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From the Desk of the Chief Editor.....

This volume of this journal marks as the 3rd anniversary of CALYX - Journal of Business Management as publication. This journal was launched in 2010 under my editorship, with the focus on management applications. It has been repositioned in 2011 under the editorship of Dr. Durlav Sarkar to reach out to management practitioners throughout the world and is published annually. Now CALYX has gained its reputation and it publishes various qualitative research papers of eminent academicians and management practitioners.

However, the present economic crisis has made the world most competitive and challenging as it comprises of unemployment, poverty etc. At this juncture, the nation demands most efficient person who can fight against those evils. Therefore, the role of educational institutions will be of paramount importance in this context. DSMS Business School is one of the desired educational institutions, which provides professional management skill in a right track so that the management graduate can work in a highly competitive corporate environment. And CALYX - Journal of Business Management is just a manifestation of DSMS Business School, Durgapur.

I am very happy that the third volume of CALYX is being published successfully. I am very much thankful to all the family members of DSMS Group of Institutions as well as researchers for their great cooperation without which CALYX would not have seen the light of the day.

I look forward to your feedback on this issue

Dr. Subir Ghosh

Editorial

It is a great satisfaction and pleasure to the DSMS B School family that the "Calyx", the DSMS B School Journal has crossed three years of its journey with a high acceptance and reputations among the academicians, scholars, students and the Industry practitioners. Your contributions, love and blessings helped us to publish Volume III of "Calyx" journal within due time. I feel really honoured to offer brief editorial comments in this Journal.

"Calyx" is a double blind refereed journal and the editorial board comprises of stalwart academicians who are respected, renowned and experts in their respective fields. They are really very strict to their business that is to measure the quality of writing of each and every paper.

The editorial board has rejected some of the papers for this issue which were not up to the standard of the journal and it actually gives us immense inspirations to write some good quality papers and can enrich ourselves.

"Calyx" has spread its wings from National Arena to the International arena. We have received two quality papers from the country of Oman and Malaysia and we are publishing these papers in this current volume.

We have tied up with different Universities and Institutions for 'journal exchange program'. And it became very popular within a very short period of time.

All the papers published in "Calyx"-Volume III are maintaining the required standard of a premier level management journal. And we really believe that all the published papers will set a new height in management research and practices.

Hope your love and blessings will help us to achieve our vision.

Dr. Durlav Sarkar

Editor

Calyx

From the Desk of Associate Editor.....

It was an exciting and enriching experience for our editorial team to bring out the December 2012 issue of CALYX Journal of Business Management. This year we had aimed to ensure that we would have contributions in research papers from professionals, researchers and scholars wide across the country, which we had succeeded in full colors. This issue is special to all of us, as we had received contributions of eminent academicians from noteworthy International Universities, namely, The University of Nizwa, Oman and Universiti Utara Malaysia. The papers selected for this issue have taken up a wide range of topics from different functional domains which would definitely enhance the journal's readability.

In the end, I am glad to state that, we CALYX Journal of Management, have an excellent team with high aspirations that had continuously made our task easier inspite of several challenges faced by us during the publication of the journal. It would be unfair if I don't acknowledge the tireless hard work and effort put by all our esteemed reviewers and the members of the editorial team without whose contribution the publication of the journal would have been a distant reality. Last and not least, the vision, counsel and constant encouragement of Mr. Anupam Mukherjee, Chairman, DSMS Group of Institutions and Mrs. Siuli Mukherjee, Secretary, DSMS Group of Institutions, had been instrumental for guiding us towards excellence.

Indranil Mutsuddi

Associate Editor

NON-COMPLAINT BEHAVIOUR OF DISSATISFIED CUSTOMER AND PROFIT IMPACT

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Srota Pandya³

Abstract

Customer relationship management and customer retention is the crux of any business development. Retain the customer for products and services are not an easy task. Many organizations have lost their business growth due to low lack of focus on customer retention strategies. A dissatisfied customer is more dangerous in creating a better appreciation from the customers. It is not easy to change the dissatisfied customers' attitude. In the Malaysian context, there is a concern in non-compliant behaviour of dissatisfied customer that in return may result to loss of profitability and sales due to customer defection. This particular study indicates that Customer relationship process should be able to be use by service providers and its employees to concentrate on overall organizational improvement as opposed to only customer satisfaction per se.

Key Words: Customer Relationship Management, Customer Retention, Non-compliant behaviour, consumer behaviour.

Introduction

To maintain long term growth and going-concern of business, customer retention is a very important issue to be addressed. However, service failures are often unavoidable due to human and non-human errors, and such failures may lead to customer dissatisfaction (Kau & Loh, 2006). In Ndubisi & Tam (2006), it was highlighted that all companies experience customer dissatisfaction issues and since customer satisfaction is closely linked to customer retention, it is important to understand the post dissatisfaction behaviour of customers in order to effectively manage complaints. In It has been found that a disstisfied customer my relate their negative experience with a service provider to other customers thus it is important for service provider to seek out disstisfaction customer's and respond to poor

quality service to mitigate the damage and pacify the customers' dissatisfaction.

Complaints may be defined as expression of dissatisfaction or disapproval. A negative complaint should be perceived positively as they give the organisation a chance to find the problem and deal with it. Lewis & Spyrapopolous (2001) indicates that despite much evidence that shows that only a minority of dissatisfied customers complaint, there are evidence of a link between customer satisfaction and problem resolution (e.g. Berry and Parasuraman, 1991) and that most dissatisfied customers will do business again if their problems are resolved satisfactorily (e.g. Brown, 1987).

