and ambulances, including specialized vehicles, buildings, communications and dispatching systems and Military infrastructure, including military bases, arms depots, training facilities, command centers, communication facilities, major weapons systems, fortifications, specialised arms manufacturing, strategic reserves. It also includes the financial system, including the banking system, financial institutions, the payment system, exchanges, the money supply, financial regulations, as well as accounting standards and regulations and agricultural, forestry and fisheries infrastructure, including specialized food and livestock transportation and storage facilities, major feedlots, agricultural price support systems (including agricultural insurance), agricultural health standards, food inspection, experimental farms and agricultural research centers and schools, the system of licencing and quota management, enforcement systems against poaching, forest wardens, and fire fighting

Social infrastructure

This infrastructure includes the health care system, including hospitals, the financing of health care, including health insurance, the systems for regulation and testing of medications and medical procedures, the system for training, inspection and professional discipline of doctors and other medical professionals, public health monitoring and regulations, as well as coordination of measures taken during public health emergencies such as epidemics, the educational and research system, including elementary and secondary schools, universities, specialised colleges, research institutions, the systems for financing and accrediting educational institutions and social welfare systems, including both government support and private charity for the poor, for people in distress or victims of abuse

Cultural, sports and recreational infrastructure

It includes, sports and recreational infrastructure, such as parks, sports facilities, the system of sports leagues and associations, cultural infrastructure, such as concert halls, museums, libraries, theatres, studios, and specialized training facilities and business travel and tourism infrastructure, including both man-made and natural attractions, convention centers, hotels, restaurants and other services that cater mainly to tourists and business travellers, as well as the systems for informing and attracting tourists, and travel insurance.

Growth in Infrastructure:

Table 1

Sector wise Investments

(Figures in INR Crores)

<table>
<thead>
<tr>
<th>Sector</th>
<th>10th Plan</th>
<th>11th Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>3,40,237</td>
<td>6,58,630</td>
</tr>
<tr>
<td></td>
<td>(37.01)</td>
<td>(32.06)</td>
</tr>
<tr>
<td>Roads &amp; Bridges</td>
<td>1,27,107</td>
<td>2,78,658</td>
</tr>
<tr>
<td></td>
<td>(13.83)</td>
<td>(13.57)</td>
</tr>
<tr>
<td>Telecomm - unication</td>
<td>1,01,889</td>
<td>3,45,134</td>
</tr>
<tr>
<td></td>
<td>(11.08)</td>
<td>(16.80)</td>
</tr>
<tr>
<td>Railways</td>
<td>1,02,091</td>
<td>2,00,802</td>
</tr>
<tr>
<td></td>
<td>(11.11)</td>
<td>(9.78)</td>
</tr>
<tr>
<td>Irrigation</td>
<td>1,19,894</td>
<td>2,46,234</td>
</tr>
<tr>
<td></td>
<td>(13.04)</td>
<td>(11.99)</td>
</tr>
<tr>
<td>Water Supply &amp; Sanitation</td>
<td>60,108</td>
<td>1,11,689</td>
</tr>
<tr>
<td></td>
<td>(6.54)</td>
<td>(5.44)</td>
</tr>
<tr>
<td>Ports</td>
<td>22,997</td>
<td>40,647</td>
</tr>
<tr>
<td></td>
<td>(2.50)</td>
<td>(1.98)</td>
</tr>
<tr>
<td>Airports</td>
<td>6,893</td>
<td>36,138</td>
</tr>
<tr>
<td></td>
<td>(0.75)</td>
<td>(1.76)</td>
</tr>
</tbody>
</table>
### Storage
<table>
<thead>
<tr>
<th></th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage</td>
<td>5,643</td>
<td>8,966</td>
</tr>
<tr>
<td></td>
<td>(0.61)</td>
<td>(0.44)</td>
</tr>
</tbody>
</table>

### Oil & Gas Pipelines
<table>
<thead>
<tr>
<th></th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas Pipelines</td>
<td>32,367</td>
<td>1,27,306</td>
</tr>
<tr>
<td></td>
<td>(3.52)</td>
<td>(6.20)</td>
</tr>
</tbody>
</table>

### Total
<table>
<thead>
<tr>
<th></th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9,19,225</td>
<td>20,54,206</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Note: figures in brackets indicate Sectoral shares compared to total investments

Source: www.planningcommission.nic.in

The investment figures can be seen to almost double from the 10th Five-year plan (US$ 217.86 billion) to the 11th Five-year plan (US$ 514.04 billion). To that extent, the projected investment in the 12th Five-year plan (2012-2017) has also doubled from the previous plan to US $ 1 trillion in order to re-achieve and sustain a GDP growth rate of 9%.

Revisions in the 11th Five-year plan were made as the target of US $ 514.04 billion was missed marginally, and finally set to US $ 513.5 billion. This redistribution of funds was because except the sectors of Telecom, Airport and Oil and Gas pipelines, all the sectors failed to achieve the target investment.

The policy of Public Private Partnership (PPP) was also strengthened to incorporate 30% private funding in the 11th Five-year plan from 20% in the 10th Five-year plan. For the 12th Five-year plan, this is expected to rise to 50%.

### Electricity

India has the 5th largest power generating capacity in the world. Following table shows the installed capacity of electricity generation in India. Based on ownership of the installed capacity, approximately 46% is owned by the state governments, 31% by the central government and 23% by the private sectors. The growth rate of power generation has been 5.56% over the last year 2010-11 from 2009-10 and similar figure of 5.7% CAGR during the 11th Five-year plan.

Transmission and Distribution network of power is of 5.7 million circuit kilometers in length which is the 3rd largest in world. 100% FDI permitted in Generation, Transmission and Distribution to draw private investment in the sector. Income tax waiver for first 10 years and import duty waiver on capital goods for mega power plant projects (above 1000 MW generation capacity). The ministry of power has also set the goal-Mission 2012: Power for All. The objective is to generate sufficient power to achieve GDP growth rate of 8% considering the reliability, quality and cost of power. The generation of electricity in India has seen a steady growth over the years, but is yet to provide self-sufficiency in terms of domestic consumption. In spite of a healthy trend in growth of power generation, India faces energy deficit of 10.3% annually and peak power deficit of 12.9%, with a region-wise breakup given below (2010-11).

### Roads

India has the 2nd largest road network in the world with about 3.314 million kilometers in length. In the 11th Five-year plan the government embarked upon the massive National Highway Development Project (NHDP) divided in 7 phases. Summary of the project is as follows:

The key projects and estimated costs of the NHDP are:

### Table 2

**Projects and Estimated costs**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Name of Project</th>
<th>Amt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHDP-I&amp;II</td>
<td>Completion of balance work</td>
<td>52,694</td>
</tr>
<tr>
<td>NHDP - III</td>
<td>4 laning of 12,109 kms</td>
<td>80,626</td>
</tr>
<tr>
<td>NHDP - IV</td>
<td>2 laning with paved shoulders of 20,000 kms of NHs</td>
<td>27,800</td>
</tr>
<tr>
<td>NHDP - V</td>
<td>6 laning of 6,500 kms of selected stretches of NHs</td>
<td>41,210</td>
</tr>
</tbody>
</table>
Apart from the ambitious NHDP, the government has also planned several other projects for road development:

- Special Accelerated Road Development Programme for North East (SARDP-NE) involving Rs. 3450 crores.
- Special Programme for Development of Roads in the Left Wing Extremism (LWE) Affected Areas with estimated cost of Rs. 7300 crores
- Development of other non-NHDP National Highways.
- Pradhan Mantri Gram Sadak Yojana and Bharat Nirman

100% FDI under automatic route permitted for all road development projects. 100% income tax waiver for a period of first 5 years and 30% relief for next 5 years. In BOT models, private parties are allowed to collect and retain toll. NHAI / government to provide capital grant of upto 40% of project cost. Import duty waiver for high capacity equipment. Private sector investment for roads in the 11th Five-year plan has been (up to August, 2009) around Rs 18,800 crore, which is well below the planned target of Rs 86,792 crore.

### Telecom

Telecom sector growth has so far been the most successful story, thanks to the huge participation from the private players. Recent years have witnessed intense competition in this sector due to entry of new players and expansion by existing players, particularly in the wireless segment. The manifestation of this competition has been in the form of tariff wars by wireless operators to attract customers. Evidence is the growth of the overall telecom subscriber base mainly contributed by the growth in the wireless segment.

The growth of teledensity has also been phenomenal with urban statistics shown more than 1.5 subscriptions per individual. Bulk of this is again due to penetration of wireless telephony in the semi-urban and rural sector. However, variation in teledensity across states is large as many less developed states like Chhattisgarh, Jharkhand, Uttarakhand and parts of the North-East have teledensity below 20%.

#### Table 3

**Teledensity in India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Teledensity (Urban)</th>
<th>Teledensity (Rural)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>20.80</td>
<td>1.55</td>
</tr>
<tr>
<td>2005</td>
<td>26.88</td>
<td>1.73</td>
</tr>
<tr>
<td>2006</td>
<td>38.28</td>
<td>2.34</td>
</tr>
<tr>
<td>2007</td>
<td>48.10</td>
<td>5.89</td>
</tr>
<tr>
<td>2008</td>
<td>66.40</td>
<td>9.46</td>
</tr>
<tr>
<td>2009</td>
<td>88.84</td>
<td>15.11</td>
</tr>
<tr>
<td>2010</td>
<td>122</td>
<td>24.56</td>
</tr>
<tr>
<td>2011</td>
<td>164.67</td>
<td>33.73</td>
</tr>
</tbody>
</table>

Source: DOT and TRAI report

Table shows the growth story of teledensity in India both with respect to rural teledensity and urban teledensity. While urban figures suggest more than 1.5 subscriptions per individual, rural figures show telecom access to every 1 in 3 individuals. This has again increased over the years primarily due to the penetration of the wireless services. India has the 2nd largest telecom network in the world in terms of number of subscriptions. It has grown very rapidly about 45% year on from 2006 till now. The actual investment in the telecom sector is expected to exceed the original estimate 1.3 times in the 11th Five-year plan. This is due to increase in investment by the private sector upto 1.59 times of the figure estimated in the plan.
Conclusion

The infrastructure growth in India has been slow so far mainly due to inadequate investment and other local and political issue. However, with the planning commission estimating US$ 1 trillion as the investment in infrastructure for the 12th Five-year plan (2010-2017) with 50% to come from private sector, the scenario can be expected to change. Moreover, USA and India have also considered setting up a US$10 billion debt fund called the India Infrastructure Fund to finance infrastructure. Taking this as a pilot fund, the government is aiming to generate more such funds. Demand for infrastructure is set to increase continually in the coming years and this will call for increased private sector financing as the capacity of the Indian government evidently falls short of meeting the investment demand.

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US Subprime Crisis and India

Prof. (Dr.) A. K. Chakrawal
Prof. (Dr.) M. K. Padalia

Abstract:

The word 'subprime' in relation to mortgages in the USA generally refers to those mortgages targeted at borrowers with impaired or low credit ratings and low income level who may find it difficult to obtain finance through traditional sources, such as, prime mortgages. Subprime borrowers have the highest perceived default risk, as compared with Prime borrowers. In essence, subprime borrowers are those who have a history of loan delinquency or default, those with a record of bankruptcy, and those with low income levels relative to their mortgage payment ability.

The current paper tries to discuss the emergence of US subprime crisis in United States of America which later affects the entire world. The turmoil in Global market was not in short duration of time. This paper also focuses on the Stages of Subprime crisis and the main causes of the same. In the later part of the paper negative effects of subprime crisis on Indian economy is explained and at last the paper also put in plain words some of the constructive steps taken by RBI and SEBI to minimize the Subprime effect on Indian Banking sector and Indian Capital Market respectively.

Key words

Subprime Crisis, Prime Mortgage, Subprime Borrowers, Stages and Causes, Negative effects of Subprime Crisis, Constructive Steps, RBIand SEBI.

Section 1

Introduction

The U.S. subprime mortgage crisis was a set of events and conditions that led to the late-2000s financial crisis, characterized by a rise in subprime mortgage delinquencies and foreclosures, and the resulting decline of securities backed by said mortgages. In the summer of 2007 many leading banks in the US and Europe were hit by a collapse in the value of mortgage-backed securities which they had themselves been responsible for packaging. The defaults fostered a credit crunch as all financial institutions hoarded cash and required ever widening premiums before lending to one another. The Wall Street investment banks and brokerages hemorrhaged $175 billion of capital in the period July 2007 to March 2008, and Bear Stearns, the fifth largest, was 'rescued' in March, at a ?re-sale price, by JP Morgan Chase with the help of $30 billion of guarantees from the Federal Reserve. The percentage of new lower-quality subprime mortgages rose from the historical 8% or lower range to approximately 20% from 2004 to 2006, with much higher ratios in some parts of the U.S. A high percentage of these subprime mortgages, over 90% in 2006 for example, were adjustable-rate mortgages. These two changes were part of a broader trend of lowered lending standards and higher-risk mortgage products. Further, U.S. households had become increasingly indebted, with the ratio of debt to disposable personal income rising from 77% in 1990 to 127% at the end of 2007, much of this increase mortgage-related.

Section 2

Stages of US Subprime Crises

The crisis has gone through stages. First, during late 2007, over 100 mortgage lending companies went bankrupt as subprime mortgage-backed securities could no longer be sold to investors to acquire funds. Second, starting in Q4 2007 and in each quarter since then, financial institutions have recognized massive losses as they adjust the value of their mortgage backed securities to a fraction of their
purchased prices. These losses as the housing market continued to
deteriorate meant that the banks have a weaker capital base from
which to lend. Third, during Q1 2008, investment bank Bear Stearns
was hastily merged with bank JP Morgan with $30 billion in government
guarantees, after it was unable to continue borrowing to finance its
operations. Fourth, during September 2008, Fannie Mae and Freddie
Mac, representing $5 trillion in mortgage obligations, were nationalized
by the U.S. government as mortgage losses increased. Next,
investment bank Lehman Brothers filed for bankruptcy. In addition,
two large U.S. banks (Washington Mutual and Wachovia) became
insolvent and were sold to stronger banks.

Causes for the US Subprime Crisis

The crisis can be attributed to a number of factors pervasive in
both housing and credit markets, factors which emerged over a number
of years. Causes proposed include the inability of homeowners to
make their mortgage payments (due primarily to adjustable-rate
mortgages resetting, borrowers overextending, predatory lending, and
speculation), overbuilding during the boom period, risky mortgage
products, increased power of mortgage originators, high personal
and corporate debt levels, financial products that distributed and
perhaps concealed the risk of mortgage default, bad monetary and
housing policies, international trade imbalances, and inappropriate
government regulation.

1. Boom and bust in the housing market

Low interest rates and large inflows of foreign funds created
easy credit conditions for a number of years prior to the crisis, fueling
a housing market boom and encouraging debt-financed consumption.
The USA home ownership rate increased from 64% in 1994 (about
where it had been since 1980) to an all-time high of 69.2% in 2004.
Subprime lending was a major contributor to this increase in home
ownership rates and in the overall demand for housing, which drove
prices higher. Between 1997 and 2006, the price of the typical
American house increased by 124%. This housing bubble resulted in
quite a few homeowners refinancing their homes at lower interest
rates, or financing consumer spending by taking out second mortgages
secured by the price appreciation. USA household debt as a
percentage of annual disposable personal income was 127% at the
end of 2007, versus 77% in 1990. By September 2008, average
U.S. housing prices had declined by over 20% from their mid-2006
peak. This overhang of unsold homes lowered house prices. As prices
decreased, more homeowners were at risk of default or foreclosure.

2. Homeowner Speculation

Speculative borrowing in residential real estate has been cited
as a contributing factor to the subprime mortgage crisis. During 2006,
22% of homes purchased (1.65 million units) were for investment
purposes, with an additional 14% (1.07 million units) purchased as
vacation homes. During 2005, these figures were 28% and 12%,
respectively. In other words, a record level of nearly 40% of homes
purchased was not intended as primary residences. David Lereah,
NAR's chief economist at the time, stated that the 2006 decline in
investment buying was expected "Speculators left the market in 2006,
which caused investment sales to fall much faster than the primary
market." Subprime mortgages amounted to $35 billion (5% of total
originations) in 1994, 9% in 1996,[85] $160 billion (13%) in 1999,
and $600 billion (20%) in 2006.

3. High-risk mortgage loans and lending/borrowing practices

In the years before the crisis, the behavior of lenders changed
dramatically. Lenders offered more and more loans to higher-risk
borrowers, including undocumented immigrants. Lending standards
particularly deteriorated in 2004 to 2007. Subprime mortgages
amounted to $35 billion (5% of total originations) in 1994, 9% in
1996, $160 billion (13%) in 1999, and $600 billion (20%) in 2006.
In addition to considering higher-risk borrowers, lenders had offered
increasingly risky loan options and borrowing incentives. In 2005,
the median down payment for first-time home buyers was 2%, with
43% of those buyers making no down payment whatsoever.
The U.S. Financial Crisis Inquiry Commission reported its findings in January 2011. It concluded that "the crisis was avoidable and was caused by: Widespread failures in financial regulation, including the Federal Reserve’s failure to stem the tide of toxic mortgages; Dramatic breakdowns in corporate governance including too many financial firms acting recklessly and taking on too much risk". The commission has also reported that Mortgage fraud, Securitization practices, inaccurate credit ratings and Government policies were also one of the reasons for the crisis.

Shocksof Subprime Crisis on Indian Economy

Though in the beginning Indian official denied the impact of US meltdown affecting the Indian economy but later the government had to acknowledge the fact that US financial crisis will have some impact on the Indian economy.

1. Crash on stock market

The immediate impact of the US financial crisis has been felt when India's stock market started falling. On July 23, 2007, the SENSEX touched a new high of 15,733 points. On July 27, 2007 the SENSEX witnessed a huge correction because of selling by Foreign Institutional Investors and global cues to come back to 15,160 points by noon. Following global cues and heavy selling in the international markets, the BSE SENSEX fell by 615 points in a single day on August 1, 2007.

2. Collision on India's Foreign Exchange Reserve

The trade deficit is reaching at alarming proportions. Because of worker's remittances, NRI deposits, FI investment and so on, the current deficit is at around $10 billion. But if the remittances dry up and FI takes flight, then we may head for another 1991 crisis like situation, if our foreign exchange reserves depletes and trade deficit keeps increasing at the present rate. Further, the foreign exchange reserves of the country has depleted by around $57 billion to $253 billion for the week ended October 31, 2008.

3. Impact on India's export

With the US and several European countries slipping under the full blown recession, Indian exports have run into difficult times, since October. Manufacturing sectors like leather, textile, gems and jewellery have been hit hard because of the slump in the demand in the US and Europe. Further India enjoys trade surplus with USA and about 15 per cent of its total export in 2006-07 was directed toward USA. Indian exports fell by 9.9 per cent in November 2008, when the impact of declining consumer demand in the US and other major global market, with negative growth for the second month, running and widening monthly trade deficit over $10 billion. Official statistics released on the first day of the New Year, showed that exports had dropped to $1.5 billion in November this fiscal year, from $12.7 billion a year ago, while imports grew by $6.1 billion to $21.5 billion.

4. Impact on India's handloom sector, jewelry export and tourism

Again reduction in demand in the OECD countries affected the Indian gems and jewellery industry, handloom and tourism sectors. Around 50,000 artisans employed in jewellery industry have lost their jobs as a result of the global economic meltdown. Further, the crisis had affected the Rs. 3000 crores handloom industry and volume of handloom exports dropped by 4.6 per cent in 2007-08, creating widespread unemployment in this sector.

5. Exchange rate depreciation

With the outflow of FIIs, India’s rupee depreciated approximately by 20% against US dollar and stood at Rs. 49 per dollar at some point, creating panic among the importers.

6. IT-BPO sector

The overall Indian IT-BPO revenue aggregate is expected to grow by over 33 per cent and reach $64 billion by the end of current fiscal year (FY200). Over the same period, direct employment to reach nearly 2 million, an increase of about 375000 professionals
over the previous year. IT sectors derives about 75 per cent of their revenues from US and IT-ITES (Information Technology Enabled Services) contributes about 5.5 per cent towards India’s total export. So the meltdown in the US will definitely impact IT sector. Further, if Fortune 500 hundred companies slash their IT budgets, Indian firms could adversely be affected.

7. FII and FDI

The contagious financial meltdown eroded a large chunk of money from the Indian stock market, which will definitely impact the Indian corporate sector. However, the money eroded will hardly influence the performance real sector in India. Due to global recession, FIIs made withdrawal of $5.5 billion, whereas the inflow of foreign direct investment (FDI) doubled from $7.5 billion in 2007-08 to $19.3 billion in 2008.

Indian Economy Was Safe Against Global Turmoil

- Despite its immediate impact on the financial markets and the trade flows, the crisis did not have very significant impact on the Indian financial system. The reasons for the muted impact is attributable primarily to (i) the macro prudential approach to regulation (ii) multiple indicator based monetary policy, (iii) calibrated capital account management, (iv) management of systemic interconnectedness, (v) robust market infrastructure for OTC transactions and (vi) a conservative approach towards financial innovation.

- The Reserve Bank of India made sharp reduction in the policy interest rates - the effective policy rate was cut from 9 per cent in September 2008 to 3.25 per cent (reverse repo rate) in April 2009.

- The cash reserve ratio was reduced from 9.0 per cent in September 2008 to 5 per cent in January 2009 with a view to injecting liquidity into the banking system.

- Liquidity injection in bulk was made through purchase of government securities under open market operation (OMO) and unwinding of the balances under Market Stabilization Scheme (MSS) through buy-back, redemptions and de-sequestering.

- The Reserve Bank of India allowed institution of a rupee-dollar swap facility for Indian banks to give them comfort in managing short-term foreign funding requirements of their overseas branches; special liquidity support to banks for on-lending to mutual funds and non-banking financial companies.