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Customer defection is defined as customer exit or switching behavior (Ndubisi & Tam, 2006). When customer experience dissatisfaction, they have 4 course of action that includes (McCole, 2004) :

1. Do nothing, but the service providers reputation is diminished in the customer's eyes and they will consider defecting if it occurs again;
2. Complain in some form to the service organisation;
3. Take some kind of overt action with a third party;

4. Defect and simply not patronize with the organisation again, and tell other people, thus engaging in a negative word of mouth behavior.

In the Malaysian context, there is a concern in non-complaint behavior of dissatisfied customer that in return may result to loss of profitability and sales due to customer defection. Ndubisi & Tam (2006) outline several factors of customers' non-complaint behavior including customer dissatisfaction response style (Singh & Widing, 1991) and customer switching behavior (Colgate & Hedge, 2001). There are also cultural reasons for Malaysians to be prone to non-complaint behavior. A study held by Ndubisi, Khoo-Lattimore, Yang, & Capel (2011) on cultural impact of customer behaviour against service quality in Malaysia and New Zealand had found the following traits among Malaysian customers when facing service-related issues:

- Malaysian customers is categorised as tight-knit and has a strong-ingroup with frequent communication and a high tendency of sharing secrets, thus communication between consumers has a strong impact if there are negative word-of-mouth complaints over a customers' dissatisfaction;
- Open discussion of problem and solution in Malaysia is low as most Malaysian views open discussion as confrontational, thus unlikely to subscribe to any form of conflict handling strategy. This is most likely related to the Asian culture which is more passive and less individualistic as compared to western culture;
- Malaysians are more concerned about how their actions may impact groups, and are more willing to sacrifice personal intentions for group welfare by not being confrontational; and
- Malaysians are most likely to complain privately (to family and friends) about service failures and dissatisfactions than complain to the service provider as they view the latter approach as confrontational and against harmonious co-existence.

Implication of non-complaint behaviour

There are various literature on the implication of non-complaints of dissatisfied customer, among others are;

- Loss of customer and business. A customer who does not complain may exit and give the organisation no chance to "save" the customer (includes defection response) or stay and "fester" - in which neither is desirable (Colgate & Norris, Developing a comprehensive picture of service failure, 2001).
 - Defection includes customer's decision to stop purchasing a particular service or patronising the service firm completely, which is a gradual dissolution of relationship due to problems encountered (Colgate & Hedge, 2001). Non-complaints can also be an indication of risk of customer defection. Ndubisi & Tam (2006) highlights the following research that links the defection intentions to customer non-complaint behaviour :
 - Customers who do not complain is more likely to discontinue purchase , which means, they are more likely to defect than those who complain - Arnould (2004);
 - Non-complaint customers are found to be the least loyal customer even more disloyal than complaining dissatisfied customer whose problem are not resolved - Buttle & Burton (2002); and
 - For complaint customer, defection is likely to be the last resort before defection after complaint has failed. They are likely to stay if the complaint is resolved - Colgate & Harris (2001).
 - Understanding the nature of service failure allows the organisation to identify bottleneck or the root cause of failure, thus essential in developing effective strategies of service recovery (Bhandari, Tsarenko, & Polansky, 2005). Non-complaints from dissatisfied customer limits opportunities for service providers to understand the nature of service failure and limit attempts and actions to rectify the failures in order to return the customer to a satisfied state.
- In local context, Ndubisi & Tam (2006) identified the following complaint behavior among Malaysian customers resulting to challenging recovery process;
 - Indirectness of Malaysians to express negative feedback (due to acceptable norm of indirectness) impose difficulties for service providers to understand the nature of service failures;
 - It is more relevant to believe that Malaysians are more willing to engage on private complaints to avoid direct confrontations; and
 - Malaysian customers have higher tendency to engage in private complaints (i.e. to family and friends) about service failures and dissatisfactions than complain to the service provider as they view the latter approach as confrontational and against harmonious co-existence (Ndubisi, Khoo-Lattimore, Yang, & Capel, 2011).
 - Private complaints may lead to higher risk of negative word-of-mouth implication to a business. Word-of-mouth is an informal communications between private parties concerning evaluation of goods and services rather than formal complaints to firms (Anderson, 1998 as cited in Nikbin, Ismail, Marimuthu, & Abu-Jarad, 2011). Mangold, Miller, & Brockway (1999) emphasised that interpersonal communication has significant impact on consumer purchasing behaviour and because there may be substantial impact on potential customers due to credibility perceived from word-of-mouth communication; and
 - Failure to solve complaints may result to loss of customer confidence, reduced repurchase intentions, loss of customer's perception of fairness and loss of loyalty towards the business or service provider - McCole(2004).
 - Customer loyalty underlies a commitment to a particular

service provider and is often reflected as the continued patronage of the same provider and is essential to retain and attract profitable customer (Kau & Loh, 2006). It is deemed that loyal customers cost lower than new customers as it requires lower marketing and retention cost and this can be maintained by having a good system that manage customer complaints.

The more practical implication of non-complaint behavior and subsequent customer defection is loss of profitability and sales and the impact towards the business bottom line figures. Johnston (2001) links profitability to complaint management as follows;

- Reduced loyalty among existing customers pose risk of switching to other service providers upon the availability of next best alternative, creating competition to service provider over the customers' repeat purchase intentions;
- Increasing retention cost of customers as loyalty of non-complaint dissatisfied customers are questionable, thus the organisation may need to incur higher marketing and retention cost (for retention activities i.e. loyalty programs) to maintain customers' continued interest;
- Loss of sale from existing customer subsequent to dissatisfaction in service;
- Rise in negative word-of-mouth that may impact the company's reputation and trust among consumers;
- Loss of sales from potential customers subsequent to a general perception over the credibility of word-of-mouth testimonials;
- Increased operational cost to improve organisation-wide processes may have a negative impact on profitability. Improving processes, increasing staff, redesigning jobs etc are more likely to incur cost. However, this may be reduced on a longer term, and such improvements may also eliminate other cost

associated with complaints such as cost associated with absenteeism and attrition among employees that deals with unresolved complaints. Improved processes can also empower employees and create better organizational culture and commitment.

Framework to address and solve the issue/problem (relevant parameters and variables)

In order to address this issue, it is proposed that Malaysian companies should implement a Customer Relationship Management ("CRM") process that focus on understanding the nature of service failures relating to dissatisfaction of non-complaint customers in order to strategies the most effective service recovery strategy in order to return the customers to a satisfied state. This tailored with factors to influence consumer's propensity to complain may encourage non-complaint dissatisfied customer to step up and express their dissatisfaction to service providers.

CRM originates from combination of marketing concepts in customer orientation, relationship marketing and database marketing (Yim, 2005, as cited in Robinson, Neeley, & Williamsom, 2011). It represents a more comprehensive, integrated view of an organisation's processes and customer base (Zikmund, McLeod, & Gilbert, 2003). In Robinson, Neeley, & Williamsom (2011) 5 major perspective in CRM is identified;

- Process - to coordinate activities necessary to establish and maintain long-term, profitable, mutually beneficial relationship with customer;
- Strategy - emphasis resources for relationship building and maintenance efforts;
- Philosophy - customer-centric and focus on increasing customer loyalty and profitability by understanding customers' evolving needs;
- Capability - organisation must invest in development and acquisition of knowledge base that allows them

- to modify responses to customer continuously; and
- Technology - tools to manage various type of interactions across different customer contact points and to distribute customer knowledge across the organisation.

Robinson, Neeley, & Williamsom (2011) cited Zablah et al (2004) reference to CRM as a market intelligence that an organisation can utilize to select customers, build long term relationship, and productively manage customer interaction in 2 major component areas; knowledge management and interaction management.

McCole (2004) identified several factors influencing customers' propensity to complain about a less than satisfactory experience as follows;

- Level of dissatisfaction felt, annoyance or victimization;
- Cost of complaining (financially and psychologically);
- Benefits of complaining;
- Likelihood of resolution;

- Availability of resources (for making complaint);
- Access (to means of registering a complaint);
- Attribution of blame (who is to blame); and
- Demographic, structural bonds, power bases and social norms.

Considering the abovementioned factors and the non-complaint behavior of Malaysian customers in the whole CRM process, it is proposed that the CRM process should comprise technological avenue that allows dissatisfied customer to complain in a discrete manner that complies to the Malaysian customer behavior mindset. The technological avenue can be a platform (in a form of website or online customer complaint form) that provides customers with a resource, platform and easy access to express their concerns the service providers without having to be obliged to a confrontational means that is sensitive as Malaysian customer is more susceptible to non-confrontational approach which is indirect and un-individualistic. This can be further encouraged by promoting benefits (such as reward, free give-away or incentives) if complaints are lodged via the proposed platform and likelihood of resolution are provided/suggested for complaints raised (such as response time or potential action that will be taken by service provider in response to the complaints lodged).

The following model suggests the proposed framework to address this issue;

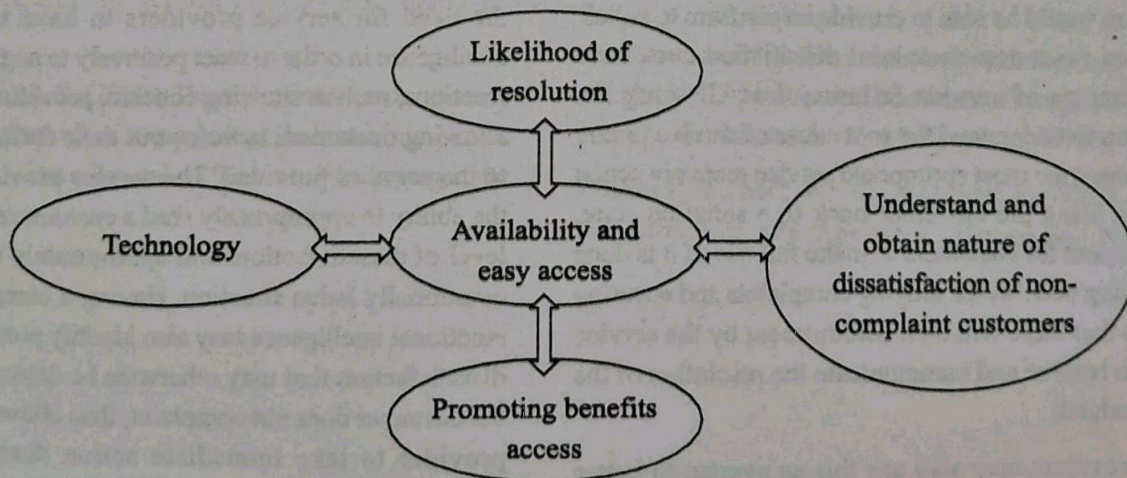


Figure 1: Proposed CRM framework

The proposed framework links the factors influencing customers' propensity to complain based on established literature by linking availability and access of compliant resources, likelihood of resolution and potential benefits with technology in order to gain knowledge of customer dissatisfaction. Knowledge base is focused on encouraging non-complaint dissatisfied customers to feel at ease in expressing their concerns and embodies interaction management through its likelihood of resolution and promotional benefits.