- The Security Exchange Board of India (SEBI) has started taking measures to save Indian Capital Market. It has introduced P-notes, Venture Capital, etc to enhance the safety for the Investors and Indian Capital Market.

- The fiscal and monetary measures were successful in achieving their objectives. Financial markets and the banking sector began to function normally. Real GDP growth which took a hit in 2008-09 as it reached 6.8 per cent recovered quickly to reach 8.0 per cent in 2009-10 and 8.5 per cent in 2010-11 under the impact of stimulus measures as also the inherent strength of domestic demand. Strong recovery in demand, along with persistent supply pressures, however, led to inflationary pressures during 2010-2011.

- CRISIL believes that the Indian banking system is relatively insulated from the factors leading to the turmoil in the global banking industry. Further, the recent tight liquidity in the Indian market is also qualitatively different from the global liquidity crunch, which was caused by a crisis of confidence in banks lending to each other.

- Indian banks' global exposure is relatively small, with international assets at about 6 per cent of the total assets. Even banks with international operations have less than 11 per cent of their total assets outside India. The reported investment exposure of Indian banks to distressed international financial institutions of about USD1 billion is also very small.
The strong capitalization of Indian banks, with an average Tier I capital adequacy ratio of above 8 per cent, is a positive feature in their credit risk profile.

Conclusion

Many lessons can be learned from the recent subprime crisis. Those lessons have not been systematically addressed, perhaps because everyone has been busy with 'fighting the fire'. This is not a normal crisis period, and hence, no normal post-crisis recovery was expected. The financial wizards seem to remain overly optimistic that the crisis will be followed by a normal economic recovery so that life can get back to normalcy. There was huge economic imbalances built up in the 1990s and early 2000s, all financed by massive debt in the developed world. The advent of financial derivatives, thanks to the deregulation, had only made these imbalances, making crisis more complicated. To unwind these imbalances from the web of complicated financial instruments spread throughout the world will take a long time. The loss of public confidence only adds difficulties to finding a solution. There are also significant implications of the crisis on the regulatory, macroeconomic and financial fronts in the post-crisis era. Though the analysis is India-centric, some cyclic focus on other emerging Asian countries to draw lessons from the crisis.

The US meltdown which shook the world had little impact on India, because of India's strong fundamental and less exposure of Indian financial sector with the global financial market. Perhaps this has saved Indian economy from being swayed over instantly. Unlike in US where capitalism rules, in India, market is closely regulated by the SEBI, RBI and government.

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"An Empirical Study of the Impact of Selected Price-Related Factors on Brand Loyalty of Women in the State of Gujarat"

- Dr. Chitralekha H. Dhadhal

Abstract:

Customer Loyalty is one of the most important issues that businesses face today. Marketers of goods and services therefore, frantically search for strategies in order to have a set of brand loyal consumers. Whether, it is product, promotion, price or place related decisions, almost all decisions a company makes as regards its marketing mix are inextricably related with brand loyalty. For any marketer brand loyalty therefore, is a very important phenomenon.

The present study has been directed towards exploring the brand loyalty behavioral pattern of the consumers, the main aim being to determine the level of brand loyalty among Women Skincare Cosmetics Consumers in the State of Gujarat and to analyse the significance of the relationship between Selected Product-Oriented (Price Related) factors and Consumer Brand loyalty.

A very significant observation from the analysis was that out of the Three Price Related Factors considered for the study, namely Value for Money of the Brand, Insensitivity of the Consumers Towards Price of their Favourite Brand due to Favorable Perception about Product Quality in their Minds and Regular Discount Offers of the Brand, The Woman’s Perception that Increased Price of the Product is due to Superior Quality, so she does not mind paying a higher Price Has a Significant Impact on her Brand Loyalty for Skincare Cosmetics Products. This is indicative of the fact that Women Consumers have a Favourable Image in their minds about their favorite Brand and believe that the higher price, if there is, of a product is due to Superior Quality of the Product and so they exhibit Price Inelasticity despite higher prices of their favourite brands as compared to those of competing brands. Whereas, the remaining Two Factors analysed viz. Value for Money of the Brand and Regular Discounts Offered by the Brand Do Not Have a Significant Relationship with the Brand Loyalty of Women Skincare Cosmetics Consumers in the State of Gujarat.

(Keyword: Brand Loyalty, Skincare Cosmetics, Perception, Price, Product, Brand Switchers)

1. INTRODUCTION AND PROBLEM IDENTIFICATION

In the modern marketing environment consumers are becoming more and more demanding since the market is glutted with endless products and countless brands and offering them rich choices. In pursuit of achieving the best possible value for their money, modern day consumers are gradually becoming quite choosy about products/services on the basis of their intrinsic value. Gone are the days of the marketers with the placid assumption that a market once won is theirs’. In view of the same, marketers of today frantically search strategies to maintain a set of consumers who are loyal to the products/services that they are offering for sale. This phenomenon is particularly significant for the low priced, daily use, non durable products which are purchased repeatedly by the consumers at frequent intervals popularly termed as fast moving consumer goods (FMCGs). The purchase behaviour of the consumers for such products is of special interest to the marketer since these items are purchased repeatedly and it is this purchase that results in generating volumes and profits.

A number of research studies are, indicative to the fact consumers in general are found to be quite loyal to the brands of frequently purchased items. Brand loyal consumers as a matter of fact, provide the basis for a stable and growing market share of a company. Therefore, interest of marketers hover around the ways and means to develop and sustain brand allegiance for their products and services. However, retaining customers in a highly competitive and volatile market place is indeed a difficult proposition.
Creating brand loyalty in an overcrowded category is an onerous task. However, in the Indian market it is not altogether impossible, if the success of Hindustan Unilever, Titan, Amul, Maruti-Suzuki, Nirma, Airtel and many others is of any indication. Companies having decades of market existence and customer patronage are able to develop deep pockets and lineage on which they bank on to promote their brands. Another fall out of the coming of age of the branded products and services is leading to the declining clout of the unorganised sector. Thus, competition in the organised market for many categories of products and services is more or less concentrated among branded products and services. At the same time, competition in the branded category is forcing players to renovate the terms of designs, packaging, colour and even packaging techniques. For the branded players therefore, it spells an opportunity waiting to be tapped.

Many brands in the Indian bazar have fizzled out because of their attitudes were not able to keep with the target groups, which changed over times. For example, the readymade branded apparel sector. At present it becomes difficult for many to remember brands such as Avis, Apache, and Blue Lagoon in the branded apparel sector. Organic in the shampoo category, Le-Sancy in the toilet soap category, Bush, and Weston in the television category which were doing fine just a few years ago. These brands failed to enhance their brand personality with changing times. Admittedly, companies need to monitor their external and internal environment regularly and make necessary changes in the brand personality as and when required in order to maintain brand loyalty.

The consumer generally becomes loyal to a brand, which is closest to his/her thoughts and beliefs. They are bound to change over time (especially from generation to generation) and the brand which is flexible enough to adopt their changes with an add on to its personality lives the longest.

From the consumer point of view, once the consumer feels satisfied at the post purchase level, they cling on to those particular brands of products and services. In other words, if the experience with a product or services at the post purchase level is found rewarding, the consumer response is most likely to result in a testimonial to others as well as a possible repurchase in case the need arises for the same, as a part of positive confirmation at the post purchase level of consumer decision process, such a behaviour is termed as brand loyalty. Basically, brand loyalty symbolises the positive attitude created in the minds of the consumers towards a particular brand of product/service leading to the repeated purchase and recommending the same brand to others. Brand loyalty is undoubtedly one of the most important and interesting aspects of consumer behaviour. This also is a crucial area of exploration for the marketers for their survival and growth in a competitive environment. Almost all marketing strategy decisions are inextricably related directly or indirectly with the level of brand loyalty. Marketers are therefore, increasingly interested to probe deep into the inner world of consumers by examining the most plausible factors leading to brand loyalty so as to develop successful marketing strategies in highly competitive environment.

Factors explaining Brand Loyalty: Numerous studies attempting to explain brand loyalty have been largely inconclusive about the factors explaining Loyalty. However, the following results appear to be indicative.

1. Some economic demographic and psychological variables are related to brand loyalty but tend to be product specific rather than general across products.
2. Loyalty behaviour of an informal group leader influences the behaviour of other group members.
3. Some consumer characteristics are related to store loyalty, which in turn is related to brand loyalty.
4. Brand loyalty is positively related to perceived risk and market structure variables such as the extensiveness of distribution and market share of the dominant brand, but inversely related to the number of stores shopped.
5. Effect of out of stock conditions-A potentially important influence on brand loyalty is the possibility of brand substitution. It has been found that between 19 per cent and perhaps 33 per cent of shoppers presold by an advertisement campaign change their minds and switch to another brand when they get inside the super market.

Till date, good amount of researches have been undertaken to study various aspects of Brand Loyalty at the International Level. However one is yet to come across researches in the field of Brand Loyalty at the National Level in India or within the State of Gujarat, since the concept of Branding is yet to pick up in a developing nation like ours as compared to western more developed nations.

Against such a backdrop, the researcher has tried to analyse the Impact of Selected of Price Related Factors namely, Value for Money of the Brand, Insensitivity of the Consumers Towards Price of their Favourite Brand due to Favorable Perception about Product Quality in their Minds and Regular Discount Offers of the Brand on the Brand Loyalty of the Women Skincare Cosmetics Consumers/users in the state of Gujarat, titled - "AN EMPIRICAL STUDY OF THE IMPACT OF SELECTED PRICE-RELATED FACTORS ON BRAND LOYALTY OF WOMEN IN THE STATE OF GUJARAT"

2. OBJECTIVES OF THE STUDY

As mentioned earlier, there are numerous factors which determine the extent and pattern of consumer brand loyalty. These can be divided broadly into Consumer oriented and Product Oriented Factors. This paper examines the Relative Significance of Impact of Selected Price-Related (Product-oriented) Factors on Brand Loyalty of Women Skincare Cosmetics Consumers.

Thus, the broad objective of the study can further be split into the following detailed objectives:

1. To Identify the Brand Loyalists and Brand Switchers among the sample respondents

2. To analyze the Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand of Skincare Products and Value for Money of the Brand.

3. To analyze the Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand of Skincare Products and Her Perception that Increased Price of the Product is due to Superior Quality and so she does not mind paying a higher Price.

4. The Analyse Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand of Skincare Product and Regular Discounts Offered by the Brand

3. HYPOTHESES OF THE STUDY

1. There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Value for Money of the Brand

2. There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Her Perception that Increased Price of the Product is due to Superior Quality and so she does not mind paying a higher Price.

3. There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Regular Discounts Offered by the Brand

4. POPULATION AND NATURE OF THE STUDY.

The Population of the study consists of Women Skincare Cosmetics Consumers/Buyers across the state of Gujarat above 18 years of Age. Though the population of the study is finite but very large sized, the researcher considering her personal limitations has adopted sample method of study in place of census method. For the purpose of the Study, the researcher has collected 200 samples each from the four major cities of Gujarat viz. Ahmedabad, Surat, Vadodara and Rajkot spanning across different age groups, occupations, income groups, educational qualifications, etc. to make a total of 800 sample respondents in all. The Convenience Sampling Method of data collection has been used due to time constraints.
5. METHOD OF DATA COLLECTION AND ANALYSIS:

The study is primarily based on Primary data collected through a well-structured closed-ended questionnaire containing mainly dichotomous, scaling and multiple choice type questions, and Scaling Type Questions. A five point scale was used to elicit responses on the levels of agreements of women on the factors affecting Brand Loyalty. Secondary data too has been used by the researcher as per the requirement of the study. The secondary sources like Internet, Journals Periodicals, Magazines, Newspapers, etc. have been used for Literature Review, Conceptual Reference and analysis of the Beauty and Personal Care Industry.

Primary Data collected through the questionnaire has been classified, tabulated and analyzed with the help of SPSS. Analytical tools such as Simple Percentages and Cross tabs have been used for the purpose of the study. For the purpose of testing the hypotheses the researcher has used non-parametric tests like chi-square test at five percent level of significance.

6. ANALYSIS AND INTERPRETATION:

Through a dichotomous question the respondents were asked if they were especially loyal to any particular Brand/s of skincare products.

Thus, the dependent variable brand loyalty along with each of the Selected Price Related Variable (independent variable/s) have been identified and cross tabulations done and chi-square tests applied in appropriate cases to draw inferences.

6. 1. BRAND LOYALISTS AND SWITCHERS IN THE SAMPLE:

Table 6.1. Brand Loyalists and Switchers in the Sample

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of respondents</th>
<th>Percentage value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalists</td>
<td>571</td>
<td>71.4%</td>
</tr>
<tr>
<td>Switchers</td>
<td>229</td>
<td>28.6%</td>
</tr>
<tr>
<td>Total</td>
<td>800</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Primary Data from Survey

Table6.1. presents brand loyalists and switchers of the sample in a tabulated manner. The respondents were asked to determine whether they are brand loyal or not through a dichotomous question: Are you especially loyal to a particular brand of skincare products?

And based on their responses it was found that amongst the Total Sample of 800 respondents from which the data is collected, as high as 571 respondents which is equal to 71.4% of the total sample, are observed to be Loyal to one or more Brand/s of Skincare Cosmetics Products they use. Only 229 respondents comprising of 28.6% of the total sample are found to be Brand Switchers.

6. 2. VALUE FOR MONEY OF THE BRAND AND BRAND LOYALTY

CHI -SQUARE TEST

To Assess The Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand and Value for Money of the Brand, the Hypotheses are :

Ho - There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Value for Money of the Brand

Table .6.2.

<table>
<thead>
<tr>
<th>Degree of Freedom (d.f.)</th>
<th>Level of Significance</th>
<th>Calculated Value of Chi-Square</th>
<th>Table Value of Chi-Square</th>
<th>Hypothesis Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5%</td>
<td>9.252</td>
<td>9.488</td>
<td>Null Hypothesis is Accepted</td>
</tr>
</tbody>
</table>

Source: Primary Data from Survey

Table 6.2 . depicts the results of the Chi-square test. It is found that at 4 degrees of freedom (d.f.) and 5% level of significance, the calculated value of (9.252) of the chi-square is less than the table
value (9.488). Hence the null hypothesis that There is no significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s and Value for Money of the Brand is Accepted and the Alternate hypothesis that There is significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s and Value for Money of the Brand is Rejected

6.3. CONSUMERS’ PERCEPTION THAT INCREASED PRICE OF A PRODUCT/BRAND IS DUE TO SUPERIOR QUALITY AND SO THEY DO NOT MIND PAYING A HIGHER PRICE AND THEIR BRAND LOYALTY

CHI -SQUARE TEST

To Assess The Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand of Skincare Product and Her Perception that Increased Price of the Product is due to Superior Quality and so she does not mind paying a higher Price, the Hypotheses are :

Ho - There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Her Perception that Increased Price of the Product is due to Superior Quality and so she does not mind paying a higher Price.

The Woman's Perception that Increased Price of the Product is due to Superior Quality, so she does not mind paying a higher Price and Brand Loyalty Chi -Square Test

<table>
<thead>
<tr>
<th>Degree of Freedom (d.f.)</th>
<th>Level of Significance</th>
<th>Calculated Value of Chi-Square</th>
<th>Table Value of Chi-Square</th>
<th>Hypothesis Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5%</td>
<td>16.898</td>
<td>9.488</td>
<td>Null Hypothesis is Rejected</td>
</tr>
</tbody>
</table>

Source: Primary Data from Survey

Table 6.3. depicts the results of the Chi-square test. It is found that at 4 degrees of freedom (d.f.) and 5% level of significance, the calculated value of (16.898) of the chi-square is more than the table value (9.488). Hence the null hypothesis that There is no significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s and Her Perception that Increased Price of the Product is due to Superior Quality, so she does not mind paying a higher Price stands Rejected and the Alternate hypothesis that There is significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s and Her Perception that Increased Price of the Product is due to Superior Quality, so she does not mind paying a higher Price is Accepted.

6.4. REGULAR DISCOUNT OFFERS OF THE BRAND AND BRAND LOYALTY

CHI -SQUARE TEST

To Assess The Significance of Relationship between a Woman's Brand Loyalty for her Favourite Brand of Skincare Product and Regular Discount Offers of the Brand, the Hypotheses are :

Ho - There is no significant relationship between a Woman's Brand Loyalty for her favourite brand of Skincare Products and Regular Discount Offers of the Brand

Table. 6.4

Regular Discount Offers of the Brand and Brand Loyalty Chi -Square Test

<table>
<thead>
<tr>
<th>Degree of Freedom (d.f.)</th>
<th>Level of Significance</th>
<th>Calculated Value of Chi-Square</th>
<th>Table Value of Chi-Square</th>
<th>Hypothesis Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5%</td>
<td>5.687</td>
<td>9.488</td>
<td>Null Hypothesis is Accepted</td>
</tr>
</tbody>
</table>

Source: Primary Data from Survey
Table 6.4. depicts the results of the Chi-square test. It is found that at 4 degrees of freedom (d.f.) and 5% level of significance, the calculated value of (5.687) of the chi-square is less than the table value (9.488). Hence the null hypothesis that There is no significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s and Regular Discount Offers of the Brand is Accepted and the Alternate hypothesis that There is significant relationship between a Woman's Brand Loyalty for her favorite brand of Skincare Product/s Regular Discount Offers of the Brand is Rejected.

7. LIMITATIONS OF THE STUDY:

The researcher is very much aware of the following limitations of the study

(i) Sampling Approach has been used in this study. As such the study suffers from the Limitations of sampling in general. The specific Limitation of this study has been the non-inclusion of Rural Respondents and respondents of cities other than the four most populous ones, due to time constraints.

(ii) The present study being part of Behavioural Research as such suffers from the subjectivity biases of the respondents.

(iii) Again this study is limited to the State of Gujarat so the generalization of conclusions of the study may therefore not have universal applicability.

(iv) Admittedly, consumer behavior is product and very often situation specific. It may vary from one product to another or even differ for the same product from one user to another. Therefore, general applicability of the inferences and conclusions of a consumer behavior study like the present one cannot be claimed.

(v) The time constraint has been a major limitation of this study.

8. SIGNIFICANCE OF THE STUDY:

All these Limitations notwithstanding, the findings and conclusions of a study of the kind without doubt provide an empirical basis to the studies of consumer behavior in a developing economy like ours. As a matter of fact consumer research studies throughout the globe provide a new dimension to the existing literature and throw new light on an unexplored aspect of consumer behavior. Therefore the importance of such studies can hardly be overemphasized.

9. FINDINGS AND CONCLUSION:

A careful analysis of the data collected from 800 Women Respondents across various geographical regions, ages, occupations, etc. have revealed the following findings:

⇒ Women Skincare Cosmetics Buyers/Users are Brand Loyal towards their Favourite Brand/s of Skincare Products. This Finding is based on the fact that 571 (71.4%) of the respondents out of the total 800, exhibited Multiple if not Hard Core Brand Loyalty. Meaning that they were Loyal to more than one but to a restricted number of brands.

⇒ Another very significant observation from the foregone analysis is that out of the Three Price Related Factors considered for the study, namely Value for Money of the Brand, Insensitivity of the Consumers Towards Price of their Favourite Brand due to Favorable Perception about Product Quality in their Minds and Regular Discount Offers of the Brand, The Woman's Perception that Increased Price of the Product is due to Superior Quality, so she does not mind paying a higher Price Has a Significant Impact on her Brand Loyalty for Skincare Cosmetics Products. This is indicative of the fact that Women Consumers have a Favourable Image in their minds about their favorite Brand and believe that the higher price, if there is, of a product is due to Superior Quality of the Product and so they exhibit Price Inelasticity despite higher prices of their favourite brands as compared to those of competing brands.
Whereas, the remaining Two Factors analysed viz. Value for Money of the Brand and Regular Discounts Offered by the Brand Do Not Have a Significant Relationship with the Brand Loyalty of Women Skincare Cosmetics Consumers in the State of Gujarat.

10. BIBLIOGRAPHY:


"A Comparative Study of Financial Performance of Selected Automobile Companies in India"

-Dr. Kailashben P. Damor.

Abstract:

The Indian automobile industry has come a long way since the first car ran on the streets of Mumbai in 1898. The initial years of the industry were characterized by unfavorable government policies. The real big change in the industry, as well see it today, started to take place with the liberalization policies that the government initiated in the 1991. Automobile industry is the most emerging industry nowadays in India as well as global market. In India it is the 4th largest market, which shows that how important the industry is and how much it contributes towards our economy. Automobile Industry includes mainly Two wheelers, Four wheelers, as well as three wheelers vehicles. But, this paper mainly focuses on study of four wheelers in that especially car segment in India.

Automobile industry plays a very vital role in the Indian Economy. Its connections with various other sectors of the economy make it an important component of the economy. Infrastructural development of a nation comprises of urban development, rural development and industrial development, but the hidden requirement of infrastructure is the connectivity between various regions, which is fulfilled by the automobile industry. The auto industry plays a significant role in shaping a country's economy and development. The manufactures of heavy commercial vehicle had given rise to a new era in the Indian history. Slowly many firms started setting up various small manufacturing units in India. As a result the first few passenger vehicles such as the Fiat, Premiere Padmini, Lembhrata scooters, etc came into production in India.

Key words: Performance Analysis, Indian Companies, Automobile Companies, Comparative Study, Car Segment, Financial Statements.
Introduction of Indian Car Industries:

Indian auto market is still untapped the majority of the people in country don't own a four wheeler and all the major auto companies are trying to increase their sales by several moves. Like Tata has launch Nano the people's car and now Tata motors is also planning to come out with an electric car as well as hybrid car, moreover in two wheeler segment many companies like Mahinda and Mahindra grow even more than expectations. Maruti Suzuki and Tata Motors both are doing well in Small to Mid size car segments, where as Honda Motors is trying more on premium cars SUV segments. Maruti Suzuki occupies first rank in providing number of product range to the different class of the society and in matter of customer satisfaction by providing various services assisting automobiles.