Recommendations

Service providers should understand that zero complaint is not a good measure of customer satisfaction because dissatisfied customer might not complain to them directly (Ndubisi & Tam, 2006). They may choose to complain to others resulting to negative word-of-mouth that may have a serious impact over the organisation, such as defection of customer and loss of customer loyalty. In this case, other customers can be influenced and this may result to a negative perception.

In order to resolve this, complaints must be encouraged so that the organisation are given the opportunity to resolve the dissatisfaction issue and prevent recurrence. Ensuring that a dissatisfaction communication channel is available is important, but more important is to encourage customers to make full use of it.

With the implementation of the proposed framework, the organisation would be able to provide an platform to collate information from non-complaint dissatisfied customers over the nature of service failures, thus allowing the organisation to understand the root cause of service failure and implement the most appropriate service recovery action in order to bring the customer back to a satisfied state. Encouragement for customers to make full use of it is done via promoting benefits for lodging complaints and ensuring customers that there will be a commitment by the service provider to resolve and communicate the resolution of the problem lodged.

Service providers may also use this as avenue to better

understand customers and an early warning system and with a mechanism in place to record complaints, serious attention can be given to analyse it on a regular basis. This can act as a preventive system where services failures can be prevented before it actually occurs, resulting to better delivery of services, heightened customer satisfaction and lower risk of customer defection. It can also be an on-going attempt to improve service deliverables and promote greater customer loyalty. This can also show the service provider's positive view over complaints to drive service improvements. This is important among Malaysian customers who erroneously view direct complaints as act of confrontation (Ndubisi & Tam, 2006).

Apart from the above, service providers should also take a more proactive role in understanding their customer base and taking the most appropriate actions when failure occurs. Service providers should provide trainings to its employees, especially front-liner employees that interact directly with customer upon purchase/service rendering to have a level of emotional that allows for effective service delivery.

Emotional intelligence is the ability to perceive emotions, to access and generate emotions so as to assist thoughts, to understand emotions and emotional knowledge; and to reflectively regulate emotions so as to promote emotional and intellectual growth (Mayer & Salovey, 1997 as cited in McColl-Kennedy, 2002)

Over the years there is evidence that links employee emotions to customer satisfaction levels, and thus highlights the need for service providers to have the emotional intelligence in order to react positively to negative customer reactions, such as showing concern, providing apology and allowing customers to voice out their feelings in relation to the services provided. The service provider must have the ability to appropriately read a customer's emotions and level of dissatisfaction, and appropriately respond to the emotionally laden situation. Having a competent level of emotional intelligence may also identify potential customer dissatisfaction that may otherwise be detected even when the customer does not complaint, thus allowing the service provider to take immediate action during the initial

purchase/delivery to ensure that failure doesn't happen.

Finally, to reap the benefit of the proposed framework financially, the complaint processes should be implemented in an employee-friendly manner whereby knowledge gained from the CRM process should be able to be use by service providers and its employees to concentrate on overall organisation improvement as opposed to only customer satisfaction per se. This is highlighted in Johnston (2001) that supports improved financial performance with a good complaint culture and good complaint process. It is believed that financial benefits is accrued from satisfying and retaining satisfied customers and that long term financial performance is possible by focusing on improvements rather than customer satisfaction per se by making sure complaint processes is "staff-friendly".

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BUILDING AND SUSTAINING THE ABILITY TO PROVIDE HIGH QUALITY BUSINESS EDUCATION IN INDIA

Dr. G. Sudarsana Reddy¹

Mr. B.K. Suresh²

Abstract

Today the business environment a highly-turbulent, fast-changing from local to global and with recessions across the globe posing challenges for the companies to sustain their business activities. High quality human resource is needed to tackle this type of situations; this brought new challenges to the B-Schools in providing high quality education. Business education in India started six decades ago. Today there is larger number of B-Schools ranging from 4,000 to 5,000 offering business education in India. But, the quality of the graduates come out from the self financed institutions is low and not suitable to the industry as it is.

Low quality in business education is increasingly becoming a cause of concern for all those concerned with the field of education. B-Schools without proper infrastructure - physical and intellectual and will produce low quality graduates. Increased number of B-Schools is the one of the problems of low quality education. The paper aims focus on building and sustaining the ability to provide quality business education in India. The paper is organised in four sections. One, gives the concept of quality business education; Second, brings out the characteristics of excellence in business education; Third, briefly discusses the reasons for low quality business education; and Fourth, offers suggestions that help build and sustain the ability of providing quality business education in India.

Key words: Business, education, driving, quality, sustaining

Introduction

Education is a self-enlightening process and an important component of one's life and education never ends and we always desire to have more education in our life till our death and without education life is incomplete. It was born, with the birth of the human race and shall continue to function as long as the human race lives. It is such a powerful thing which spread all over the world as light, following the light any one can make his/her dream comes true. The dream may be becoming a doctor, engineer, lawyer, writer, teacher, nurse, manager, etc. Put in simple, education is like our torch-bearer, showing us the true path of our lives. Therefore, education is an important index of human development, along with economic growth and

empowerment. Among various levels of education, higher education has pervasive and influential impact on development, since it empowers the individual with necessary skills and competence for achieving personal and social goals and thereby contributing to the social development. It is widely believed that the state of higher education in a country is an index of its future well being. The phenomenon of liberalisation, privatization, and globalisation (LPG) has changed the business environment highly turbulent, hyper-competitive and fast-changing marketplace from local to global, posing challenges for the companies to sustain their business activities, which brought new challenges to the higher educational institutions particularly business education. This needs to have high quality human resource with quality only when the higher education institutions particularly B-Schools provide high quality management education with global standards.

In India management education started in 1950's with set

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up of the Indian Institute of Social Welfare and Business Management (IISWBM), which is the first institution that was set up with the objective of imparting formal management education. Thereafter, in 1960's, with initiative of Indian Government two Indian Institute of Management's (IIM's - one at Kolkata and the other at Ahmadabad) were set up, and further to meet the increasing demand for professional managers, a few more institutes were set. From the middle of 1980", Indian government started to allow and encourage participation of private sector in education (vocational education). By then it had been established that the students of business management usually have good prospect of getting jobs with good pay package. Recently IIMB has placed one of its students in foreign operations at around Rs.87 lakhs. This is a HE motivation to students to opt the course of business education and the degree became popular degree. At the same time it attracted the private sector to invest in educational ventures in this field. Soon after a large number of B-Schools were set up. Thus, starting from a handful of institutes in the middle 1980's we now have more than 4000 all over India, but the products (graduates" coming from these (except IIMs, some Universities, autonomous institutions, and a few self finance institutions) developed by all of them are not suitable to the industry as it is, because low quality education. Due to this graduates are not in a position to find placements in the industry.

Statement of the Problem

As discussed above low quality in business education particularly in business education is increasingly becoming a cause of concern for all those concerned with the field of education. B-schools without proper infrastructure - physical and intellectual and will power will produce low quality graduates. Increased number of B-schools is the one of the problems of low quality education. What is quality education? What are the characteristics of excellence in business education? What are the reasons for low quality business education? How to gain the ability to provide quality education and sustain the same? The present paper is an attempt to seek answers to these questions.

Objective of the Study

The present paper aims to study the features of quality business education, characteristics of excellence in business education, reasons for the low quality business education, and offers the way of building and sustaining the ability to provide high quality business education in India.

Quality Business Education - Concept

Quality is a customers' perception of the value of a product or service. Different organisations, theorists, and dictionaries define it differently. According to Webster's Third New International Dictionary quality is "Degree of excellence", which means the product should satisfy the customers' need. It refers that business graduate must be suitable to industry requirements. American Society for Quality Control quotes quality as "The totality of features and characteristics of a product or service that bear on its ability to satisfy a given need". Here, we may say that features of high quality business education are - innovative spirit; entrepreneurial traits; professionalism; balance between task and people; organising ability; and managerial abilities.

Thus, quality from the point of business education means a graduate with a new set of skills from their education, leadership, critical thinking, creativity, ethics, global perspective, and cultural awareness.

Characteristics of Excellence in Business Education

Excellence in general is about adopting a holistic approach to strengthen the management systems and processes of an organisation for growth and productivity improvements, and achieving results. Put in simple words, business excellence is the systematic use of management principles and tools in business management, with the goal of improving performance based on the principles of customer focus, stakeholder value, and process management. Excellence is a function of Quality People, Quality Process and Quality.

Excellence in business education is multidimensional and

may be interpreted in different ways depending on the environment in which a B-School operates. The following are a few unique features of business schools that have excelled in its purpose for existence:

- Clearly defined vision, mission, objectives and values those are consistent with the institution.
- The strategic intent should be effectively communicated to all the stakeholders.
- Well crafted strategy with the consideration realities in the market.
- Provides adequate resources to accomplish strategic purpose.
- Have the organisational structure that supports excellence in business education.
- Relevant curriculum that is consistent with current and consistent with the strategic purpose and fast changing business environment.
- Usage of appropriate course delivery methods that are effective and motivate learning.
- Focus on overall development of the student - personal, sound fundamentals, competent professional and ethical values.
- Supportive environment for creativity and innovation in developing curriculum, teaching methodology, and evaluation.
- Have significant and effective linkages with and industry.
- Have tie-ups with other educational institutions in Indian and abroad which have similar strategic intent.
- Have staff who strives to achieve strategic purpose. Especially, faculty members shall involve in research and consultancy, which helps them to become efficient

teachers. But institution should encourage the faculty to update skills continuously.