Indian automobile Industry is in growth phase and it expected to grow with a growth rate of 10-15% for the next coming years and the facts and figures represented in paper also support this truth. This industry has a lot of potential to grow in future. It is well known that the Indian automobile Industry is on a boom as of now. Indian Automobile has a lot of scope for both two wheelers and four wheelers due to development in infrastructure of the country and especially the rural sector in which demand of two wheelers has increased even in recession. More and more new models of the cars are getting launched day by day whereas there are potentially about a one thousand motorbikes sold per day. India would be the world’s third largest automobile market and would only be preceded by US and China. Japan is also varying for the slot of third largest market however at the current rate; Indian would definitely overtake it sooner or later. Automotive industry became a major contributor to the GDP of the country.

Recently, the automotive giants of India including General Motors (GM), Volkswagen, Honda, and Hyundai, have declared significant expansion plans. On account of its huge market potential, a very low base of car ownership in the country estimated at about 25 per 1,000 people, and a rapidly surging economy, the nation is firmly set on its way to become and outsourcing platform for a number of global auto companies. Some of the upcoming cars in the India soil comprise Maruti A - Star(Suzuki), Maruti Splash (Suzuki), VW Up and VW Polo (Volkswagen), Bajaj small car (Bajaj Auto), Jazz(Honda) and Cobalt, Aveo (GM) in addition to several others.

Review of Literature:

Kaura and Subramaniam: published an article on the financial performance of 10 units relating to the period from 1972 to 1979 which mainly observed liquidity, profitability, financial structure and overall performance.

Chakravarty and Reddy had written an article on the financial performance of the industry for period of 1998 by making comparison as major tool for financial performance and had studied 22 ratio of profitability, proprietary, liquidity and turnover groups.

Dr. Harish P. Desai: He has done his Ph.D. on "Financial performance appraisal of selected district dairies co-operative in Gujarat" in may 2006.

Dr. Kripal Sing: has written a book on "Automobile Engineering". This book keep emphasizes on the fundamental aspect like the wheels, types, external and internal parts of automobile. Author has narrated the functioning process of the automobile in very easy language.

The research paper presented in International Journal of Research in Commerce and Management on "Comparative Financial Performance Evaluation of Maruti and Hyundai" by prof (Dr.) S. C. Chitkara. in this paper, ratio analysis is used mainly. Statistical techniques like average, s.d. and cov are used to draw conclusion.

Dr. S. J. Parmar Published a book in 2001. The book is a systematic study of the modern financial measurement techniques useful for management in planning and controlling corporate activities. With increasing participation by the general public and financial institution as present and corporate bodies have to be on their guard and manage their efficient financial efficiency in the area of globalization.
Rao and Chandra... have made attempt to assess the financial efficiency of cement companies for the period from 1970-71 to 1977-78 which covers 70% of entire industry. They found out that the profitability of selected companies had decreased continuously from 1970-71 to 1974-75 owing to causes such as inflationary pressure in the country, continuous fall in capacity utilization due to drastic power-cuts and shortage of coal, oil and wagon. The profitability increased in 1975-76 because of appreciable increase in the sales.

Problems of the Study:

The Indian Automobile industry includes two - wheelers, four wheelers likes trucks, cars, buses and three - wheelers which play a crucial role in growth of the Indian economy. India has emerged as Asia's fourth largest exporter of automobiles, behind Japan, South Korea and Thailand. The Country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads by 2050. The Economic progress of this industry is indicated by the amount of goods and services produced which give the capacity for transportation and boost the sale of vehicles. There is a huge increase in automobile production with a catalyst effect by indirectly increasing the demand for a number of war materials like steel, rubber, plastics, glass, paint, electronics and services. The revenue generated due to these sectors also contributes to the enhancement of the national economy.

Automobile is one of the most important industries in Indian economy. It has played a vital role in the development of country. The first car rolled out on the streets of Mumbai (than Bombay) in 1898. However, during the last three or four decades the Industry has achieved substantial progress. Indian has the fourth largest car market in Asia. Financial soundless of business enterprise largely depending upon the profitability can be achieved after control over the cost of production like cost of raw material consumed. Excise duty power and fuel cost, interest burden, administrative expense, selling and distribution expense etc. That have been increased heavily on the other hand price of the car is decreased in this circumstance to keep the progress of business enterprise. It is very essential for management. In present environment to achieve the profit trends to introduce various cost control techniques over expenditures and maximum output.

Another problem of industry is short supply of raw material and shortage of electricity supply and heavy electric charges. It is also making effect on cost of production and financial position. Other problem is Tax and duty structure and differential taxation system. The sales tax structure is not standardized across the country also a limited road network with poor road surface did not help matters much. These problem also affect directly or indirectly on cost of production and financial position of companies also.

Study of financial performance analysis is always made objectively. Generally, external analysts use information as per their requirements. Financier would like to know profitability, financial position of the company. Management would be interested in the operational efficiency and profitability. Position of the management profitability and liquidity also balances in the portfolio. The various stockholders of business enterprise like management, investors, bankers, financial institutions, creditors, employs, government economist, prospective investors etc, look at sound financial position of the business enterprise.

The title of the study:

The title of the study is "A Comparative Study of Financial Performance of Selected Automobile Companies in India".

Objectives of the study:

重中 To study the financial performance of selected Indian automobile companies.

重中 To find out the financial position of the selected automobiles companies.

重中 To make suggestions for improvement in financial performance of selected companies.
Research type:

It is descriptive study. As it describes the phenomena as they exist. It is used to identify and obtain some more financial performance information of a selected particular companies.

Scope:

The scope of the study is kept up four wheel segment in that especially car segment. It includes comparative study of financial performance of different car manufacturing and selling companies. In this paper researcher select mainly three automobiles companies. namely Maruti Suzuki Ltd., Honda Cars India Ltd., TATA Motors India Ltd.

Hypothesis:

Researcher would like to examine the following hypothesis as under...

There would be no significant difference in net profit ratio, inventory turn over ratio, debt-equity ratio, current ratio, dividend per share ratio, and earning per share ratio of selected automobiles companies during the period of study.

Data collection:

Researcher has collected secondary data from sources like annual report of automobiles companies. Financial literatures, commercial Journals, Magazines, published articles, related website etc.

Period of the study:

The study period is 2006-07 to 2010-2011

Sampling design:

For the purpose of the study the following three major player in the automobile industries in India are selected for study. namely (1) Maruti Suzuki ltd,(2) Honda Cars India Ltd,(3) TATA Motors India Ltd.

Tools and techniques:

According to the objectives and hypothesis of the study the researcher has applied the necessary tools of analysis like, mean, analysis of ratio and ANOVA test

Limitations:

❖ The study is limited to segment of four wheeler car companies.
❖ This study based on secondary data taken from official Websites, annual reports of automobiles companies, published other reports, magazines, journals and as such finding depend entirely on the accuracy of such data.
❖ The major limitation is non-availability of the information as required by the research forms.
❖ Financial performance is affected by many factors, internal as well as external factor But the researcher has taken into consideration only some factors which are relevant to study.
❖ The study is considering only three automobiles companies.

1.) Net Profit Ratio:

This ratio is valuable for the purpose of ascertaining the overall profitability of the business and shows the efficiency of operating the business. It is the reverse of the operating expense ratio. The higher the ratio the better will be the profitability. In order to have a better idea of profitability, the gross profit ratio and net profit ratio may be simultaneously considered. An increase in the ratio over the previous period reflects an improvement in the operational efficiency of the unit.

Ho : There is no significant difference in net profit ratio amongst the selected companies.

Ha : There is a significant difference in net profit ratio amongst the selected companies.
Table 1

<table>
<thead>
<tr>
<th>Co'name</th>
<th>years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>10.29</td>
<td>6.94</td>
<td>7.31</td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>9.34</td>
<td>6.96</td>
<td>9.46</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>5.72</td>
<td>3.77</td>
<td>6.33</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>8.34</td>
<td>6.26</td>
<td>4.03</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>6.13</td>
<td>3.74</td>
<td>7.10</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>7.96</td>
<td>5.53</td>
<td>6.85</td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies

Table 2

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>14.79361</td>
<td>2</td>
<td>7.396807</td>
<td>2.112339</td>
<td>0.163693</td>
<td>3.885294</td>
</tr>
<tr>
<td>Within Groups</td>
<td>42.02056</td>
<td>12</td>
<td>3.501713</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>56.81417</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance.

Here, from the above calculations the observed value of F test is less than the critical value, hence, the Ho is accepted and Ha is rejected. It can be conclude that there is no significant difference in net profit ratio amongst the selected companies.

2.) Current Ratio:

It indicates the availability of current assets in rupees for every one rupee of current liabilities. A high ratio means that the firm has more investment in current assets. While a low ratio indicates that the firm in question is unable to retire its current liabilities. In fact, a satisfactory current ratio for any given firm is difficult to judge.

Ho : There is no significant difference in current ratio amongst the selected companies.

Ha : There is a significant difference in current ratio amongst the selected companies.

Table 3

<table>
<thead>
<tr>
<th>Co'name</th>
<th>years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1.40</td>
<td>0.86</td>
<td>2.03</td>
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</tr>
<tr>
<td>2007-08</td>
<td>0.91</td>
<td>0.64</td>
<td>2.02</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>1.51</td>
<td>0.44</td>
<td>1.97</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>0.91</td>
<td>0.44</td>
<td>3.52</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>1.47</td>
<td>0.53</td>
<td>2.93</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>1.24</td>
<td>0.58</td>
<td>2.49</td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies

Table 4

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within Groups</td>
<td>2.4502</td>
<td>12</td>
<td>0.204183</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.88557</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance.

Here, from the above calculations the observed value of F test is greater than the critical value. Hence, the rule Ho is rejected and Ha is accepted. It can be conclude that there is a significant difference in current ratio amongst the selected companies.

3.) Inventory Turnover Ratio:

The number of times the average stock is turned over during the year is known as stock turnover. The ratio is very important in judging the ability of management with which it can move the stock. A high inventory turnover ratios is better than a low ratio. A high ratio implies good inventory management yet, a very high ratio calls for a
careful analysis. It may be indicative of under investment in, or very low level of inventory. The higher the turnover, the more profitable the business would be. The firm in such a case, will be able to trade on a smaller margin of gross profit. A low turnover indicates accumulation of slow moving obsolete and low quality goods, which is a danger signal to the management.

Ho : There is no significant difference in inventory turnover ratio amongst the selected companies.

Ha : There is a significant difference in inventory turnover ratio amongst the selected companies.

Table 5

<table>
<thead>
<tr>
<th>Co'name years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>21.27</td>
<td>13.26</td>
<td>7.82</td>
</tr>
<tr>
<td>2007-08</td>
<td>22.93</td>
<td>14.44</td>
<td>6.93</td>
</tr>
<tr>
<td>2008-09</td>
<td>30.46</td>
<td>13.47</td>
<td>4.45</td>
</tr>
<tr>
<td>2009-10</td>
<td>30.47</td>
<td>13.50</td>
<td>6.96</td>
</tr>
<tr>
<td>2010-11</td>
<td>33.33</td>
<td>13.86</td>
<td>5.72</td>
</tr>
<tr>
<td>Mean</td>
<td>27.692</td>
<td>13.706</td>
<td>6.376</td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies

Table 6

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1172.848</td>
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<td>586.4241</td>
<td>59.22613</td>
<td>6.0667</td>
<td>3.885294</td>
</tr>
<tr>
<td>Within Groups</td>
<td>118.8173</td>
<td>12</td>
<td>9.901443</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>291.666</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance

4. Debt-Equity Ratio:

This is tool for showing the relationship between the outside long-term liabilities and owners\' funds. It shows the proportion of long term external equity and internal equity i.e. proportion of fund provided by long-term creditors and that of provided by the shareholders or properties. A high ratio means that outside creditors have a larger claim than the owners of the business. The pressure from creditors would increase and their interference will also increase. If this ratio is lower, it is not profitable from the view point of equity shareholders, as benefits of trading on equity is not availed of and the rate of equity dividend will be comparatively low. Moreover a high debt to equity ratio suggest that a company has financed its growth mostly via debt.

Ho : There is no significant difference in debt-equity ratio amongst the selected companies.

Ha : There is a significant difference in debt-equity ratio amongst the selected companies.

Table 7

<table>
<thead>
<tr>
<th>Co'name years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>0.09</td>
<td>0.59</td>
<td>0.00</td>
</tr>
<tr>
<td>2007-08</td>
<td>0.11</td>
<td>0.80</td>
<td>0.00</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.07</td>
<td>1.06</td>
<td>0.00</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.07</td>
<td>1.12</td>
<td>0.00</td>
</tr>
<tr>
<td>2010-11</td>
<td>0.02</td>
<td>0.80</td>
<td>0.00</td>
</tr>
<tr>
<td>Mean</td>
<td>0.07</td>
<td>0.87</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies
Table 8

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>2.353773</td>
<td>2</td>
<td>1.176887</td>
<td>73.86318</td>
<td>1.8007</td>
<td>3.885294</td>
</tr>
<tr>
<td>Within Groups</td>
<td>0.1912</td>
<td>12</td>
<td>0.015933</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.544973</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance

Here, from the above calculations the observed value of F test is more than the critical value. Hence, the HO is rejected and Ha is accepted. It can be conclude that there is a significant difference in debt-equity ratio amongst the selected companies.

5.) Dividend per share Ratio:

Most of the shareholders and even potential investors are interested in actual dividend they receive in cash. This ratio shows the actual dividend received that from earned profit.

Ho : There is no significant difference in dividend per share amongst the selected companies.

Ha : There is a significant difference in dividend per share amongst the selected companies.

Table 9

<table>
<thead>
<tr>
<th>Co’rename years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>4.50</td>
<td>15.00</td>
<td>4.00</td>
</tr>
<tr>
<td>2007-08</td>
<td>5.00</td>
<td>15.00</td>
<td>4.00</td>
</tr>
<tr>
<td>2008-09</td>
<td>3.50</td>
<td>6.00</td>
<td>4.00</td>
</tr>
<tr>
<td>2009-10</td>
<td>6.00</td>
<td>15.00</td>
<td>4.00</td>
</tr>
<tr>
<td>2010-11</td>
<td>7.50</td>
<td>20.00</td>
<td>7.50</td>
</tr>
<tr>
<td>Mean</td>
<td>5.30</td>
<td>14.20</td>
<td>4.70</td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies

Table 10

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>283.0333</td>
<td>2</td>
<td>141.5167</td>
<td>13.93109</td>
<td>0.000744</td>
<td>3.885294</td>
</tr>
<tr>
<td>Within Groups</td>
<td>121.90</td>
<td>12</td>
<td>10.15833</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>Total</td>
<td>404.9333</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance

Here, from the above calculations the observed value of F test is greater than the critical value. Hence, the HO is rejected and Ha is accepted. It can be conclude that there is a significant difference in dividend per share ratio amongst the selected companies.

6.) Earning per share Ratio:

Earning per share measures the profit available to the equity shareholders per share, that is, the amount that they can get on every share held. It is not an actual amount paid to the shareholders as dividend but it is the maximum that can be paid of them.

Ho : There is no significant difference in earning per share amongst the selected companies.

Ha : There is a significant difference in earning per share amongst the selected companies.

Table 11

<table>
<thead>
<tr>
<th>Co’rename years</th>
<th>Maruti</th>
<th>Tata</th>
<th>Honda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>54.07</td>
<td>49.65</td>
<td>17.14</td>
</tr>
<tr>
<td>2007-08</td>
<td>59.91</td>
<td>52.63</td>
<td>24.39</td>
</tr>
<tr>
<td>2008-09</td>
<td>42.18</td>
<td>19.48</td>
<td>15.42</td>
</tr>
<tr>
<td>2009-10</td>
<td>86.45</td>
<td>39.26</td>
<td>12.51</td>
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<td>2010-11</td>
<td>79.21</td>
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</tr>
<tr>
<td>Mean</td>
<td>64.364</td>
<td>37.914</td>
<td>19.74</td>
</tr>
</tbody>
</table>

Source: Annual reports of selected companies
### Table 12

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>5035.33</td>
<td>2</td>
<td>2517.665</td>
<td>13.13964</td>
<td>0.000949</td>
<td>3.885294</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2299.30</td>
<td>12</td>
<td>191.6084</td>
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<td>Total</td>
<td>7334.63</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 5% level of significance

Here, from the above calculations the observed value of F test is greater than the critical value. Hence, the HO is rejected and Ha is accepted. It can be conclude that there is a significant difference in earning per share current ratio amongst the selected companies.

**Finding & suggestion:**

- **✓** Selected Car companies should try to use properly their operating assets and should try to minimize their non-operating expenses.
- **✓** The study recommend that investing in automobile industry as no doubt it is going to be a good and smart option because this industry is booming like never before not only in India but all around the world. The returns which came out of this industry were very impressive.
- **✓** Overall growth of Maruti Industry is very good compare to other two companies in taken study.
- **✓** Company should also try to introduce a small car which can be affordable to a common man as a result everyone can enjoy the benefits of Selected Car Industry
- **✓** Company should try to improve production. So waiting period is less in comparison of demanded for selected car models.
- **✓** Company should a increase the range of product to fulfill different need of different customer at different level in market.

✓ The category of Indian car industry is "RED" category. Which represents the highly polluting industries. Which means it is responsible for the global warming. It should try to come under orange category.

✓ India hasn't suitable road facility for the smooth running of premier and luxury car moreover they are very costly. So, they are not affordable for our user.

✓ The selected Car Group of Companies is the capital intensive in nature but the policy of purchase of fixed assets should be carefully planned and reviewed so that the funds may be properly utilized.

✓ The burden of interest has produced a deteriorating effect and reduced the percentage of net profit. It is suggested that the companies should try to reduce the interest burden gradually by increasing the owner's fund.

✓ The selected companies, which did not follow a definite policy of financing fixed assets, should follow such policy.

✓ To strengthen the financial efficiency, long-term funds have to be used to finance core current assets and a part of temporary current assets. It is better if the companies can reduce the over sided short-term loans and advances eliminates the risk arranging finance regularly.

✓ There has been too much of government interference in policy and day-to-day working and decisions. This leads to delays in decision-making. This should be abolished.

✓ The selected Car companies should reduce power and fuel consumption by using low as content Car (imported coal), lignite, agro waste product especially ground not husk, and beggars should be used as coal substitute.

**References:**

**Long Team Performanceof IPO's - A Study of Selected Indian Companies' IPO**

Dr. Y M Dalvadi¹, Himanshu J Patel²

**Abstract:**

The initial public offer plays an important role of mobilizing the funds from the savers and transfers them to borrowers for production function purposes; it's an important requisite to economic growth. It is not only a platform for raising finance to establish new enterprises but also for expansion/diversification/modernizations of existing units. It's important to know that whether investor have enough return from the subscribing IPO's or not because the small investor should apply for the IPO's or not Here, an attempt has made to assess the performance of selected Indian companies.

**Key Words:** IPO, Long Term Performance, Indian Companies?

**INTRODUCTION:** Initial Public Offering refers to the selling of shares by a company to the public for the first time. Initial Public offering is a source of funds raised from the primary market. All subsequent public offerings are known as follow on Public Offerings or Secondary Market Offerings.

Developments in the Indian IPO Market with economic liberalization, Indian stock markets underwent a sea change in the 1990s. This included abolishing the regulated regime under the Controller of Capital Issues (CCI) and establishing the Securities and Exchange Board of India (SEBI) as the market monitor in 1992. Changes in the listing guidelines over the entire decade transformed the Indian primary market. Similar to most developed countries, presently, the IPO process in India requires a company to file its draft prospectus with SEBI through an eligible merchant banker prior to

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¹ Asst Professor, P G Department of Business Studies, Sardar Patel University, Vallabh Vidyangar 388120. Gujarat
² Himanshu J Patel, Asst Professor, AMCOST College Anand 388001 Gujarat
filing it with the Registrar of Companies. However, unlike many developed countries, where large numbers of companies do not get listed, the Indian primary market witnessed a large number of listings in the mid-1990s. From 1993 to 1996 alone, more than 1,500 companies went public in India, from all sectors of the economy and from different ownership groups (e.g., private stand-alone companies, business groups, and government-owned companies). However, the subsequent period was marked by a slump in the primary market, when only a handful of companies actually got listed. All of these factors contributed to the emerging nature of the market that characterized the Indian IPO market over the past decade.

**REVIEW OF LITERATURE**

**Bedanta Bora, Anindita Adhikary and Ajeya Jha (2012)**

They made an attempt to examine the importance of Book-Building method in issuing shares in secondary market and to estimate and compare immediate and long term performance of the issues made through Book-Building and Fixed Price method. The data and methodology adopted here take the project through secondary review. To meet up objectives of the study, two hypotheses are framed and tested for which T-test and Karl's coefficients of Correlation are being adopted. Results indicate that Book-Building mechanism is preferred to Fixed Price method for price discovery. However, Fixed Price method is relatively more promising in long term as compared to the issues made through Book-Building process.

**Prabeshan Govindasamy (2011)**

The current research was undertaken to determine the long run performance of Initial Public Offerings (IPOs) listed on the Johannesburg Stock Exchange (JSE) in South Africa. The three year abnormal returns were assessed for IPOs listed between 1995 and 2006 comprising a sample of 229. Using the Buy and Hold Abnormal Return (BHAR) and Cumulative Abnormal Return (CAR) methods, it was found that the IPOs underperformed the market by 50% and 47% for BHAR and CAR respectively. The JSE All Share Index was used as a benchmark. The research also investigated the effect of firm size on IPO performance. The relationship between IPO activity and performance was analyzed as well as the performance of IPOs from different sectors. Gross proceeds of the offers were used as a proxy for firm size and it was shown that by splitting the sample into different size groups, there were significant differences between the returns from these groups. There was no relationship found between IPO activity and performance using a linear regression. Using an Analysis of Variance (ANOVA) it was determined that there were significant differences between the performance of IPOs in the different sectors of technology, industrials, financials and mining.