Reasons for Low Quality Business Education

Quality in business education is affected by several factors. The following are the prime reasons are:

- **Lack of right / suitable Dean / Director:** Most of the B-schools, particularly, B-Schools affiliated to the universities do not have right dean / director who can run the business school properly and produce quality graduates. It is shocking to say that there are a few business schools which are directed by an MBA graduate just passed his/her degree.
- **Lack of Vision:** Management of the B-schools does not have a vision, mission, and objectives to provide quality education. Now-a-days B-schools are saying that they have vision, just because they want to get their institution accredited. But, there is no clarity in the vision, mission, and objectives.
- **No proper Admission Procedure:** Quality input may be obtained through rigorous admission procedure, which tests student, knowledge, skill and attitude, by using specially designed tests and interviews. There are good number of B-Schools offering admission to candidate with industry exposure, attitude, good communication skills, etc. But, lower level B-schools do not conduct any admission test, if at all they conduct test it is only for name shake and they give admission for all the candidates who attempt the test. This is because of low demand for MBA and more supply of seats. Some B-schools depend on educational consultants who bring candidates for admission. The consultants generally mislead the candidates and make admissions wherever they get more commission.
- **Poor Physical Infrastructure:** B-schools should have good lecturer halls, well-equipped laboratories, adequate library resources, etc. Now-a-days, some B-Schools have big and beautiful buildings. But, having just

buildings may not help gain the ability of providing quality education. They must improve other physical infrastructure in the building. They do not have sufficient computers with net facility, sufficient books, and no or a few journals and magazines. Some institutes stocked guides, scanners, Xeroxed books.

- **Low quality Intellectual Infrastructure:** Intellectual infrastructure refers to the number of competent faculty members. Quality business education is possible with faculty committed to providing quality education. Majority of the faculty working with lower level business schools, are just post graduates who were not able to find placements in the industry or not able to meet industry expectations. A very few join teaching with passion.
- **Outdated Curriculum:** The curriculum and syllabi should be consistent with current and emerging business practices across the globe. B-schools affiliated to some Universities teach outdated syllabus. No freedom for business schools to revise syllabus leaves them to teach outdated syllabus.
- **Use of old Teaching Methodology:** Business schools at the bottom of the pyramid do not use modern teaching methods and continue with traditional blackboard teaching method. No intention of degrading blackboard teaching methodology, we need to use modern teaching methods. Some institutes are trying to use new teaching methods, but students are not coming forward to benefit from and not actively participating. For example, students are not able to read a one page case or even one paragraph case; and they do not actively participate in various classroom exercises.
- **Teaching in Local Perspective:** One of the major concerns that have been expressed widely by the industry is that management graduates coming out from B-Schools with a narrow perspective. Faculties in some B-schools teach from customised book / guide / scanner, which make them, focus on local perspective.

More over the teaching is spoon feeding from examination point of view.

- **Lack / week Industry Business School Interaction:** Business schools should have linkages with industries; it helps both the institution and industry, in providing quality education. Week linkage refers to having tie-up with one or two very small companies without clearly defined purpose, and it is just for formalities to show that they have industry business school linkage.
- **Accreditation:** B-schools are going for rating from NAAC and a few from international accreditation agencies. But, during the process of preparation instead of developing policies and procedures; they simply draft / copy from other institutions and it is only for the preparing self study report (SSR). Once their institution is accredited they forget the policies and procedures or what they have declared in the SSR. They look back, only when the time comes for re-accreditation and cook up some files and get again rated.
- **No active Participation of Students in Classroom Exercises:** There is very less or no active participation of students in the various classroom exercises used as a part of new teaching methodology. It is because of low quality input. Students join management course, because their father / mother forced to study, joined the course with out knowing why he/she is joining the course, lack of communication skills etc. Though a few faculties try to teach adopting modern teaching methods, their effort becomes waste due to lack of students participation.

The above discussed are the main reasons for the low quality business education.

Ways to Build and Sustain ability to provide Quality Business Education

From the above reasons we can offer the following as the primary drivers building quality business education:

1. **Appoint right Dean / Director:** Efficient driver is needed to drive a vehicle and take the passengers to the destination safely. The same way business schools need to have right dean/director to direct and nurture the institution. A business school should have dean with a different leadership profile, strategic skills, enterprise management, innovation, people and relationship effectiveness. It is because the forces shaping business education have changed dramatically and quickly. Business schools, just like private enterprises, they are experiencing a fundamental transformation in response to changing student "buyer" values, the globalisation, shifting demographics, and unprecedented economic pressures. As a result, business schools shall look for alternatives to the traditional dean candidates, who historically possessed deep backgrounds in core areas such as finance or economics and undertook a more straightforward mandate.
2. **Have clear Strategic Vision:** Dean /Director must create and sell a vision of the future to a diverse array of stakeholders. It is necessary for a business school focus on the culture and resources available them. They must be able to identify the capabilities of the departments and faculty members; and size up the capabilities. They should also analyse the school's strengths and opportunities lie and formulate strategic plans maintaining balancing the interests of stakeholders.
3. **Adopt Right Admission Procedure:** This is the first and foremost reason for low quality education. -Quality of input determines quality of output". Quality of input may be obtained through rigorous admission procedure, which tests student, knowledge, skill, and attitude, by using specially designed tests and interviews. Admitting right candidates is like providing 50 per cent of quality of the graduate. There are good number of B-Schools offering high quality education and are considered amongst the best in the country, for whom autonomy in every aspect of admission, curriculum, fee fixation etc., is a vital part of their growth and is essential for them to stay competitive. They give admission to candidate with industry exposure, attitude, good communication skills, etc. Therefore, admission procedure is a vital cog of the wheel in providing quality output for educational institutions.
4. **Provide required Physical Infrastructure:** Physical infrastructure is the next reason for low quality business education. Management of the B-schools should come out of the perception that only buildings are enough for providing quality education. They should understand that and hostel facilities. Providing good (corporate) physical environment motivates students to concentrate on lecture and learn. They should add more number of titles and not more copies of the same book. B-schools muse and avoid adding guides / scanners to the library and also strictly instruct to avoid reading guides and scanners. Provide sufficient number computers with net facility, and subscribe national and international journals in all the subjects. Apart from journals we need subscribe periodicals.
5. **Develop Quality Intellectual Infrastructure:** This is another determinant of quality education without which there is no meaning for admitting students with rigorous admission procedure and having corporate training environment. Faculty may be treated as operator, (who uses the physical infrastructure in molding the students) providing quality business education is possible only when the institutions faculty committed to providing quality education. The faculty stays current through scholarly activity, continuous professional development and engagement with the business and professional community. Business school's faculty should include new and seasoned professors who continue to distinguish themselves academically as well as veteran business professionals who apply complex theory to contemporary business practices. Put in simple, a quality faculty should have positive tries new techniques to promote learning. Quality faculties do not come at low pay package.
6. **Teaching relevant Curriculum:** The curriculum and syllabi is another determinant of quality in management

education. The curriculum and syllabi should be up to date that is developed with the help of the targeted customer (industry or employer). It should be consistent with current and emerging business practices. Doing business globally has become a necessity for even small to mid- sized companies, so international knowledge and experience is becoming a primary requirement of business leaders. The looming global challenges affecting business today, Such as climate change, natural resource scarcity, education and healthcare reform, and change competitiveness, cannot be addressed in silos. Future leaders will need expertise across multiple functions-and grooming them requires much greater cross-disciplinary instruction and collaboration within MBA programs and universities at large.

7. Adopting New Teaching Methodology: Quality teaching has become an issue of importance as the landscape of business education has been facing continuous changes: increased international competition, increasing social and geographical diversity of the student body. The governments, the students and their families, the employers, the funds providers increasingly demand value for their money and desire more efficiency through teaching. The student body role-playing, presentations, seminars, workshops, mock interviews, are a few modern teaching methods.

8. Teaching in Global Perspective: As read above, majority B-Schools at bottom of the pyramid have been teaching in a very narrow perspective and not global perspective. Management is a value-laden field. The groups of critical management thinkers are of the view that management needs have to be taught in ways that explicitly acknowledge the political, ethical and philosophical nature of management practice. Management education without broader perspective does not make better managers. Reconstruction of management education has to recognise that managers need to attend to interpersonal relations, communication, conflicts, feelings, politics and the like.

9. Develop Significant and Effective Industry Business School Network: Industry business school interaction helps business school in providing quality education in many ways - like active participation in governing councils; help framing the relevant curriculum; join in training teachers; join in delivering some modules of a syllabus; provide industry exposure to the faculty if they are interested; provide opportunity to students to undergo internship and project work; jointly undertake research work; provide opportunity to the faculty as consultancy; financial support to management fests, workshops, symposiums, conferences and seminars. On the other hand, industry business school linkage helps industry in getting right quality students since they are taught what industry expects; getting research done at reasonable prices; and organising management development programs (MDPs). There are some business educational institutions which have linkages and trying to.

10. Going for Accreditation: Accreditation is a type of quality assurance process under which services and operations of educational institutions or programs are evaluated by an external body to determine if applicable standards are met. If standards are met, accredited status is granted by the agency. Accreditation provides public notification that an institution or program meets standards of quality set forth by an accrediting agency. Accreditation is new to India, but it is a voluntary method of quality assurance developed more than 100 years ago by American universities and secondary schools, and designed primarily to distinguish schools adhering to a set of educational standards. In India we have The National Assessment and Accreditation Council (NAAC) is an organisation that assesses and accredits institutions of higher education and we have a separate accreditation agency for technical institutes i.e., National Board of Accreditation (NBA). Business schools can also get their institute rated by the international agencies like The International Assembly for Collegiate Business Education (IACBE). IACBE is the leading outcomes-based professional accrediting

organization for business programs in student-centered colleges and universities throughout the world. All the stakeholders are going to benefit from the accreditation - faculty members benefit by receiving ongoing professional development necessary to ensure their programs are current with industry requirements; graduates from accredited programs benefit by having assurance that their education has met industry standards and adequately preparing them for employment in industry; employers benefit by having the assurance that graduates from an accredited program have the competencies demanded by industry to meet current and future requirements; training institutions benefit by receiving assurance from industry that their programs are high-quality and produce competent graduates and by continually improving their programs to meet accreditation standards. The general public, through industry, benefits by receiving high quality service from graduates of accredited programs and institutions. Therefore, business schools need to go for accreditation and after accreditation they must have to adhere the stated policies and procedures in the self study report; and continuously improve on that.