**K.C. John Sasi Kumar (2009)**

They have studied the performance of the IPOs during the last five years has been studied with the help of secondary data collected from NSE, BSE and other relevant data sources. The researcher assumes that the investments in IPOs are very safe, risk free, and make good returns. The performance of IPOs has been evaluated on the basis of returns on the day of listing and the next day, three months, six months, 12 months, 24 months, 36 months, 48 months and 60 months. It was found from the research that returns out of IPOs during the short period is very promising. In the recent past several large equity offerings including those from reputable business houses has failed to reach their price targets. Out of the 285 companies that raised Rs.99, 218 crore money from Investors in India through IPO, many are quoting below their issue price.

**Kumar S S (2010)**

Indian IPOs that tapped the primary market during 2003-07 by taking in to consideration the total costs the issuers have to face i.e., including both direct as well as indirect costs. We find that from a total cost point of view the issuers fare neither better nor worse using either book building or the fixed price offers. Our results also showed that the issue expenses associated with book building is more than those associated with fixed price offers after controlling for issue size and firm specific characteristics. Further analysis showed that employing US based lead managers do not translate in
to higher issue proceeds. Finally, the costs of the services of US lead managers are not significantly different from those of Indian lead managers.

**Chopra Rohini (2009)**

The study intends to examine the price performance of the Indian IPOs listed on NSE, using a sample of IPOs that tapped the NSE market during 1999-2008 by taking in consideration of their prices. The short run as well as long run analysis of their price performance have been done by taking the gap of time intervals of 1 week, 1 month, 3 months, 6 months and 1 year, 2 years, 3 years respectively. In addition to that an analysis has been conducted to know the influence of the factors viz. subscription level, Issue size, Listing Lead time and Age, on the price performance of the IPOs. The study shows that under pricing is present in the Indian Capital market. Also, under pricing is more prevalent in the short run than in the long run. The study further shows that IPOs come to their intrinsic value over a period of time. The regulatory framework of IPOs with special reference to SEBI guidelines has also been done.

**Ghosh Saurabh (2005)**

This paper concentrates on IPOs from the banking sector. The recommendations of the expert committees on the banking sector reform encouraged Indian banks to raise funds from the capital market through IPOs. In a developing country, the role of the banking sector for economic development is undisputed. In view of its importance in economic resource allocation and empirical evidences of IPO underperformance in the developing countries in the background, this paper analyses the banking sector IPOs in detail. The performance evaluations on the basis of stock returns didn’t find significant evidences of underperformance for the IPOs from the banking sector. Moreover, the study based on key accounting parameters showed improvement in the performance of the banks in the post listing period. There were no significant differences across ownership groups (public sector banks vis-à-vis their private counterpart) in the IPO pricing and performance.

### GROWTH OF IPO MARKET IN INDIA

**Table No: 1 Year wise IPO and amount raise through IPO.**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of IPO</th>
<th>Amount(Rs. In 100Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>114</td>
<td>277.224</td>
</tr>
<tr>
<td>2001-2002</td>
<td>7</td>
<td>12.018</td>
</tr>
<tr>
<td>2002-2003</td>
<td>6</td>
<td>10.3868</td>
</tr>
<tr>
<td>2004-2005</td>
<td>23</td>
<td>123.82</td>
</tr>
<tr>
<td>2005-2006</td>
<td>79</td>
<td>109.36</td>
</tr>
<tr>
<td>2007-2008</td>
<td>77</td>
<td>285.04</td>
</tr>
<tr>
<td>2008-2009</td>
<td>85</td>
<td>425.95</td>
</tr>
<tr>
<td>2009-2010</td>
<td>39</td>
<td>216.96</td>
</tr>
<tr>
<td>2010-2011</td>
<td>40</td>
<td>330.68</td>
</tr>
</tbody>
</table>

(Source: Annual Report of SEBI)

**OBJECTIVE OF THE STUDY.**

1. To study the growth of IPO’s in India.
2. To analyze the IPO performance for the long run i.e. up to a period of 08 years.
3. To compare and contrast the performance of IPOs with stock market index.

**RESEARCH METHODOLOGY**

The scope of the study restricted to IPO performance of selected companies which have issued shares in the year 2004. The researcher has identified total 20 companies from the various sector and among that through using random sampling method, total eight companies have been selected for the study. Said eight companies stock market performance have been analyzed since its issue. Comparison with the BSE index i.e. Sensex from the year 2004-05 to 2011-12.
The study is analytical in nature. The study period of this study is 8 years commencing from 2004-05 to 2011-12. Stock market performances have been examined of selected companies issues.

The study is based on Secondary data only. Data for the study was collected through websites of SEBI, Bombay Stock Exchange and Capital line database.

The researcher has collected the list of various IPO's during the year 2004-05 and there were 20 companies that have issued shares during the said year. Out which the researcher has selected 8 companies using random sampling method. So for the study the samples companies are as follows:

1. BIOCON LTD
2. DISHMANN PHARMA-CEUTICALS & CHEMICAL LTD
3. DREDGING CORPORATION OF INDIA LTD
4. GAIL (INDIA) LTD
5. ICICI BANK LTD
6. INDIABULLS FINANCIAL SERVICES LTD
7. NTPC LTD
8. PTC INDIA LTD

COMPARISON OF SELECTED COMPANIES PERFORMANCE COMPARE TO BSE SENSEX.

Chart No 2 Comparative Study of Sensex and Selected Companies Shares movement

Above chart shows that majority companies under the study follow the Sensex movement. However the companies like Dredging, Gail, India bulls and ICICI showed good performance compare to Sensex movement. But the company like Biocon, Dishman Pharma and NTPC are moved along with the Sensex.

HYPOTHESIS AND ITS TESTING

H₀ = There is no significant difference in the long term performance of the selected share prices.

H₁ = There is significant difference in the long term performance of the selected share prices.

S.P.S.S has been used to test the hypothesis.

The level of significance is as usual i.e. 0.05(5%) for the testing the hypotheses formulated.

<table>
<thead>
<tr>
<th>Source of Varization</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>73728675</td>
<td>7</td>
<td>10532668</td>
<td>129.4840</td>
<td>0</td>
<td>2.022003</td>
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<tr>
<td>Within Groups</td>
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<td>736</td>
<td>81345.68</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.34E+08</td>
<td>743</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above table shows the analysis of variance of long term performance of share. F-value is 129.4840 and p-value is 0. As p-value is less than 0.05 therefore we reject the null hypothesis and accept the alternate hypothesis, means there is a significant difference in Long Term Performance the selected companies IPO.

FINDINGS OF THE STUDY

The study found that the investor who have invested in IPO's earned positive return in Short term as the listing price of the all shares were higher compare to its issue/offered price. However, there is a mixed trend in the return in the long run. Out of eight selected
companies four companies showed positive return in the long run but the companies like Biocon Ltd, Disman Pharma Ltd, ICICI Bank, Dredging corporation Ltd investor loss their money. The long term performance of above mentioned companies was disappointing and majority of the investor has lost their valuable money.

The study shows that the company like Dredging Corporation Ltd, Gail India Ltd, India bulls Financial service Ltd and ICICI Bank Ltd showed good performance compare to Sensex movement. But the company like Biocon, Dishman Pharma and NTPC are moved along with the Sensex. The study "Long Term Performance of IPOs" examines the performance of IPOs which were issued the share in the calendar year 2004. The sample comprises 8 firms that offered their shares to the public during the study period. The statistics revels that the share price of the companies selected were reduced considerable amount during the year 2008-09 because of FII movement, global recession and banking sector failure in USA. The all selected companies follow the same patterns and change along with BSE Sensex irrespective of public or private sector or functional sector like oil gas, mine or power generation and distribution. This study show that the performance of IPOs has not been cheering to the investors. Retail investors should not always go for investing IPO for positive return. They should sell its share when the share prices are up for monetary benefit and should not wait for longer periods.

The study found that all the investor gain in the short range because the listing price was quite higher compare to its offer price but in the long range the return showed mixed results. Few company like PTC India Ltd, NTPC Ltd, GAIL India Ltd and India Bulls Financial Services Ltd showed good performance in long run but the performance of the companies like Biocon Ltd, Dishman Pharma Ltd, ICICI Bank, Dredging corporation Ltd was disappointing and investor lost their capital by investing in IPO's. Now the question arise that does the share price valuation was overprice? Do the companies who have issued the share in the year 2004 have charged more amount compare to actual amount?

LIMITATION OF THE STUDY
1. This study is based on Secondary only.
2. Only eight companies have been selected for the study.
3. Only eight years performance has been measure.

FURTHER SCOPE OF STUDY
1. The study is based on selected samples only more companies can be taken for further study.
2. More years IPO can be studied for better understanding.
3. Industry wise analysis could produce better results.

REFERENCES
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Study on HRM Components Before and After Adoption of Technology  
(In respect of Gender, Education and Occupation using Non-Parametric Test)  

- D. K. Ghosh+  
- Piyush N Goswami#  

Abstract:  
In Nationalized bank Employees are provided latest technology like computers, printers, internet etc. Earlier employee has to note down every transaction in register and bring register again back if it is required along with further inclusion and exclusion of some data. However with adoption of new technology employee become get rid-off such type of difficulties. Considering this we have studied impacts of employee facing problems before and after adoption of technology in respect of (a) Gender-wise (b) Education-wise and (c) Occupation-wise using Non parametric test. For this purpose we have divided HRM into five components i.e (1) Culture (2) Quality of work life (3) Motivation (4) Stress and (5) Effectiveness and Efficiency. Next carried out the statistical analysis of 5 component and found that there is statistically significant effect on the employee after adoption of new technology.  

1 INTRODUCTION  
In human Resource Management, We have tested following five components using Non parametric test on collected data. The five component are (1) Culture (2) Quality of work life (3) Motivation (4) Stress and (5) HRM  

1.1 Culture Definition Culture  
Culture is defined as the way of life of a people, including their attitudes, values, beliefs, arts, sciences, modes of perception, and
habits of thought and activity. Cultural features of forms of life are learned but are often too pervasive to be readily noticed from within.

1.1.1 Organizational Culture Basically, organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Members of an organization soon come to sense the particular culture of an organization. Culture is one of those terms which are difficult to express distinctly, but everyone knows it when they sense it. For an example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different that of a university. We can understand the culture of an organization by looking at the arrangement of furniture, what they brag about, what members wear, etc. similar to what you can use to get a feeling about someone's personality.

Corporate culture can be looked at as a system. Inputs include feedback from society, professions, laws, stories, heroes, values on competition or service, etc. The process is based on our assumptions, values and norms, e.g., our values on money, time, facilities, space and people. Outputs or effects of our culture are organizational behaviors, technologies, strategies, image, products, services, appearance, etc.

The concept of culture is particularly important when attempting to manage organization-wide change. Practitioners are coming to realize that, despite the best-laid plans, organizational change must include not only changing structures and processes, but also changing the corporate culture as well.

There's been a great deal of literature generated over the past decade about the concept of organizational culture, particularly in regard to learning how to change organizational culture. Organizational change efforts are rumored to fail the vast majority of the time. Usually, this failure is credited to lack of understanding about the strong role of culture and the role it plays in organizations. That's one of the reasons that many strategic planners now place as much emphasis on identifying strategic values as they do mission and vision.

1.1.2 Types of Culture There are different types of culture just like there are different types of personality. Sonnenfeld identified the following four types of cultures.

(a) Academy Culture: Employees are highly skilled and tend to stay in the organization, while working their way up the ranks. The organizations provide a stable environment in which employees can develop and exercise their skills. Examples are universities, hospitals, large corporations, etc.

(b) Baseball Team Culture: Employees are "free agents" who have highly prized skills. They are in high demand and can rather easily get jobs elsewhere. This type of culture exists in fast-paced, high-risk organizations, such as investment banking, advertising, etc.

(c) Club Culture: The most important requirement for employees in this culture is to fit into the group. Usually employees start at the bottom and stay with the organization. The organization promotes from within and highly values seniority. Examples are the military, some law firms, etc.

(d) Fortress Culture: Employees don't know if they'll be laid off or not. These organizations often undergo massive reorganization. There are many opportunities for those with timely, specialized skills. Examples are savings and loans, large car companies, etc.

Further we say there is one more culture which we called Corporate Culture

Corporate Culture: For many years, scholars in organizational behavior have attempted to demonstrate the link between an organization's culture and its performance. It has been argued that the success of an organization's strategy depends to a significant extent on the culture of the organization (Yip 1995).
One common thread that greatly affects many of the organizational aspects that enhance performance and increase productivity is the widely shared and strongly held values that underlie and define an organization’s culture. Desphande and Webster (1989) reviewed several studies and defined organizational (or corporate) culture as "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization". Schneider and Rentsch (1988) describe culture as "why things happen the way they do", and organizational climate as "what happens around here". Cultures can be determined by the values, assumptions and interpretations of organization members (Hales 1998). These factors can be organized by a common set of dimensions on both psychological and organizational levels to derive a model of culture types to describe organizations (Cameron and Freeman 1991). Corporate culture is an important predictor of organizational capabilities and outcomes such as customer orientation (Desphande et al. 1993) and new product development (Moorman 1995).

Harrison (1975) reported four types of cultural orientations of employees as derived from organizational ideologies. These include power orientation where there is the intention of complete dominance of the environment, elementary competition and, in most cases, with ruthless disregard for employee welfare. Others are role orientation, which tends to have a preoccupation with legitimacy, legality and responsibility. Task oriented culture places the highest priority on task achievement whereas Person (self) oriented culture serves the needs of employees through organizational learning as a result of individual influence on one another.

According to Jaworski and Kohli (1993), depending on the theoretical approach taken, organizational culture could be viewed as a property of the group or the organization itself, or as something that resides within each individual as a function of the cognitive and learning process (Krefting and Frost 1985), or as both a process and outcome because it shapes human interactions and is also an outcome of the interactions (Jelinek et al. 1983). In considering culture in the light of a strategic management paradigm, Barney (1986) argued that "for an organization's culture to provide sustained competitive advantages, it must add value. It must be rare or unique and be difficult to imitate by competitors". This could be sustained through the formulation of strategies that encourage a non-passive employee socialization in the form of formal indoctrination into organizational activities and processes, remedial training in areas related to enhancing personal productivity within a group context, and formally sanctioned encouragement to interact with socially oriented as well as production oriented work groups (Hopkins and Hopkins 1991).

2 Quality of work life

Quality of work life (QWL) is viewed as an alternative to the control approach of managing people. The QWL approach considers people as an 'asset to the organization rather than as 'costs'. It believes that people perform better when they are allowed to participate in managing their work and make decisions. This approach motivates people by satisfying not only their economic needs but also their social and psychological ones. To satisfy the new generation workforce, organizations need to concentrate on job designs and organization of work. Further, today’s workforce is realizing the importance of relationships and is trying to strike a balance between career and personal lives. Successful organizations support and provide facilities to their people to help them to balance the scales. In this process, organizations are coming up with new and innovative ideas to improve the quality of work and quality of work life of every individual in the organization. Various programs like flex time, alternative work schedules, compressed work weeks, telecommuting etc., are being adopted by these organizations.

Technological advances further help organizations to implement these programs successfully. Organizations are enjoying the fruits of implementing QWL programs in the form of increased productivity, and an efficient, satisfied, and committed workforce which aims to achieve organizational objectives. The future work world will also have more women entrepreneurs and they will encourage and adopt QWL programs.
The success of any organization is highly dependent on how it attracts, recruits, motivates, and retains its workforce. Today’s organizations need to be more flexible so that they are equipped to develop their workforce and enjoy their commitment. Therefore, organizations are required to adopt a strategy to improve the employees "quality of work life" (QWL) to satisfy both the organizational objectives and employee needs. These case lets discuss the importance of having effective quality of work life practices in organizations and their impact on employee performance and the overall organizational performance.

3. Motivation:

As per Rensis motivation can be defined as the core of management. Motivation is an important function, which every manager has to perform for actuating people to work for the accomplishment of objectives of organization. Motivation is an effective instrument in the hands of a manager for inspiring the work force and creating a confidence in it. By motivating the work force, management creates to work which is necessary for the achievement of organizational goals. The role of motivation is to develop and intensify the desire in every member of organization to work effectively and efficiently in his position.

Motivation is a term which applies to the entire class of urges, drives, desires, needs and similar forces. This investigation deals with the analysis of motivational aspects. It broadly covers views of the employees about their dominating nature and its influence, control, power, Goal setting and work, decision - making, ability to direct people, social interaction, support, interpersonal relationships, responsibility, authority, accountability, risk taking ability, performance appraisal, efforts for goal achievement, rewards and challenges, rewards and expectations, comparison with each other, skill, independent working habits, pay and performance.

4. STRESS

Stress at work is a relatively new phenomenon of modern lifestyles. The nature of work has gone through drastic changes over the last century and it is still changing at whirlwind speed. They have touched almost all professions, starting from an artist to a surgeon, or a commercial pilot to a sales executive. With change comes stress, inevitably. Professional stress or job stress poses a threat to physical health. Work related stress in the life of organized workers, consequently, affects the health of organizations.

Job stress is a chronic disease caused by conditions in the workplace that negatively affect an individual’s performance and/or overall well-being of his body and mind. One or more of a host of physical and mental illnesses manifests job stress. In some cases, job stress can be disabling. In chronic cases a psychiatric consultation is usually required to validate the reason and degree of work related stress.

In the early stages job stress can `rev up` the body and enhance performance in the workplace, thus the term `I perform better under pressure`. However, if this condition is allowed to go unchecked and the body is revved up further, the performance ultimately declines and the person’s health degenerates.

5. Nonparametric Tests

Next we used the Wilcoxon test to know any significance changes before and after adoption of technology for employees working at public sector Bank. For job satisfaction before and after adoption of technology we have made three criteria (scale) which are (a) not agree, (b) neutral and (c) agree. That is, we can conclude the job satisfaction on the basis of these three scales.

Here we have applied Non-parametric test for the following cases (a) Gender-wise (b) Education wise and (c) Occupation wise. This we discuss one by one. In case of gender wise we explained job satisfaction for both male and female here. We have used the SPSS software on the data collected from the public sector bank in Gujarat.

(A) Gender wise In case of male and female, let our null hypothesis is H0: No changes made before and after adoption of technology
development in respect of agree views of male and female employees. Data is shown in Table 1 and results is shown in Annexure 1.

The Wilcoxon Signed Ranks Test is applied and the following conclusion has been made on the basis of P value of the test. P value of the Wilcoxon Signed Ranks Test comes out as 0.043. Since P value, that is, 0.043 < 0.05 which shows that the test is significant, hence we can reject the null hypothesis. That is, technology adoptions make change in respect of agree views of male and female employees.

(B) Education-wise In case of education, let our null hypothesis is H0: No changes made before and after adoption of technology development in respect of agree views of education of the employees. Data is shown in Table 2 and results is shown in Annexure 2

The Wilcoxon Signed Ranks Test is applied and the following conclusion has been made on the basis of p value of the test. P value of the Wilcoxon Signed Ranks Test comes out as 0.043. Since P value, that is, 0.043 < 0.05 which shows that the test is significant, hence we can reject the null hypothesis. That is, technology adoption make change in agree views of male and female employees.

4. CONCLUSION:

4.1 Since P Value, that is 0.043 < 0.05 which shows that the test is significant. We can reject the null hypothesis. That is technology adoption make change in agree views of male and female employees. Adoption of technology make changes in the views of male and female employees in respect of agree statement.

4.2 Since P Value, that is 0.043 < 0.05 which shows that the test is significant. We can reject the null hypothesis. That is technology adoption make change in agree views of Graduate and Post graduate employees. Adoption of technology make changes in the views of Graduate and Post graduate employees in respect of agree statement.

4.3 Since P Value of all five occupation wise categories that are 0.043 < 0.05 which shows that the test are significant. We can reject the null hypothesis. That is, technology adoption make change in agree views of all five occupation wise categories employees. Adoption of technology make changes in the views of all five occupation wise categories employees in respect of agree statement.
ANNEXURE - 1

(Shows the wicoxn sign test result in respect of response "Agree"
A) Gender wise

1) Male-View2 (View2 indicates Agree response)

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</tr>
<tr>
<td></td>
<td>Positive Ranks</td>
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<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

Test Statistics(b)

| MAfter - MBefore | Z | -2.023(a) |
| Asymp. Sig. (2-tailed) | .043 |

a MAfter < MBefore; b MAfter > MBefore; c MAfter = MBefore

(2) Female-view2 (View2 indicates Agree response)

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<tr>
<td>Total</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Test Statistics(b)

| FAfter - FBefore | Z | -2.023(a) |
| Asymp. Sig. (2-tailed) | .043 |

a FAfter < FBefore; b FAfter > FBefore; c FAfter = FBefore

ANNEXURE - 2

(Shows the wicoxn sign test result in respect of response "Agree"
B) Education-wise

1) Graduate-View2 (View2 indicates Agree response)

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</thead>
<tbody>
<tr>
<td>GAAfter - GBefore</td>
<td>Negative Ranks</td>
<td>0(a)</td>
<td>.00</td>
</tr>
<tr>
<td></td>
<td>Positive Ranks</td>
<td>5(b)</td>
<td>3.00</td>
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<tr>
<td></td>
<td>Ties</td>
<td>0(c)</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Test Statistics(b)

| GAAfter - GBefore | Z | -2.023(a) |
| Asymp. Sig. (2-tailed) | .043 |

a GAAfter < GBefore; b GAAfter > GBefore; c GAAfter = GBefore
(1) Post Graduate-View2 (View2 indicates Agree response)

<table>
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<tr>
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<td>0(a)</td>
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<tr>
<td>Positive Ranks</td>
<td>5(b)</td>
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<tr>
<td>Ties</td>
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Test Statistics(b)

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<tr>
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<tbody>
<tr>
<td>Z</td>
<td>-2.023(a)</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.043</td>
</tr>
</tbody>
</table>

ANNEXURE - 3
(Shows the wicoxn sign test result in respect of response "Agree" Occupation wise)
(c) Occupation wise
(1) Casier-View2 (View2 indicates Agree response)

<table>
<thead>
<tr>
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<td>.00</td>
</tr>
<tr>
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<td>15.00</td>
</tr>
<tr>
<td>Ties</td>
<td>0(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Test Statistics(b)

<table>
<thead>
<tr>
<th>CAAfter - CBefore</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>-2.023(a)</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.043</td>
</tr>
</tbody>
</table>

(2) Clerk -View2 (View2 indicates Agree response)

<table>
<thead>
<tr>
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<th>Sum of Ranks</th>
</tr>
</thead>
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<tr>
<td>ClkAfter - ClkBBefore Negative Ranks</td>
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<td>.00</td>
<td>.00</td>
</tr>
<tr>
<td>Positive Ranks</td>
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<tr>
<td>Ties</td>
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Test Statistics(b)

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<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.043</td>
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</table>

a Based on negative ranks.
b Wilcoxon Signed Ranks Test
(2) **Dy Manager - View2 (View2 indicates Agree response)**

<table>
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<tr>
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<th>N</th>
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<tr>
<td>DymAfter-DymBefore</td>
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<tr>
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<td>0(a)</td>
<td>.00</td>
<td>.00</td>
</tr>
<tr>
<td>Positive Ranks</td>
<td>5(b)</td>
<td>3.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Ties</td>
<td>0(c)</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
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a DyMAfter < DyMBefore; b DyMAfter > DyMBefore; c DyMAfter = DyMBefore

**Test Statistics(b)**

<table>
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<tr>
<th>DymAfter - DymBefore</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>-2.023(a)</td>
<td>.043</td>
</tr>
</tbody>
</table>

a Based on negative ranks.; b Wilcoxon Signed Ranks Test

(3) **Manager - View2 (View2 indicates Agree response)**

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<th>Mean Rank</th>
<th>Sum of Ranks</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative Ranks</td>
<td>0(a)</td>
<td>.00</td>
<td>.00</td>
</tr>
<tr>
<td>Positive Ranks</td>
<td>5(b)</td>
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<tr>
<td>Ties</td>
<td>0(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
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</table>

a MngAfter < MngBefore; b MngAfter > MngBefore; c MngAfter = MngBefore

**Test Statistics(b)**

<table>
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<tr>
<th>MngAfter - MngBefore</th>
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<th>Asymp. Sig. (2-tailed)</th>
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<tbody>
<tr>
<td></td>
<td>-2.023(a)</td>
<td>.043</td>
</tr>
</tbody>
</table>

a Based on negative ranks.; b Wilcoxon Signed Ranks Test

(4) **Operator - View2 (View2 indicates Agree response)**

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</tr>
<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

a OpAfter < OpBefore; b OpAfter > OpBefore; c OpAfter = OpBefore

**Test Statistics(b)**

<table>
<thead>
<tr>
<th>OpAfter - OpBefore</th>
<th>Z</th>
<th>Asymp. Sig. (2-tailed)</th>
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<tbody>
<tr>
<td></td>
<td>-2.023(a)</td>
<td>.043</td>
</tr>
</tbody>
</table>

a Based on negative ranks.; b Wilcoxon Signed Ranks Test

**REFERENCES:**

1. Research Methodology Practice - P. Philominathan - Shri A.V.V.M. Pushpam College - Poondi - Thanjavur


BOOKS:
8. Dunette M.D., Capbell J.P. Hakel M.D. "Factors Contributing to job

Performance Evaluation of General Insurance Public Sector Companies of India

- Dr. Manisha S. Modi

Abstract:

The time has come for the insurance industry to come out of the clutch of forces and manifest itself at its best picture, that of a social and human organization striving it best to make the world a better place to give in.

Insurance is the method through which one can just spread over the risk. It is a way of reducing uncertainty of occurrence of event. Insurance is a solution for reducing risk, large number of people collect small amount, called premium and out of this losses are paid to the suffering person.

Insurance reached to the space from earth and from eye and ear to satellite. Naturally the insurance business will be increase day by day.

Insurance may be define as a contract where in one party (the insurer) agrees to pay the other party (the insured) or this beneficiary, a certain sum upon a given contingency (the risk) against which insurance is required.

Key Words
GIC : General Insurance Corporation
GIPSA : General Insurance Public Sector Association
GIPSC : General Insurance Public Sector Companies
IRDA : Insurance Regulatory and Development Authority
LPG : Liberalization Privatization and Globalization
NIACL : New Indian Assurance Company Limited

Associate Professor, H.O.D. of Accountancy, Shri Devmani Arts & Commerce College, Sataddhar Road, Visavadar Pin 362130, Dist: Junagadh, Gujarat (India)
1. INTRODUCTION:

History repeats itself, but while standing at the critical juncture of a historic event we hardly try to learn from our past experiences.

What brought insurance into being was popular concern for future uncertainty. Man wanted to protect their hard earned property from uncertainty and this simple requirement was given a shape with the innovation and improvement of insurance policy. The only principle was to make good the loss. In our country, the insurance sector was nationalized with an objective - to reach the corners of this country with insurance network; mobilize a huge resources and lend our shoulders in the nation building.

With this existing monopolistic structure, we have made remarkable towards our goal, but how far into the heart of the people as individual? This question has became very relevant as we are now standing at a critical juncture. At this age of consumerism, we must look at ourselves, we must evaluate our selves, we must compare ourselves vis-à-vis a consumer.

Insurance is an idea of the people, for the people and by the people. An insurer therefore can't be advertised to a popular sentiment. Still there is a popular saying "What insurance companies give you a big print, they take away in small print." This must be a pointer towards the policy contract which is crowded with exception, exclusions, limitations, conditions and warranties and all such "if" and "while" clause. There "if" and "while" clause and sub clause when over power the so called "big print" as a policy. The objective of insurance is deseated. No one denies the necessity for limiting insurance within a known boundary, but the dominance of this limitations mustn't mar the very basic objective of insurance.

In India, the insurance policies are dratted with all these consideration. But it we look at the organisation set-up and the delegation of power, one would observe a great effort inherent in that structure itself to popularise insurance. The organisational set-up is so nicely built, that individual requirements can be meted out the grass-root level. The operating offices are empowered to issue policy, settle claims at their discretion up to limit which covers almost each and every individuals personal need. At the grass-root level a claim say up-to Rs. 1,00,000/- can be settled, but if one look at the organisational structure at the level one would find no specialist posted at that office. Who then would settle the claim? Obviously some expertise is required to understand the essential points and take decision at that level. What we observe in most of the cases is that the executive officer manages the same with the help of surveyor. Doesn't it simply mean that these claims can be settled without much specialisation? Doesn't this imply that at that level several ideas of insurance and common sense is sufficient.

2. IMPORTANCE OF INSURANCE

As the industrial revolution comes with cutthroat competition, the chances of uncertainty are also increasing day by day. Insurance plays significant role for not only an individual or for not only an individual or for a family but it has spread over the entire nervous system of the nation. According to the famous philosopher J. Royce, Insurance Principles comes to be more and more used and useful in modern affairs. Not only does is serve the ends of individuals, it tends more and more both to pervade and transform our modern social order. It brings into now sythesis, not merely pure and applied sciences, but private and public interests, individual prudence and a large regard for. The general welfare theft and charity.

One famous author named "Dinsdale" also explains the importance of insurance as under.

"No one in modern world can afford to be without insurance." Insurance provides various advantages to various fields. One can classify the importance as under.
3. **NEW INDIA INSURANCE CO. LTD.**

The New India can claim to be the largest non-life insurer not only in India but in the whole Afro-Asia region, excluding Japan. The New India was incorporated on 23rd July, 1919 and commenced transacting business on 14th October, 1919. There was hardly any Indian insurance company of significance till that time.

4. **ORIENTAL INSURANCE CO. LTD.**

The Oriental Insurance Company Ltd. was incorporated at Bombay (Mumbai) on 12th September 1947. The company was a wholly owned subsidiary of the Oriental Government Securities Life Assurance Co. Ltd. and was formed to carry out general insurance business. The company was a subsidiary of life insurance corporation of India from 1950 to 1973 (till the general insurance business was nationalized in the country). In 2003 all shares of our company held by the general Insurance Corporation of India has been transferred to central government.

5. **NATIONAL INSURANCE CO. LTD.**

National Insurance Company Limited was incorporated in 1906 with its registered office in Kolkata consequent to passing of the general insurance business nationalisation act 1972. 21 foreign and Indian Companies were amalgamated with it and national became a subsidiary of general insurance corporation of India, which is fully owned by Government Insurance Business (Nationalisation) Amendment Act, on 7th August 2002, National has been linked from its holding company GIC and presently operating as a Government of India undertaking.

6. **UNITED INDIA INSURANCE COMPANY LTD.**

United India Insurance Company Ltd. was incorporated as a Company on 18th February 1938. General Insurance Business in India was nationalized in 1972. 12 Indian Insurance Companies, 4 co-operative insurance societies and Indian operations of storegion of Life Insurance Corporation of India were merged with United India Company limited. After nationalization United India has grown by leaps and bounds and has 18300 work force spread across 1340 offices providing insurance cover to more than 1
crob policy holders. The company has variety of insurance cover to more than 1 crore policy holders. The company has variety of insurance products to provide insurance cover from bullock carts to satellites

7. EARNING RATIO (PROFIT AFTER TAX TO NET PREMIUM)

(percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>NICL</td>
<td>-4.97</td>
<td>6.37</td>
<td>3.07</td>
<td>4.63</td>
<td>-3.96</td>
<td>14.64</td>
<td>5.12</td>
</tr>
<tr>
<td>OICL</td>
<td>-13.97</td>
<td>5.12</td>
<td>15.57</td>
<td>14.90</td>
<td>11.35</td>
<td>17.27</td>
<td>0.32</td>
</tr>
<tr>
<td>NIACL</td>
<td>6.78</td>
<td>7.27</td>
<td>15.99</td>
<td>10.33</td>
<td>16.50</td>
<td>30.72</td>
<td>28.51</td>
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<tr>
<td>UIICL</td>
<td>7.47</td>
<td>8.17</td>
<td>17.68</td>
<td>14.16</td>
<td>3.93</td>
<td>6.46</td>
<td>23.38</td>
</tr>
</tbody>
</table>

Source: Annual Report and Accounts of respective Companies.

F-TEST PROFIT AFTER TAX TO NET PREMIUM

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of squares</th>
<th>d.f (v)</th>
<th>Mean Square</th>
<th>&quot;F&quot; Ratio</th>
<th>Table value at s-t-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between the Years</td>
<td>905.78</td>
<td>(7-1)=6</td>
<td>150.96</td>
<td>150-96/-53.95 = 2.79</td>
<td>(6/18)=266</td>
</tr>
<tr>
<td>Between the companies</td>
<td>659.75</td>
<td>(4-1)=3</td>
<td>219.91</td>
<td>219.91/53.95 = 4.07</td>
<td>(3/18)=3.16</td>
</tr>
<tr>
<td>Residual Total +</td>
<td>971.11</td>
<td>6X3=18</td>
<td>5.5</td>
<td>2536.64</td>
<td></td>
</tr>
</tbody>
</table>

F-TEST : RETURN ON NET WORTH

It is useful in the sense it measures the residue income which really belongs to owners who bear the business risks and financial risk.

"This ratio is thus of great interest to the present as well as prospective shareholders and also of great concern to management". A higher ratio indicates the better utilization of owner's funds higher productivity favorable business condition and proper use of trading on equality or vice-versa.

Return on net worth ratio = \frac{\text{profit after tax}}{\text{Net worth}}

Net worth = share capital + reserve surplus - intangible assets

RETURN ON NET WORTH RATIO

(percentage)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NICL</td>
<td>-9.38</td>
<td>12.58</td>
<td>8.71</td>
<td>11.00</td>
<td>-10</td>
<td>29.0</td>
<td>11.0</td>
</tr>
<tr>
<td>OICL</td>
<td>-35</td>
<td>14.34</td>
<td>35.18</td>
<td>26.21</td>
<td>18.41</td>
<td>24.55</td>
<td>0.46</td>
</tr>
<tr>
<td>NIACL</td>
<td>4.45</td>
<td>7.51</td>
<td>15.56</td>
<td>9.67</td>
<td>15.04</td>
<td>24.44</td>
<td>20.09</td>
</tr>
</tbody>
</table>

Source: computed from annual reports and accounts of respective companies.

F-TEST : RETURN ON NET WORTH

<table>
<thead>
<tr>
<th>Sources of variation</th>
<th>Total sum of squares</th>
<th>d.f (v)</th>
<th>Mean Square</th>
<th>&quot;F&quot; Ratio</th>
<th>Table Value 5% level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between years</td>
<td>1933.80</td>
<td>6+1=7</td>
<td>276.26</td>
<td>276.26/162, 75=1.69</td>
<td>(6.18) 2.66</td>
</tr>
<tr>
<td>Between Companies</td>
<td>384.5</td>
<td>(4-1)=3</td>
<td>128.17</td>
<td>128.17/162.75 =0.79</td>
<td>(3.18) 3.16</td>
</tr>
<tr>
<td>Residual Total</td>
<td>2929.57</td>
<td>18</td>
<td>162.75</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Annual Report and Accounts of respective Companies.
### RATIO OF LIQUIDITY

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NICL</td>
<td>18.47</td>
<td>24.36</td>
<td>21.35</td>
<td>28.0</td>
<td>21.0</td>
<td>22.0</td>
<td>12.0</td>
</tr>
<tr>
<td>OICL</td>
<td>13.53</td>
<td>20.04</td>
<td>30.23</td>
<td>30.00</td>
<td>29.77</td>
<td>32.47</td>
<td>24.11</td>
</tr>
<tr>
<td>NIACL</td>
<td>54.57</td>
<td>52.09</td>
<td>55.59</td>
<td>56.59</td>
<td>68.18</td>
<td>65.72</td>
<td>74.92</td>
</tr>
<tr>
<td>UIICL</td>
<td>34.20</td>
<td>34.76</td>
<td>36.33</td>
<td>40.01</td>
<td>43.36</td>
<td>42.49</td>
<td>39.45</td>
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</table>

Source: Computed from annual reports and accounts of respective companies.

### Regression Analysis of Liquidity

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NICL</td>
<td>Liabilities</td>
<td>3402.71</td>
<td>4029.89</td>
<td>3901.2</td>
<td>4235.82</td>
<td>4727.32</td>
<td>4793.27</td>
</tr>
<tr>
<td></td>
<td>Actual liquid</td>
<td>6132.05</td>
<td>3989.78</td>
<td>3756.50</td>
<td>2526.64</td>
<td>3910.59</td>
<td>3468.25</td>
</tr>
<tr>
<td></td>
<td>Computed Deviation</td>
<td>-2729.34</td>
<td>40.11</td>
<td>144.7</td>
<td>1708.98</td>
<td>816.73</td>
<td>1325.02</td>
</tr>
<tr>
<td>OICL</td>
<td>Liabilities</td>
<td>2930.89</td>
<td>3020.78</td>
<td>3576.20</td>
<td>3977.98</td>
<td>4213.0</td>
<td>4739.92</td>
</tr>
<tr>
<td></td>
<td>Actual liquid</td>
<td>68.69</td>
<td>262.63</td>
<td>997.93</td>
<td>1493.13</td>
<td>1199.34</td>
<td>2332.48</td>
</tr>
<tr>
<td></td>
<td>Computed Deviation</td>
<td>2862.2</td>
<td>2818.15</td>
<td>2578.27</td>
<td>2484.85</td>
<td>3033.66</td>
<td>2407.44</td>
</tr>
</tbody>
</table>

### Findings

1. The ratio of net profit to net premium / the earning ratio had generated a sizeable net profit throughout the study period and UIICL was next on firm then NIACL which generated net profit throughout the study period, while NICL suffered weak profit than OICL had maintain profitability except on year lose during the study period. The application of "F" test makes it clear that the differences in the percentage of net profit to net premium were significant in between the years and in between the companies.

2. The operating ratio was the highest in NIACL followed by UIICL, OICL and NICL in 2006-07. The operating ratio increased during the last two years of the study period in all the selected general insurance public sector companies under study. Profitability of almost all the companies have grown sustainable especially during the last two years, from the view point of operating profit. Regression analysis of operating profit margin based on net premium and the use of chi-square (X2) test makes it evident that the differences in between actual operating differences in between actual operating profit and computed operating profit were not significant in NICL and in NIACL. However the difference in between actual values is significance in OICL and UIICL which shows that the results in these companies were not as per the expectations.

3. The ratio of net profit to investment income was highest in NIACL followed by UIICL, OICL and NICL. The ratio was increased
in 2006-07. In all the selected general insurance public sector companies under study. NICL suffered lower ratio due to increase in man incurred claims especially in fire business and miscellaneous business because of catastrophic claims. Regression analysis of net profit on investment income and the use of chi-square (X2) test makes it evident that the difference in between actual net profit was not satisfactory in OICL, UIICL and NICL. However the differences were significant in all the selected companies under study.

4. The ratio of return on net worth recorded a fluctuating trend in all the selected general insurance companies. The management of NICL, UIICL and NIACL during all the years of the study period were able to get the return on net worth due to better utilization funds of owners in compared to NICL, however there was big loss of income in OICL, UIICL and NIACL in compared to NICL.

5. The ratio of liquidity registered a fluctuating trend during the study period. The ratio was highest in NIACL during 2007-08 and was the lowest in NICL during 2007-08. The ratio was always more than 30 percent in UIICL and more than 50 % in NIACL during the study period. Except for in OICL during the study period which shows that the liquidity management was proper and efficient in both companies under study during the study period in compared to NIACL. Regression analysis of liquid liability on liquid assets and use of chi-square (X2) test makes it evident that the differences in between actual value of liquid liability and calculated value of liquid liability were significant in all general insurance public sector companies under study.

Suggestions

Regarding Outgo Control and Outgo Reduction:

1. The companies should have to cut the management expenses. The company should have to meet the prescribed norms formed by IRDA in concern of management expenses.

2. To increase the productivity of branches, GIPSC should have to increase infrastructural facility so that common people can reach to GIPSC easily. If the productivity starts to improve the efficiency will improve.

3. GIPSC have to focus on the development of business in rural areas with innovative schemes to attract the rural clients. To make the people of rural area familiar with non-life insurance the companies have to display insurance schemes at various public places.

4. The proportion of management expenses in all the companies under study should be kept within the prescribed norms.

5. To reduce the cost the GIPSC should make the settlements of legal claims in allotted timeframe and according to actual loss or damage.

6. The ratio of expenses should be reduced by decreasing travel allowance expenses and the companies have to implement the paperless office work to decrease the cost.

7. For correct and exact settlement of lodge claims outgo the appointment of surveyors and advocates should be centralize exclusively at the competent authority level and there should be reviewed periodically.

8. The legal case like motor-vehicles and accident related cases, workers related cases etc. should be settled in legal framework and speedy disposal compromise meeting should be arranged by GIPSCs, so by that companies can reduce the claims outgo.

Regarding to Increase the Income:

1. To generate the income of premium the GIPSC should develop the personal line insurance product. For that the companies have to go to the remote area of the country and to make aware the rural mass for non-life insurance products.

2. GIPSC should use aggressive marketing strategy.
3. GIPSC should have to introduce customer friendly plans which attract the people.

4. To improve the business GIPSC should have to expand the business in foreign market more.

5. To increase the premium income the GIPSC should give the proper training to the agents to handle the problems linked with the rapid changes in the market scenario.

6. Another area of growth is likely to be in retail sector wherein the GIPSCs can get market in a big way. This market is likely to grow rapidly due to increase in income of middle class and new value proposition given to the growing distribution channels like Bancassurance, Brokers, and Corporate Agency by way of setting up specialized offices with focused approach.

**Regarding Financial Management:**

1. Investment should be done under proper control of the people who are professionally qualified and having experience of capital market and total investment portfolio should be by for gate in low moderate and high risk value. By that GIPSC can earn more investment income and make the investment efficient.

2. Vigilance department should be established by IRDA properly and continuous vigilance should be carried out.

3. Employee should be encouraged to come forward to provide information regarding unfavorable activities in the organization and name should be kept confidential.

4. Vigilance should be finished on the time bound basis and the punishment should be given to recurrent employee to save outgo of interest.

5. GIPSC should start internal audit system on day to day basis and to follow concern audit to make transparency in accounting system.

6. GIPSC should invest their fund in infrastructure and social sector and in gold bond to accelerate their other income.

7. To fulfill the responsibility towards the society GIPSC have invest in infrastructure and social sector as per IRDA guidelines.

**References**


A Study of Current Assets-Liabilities Management of Fertilizer Industry of Gujarat State

- Dr. Shaileshkumar J. Parmar

Abstract:

Current Assets-Liabilities Management is concerned with the problems that arise in attempting to manage the current assets, current liabilities and the integration which exist between them. The concept of working capital has changed a lot with the evolution of business. If the finance manager does not properly estimate the working capital, the enterprise will have to face severe problems in connection with the production as well as daily requirements. The fertilizer industry plays a vital role in the growth and development of a country. The researcher has tried to study of Current Assets - Liabilities Management of Gujarat State Fertilizer Company (GSFC) and Gujarat Narmada Valley Fertilizer Company (GNFC). At present there are 57 large scale fertilizer units. There are also about 12 medium and small scale industries in operation.

The period of the study is five years. Accounting tool-Ratio Analysis and statistical tool-t test has been applied to test various hypothesis set-forth for the study. Eight various accounting ratios have been used in the study. The performance of GNFC was better with reference to current assets ratio, quick ratio, inventory turnover ratio, debtors' ratio, cash turnover while the performance of GSFC was much better with reference to current assets to total assets and working capital to sales ratio. The overall performance of GNFS was better. (Keywords : Assets-Liabilities Management, Working Capital, Ratio Analysis, Performance)

INTRODUCTION:

Current Assets - Liabilities Management is concern with the problems that arise in attempting to manage the current assets, current liabilities and the integration which exist between them. The concept of working capital was first endowed by Karl Marks in a different form and using the term variable capital in his views. The variable capital means the outlays for payroll is advanced to worker to spend on the goods before the goods they work on are complete. The variable capital is nothing but ways fund which remains blocked in work in progress along with other operating expenses until it is released through sale of finished goods. The concept of working capital has changed a lot with the evolution of business. From the above indicated theoretical foundation of working capital it presents that if the finance manager does not properly estimate the working capital, the enterprise will have to face severe problems in connection with the production as well as meeting daily requirements. The fertilizer industry plays a vital role in the growth and development of a country. The researcher has undertaken the study of Current Assets - Liabilities Management of Gujarat State Fertilizer Company (GSFC) and Gujarat Narmada Valley Fertilizer Company (GNFC). The Indian fertilizer industry has come a long way since the setting up of the manufacturing unit of Single Super Phosphate (SSP) near Chennai in 1906. The Indian fertilizer industry has helped in the growth of the Indian economy. The fertilizer sector by enhancing the agriculture productivity has in turn resulted in providing a major support to the farmers who are primarily depend on agriculture. Fertilizers have played a pivotal role in Indian food security. The India government has devised policies conducive to the manufacture and consumption of fertilizers. The dramatic development of the fertilizer industry and the rise in its production capacity has largely been attributed to the favorable policies. This has resulted in large scale investment in all three sector viz. public, private and co-operative. At present there are 57 large scale fertilizer units. These manufacture an extensive large of phosphates, nitrogenous and complex fertilizers. 29 of these 57 units are engaged in the manufacturing of urea, while 13 of them produce calcium ammonium nitrate and ammonium sulphate. The remaining 20 fertilizer plants manufacture complex fertilizer and DAP. There are also about 12 medium and small scale industries in operation.
DEVELOPMENT OF FERTILIZER INDUSTRY IN GUJARAT:

There are main four companies which produce chemical fertilizer in Gujarat. Out of them the Gujarat State Fertilizer Chemical Limited (GSFC) established the first ever chemical fertilizer factory in Gujarat at Baroda in 1967. GSFC was first joint sector industrial unit in India with equity capital of State government 49% and public 51%. It was also first unit to manufacture DAP. The Gujarat Narmada Valley Fertilizer Company Limited (GNFC) established in 1976 a chemical fertilizer factory at Barouche. GNFC was promoted by the government of Gujarat and GSFC. In 1975 Indian Farmers Fertilizer Co-operative Limited (IFFCO) set up its plants at Kalol and Kandla in Gujarat. Krushak Bharti Co-operative Limited (KRIBHCO) established its manufacturing unit in Gujarat. Both these units are in co-operative sector.

RESEARCH METHODOLOGY:

As India is an agricultural country, fertilizer plays the most important role in the development of agricultural production and productivity of land. So the fertilizer industry is the key industry in the development of Indian economy. In fertilizer industry working capital management is major problem.

TITLE OF THE PROBLEM:

The title of this study is as under:

"A Study on Current Assets - Liabilities Management of Fertilizer Industry of Gujarat State"

OBJECTIVES OF THE STUDY:

The main objectives are:

1. To study the efficiency of Current Assets - Liabilities management of selected units.
2. To assess and comment on the liquidity position of selected units.
3. To make suggestions for better Current Assets - Liabilities management of selected units.

PERIOD OF THE STUDY:

The present study is made for a period of five accounting year starting from 2003-04 to 2007-08. The researcher has selected the 2003-04 as base year. This year is normal for the purpose of analysis and evolution.

TOOLS AND TECHNIQUES:

Accounting techniques and Statistical techniques as shown below have been used in the present study:

1. Accounting Techniques: For the analysis in the accounting technique - Ratio Analysis is used. The ratio analysis concentrates on the relationship among the figures appealing in the Financial Statements - Profit & Loss account and Balance sheet- The strength and weakness can be measured properly by the Ratio analysis.

2. Statistical Technique: The researcher used average, percentage and index numbers. Hypothesis have been tested by using non parametric test -t-test' at 5% level of significance.

HYPOTHESIS:

The broader hypotheses of the study are:

Null Hypothesis (H1): Working capital management of the selected units is efficient.

Alternative Hypothesis (H0): Working capital management of the selected units is not efficient.

METHODS OF DATA COLLECTION:

The main source of Data, used for the study is secondary drown from the Profit and Loss Account and Balance sheet figures as found in the Annual Reports of the selected units. To supplement
the secondary data required information collected through direct personal unstructured investigation of general managers, accountants and dealers of selected units. Opinion expressed in commercial journals, magazines, news papers, accounting literature, various journals and magazines on fertilizer have also been used as sources of secondary data in this study.

**REVIEW OF LITERATURE:**

The bird eye view of relevant existing studies and literature has been discussed here as under: Dutts S.K. has written an article on Indian Tea Industry an appraisal which was published in Management in the year March - 1992. He analyzed the financial efficiency profitability and liquidity by using different ratio. Karva and Suberamanium published an article on the financial performance of 10 Units relating to the period form 1972 to 1979 which mainly observed liquidity profitability financial performance and financial structure and over all performance. For this study they used conventional ratio analysis.

**ANALYSIS OF DATA:**

<table>
<thead>
<tr>
<th>Table No: 1</th>
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<tbody>
<tr>
<td>Selected Working Capital Ratio of the selected unit GSFC and GNFC</td>
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</table>

<table>
<thead>
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<th>CR</th>
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<th>CATTAR</th>
<th>WCTSR</th>
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<tr>
<td>Year</td>
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<td>GSFC</td>
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<tr>
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<td>2004-05</td>
<td>1.78</td>
<td>2.42</td>
<td>1.23</td>
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<td>2005-06</td>
<td>2.30</td>
<td>2.37</td>
<td>1.60</td>
</tr>
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<td>2006-07</td>
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<td>2.17</td>
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<tr>
<td>2007-08</td>
<td>2.18</td>
<td>2.46</td>
<td>1.27</td>
</tr>
<tr>
<td>Average</td>
<td>2.14</td>
<td>2.42</td>
<td>1.47</td>
</tr>
</tbody>
</table>

Value of $T_\alpha$ 0.83 1.24 0.92 0.24

H0 Accepted Accepted Accepted Accepted

H1 Rejected Rejected Rejected Rejected

**Table No: 2**

Selected Working Capital Ratio of the selected unit GSFC and GNFC

<table>
<thead>
<tr>
<th>ITR (Time)</th>
<th>DTR</th>
<th>CRTR</th>
<th>CTR</th>
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<tr>
<td>Year</td>
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<tr>
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<td>18.99</td>
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<td>6.25</td>
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<td>2005-06</td>
<td>5.28</td>
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<td>24.82</td>
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<td>2006-07</td>
<td>5.60</td>
<td>6.47</td>
<td>23.93</td>
</tr>
<tr>
<td>2007-08</td>
<td>5.56</td>
<td>7.09</td>
<td>17.95</td>
</tr>
<tr>
<td>Average</td>
<td>5.56</td>
<td>6.68</td>
<td>21.40</td>
</tr>
</tbody>
</table>

Value of $T_\alpha$ 0.024 0.024 0.024 0.024

H0 Rejected Rejected Accepted Rejected

H1 Accepted Accepted Rejected Accepted

**Current Ratio:** It can be seen from the above table that increases of GSFC the current ratio continually increase during the first year at the study. It was 1.56 during 2003-04, 1.78 during 2004.05, 2.30 during 2005-06, 3.15 during 2006-07 But then after decrease and went down to 2.18 during 2007-08 during the study period average current ratio was 2.14. In case of GNFC the current ratio shows a mixed trend. It was 2.23 the lowest level in 2003-04 where as it was of 2.61 the highest level in 2006-07 after than it was 2.40 in year 2007-08 Average current ratio was 2.42 In relation to inter firm comparison during the five year of study in GNFC this ratio was higher as compare to GSFC. GSFC in the beginning two year ratio is
not maintain to standard Average ratio after than it become increase and decrease also.

\[ H_0 = \text{There would be no significant difference in average times of current ratio in selected units.} \]

\[ H_1 = \text{There would be significant difference in average times of current ratio in selected Units.} \]

Calculated value of 't' is + 0.83 while table value of 't' is 2.306 which is lower than the table value so null hypothesis is accepted. It shows that there is no significant difference in current ratio of GSFC and GNFC. It can be said that the current ratio of both the company GSFC and GSFC is not the same.

**Quick Ratio:**

It can be known from the above mentioned table that in case of GSFC the quick ratio constant increases during the first four year of the study time. It was 1.07 during 2003-04 1.23 during 2004.05 1.60 during 2005-06 2.17 during 2006-07 But then after this ratio was decrease and went down to 1.27 during 2007-08 and average ratio of GSFC 1.43 during the study period. In case of GNFC the quick ratio indicates a mixed friend. It was 1.71 during 2003-04 and 1.65 the lowest level in 2005-06 where as it was of 1.89 the highest level in 2006-07 after the year this ratio is decreases and went down to 1.67 during 2007-08. Average ratio of GNFC 1.73 during the study time in relation to inter - firm comparison during the first year of study to GNFC average ratio of GNFC also higher compare to GSFC while company the quick ratio of both the units is observed that quick ratio of GNFC is comparatively better for all the year accept the year 2006-07 from the above it can be said that the quick ratio of GNFC shows quite better picture than the GSFC during the period under study.

\[ H_0 = \text{There would be no significant difference in average times of quick ratio in selected units.} \]

\[ H_1 = \text{There would be significant difference in average times of quick ratio selected units.} \]

Calculated value of 't' is + 1.24 while table value the calculated value. It shows that there is no significance difference in quick ratio of GSFC and GNFC during period under study so the null hypothesis is accepted. It can be said that the quick ratio of both the company is the same.

**Current Assets to Total Assets Ratio:**

The current assets to total assets ratio in GSFC first four year continually a 39.25% in 2003-04 and reached 53.99% highest during the study time and last year 2007-08 the ratio was decreased to 49.95 during the study period. The current assets to total assets ratio in GNFC same position of GSFC first four year continually increased during the study period. It was 39.23% in 2003-04 and reached 52.35% highest during the study time then after this ratio is decreased. It was 42.04 in the year 2007-08 during the study period In relation to inter firm comparison during the study time in GSFC this ratio was higher as compare to GNFC on an average basis more than 47.87% of the total assets were invested in current assets.

\[ H_0 = \text{There would be no significant difference in current assets to total assets ratio in selected units.} \]

\[ H_1 = \text{There would be significant difference in current assets to total assets ratio in selected units.} \]

Calculated value of ‘t’ is 0.92 while table value of ‘t’ is 2.306 which is greater than the calculated value so null hypothesis is accepted. It show that there is no significance difference in current assets to total assets is not same alternative hypothesis is rejected. The results are as per expectation.

**Working Capital to Sales Ratio:**

The higher ratio of working capital reveals the better and efficient management and utilization of current assets and vice versa. This ratio is an index of efficiency or profitability of a business firm further this ratio also indicates whether the sales are adequate in comparison to current assets or whether the current assets are too high in comparison to the sales. The ratio of working capital to sales
ratio in GSFC ranged between 2.98 times and times indicating a fluctuating trend during the four year 2003-04, 2004-05 and 2005-06 2006-07 the ratio was 5.19 4.98 3.07 and 2.98 respectively it can be said that the trend was decreasing due to increase in the sundry debtors in the year 2007-08 it stepped up 4.63 the average ratio was 6.23 times in GSFC the ratio was 5.19 times in 2003-04 which was the highest level of the study period. This ratio can declined and went down to 2.98 in 2006-07 showing a good support working capital to sales after the year it was increase 4.63 during the last year of sundry period. In case of GNFC the working capital to sales ratio in the beginning three years this ratio was increased. It was 3.78 the lowest level in 2003-04 and where as it was of 4.47 the highest level in 2005-06 after than it decreased and went down to 3.15 during highest level in 2007 - 08 that means GNFC the working capital to sales ratio represent a trend. In relation to comparison during the first two year of study in GSFC this ratio was higher as compare to GNFC where as during the last three years this ratio higher in GNFC. The average working capital to sales ratio of GNFC was which is lower than the average ratio at GSFC during the study period.

H₀ = There would be no significant difference in working capital to sales ratio in selected units.
H₁ = There would be significant difference in working capital to sales ratio in selected units.

Calculated value of ‘t’ is 0.24 while table value of ‘t’ is 2.3.6 which is greater than the calculated value 90 null hypothesis is accepted alternative hypothesis is rejected. It shows that there is no significance difference in working capital to sales ratio of GSFC and GNFC.

**Inventory Turnover Ratio:**

Inventory turnover ratio shows whether investment in inventory is efficiently used or not. A low turnover indicates an over investment and a high turnover indicates under investment in inventory. If the ratio in increase it means maximum output of finished goods to be sold which is favorable for the unit. This ratio is a test of efficient inventory management. The inventory turnover ratio in GSFC presented a trend during the study time. It was 5.17 in 2003-04 after the year was increased 6.25 firm 2004-06 which stepped down to 5.28 train 2006-07 and last year it was again decreased in 2009-08 it was 5.56 train 2007-08 during the study period stock turnover ratio was 5.56 time. In case of GNFC registered mixed trend during the study period the ratio was 6.88 time in 2004-05 and after the ratio declined during the next year it was 6.45 time in 2005-06 and after rising up to 6.47 time and 7.09 in 2006-07 to 2007-08. During the study period the performance in respect of inventory management of GNFC was impressive than that of GSFC. The average of stock ratio during the study time was also higher in GNFC (6.68) in comparison to that of GSFC (5.56). Stock turnover ratio ranged 5.17 times to 6.25 time in GSFC while in GNFC it range 6.30 time to 7.09 time during the study period Besides this ratio was always higher in GNFC as compared to GSFC during the study period of 2003-04 to 2007-08.

H₀ = There would be no significant difference in inventory Turnover ratio in selected units.
H₁ = There would be significant difference in inventory turnover Ratio in selected units.

Calculated value of ‘t’ is 4.67 while table value ‘t’ is 2.306 which is lower than the calculated value so null hypothesis is rejected it shows that there is significance difference in stock turnover ratio GSFC and GNFC it can be that the ratio of stock turnover is not same.

**Debtor Turnover Ratio:**

This ratio shows the relationship between net sales and debtors of a concern. This ratio helps to jute the adequacy of working capital debtor’s are expected to be converted in to cash over a short period and therefore debtors are included in current assets. The debtors’ turnover ratio in GSFC in the beginning three years it was continually increased. It was 18.99% in 2003-04 reached to 24.82% highest level in year 2005-06 But after the two year it was continually decrease
and went down to 23.93% in 2006-07 and 17.95% in 2007-08. The debtors turnover ratio is GNFC witnessed mixed turnover during the study period. It was 13.54% in 2003-04 which decreased to 12.21% in year 2004-05. But the ratio again increased after two years and reached to 18.90% in 2006-07 and then after the ratio was decreased and reached 14.49% lowest levels in 2007-08 finally the average ratio of GNFC it was 15.25%. On the basis of above analysis it can be concluded that the credit policy of the GSFC was became liberal in last there study period c from 2005-06 to 2007-08). In this period the credit and collection policy was showed in efficient it is suggested that the GSFC should try to increase this ratio by formulating credit control policies. The management of the concern will have to device ways and means to improve the collections. In relation to the interfirm comparison during the five year of study in GSFC debtors' turnover ratio was constant higher as compare to GNFC.

H₀ = There would be no significant difference in debtors turnover ratio in selected units.
H₁ = There would be significant difference in debtors turnover ratio in selected units.

Calculated value of 't' is 3.53 while table value of 't' is 2.306 which is lower than the calculated value so null hypothesis is rejected it shows that there is a significance difference in turnover of GSFC and GNFC it can be said that the ratio of debtors turnover is not same.

Creditors Turnover Ratio:

The creditors turnover ratio in GSFC was 54.7%, 40.76%, 32.54%,22.26% and 15.91% respectively during the study period of 2003-04 to 2007-08 First year of study period it was highest 54.7% and after the four year it was constantly declined and reached to 15.91% in year 2007-08 and average ratio of GSFC it was 30.21%. The creditors' turnover ratio in GNFC was 45.19%, 39.48%, 27.52%, 29.19% and 28.25% respectively during the study period of 2003-04 to 2007-08 First years of study period it was highest 45.19% and after the four year it was remained in mix trend. It was 45.19% in 2003-04 which decreased to 38.78% in 2004-05 and 27.52% in 2005-06 next year this ratio was increased to 29.19% in 2006-07 finally this ratio is went down to 28.25% in 2007-08 average ratio of GNFC during the study time was 31.87%. In relation to inter firm comparison during the five years of study in GSFC this ratio was constant increased as compare to GNFC. But the average ratio of GSFC is 33.74% near about GNFC (33.92%).

H₀ = There would be no significant difference in creditors turnover ratio in selected units.
H₁ = There would be significant difference in creditors turnover ratio in selected units.

Calculated value of 't' is 0.024 while table value of 't' is 2.306 which is greater than the calculated value so null hypothesis is accepted and it shows that there is no significance difference in creditors' turnover ratio of GSFC and GNFC. It can be said that the ratio of creditors' turnover is same.

Cash - Turnover Ratio:

This is an important ratio of controlling cash. It is reveals of effectiveness with which cash is utilized. Cash and bank balance is a paramount need of business firm for its day to day operations. The cash turnover ratio in GSFC witnessed a index trend during the study period. It was 5.43% 2003-04 which ranged up to 7.58% in 2004-05 and declined to 3.40% in 2005-06 next year this ratio was increasing again to 35.36% in 2006-07 and it was down to 12% in 2007-08. In case if GNFC This ratio was 6.36%, 21.21%, 14.79%, 24.18% and 30.48% respectively during the study period from 2003-04 to 2007-08 this ratio second higher in 2003-04. It was 60.36% after two year this ratio was down and reached to 14.79% in 2005-06 than after this ratio increased to 24.18% in 2006-07 and showed continuous increasing trend during next year reaching to 30.98% in 2007-08 showing signs of improvements from view point of liquidity management the unit study performed well particularly during the last two year of the study period. The interfirm comparison of the cash
turnover ratio during the first three years of study in GNFC this ratio was higher as compare to GSFC. After than 2006-07 ratio was higher in GSFC next year 2007-08 ratio was lower as compare to GNFC. The average of this ratio the study period was also higher in GNFC (29.45%) in comparison to that GSFC (11.49%). It shows that the performance in respect of cash management in GNFC was not impressive than that of GSFC during the study period.

$H_0 = \text{There would be no significant difference in cash turnover ratio in selected units.}$

$H_1 = \text{There would be significant difference in cash turnover ratio in selected units.}$

Calculated value of ‘$t$’ is 15.60 while table value of ‘$t$’ is 2.306 which is lower than the calculated value. So null hypothesis is rejected and it shows that there is significance difference in cash turnover ratio of GSFC and GNFC. It can be said that the ratio of cash turnover is not same.

**CONCLUSIONS:**

The performance of GNFC was better with reference to current assets ratio, quick ratio, inventory turnover ratio, debtors' ratio, cash turnover while the performance of GSFC was better with reference to current assets to total assets and working capital to sales ratio. The overall performance of GNFS was better. GSFC should try to reduce the debtors' turnover ratio by reducing the credit period allowed to customers. GNFC should reduce the level of cash which remains unproductive.

**LIMITATIONS OF THE STUDY:**

The main limitations of the study are as follows:

1. The study is limited to five year - 2003-04 to 2007-08 only.
2. The study is related to corporate fertilizer sector of Gujarat only.
3. The study is based on secondary data derived from annual reports of selected units.

4. This study is restricted to only two units as compared to population the sample size is too small. Hence it becomes the limitation of the study.

5. The ratio analysis has its own limitations. The same also applies to the present study.

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Examination Reformation in Higher Education

Dr. Dhiren Pandya

Abstract:

Standardization of education in higher levels is becoming significant. The aim of this research paper is to explore the variables that are essential in improving the quality of examination. As per my opinion implantation of this new systems of examination have become essential for overcome low quality education.

Introduction:

During my tenure of Controller of Examination I got chance to assess the system of conduction of examination and evaluation of students in Saurashtra University. I may take this opportunity to express my views and suggestions for the improvement of the prevailing scheme of examination and assessment of the students who are the leaders of young generation of our nation.

The nation has to meet the steps with the progress of the global world and the government and educational institutions including UNO had made such an efforts that migration of the students from one nation to another is become easier in now a day and this trend will remain in force for a longer time. For this, level of our students should be equal and probably higher than the students of other part of the world. Not only this, but the nation is aimed to put our economy and technology in the stage of automation. The educational progress of the country is mainly based on the successful improvement in the standard of teaching and assessments of their students.

Changes of examination with respect to time:

As we know that during the regime of the Maurya and Guptakalin period, our nation had several Gurukuls and Vidyapeeths which were doing excellent job for assessment of their students rather deciples. AKLAVYA, KARNA & ARJUN of those days were really brilliant and their scholarship was generally assessed by public demonstration to which we may call practical performance of their achievements.

With the conclusion of golden historical period and during the regime of foreign sovereignty rulers have shown all kinds of cruelty to destroy our educational system. One should frankly admit that this period was too long. With the beginning of the British rule and particularly during the period of 1857 A.D. rebellion, the focus on the introduction of modern education became more relevant and accordingly university education system has come into existence from 1857 A.D. with the establishment of three oldest universities namely University of Kolkatta, University of Mumbai & University of Chennai.

During the period of 19th Century and also major part of 20th Century the tools for the assessment of the students were theory base paper and practicals were the main tools. In the latter part of 20th Century, few new tools like internal assessment, grade system and other tools were introduced and at that time neither there was mechanism or motion to examine the tools used by the institute of higher education.

The political liberty and freedom we get in the year 1947 and at the same time, the education system was utmost orthodox and the aim of British Education Policy can be described as cleark supplying education system and that is why in 1949 the Education Commission headed by Dr. S. Radhakrishnan have noted “We are convinced that if we are to suggest any single reform in university education, it should be that of examinations.” This proves that our national leaders and freelance thinkers have right from the beginning of the Independence
period suggested and worried about the improvement of standard of teaching and examination.

Identify the limitation of examination:

During the period of almost at least six decades, many more commissions and others have suggested many reforms in our examination system. If we become student we should suggest that examination system should not create any psychological burden or stress on us. If I become examiner, I should not expect that students should have grasped the substance of the syllabus or course. Ultimate aim of the society and educational institution should be of generating highly skilled and qualified leaders in the various fields like technology, engineering, medicine, management and also in the field of humanities and social science and examination system should accordingly be revised.

The UGC had committed in it's reports under the title of "Some Problem of University Administration" published in 1967 in which it is mentioned that "Under-hand means of various kinds are employed in the examinations. Apart from the leakage of examination papers by the examiners to their favourite students, leniency is shown to some students in marking papers. The examiners are appointed without keeping in view their academic attainments and teaching experience. The choice is sometimes made of persons who are in the good books of the authorities. " The UGC while submitting its annual report for the year 1977-78 has also mentioned certain steps towards the reformation of our examination system. The major recommendations are as under:

In the year 1971, a seminar was organized by the Inter-University Board of India & Ceylon had given significant contribution to improve our examination system. I may therefore suggest that it should be considered by the institution of higher education in which various tools and type of test was also considered. It is also recommended to introduce semester system and internal assessment etc. The report is also relevant even in today's situation. Therefore I suggest that a committee should be appointed and relevant recommendations and conclusions of the above referred seminar should be made available to all the institutions of higher education.

(a) Continuous sessional evaluation as a supplement to the present final examination.

(b) The development of question banks in order to eliminate some of the shortcomings of setting up examination papers and as a means for revision and modernization of courses of study.

(c) Introduction of grade system instead of present marking system in order to increase reliability and bring about better comparability among different subjects.

(d) Introduction of the semester system in order to have greater flexibility.

Steps towards the reforms examination:

Now the revolution in the field of I.T./Computer has created avenue to control such irregularities by introducing "ONLINE EXAMINATION SYSTEM."

The institutions of higher education are imparting instruction in various fields and there are certain fields like medicine, technology etc., have comparatively lower number of examinee as compared with other traditional faculties like Arts, Science & Commerce etc. Therefore where the total enrollment is comparatively lower, we should suggest internal assessment system and instruction should be imparted through the tools of semester system. While suggesting semester system functional autonomy should be given to each of the unit viz. university department or autonomous or constituent colleges.

The "ONLINE EXAMINATION SYSTEM" should cover 25% of marks of total marks in the initial stage and later on efforts should be made towards the covering 75% examination as theory base paper and practicals on "ONLINE EXAMINATION SYSTEM." This will help us to eradicate some of the malpractice in
the examination hall and also avoid undue burden of rechecking, reassessment etc.

The sessional examination should be given weightage in university examination. However, in this case, assessment of student will be made by the local examiner. To avoid psychological disadvantages, the examining body should review the work conducted by the local examiners while assessing their students.

The question of creation of question bank has been remained unsolved since last four decades. The UGC has under its model curriculum programme circulated model syllabi / Syllabus to utmost all universities. Keeping this in view, it is suggested that the model question bank should also be worked out by the UGC and be circulated among the universities for adoption of the same.

The ultimate aim of discussion is to produce the good quality of our future leaders in the nation the system of assessment by awarding credit or grade point can smoothly implemented. But where the large number of examinee are required to be assessed the traditional system of giving marks is unless other alternative is available with us be continue.

The experiment of introducing home examination or open book has got many limitations and may not reflect real intellectuality of our examinee. Thus this can be adopted where the limited number of examinees are enrolled and examined. As regarding of scientific question paper, the matter can be well discussed in collaboration with the institute like NCTE and NCERT, where the adequate academicians and infrastructure is available. However, some of the model scientific question paper drawn by some central institute like UGC, AIU, NCERT, AICTE be circulated to the academic bodies of the universities and its views and recommendations be considered in the second stage and thereafter it can be implemented by the examining authorities. The gradation system is successfully implemented in many universities now a day. We should keep in our mind that our graduates and post-graduate students are generally prefers to have further study in foreign countries. Therefore whatever methods of assessment is adopted it should have far comparability with the pattern of global educational institutions. Many times, it is observed that students need their results in a particular form but the same is not accepted by the examining body.

**Conclusion:**

I would like to conclude my submission by saying that any type or model of the examination system which we may accept but it should have enough capacity to assess student's intellectuality and grasping of the curriculum which he/she has been taught. Secondly, the student should not fear while entering the examination hall. The surrounding atmosphere as well as the teaching and instructions imparted by his/her college and also reading material available to the candidate should be of good quality and the programmes of the examination should be reach to them at least in the first month of the concerned semester and only students who have completed his/her term work, sessional work and has acquired minimum number of marks in internal examination be enrolled for the university or public examination body.

Rajkot
Dt: 23rd Sep. 2012
A Study of Intrepreneurship
In Shree Mahila Griha Udhyog Lijjat Papad
Rajkot City

Dr. A. H. Sondarva

Abstract:

Entrepreneurship is the one of the boosting tool for the economic development. An entrepreneur having the ability and quality of to identify the opportunities, the creative risk taking, strategic determination in uncertainty and forward looking. Entrepreneurial skills that will be needed to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. This article focused on the ability and skill as well as the socio-economic background, motivational factor behind women workers, performance and problem of the women those who are working in the Shree Mahila Griha Udhyog Lijjat Papad Rajkot

Key Word: Entrepreneurship, Entrepreneur, SMGULP -Shree Mahila Griha Udhyog Lijjat Papad,

INTRODUCTION:

Entrepreneurship is the blood of any economy flowing in such a way that is builds the tangible and intangible assets for any economy in such a way that people enjoy the fruits of better life. Entrepreneurship is one of the significant supportive factors for rural development and agribusiness also. An entrepreneur can be define as when he is creative risk taker, coupe up well with uncertainty, strategies and technology, determined as well as disciplined, visionary and forward looking. Robert E Nelson focused that and entrepreneur is a person who is able to look at the environment, identify opportunities to improve the environmental resources and implement action to maximize those opportunities, it is important to bear in mind the entrepreneurial skills that will be needed to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Risk taking ability is part of the entrepreneurship. Entrepreneurship had gained greater significance at global level under changing economic scenario. It is one of the way by which to do the economic development in the Nation the new direction of selling through mall culture its open the new scope for the entrepreneurship in trading and manufacturing. A definition of entrepreneurship by Jones and Sakong, 1980; Timmons, 1989; Stevenson, et al., 1985. Entrepreneurship so defined, pertains to any new organization of productive factors and not exclusively to innovations that are on the technological or organizational cutting edge, it pertains to entrepreneurial activities both within and outside the organization. Entrepreneurship need not involve anything new from a global or even national perspective, but rather the adoption of new forms of business organizations, new technologies and new enterprises producing goods not previously available at a location (Petrin, 1991).

This is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in many respects, not only by its economic structure and its economic vigorousness, but also by the social vitality and quality of life which it offers with a consequent attractive-ness to people.

REVIEW OF LITERATURES:

A book "Entre-preneurship Development In India" has edited by Sami Uddin Published by K.M. Mittal in 1989. in this book deeply discuss about the various aspects of entrepreneurship development in India, entrepreneurs in India, and women entrepreneurship development in India.
Lalitha Rani has pen down in her book "Women Entrepreneurs” published by A.P.H. Publishing Corporation in 1996. It covers government policy on women entrepreneurship, role of women in economic development, importance of entrepreneurship, social - economical development, work- home role conflict, motivational factor, problem and prospects about the entrepreneurial development and SWOT analyses.

Dr. Vasant Desai has written a book "Small Scale Industries and Entrepreneurship" Published By Himalaya Publishing in 2006, it includes concept, development, characteristics and types of entrepreneurs, and the role of entrepreneurs.

Article by Geoffrey Jones on "Entrepreneurship in the Natural Food and Beauty Categories Before 2000: Global Visions and Local Expressions" How do entrepreneurs create a market? Author has explained a historical approach and focuses on influential figures who created new categories of natural and organic food, agriculture, and beauty products over the course of the twentieth century. At first these pioneering entrepreneurs, often motivated by ideological or religious convictions, faced little consumer demand for "green" products and little consumer knowledge of what they entailed. The creation of new categories thus involved a lengthy process with three overlapping waves of entrepreneurship.

"Women and Industrialization" by M.L.Narasaiah, published by Discovery publishing, this book focused on women and poverty, promotion of women empowerment for women's population growth and women's role in India.

"Entrepreneurship in Small Towns" by Narsimha Murthy. Published by K.M. Mittal. In this author has explained approaches of an entrepreneur and various town economic development due to the skill about the entrepreneurship and due to that Changes in the standard of life as well as what type of the problems faced for the performance.

COMPANY PROFILE:

Shree Mahila Griha Udyog Lijjat Papad (SMGULP) is a women's organization manufacturing various product from Papad Khakhara, Appalam, Masala, Vadi, Gehu Atta Bakery product Chapali Sasa detergent powder, Sasa detergent cake, Sasa liquid detergent. The organization is wide spread with it's central office at Mumbai and it's 67 branches and 35 divisions in different states all over India the success of the organization stem from the efforts of it's member sister who have with stood several hardships with unshakable belief in the strength of women. The institution will always and even be grateful to Pitama late Shri Dattnibapa for his contribution towards the institution who showed the correct path and guided the institutions till his last breath.

Name of Unit : Shree Mahila Griha Udyog Lijjat Papad
Address of Unit : Gondal Road,
Rajkot
Address of main unit : 3, Kamal Apartments,
S.V. Road,
Bandara(West),
Mumbai 400-050
Year of Establishment : 15 March, 1959
Registered Year of Establishment : 25 July, 1966
Form of Organization : Co-operative
Main Product : Papad
No of Employees : 1000
Contact Information : Telephone no. (0281)2362657
Fax No. Rajkot (0281)2362671
National (022)6420688
International 91-22 6420688
6. OBJECTIVE OF STUDY:
1. To study the socio-economic background of women worker in Shree Mahila Griha Udyog Lijjat Papad Rajkot city
2. To analyze the motivational factor behind women worker in Shree Mahila Griha Udyog Lijjat Papad Rajkot city.
3. To evaluate the performance (relate to sales, salaries and number of workers) and to enquire about their problem of women worker in Rajkot city.

RESEARCH DESIGN:
The following research design has been adopted for carrying out the study.

DATA COLLECTION AND SAMPLE SIZE:
For the research work researcher has collected primary data and secondary data for the study. Primary data collected from the questionnaires. For those 100 members of Shree Mahila Griha Udyog Lijjat Papad Rajkot city has been taken as respondents based on convenient sampling technique. While the secondary data collected from annual report and magazine of Shree Mahila Griha Udyog Lijjat Papad Rajkot city for the year 2006 to 2011.

LIMITATIONS OF STUDY:
1. This study limited to Rajkot City only
2. This study is based on primary and secondary data so the limitation of the data reveals with the study

METHODOLOGY AND DATA ANALYSIS:
The primary aim of this paper is to know about the entrepreneurship skill, socio-economic background, motivational factor and to evaluate the performance and to enquire about their problem of women those who are working in the Shree Mahila Griha Udyog Lijjat Papad Rajkot City. The data complied from the questionnaire and found out the profile of the woman workers. With it's tried to work out the correlation of the sales, salaries and no of workers. Data analysis is based on primary data and secondary data is as under

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**ANALYSIS OF PRIMARY DATA:**
Considering the objectives of the research work researcher has tried to put it's into the questionnaire form, collected the required data, and analysis its. The demographic characteristics like age, marital status, education etc. are important for looking potential for the work.

**Table 1: PROFILE OF THE WOMEN WORKER**

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>In %</td>
</tr>
<tr>
<td>21 to 25</td>
<td>06</td>
</tr>
<tr>
<td>26 to 30</td>
<td>15</td>
</tr>
<tr>
<td>31 to 35</td>
<td>38</td>
</tr>
<tr>
<td>36 to 40</td>
<td>19</td>
</tr>
<tr>
<td>41 to 45</td>
<td>11</td>
</tr>
<tr>
<td>Above 46</td>
<td>11</td>
</tr>
<tr>
<td>Marital Status Category</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>94</td>
</tr>
<tr>
<td>Unmarried</td>
<td>05</td>
</tr>
<tr>
<td>Widow</td>
<td>01</td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
</tr>
<tr>
<td>Illiterate</td>
<td>45</td>
</tr>
<tr>
<td>Primary</td>
<td>45</td>
</tr>
<tr>
<td>High school</td>
<td>10</td>
</tr>
<tr>
<td>Type of Family</td>
<td></td>
</tr>
<tr>
<td>Nuclear</td>
<td>47</td>
</tr>
<tr>
<td>Joint</td>
<td>53</td>
</tr>
<tr>
<td>Types of Ownership of Dwelling</td>
<td></td>
</tr>
<tr>
<td>Own</td>
<td>77</td>
</tr>
<tr>
<td>Rent</td>
<td>23</td>
</tr>
<tr>
<td>Monthly Income</td>
<td></td>
</tr>
<tr>
<td>Below 5000</td>
<td>21</td>
</tr>
</tbody>
</table>
### Source of Saving

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Husband's income</td>
<td>04</td>
</tr>
<tr>
<td>Self income</td>
<td>96</td>
</tr>
</tbody>
</table>

(Source: Complied from Questionnaire)

- Around 38% of the total respondents are from the age group of 31 to 35. 6% of the respondents belong to age group of 21 to 25. Other groups consist 15%, 19% and 11%.
- 94% of the total women entrepreneurs included in this study are married. 5% of the respondents are unmarried and 1% is widow.
- 45% of the total respondents of the study in Lijjat Papad come under the education level of illiterate and primary only 10% from high school.
- 53% respondents of women entrepreneurs live in joint family whereas 47% nuclear.
- 77% of the total respondents included in this study have their own home reaming 23% live in rent house.
- 41% of the total respondents monthly income of family comes under the category of Rs. 5000 - 8000. only 7% respondents having 12000 to 16000 Rs. monthly income.
- Most of the women included in this study is satisfied with their income, means their income is sufficient.
- 51% of the total respondents earning an average of Rs. 101 - 150 per day. Only 7% having 200 Rs. or more per day.
- 45% of the total respondents family member comes under the category of 5 - 6 members.
- 44% of the total respondents have been concerned with this organization for 6 - 10 years.
- 45% of the total respondents' daily production 4 to 6 kg. 37% of the 7 to 9 Kgs. where as 18% respondents daily production 10 to 12kg.
- Most of the respondents' source of income is self income.
ANALYSIS OF SECONDARY DATA:

Researcher has done trend analysis of sales, payment and number of employees in papad making process. For this purpose researcher has taken five year data from the year 2006-07 to 2010-11. The year 2006-07 has been considered as the base year as per trend percentage and the amount is taken as base (100 %).

Table :2 TREND ANALYSIS OF SALES OF PAPAD

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Trend</th>
<th>Change (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>78,000,000</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>2007-08</td>
<td>133,000,000</td>
<td>171</td>
<td>+71</td>
</tr>
<tr>
<td>2008-09</td>
<td>143,000,000</td>
<td>193</td>
<td>+93</td>
</tr>
<tr>
<td>2009-10</td>
<td>172,840,000</td>
<td>222</td>
<td>+122</td>
</tr>
<tr>
<td>2010-11</td>
<td>198,600,000</td>
<td>254</td>
<td>+154</td>
</tr>
</tbody>
</table>

(Source : Annual Report)

From the above table no. 2 reviles that Sales of papad increasing trend for the five years taken for trend analysis. In the base year (2006-07) sales of papad is Rs. 78,000,000 which increased by 71 % and reached unto Rs. 133,000,000 in the next year. Then after in the year 2008-09 it increased by Rs. 65,000,000 as compared to the base year (2006-07). As compared to the base year the amount is Rs. 172,840,000 in the year 2009-10 which increased by 122 % as compared to the base year. Sales of papad is highest in the last year (2010-11) of the trend among five years trend. It is 254 % as compared to the base year.

Chart-1

Table :3 TREND ANALYSIS OF PAYMENTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Trend</th>
<th>Change (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>16,400,000</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>2007-08</td>
<td>28,100,000</td>
<td>171</td>
<td>+71</td>
</tr>
<tr>
<td>2008-09</td>
<td>29,100,000</td>
<td>177</td>
<td>+77</td>
</tr>
<tr>
<td>2009-10</td>
<td>29,200,000</td>
<td>178</td>
<td>+78</td>
</tr>
<tr>
<td>2010-11</td>
<td>30,200,000</td>
<td>184</td>
<td>+84</td>
</tr>
</tbody>
</table>

(Source : Annual Report)

Payment made by Lijjat Papad during the trend shows increasing trend. It is Rs. 16,400,000 in the base year which increased by 71 % in the next year. The trend is increasing quite slowly during the period of five years. The trend line reached on the top in the year 2010-11, it shows increase of 84 % as compared to the base year.

Chart-2

Table :4 TREND ANALYSIS OF NUMBERS OF WORKER:
The table shown above shows an average payment to each woman during each year taken for trend analysis. It can be known from the last column that Lijjat has paid Rs. 28,290 on an average of five years.

**Chart-4**

The table shown above shows an average payment to each woman during each year taken for trend analysis. It can be known from the last column that Lijjat has paid Rs. 28,290 on an average of five years.

**Chart-3**

### Table :5 AVERAGE PAYMENT

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Payment</th>
<th>Numbers of Worker (Women)</th>
<th>Per Employee Payment (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>16,400,000</td>
<td>850</td>
<td>19,294</td>
</tr>
<tr>
<td>2007-08</td>
<td>28,100,000</td>
<td>900</td>
<td>31,222</td>
</tr>
<tr>
<td>2008-09</td>
<td>29,100,000</td>
<td>970</td>
<td>30,632</td>
</tr>
<tr>
<td>2009-10</td>
<td>29,200,000</td>
<td>970</td>
<td>30,103</td>
</tr>
<tr>
<td>2010-11</td>
<td>30,200,000</td>
<td>1,000</td>
<td>30,200</td>
</tr>
</tbody>
</table>

(Source : annual report )

**Test of Hypothesis:**

For the testing of the data researcher has formulated the hypothesis and for that applied T-Test
H₀: There is no significant difference between sales and workers.
H₁: There is significant difference between sales and workers.

Result:

<table>
<thead>
<tr>
<th>r</th>
<th>t calculated value</th>
<th>t table value</th>
<th>n</th>
<th>d.f.</th>
<th>Hypotheses select</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.98</td>
<td>8.5</td>
<td>3.182</td>
<td>5</td>
<td>3 (at 5% level of significance)</td>
<td>H₁</td>
</tr>
</tbody>
</table>

Here in this calculation null hypothesis is rejected and alternative is accepted, means there is significant difference between sales and workers. It means there is impact of workers on sales.

Table 7

HYPOTHESIS 2:

RELATIONSHIP BETWEEN SALES AND PAYMENT

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Rs.)</th>
<th>Payment (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>78,000,000</td>
<td>16,400,000</td>
</tr>
<tr>
<td>2007-08</td>
<td>133,000,000</td>
<td>28,100,000</td>
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<td>30,200,000</td>
</tr>
</tbody>
</table>

H₀: There is no significant difference between sales and payment.
H₁: There is significant difference between sales and payment.

Result:

<table>
<thead>
<tr>
<th>r</th>
<th>t calculated value</th>
<th>t table value</th>
<th>n</th>
<th>d.f.</th>
<th>Hypotheses select</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.88</td>
<td>3.23</td>
<td>3.182</td>
<td>5</td>
<td>3 (at 5% level of significance)</td>
<td>H₁</td>
</tr>
</tbody>
</table>

Here in this calculation null hypothesis is rejected and alternative is accepted, means there is significant difference between sales and payment. It means there is impact of payment on sales.

SUGGESTION:

Thought the study found out that, improving financial condition is one of the most common reasons for many women entrepreneurs to join this organization. They come to get employment and tried to self develop as well as to increase there life style, own education, children education and enhancement of there family development. The suggestions after the research work are as under

- Increase number of branch.
- Give them training regularly for different product.
- Need to increase the percentage of salaries and commission.
- To motivate them for more education.
- Provide housing related facilities.
- Increase sale and make more new product so their salaries will increase.

CONCLUSION:

Finding of the study revealed that number of the women are join this organization because of to improve the financial condition so they can fulfill the basic requirement and gradually increase the condition of the family. These are the women they belong to poor class or lower middle class but they have the strength to do something different. They have the skill about to take the risk and develop something better. Some of entrepreneurs in our country are on this base and they came out as successful entrepreneur.

REFERENCE:

DRDA Rajkot

Ethical Disclosure of Corporate Governance Practices in India

- Dr. Ajayraj M. Vyas

Abstract:

Openness, integrity and accountability are the key elements of ethical corporate governance for any corporate house. The importance of these factors is assumed to be of greater importance in case of Public Sector Undertakings. Board of Directors, being the apex administrative body of corporate houses, is their prime responsibility to achieve maximum amount of openness, integrity and accountability in their routine business practices. Disclosure means to release the information to various people. In terms of corporate governance, disclosure means to provide relevant information to stakeholders of a company. Corporate disclosure came into existence in order to safeguard the investor's savings and to update the stakeholders with latest happenings of corporate world. It is all about how suppliers of capital get judicious return, and to make sure that managers of the capital do not misuse the capital by its wrong investments. Attempt has been made through this paper to unfold various facets of Corporate Governance as well as to point out the steps to be adopted by Indian Corporate for ethical and effective Disclosure of Corporate Governance.

(Keywords: Corporate Governance, Stakeholders, Competitiveness, Disclosures, Corporate Responsibility)

(A) Introduction

In recent years, the Indian economy has undergone a number of reforms, resulting in a more market-oriented economy. Particularly, after the Government of India has taken steps towards liberalization
and globalization of the economy, the size of Indian corporate is becoming much bigger and accordingly the expectations of various stakeholders are also increasing, which can be satisfied only by the good Corporate Governance. The importance of good Corporate Governance has also been increasingly recognized for improving the firm's competitiveness, better corporate performance and better relationship with all stakeholders, because of which the Indian Corporates have obliged to reform their principles of Governance. For that purpose, Indian companies will now be required to make more and more elaborate disclosures than have been making hitherto.

The Corporate Governance is a voluntary, ethical code of business concerned with the morals, ethics, values, parameters, conduct and behavior of the company and its management. The corporate responsibility begins with the directors who are the mind and soul of the organization. The Board is expected to act as conscience-keeper of the corporate vision and mission, and devise the right type of systems for organizational effectiveness and satisfaction of stakeholders. Thus, the Corporate Governance is a system of accountability primarily directed towards the shareholders in addition to maximizing the shareholders' welfare.

(A) What is Corporate Governance?

The term corporate governance has come to mean two things.

- the processes by which all companies are directed and controlled.
- a field in economics, which studies the many issues arising from the separation of ownership and control.

The corporate governance structure specifies the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the company objectives are set, as well as the means of attaining and monitoring the performance of those objectives. It is a relationship which include all related parties such as the owners(Shareholders), managers, directors of the board, regulatory authorities and to a lesser extent employees and the community at large.

According to business author Gabrielle O'Donovan (www.wikipedia.org) corporate governance is "an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes."

While in the words of J. Wolfensohn, president of the Word bank (www. encycogov.com) corporate governance is all about promoting corporate fairness, transparency and accountability."

Hence in nutshell, Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. It is a multi-faceted subject which deals with issues of accountability and fiduciary duty, essentially advocating the implementation of policies and mechanisms to ensure good behaviour and protect shareholders.

(B) Cronology of Corporate Governance

(1) In 19th Century United states corporation law enhanced the rights of corporate boards to govern without unanimous consent of shareholders, in exchange for statutory benefits like appraisal rights, to make corporate governance more efficient.
(2) In 20th Century due to sudden crash of Wall Street in 1929, the role of modern corporations had drastically changed.

(3) In 1937 Ronald Coase in his book "Nature of the Firm" came out with new concept of Transaction Cost, in order to understand why firms are created and how should they behave.

(4) In late 80's Agency Theory was developed in order to have systematic understanding of corporate governance.

(5) The current philosophy of corporate governance is largely based on The East Asian financial crisis (Thailand, Indonecia, Malasia) of 1997 and collapse of big US corporates like Enron and Worldcom as well as financial scandals in organisations like Arthur Anderson and Global Crossing in early days of 2000.

(C) Stakeholders to Corporate Governance

Stakeholders are the groups who are vital to the survival and success of the corporations. They are the parties who are associated directly or indirectly, and can affect the achievements of the organisational objectives. Following model clarifies the major parties to corporate governance.

The model clearly indicates the various parties associated with corporate governance. The parties in "Rectangle" are primary stakeholders who are directly connected while parties in "oval" are secondary stakeholders who are indirectly connected.

(D) Disclosure of Corporate Governance

Disclosure means to release the information to various people. In terms of corporate governance, disclosure means to provide relevant information to stakeholders of a company. Corporate disclosure came into existence in order to safeguard the investor's savings and to update the stakeholders with latest happenings of corporate world. It is all about how suppliers of capital get judicious return, and to make sure that managers of the capital do not misuse the capital by its wrong investments.

(E) Why Corporate Disclosure?

The need for disclosure of corporate governance is immencly felt in today's corporate world because of so many reasons, like:

(1) Increasing concerns of FIIs towards the firms in which they invest.

(2) In India, corruption is a very burning issue. Hence to prove itself as non-corrupted firm.

(3) Market and Investors take notice of well managed companies, respond positively and reward with higher investments.

(4) To build brand image, get more loyalty and commitment as well as to have more competent employees in this age of competition.

(5) For proper implementation of recommendations made by Kumar Mangalam Committee, Naresh Chandra Committee and Narayana Murthy Committee.

(6) To provide handy information to the investors and to update them.

(7) To overcome the unfair practices as well as to prevent investors from misleading.

Source: "Business Ethics" by C.S.V. Murthy, HPH, Mumbai, 2006
(F) Role of Accountant in Corporate Governance

Financial reporting is a crucial element necessary for the corporate governance system to function effectively. Accountants and auditors are the primary providers of information to capital market participants. The directors of the company should be entitled to expect that management prepare the financial information in compliance with statutory and ethical obligations, and rely on auditors' competence.

Current accounting practice allows a degree of choice of method in determining the method of measurement, criteria for recognition, and even the definition of the accounting entity. The exercise of this choice to improve apparent performance (popularly known as creative accounting) imposes extra information costs on users. In the extreme, it can involve non-disclosure of information. The Enron collapse is an example of misleading financial reporting.

However, good financial reporting is not a sufficient condition for the effectiveness of corporate governance if users don't process it, or if the informed user is unable to exercise a monitoring role due to high costs.

(G) Limitations in Disclosure

1. Imperfection in the supply of financial and accounting information.
2. Small shareholders can not utilise the information of the corporations for taking decisions, as the processing charges are very high.
3. Problem of morality in running enterprises (Business practices are legal but unethical)
4. Cost of executing the disclosure decisions (Consultation fees, structure, plans, policy etc.)
5. Mindset of people and organisational culture.
6. Problems like excessive executive compensation, managerial expropriation of shareholder's wealth etc. which are generated from the theory of separation of ownership and control.

(H) Remedial Measures

In order to resolve the problems in implementing effectively the principles of corporate governance as well as to achieve the objectives of corporate governance it is very much essential on the part of the corporations to adopt ethical and judicious behaviour for disclosing the information. Because after all the satisfied and objectively guided stakeholders will only lead any corporation towards its ultimate aim of success in this era of global competition. For this, the primary importance should be given to ethical disclosure of corporate practices. In India, the concept of Disclosure of Corporate Governance Practices is still in infant stage and has no standard and uniform pattern. Though several efforts have been made through the creation of various committees at different intervals, for the awareness but even then the ethical approach is still missing in the corporate practices. Following are some of the suggestions made by different governmental and non-governmental organisations and academic bodies of India and abroad for having ethical disclosure of corporate governance:

1. Enterprises should disclose their financial and operating results.

One of the major responsibilities of the board of directors is related with high-quality disclosures of the financial and operating results of their enterprises. Today almost all the corporate governance codes around the world, including the OECD and the ICGN Principles, the CACG Guidelines, the Cadbury Report, and the King II, specifically demand this from the board of directors.
(2) **Responsibilities towards financial communications.**

A description of the board's duties in overseeing the process of producing the financial statements should be provided. This is useful for supporting the notion that the board is responsible for creating an overall context of transparency.

(3) **Disclosing information regarding transactions with related parties.**

As, this will help out the stakeholders in deciding the objectivity of management in running the enterprises.

(4) **The objectives of the enterprise should be disclosed.**

There are two general categories of company objectives: the first is commercial objectives, such as increasing productivity or identifying a sector focus; the second is much more fundamental and relates to governance objectives: it seeks to answer the basic question, "why does the firms are functioning?"

(5) **Matter related to corporate control**

Rules and procedures governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers and sales of substantial portions of corporate assets should be disclosed.

(6) **Principle of Equality of Disclosure**

In the interest of protecting minority shareholders, the principle of "equality of disclosure" should be practiced, such that all shareholders receive information equally.

(7) **Structure, Role and Composition of Board of Directors**

The composition of the board should be disclosed, in particular the balance of executives and non-executive directors, and whether any of the non-executives have any affiliations (direct or indirect) with the company. Where there might be issues those stakeholders might perceive as challenging the independence of non-executive directors, companies should disclose why those issues do not impinge on the governance role of the non-executive directors as a group. More over role and functions must also be fully disclosed.

(8) **Code of Ethics of Enterprise**

Ethical policies and support structure of an enterprise, code of ethics and any governance structures put in place to support that code of ethics, should be disclosed.

(9) **Profile of Board Members of Enterprise**

There should be sufficient disclosure of the qualifications and biographical information of all board members to assure shareholders and other stakeholders that the members can effectively fulfill their responsibilities.

(10) **Mechanism for payment of remunerations to Directors**

Directors should disclose the mechanism for setting directors' remuneration and its structure. A clear distinction should be made between remuneration mechanisms for executive directors and non-executive directors.

(11) **Career planning and Succession for Key Positions**

The board should disclose whether it has established a succession plan for key executives and other board members to ensure that there is a strategy for continuity of operations.

(12) **The role and responsibilities of internal Audit**

Enterprises should disclose the scope of work and responsibilities of the internal audit function and the highest level within the leadership of the enterprise to which the internal audit function reports.

(13) **The Procedure for attending meeting and voting rights**

Disclosure should be made of the process for holding and voting at annual general meetings and extraordinary general meetings, as well as all other information necessary for shareholders to participate effectively in such meetings.

(14) **External auditors and their integrity with Board**

The board should disclose that it has confidence that the external auditors are independent and their competency and integrity have not
been compromised in any way. The process for the appointment of and interaction with external auditors should be disclosed.

(15) Responsibility of Board towards Society

The board should disclose its policy and performance in connection with environmental and social responsibility and the impact of this policy and performance on the firm's sustainability.

Openness, integrity and accountability are the key elements of ethical corporate governance for any corporate house. The importance of these factors is assumed to be of greater importance in case of Public Sector Undertakings. Board of Directors, being the apex administrative body of corporate houses, it is their prime responsibility to achieve maximum amount of openness, integrity and accountability in their routine business practices. The aforementioned remedies would definitely help the Directors to have transparent and fair trade practices as well as ethicality in managing organization for long term survival.

(H) Overall Conclusion

When one pursues the improvement of the disclosure system, one must have a clear idea of exactly what disclosure system to aim at. It is extremely important to be aware of what information should be disclosed. Information being disclosed must be "useful," that is, Understandable and verifiable. Disclosure does not have an absolute value in isolation. The value, or the effectiveness, of disclosure depends very much on other (often non-legal or loosely legal) conditions also such as the style of finance and ownership structure. From a corporate governance perspective, disclosure alone may not be enough, other legal infrastructures are equally important for corporate governance to matter. Therefore, when one considers the improvement of the disclosure system, one must also prepare a comprehensive regime of securities regulation to take the full advantage of the disclosure regime.

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Financial Literacy in selected Asian Countries: A comparative view with India

- Darshana Vithalani*

Introduction

Finance is an eminent aspect of every person's life and a need of everyone's life. Lifelong prosperity is only possible when one attains financial success together with social prosperity. Financial literacy is therefore an important concern that endeavours financial well being and leads to effective financial planning. Concern for financial literacy has increased in the recent time with increase in the variety of financial product. It's mainly because of the rising need to invest and save that has aroused because of financial stress and complexity.

Financial literacy can be defined as: A combination of awareness, knowledge, skills, attitude, and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. The seminal definition of financial literacy was 'the ability to make informed judgments and to take effective decisions regarding the use and management of money' (Noctoretal, 1992).

Financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimise their chances of being misled on financial matters (Beal and Delpachitra, 2003; CBF, 2004b; Raven, 2005). Therefore, having financial literacy skills is an essential basis for both avoiding and solving financial problems, which, in turn, are vital to living a prosperous, healthy and happy life (CBF, 2005b, p. 4).

The recent global financial crises have drawn attention on the issue of financial education and awareness. Financial literacy has become a key priority for global policymakers who now realize the profound impact that individual financial decisions can have, not just on a national level, but on a global scale as well. In the wake of the 2008 financial crisis, one thing has become very clear: low financial literacy is a barrier to economic growth, nationally and globally. Low levels of financial literacy have broad economic implications as some countries cope with rising debt levels due to poor decision-making. Indeed, it was a toxic blend of bad information, financial inexperience and cheap, plentiful credit for U.S. consumers that led to the subprime mortgage crisis. However, low financial literacy levels were a problem long before the financial crisis took hold.

Financial literacy: Asian View

In the last decade, we have experienced strong and rising interest in financial literacy and measures to improve it in public and private. A few rich countries have established a comprehensive national financial literacy strategy and many others are thinking about. Many poorer countries want to do so likewise and are looking for guidance and support. Providing financial education is seen as the key intervention that reduces ignorance and improves outcomes. Financial access is gradually being recognised as an important input to economic development.

Visa International Financial Literacy Barometer 2012

Visa International Financial Literacy Barometer 2012 conducted a financial literacy survey in the period between February and April 2012 and interviewed 25,500 respondents in 28 countries including global superpowers like USA, Canada and Australia. Out of a possible score of 100, Brazil topped the charts with a 50.4 followed by Mexico with 47.8, Australia with 46.3, USA with 44 and Canada with 43.8 in top 5 overall country ranking.
Looking at the findings of financial literacy survey, we can interpret that Asian Countries lag behind the financial literacy and understand Japan:

Japan represents itself at a higher rank of being financially literate countries that has better financial understanding and implication compared to other Asian Countries. Its stood on the 7th rank in the financial literacy barometer. With reference to household budget Japan stood 2nd position and it has also proved to be effective in saving for emergency and imparting financial literacy at an early age. Japan has far better level of financial literacy compared to other countries.

Malaysia:

Malaysia stood on the 10 position among the 28 countries in reference to the financial literacy. The overall review of the surveys shows that it is at a better state compared to other Asian Countries.

China:

China stood on the 16th position among the 28 countries on financial literacy front. It is significantly representing its 1st rank on saving set aside for emergency and proves to be good in saving the funds for future contingency. In reference to the knowledge of finance and money management china has been at a better position to impart financial understanding to the teens.

Thailand:

Thailand stood at the 9th position. it is rightly representing its merits on saving on emergency and understanding of finance in teens. A part from that its stood on 3rd position for imparting financial education at an early age. Thailand is showing an improvement and increase in financial literacy.

Taiwan:

Taiwan stood on the 13th position, wherein 39.9 % of the people are financial literate. Its significant represents saving set aside for emergency and holds the 2nd position. It is also at a better position to impart financial understanding in teen. Overall, Taiwan proves to be at a reasonably better position in financial literacy matter.

Vietnam:

In the financial literacy barometer, Vietnam stood at 26th position. Looking at the overall aspect, Vietnam proves to be better
only in saving aspects as it stood on the 10th position for saving for the emergency. On the whole, it represents to be the least aware on financial management aspect

Indonesia:

Indonesia ranks at the 27th position on the financial literacy barometer, that proves that the people in Indonesia lack financial management skills and are less aware of financial matters. Overall analysis of Indonesia represents that it badly lag behind all the countries in financial understanding and money management skill. It calls for much aggressive promotion of financial literacy in order to be at a better economic and social growth

Pakistan:

Pakistan holds the last position in the financial literacy barometer and stood on 28th position. it is better only at imparting understanding of financial matter to teen. On the whole, only 27.3% of people have financial literacy.

MasterCard Worldwide Index of Financial Literacy (Women)

As a leading global payments company, MasterCard Worldwide enjoys the privileges to be the heart of commerce, helping to make life easier and more efficient for everyone, everywhere. MasterCard serves as a franchisor, processor and advisor to the payments industry, and makes commerce happen by providing a critical economic link among financial institutions, governments, businesses, merchants, and cardholders worldwide.

This new MasterCard Index has provided us with new insights to women's aptitude and knowledge for managing their finances. It highlights that women across Asia/Pacific are financially savvy to some extent, in particular among the over-30, married, working group, but that the level of financial literacy in women can be raised further, especially among the younger generation.

Table -2 : MasterCard Worldwide Index of Financial Literacy (Women)

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<tr>
<th>Ranking</th>
<th>Scores</th>
<th>Components of Financial Literacy Index</th>
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<tr>
<td></td>
<td>Overall Financial Literacy Index</td>
<td>Basic Money Management</td>
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<td>Asia/Pacific</td>
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<td>1 Thailand</td>
<td>73.9</td>
<td>67.9</td>
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<td>2 New Zealand</td>
<td>71.3</td>
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<td>3 Australia</td>
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<td>4 Vietnam</td>
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<td>5 Singapore</td>
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<td>6 Taiwan</td>
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<td>7 Philippines</td>
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<td>8 Hong Kong</td>
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<td>9 Indonesia</td>
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<td>10 Malaysia</td>
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<td>11 India</td>
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<td>13 Japan</td>
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<td>14 Korea</td>
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Source : MasterCard Worldwide Index of Financial Literacy (Women)

The best performers in the financial literacy analysis were Thai and Vietnamese women and ranks at 1st and 2nd second position. These are markets represents rapid socio-economic advancement given to women who are vital and valuable first-hand entre-preneurial experience. According to the observation of Georgette Tan, Vice president, Communications, Asia/Pacific, Middle East and Africa, MasterCard Worldwide, they have higher exposure to financial planning and money management concepts.

As the financial world is becoming increasingly complex, there is a undeniable need for women to be more financially confident and competent.

Financial literacy in India

According to Visa Global Financial Literacy Barometer survey, India stood at 23rd in a list of 28 countries on the financial literacy front. The survey pointed out that ""Many people in India have set
aside savings to weather a financial rainy day, but the lack of money management discussions in the family may set the stage for their children to struggle with finances”.

**Key Points of the survey**

Visa conducted this survey in the period between February and April 2012 and interviewed 25,500 respondents in 28 countries including global superpowers like USA, Canada and Australia. Out of a possible score of 100, Brazil topped the charts with a 50.4 followed by Mexico with 47.8, Australia with 46.3, USA with 44 and Canada with 43.8 in top 5 overall country ranking. India ranked 23rd as the report termed only 35% of Indian respondents as financially literate.

- When it came to household budgets, Indian respondents were ranked 18th with a score of 39.3.
- When it came to savings, Indians raked 14th with a score of 31.5.
- 34% of Indian women said that they have no savings at all, while 29% of Indian men echoed the same. Indians are under-invested when it comes to saving for emergencies.
- India took a beating when it came to 'talking to your children ages 5-17 about money management issues’. Indians raked 23rd with a score of 19.6 when it comes to discussion on budgeting, savings and responsible spending. Indian parents do not talk to their children on money management as frequently as they should, and the country averaged 10 days per year.
- Further results revealed that 43% of Indian women did not talk to their children about money management issues because a lack of understanding on their own part. Comparatively, only 20% of Indian men were of the same opinion.
- For the lay person and beyond the confines of this survey, Financial Literacy is defined as the knowledge and ability of an individual to make informed and effective money management decisions.

The Visa survey may have given Indian respondents a lower than average overall rank amongst the 28 countries. However, some of the key factors used by the survey to judge the financial literacy levels are in some ways intertwined with the social structure of an average Indian family.

- And with approximately 65% of the 1.2 billion Indian population below 35 years of age, India Inc is definitely building up a solid foundation for the years to come, if the results of this survey are anything to go by.
- According to MasterCard Worldwide Index of Financial Literacy (Women), Indian women stands at 11th position. Indians are well known for their savings capabilities. It has one of the highest savings rate in the world - our gross household savings rate, which averaged 19% of gross domestic product (GDP) in 1990s increased to about 23% in 2003-04 and has been growing ever since. But the concern is where the money is being saved. Investments by households have been more into either bank fixed deposits, risk-free government-backed securities and low-yielding instruments, or in non-financial assets (gold, gold and again gold!!).

People generally save money without prioritizing personal financial goals, without properly allocating savings to different asset classes and without understanding the real rate of inflation adjusted returns.

Nearly 40% of rural Indian households and 25% of urban Indian households borrow money from informal sources - mainly from money lenders to meet the expenditures such as health, medical treatment and other daily expenses.

A majority of our households do not use modern financial markets. As per an RBI report, only 5% of household savings was invested in equity, mutual funds and debentures even in late 2000s. This is considered as the main reason for our economic vulnerability, as in all modern financial markets FIIs share is much more when compared to the money invested by Indians.
Recently finance minister Pranab Mukherjee urged that in India there is an urgent need to promote financial literacy programs. Of the 117 Crore population in India only less than 10 percent is investing in any of the instruments. Only because of this they are not getting the benefits of India's economic growth. Less than 2 percent of Indian's are investing in share market instruments (recent report shows that the figure is only 85 lakh).

Conclusion:

The findings from above survey definitely calls for much concrete efforts that should be made in all Asian Countries to be at a better state of financial knowledge and financial skills.

The survey has shown the varied level of financial literacy across the Asia/Pacific. It is also evident through above statistic that the level of development in each market does not necessarily reflect the same level of financial literacy.

One possible way to improve financial literacy is through targeted financial literacy education, as opposed to general education in schools. If general education will improve and be relevant to the current need then it will improve the financial literacy and will widen its horizon. Financial literacy is generally acquired more through work-life experience in terms of running a business, getting a mortgage, working, and even just acquiring these skills with age and experiences. If this is so, then there is a clear gap for targeted financial literacy education at each level.

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