Conclusion

Education is a self-enlightening process and an important component in every one's life. Human being starts learning from the cradle to the grave, therefore learning never ends. Those who want ahead of other in the competitive world, always learn. Learning may be observational and formal. Formal learning (education) generally takes place in the class room. Education is like our torch-bearer, showing us the true path of our lives, by catching the hand of the education any one can make their dreams true. The dream may be becoming a doctor, engineer, lawyer, writer, teacher, nurse, manager, etc. Among various levels of education, higher education has pervasive and influential impact on development, since it empowers the individual with necessary skills and competence for achieving personal and social goals and thereby contributing to the social development. The phenomenon of LPG has changed the business environment highly turbulent and hyper-

competitive, posing challenges for companies to sustain their business activities. This also brought new challenges to higher educational institutions particularly business education, because they need to provide high quality human resources to the corporate world. This is possible only when the higher education institutions particularly B-Schools provide high quality management education with global standards. But, low quality business education is increasingly becoming a cause of concern for all those concerned with the field of education. The reasons for low quality business are - lack of right suitable dean / director; lack of clear vision; no proper admission procedure; poor physical infrastructure; lack of competent faculty; lack of excellent library facilities; outdated curriculum; use of old teaching methodology; teaching in local perspective; lack / no significant and effective industry business school interaction, no active participation of students in classroom exercises and no proper administrative and academic policies and procedure. However, business schools can build and sustain the ability of providing quality business education by - appointing right dean / director; having clear strategic vision; giving admission to right candidate; providing required physical infrastructure; appointing competent faculty; providing excellent library facility; teaching curriculum which is on par with global standards; adopting teaching methodology; teaching in global perspective; motivating students take part in the classroom exercises and new teaching methodology; developing significant and effective industry business school network and interaction; and going for the accreditation (national and international) rating agency.

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FINANCIAL HEALTH MEASUREMENT APPLYING ALTMAN'S MODEL: A STUDY OF EASTERN COALFIELDS LTD

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Abstract

To realize its profit objective as a going concern a firm should financially be sound to invest to table the goods and services before the customers in a regular or repetitive basis. From the very survival of the firm to its high mass-production stage, the ability of a firm to invest is of prime importance in the corporate world. More the business expands more and more capital is likely to be required. Therefore, to survive or to run the royal road of growth the importance of financial soundness is beyond questions. The financial health plays a vital role in the successful operation of a business firm while poor financial status threatens the very existence of the firm and leads to business failures. Business failures are unwanted events that affect the interest of all the stakeholders of a firm, embarrass the people of the society where the firm exists and hurt social harmony. It is worth to be noted that there are unique characteristics of failure in firm's financial levels prior to reach complete failure. A defending effort on the part of the finance manager could be made successfully if the soundness of the firm can be foreseen before it proceeds in the direction of potential bankruptcy which can help the business to recover and protect the stakeholders from shouldering the painful consequences of a complete failure. Though corporate failures are common to developing and developed economies yet it is not uncommon in the underdeveloped countries. However, a lot of research studies have gone into studying and analyzing the financial health of companies by accountants and researchers all over the world. This paper is an effort to assess the financial soundness of Eastern Coalfield Ltd. (ECL), a subsidiary company of CIL (Coal India Limited) for a period of 11 years (i. e. from 2000-2001 to 2010-11) using Altman's 'Z' Score Model. The study is based on secondary data collected from published annual reports of selected company and from published annual report of Public Enterprise Survey. The available data have been analyzed by using some the financial ratios as suggested by Altman to examine the financial soundness or distress of the concerned company and on the basis of overall analysis conclusion has been reached.

Keywords: Business Failure, Bankruptcy, Altman's Z-Score Model, Financial Ratios.

Introduction

Business firms are engaged with recurring sale of goods and services that are either produced or purchased from other agencies with a purpose to earn profit. It's a repetitive job as a sporadic economic exchange does not constitute business. To realize its profit objective as a going concern a firm should financially be sound to invest to table the goods and services before the customers in a regular or

repetitive basis. From the very survival of a firm to its high mass-production stage, the ability to invest is of prime importance in the corporate world. More the business expands more capital is likely to be required.

Thus, whether it is the question of survival or it is the about the growth the importance of financial soundness is beyond questions. The financial health plays a vital role in the successful operation of a business firm while poor financial status threatens the very existence of the firm and leads to business failures. Business failures are unwanted events that affect the interest of all the legitimate stakeholders of a firm, embarrass the people of the society where the firm

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exists and hurt social harmony. It is worthy to be noted that there are unique characteristics of failure in firm's financial levels before it reaches the stage of complete failure. A defending effort on the part of the finance manager could have been made successfully to protect the stakeholders from shouldering the painful consequences of a complete failure if the soundness of the firm can be foreseen before it proceeds in the direction of potential bankruptcy. Fitzpatrick's [1932] conceptualization of business failure with reference to a five-phase description of different stages of business failure such as Incubation, Financial embarrassment, Financial insolvency, Total insolvency, and Confirmed insolvency is quiet important and interesting in this respect. Incubation refers to the developing stage of the failure, Financial embarrassment is when management becomes aware of the firm's distressed state, Financial insolvency occurs when the firm is unable to get hold of the necessary funds to meet its obligations and Total insolvency occurs when the liabilities exceed the physical assets. Finally, Confirmed insolvency takes place when legal steps are taken to protect the firm's creditors or liquidation occurs [Poston, Harmon and Gramlich, 1994]. The recent financial crisis and the ensuing economic slump resulting out of a good number of business failures have had a significant impact not only on the corporate sector but also on the society at large. Corporate profitability has been eroded sharply while debt burden has been amplified. Though corporate failures are common to developing and developed economies yet it is not uncommon in the underdeveloped countries. During the last two decades, USA and EU are the worst sufferers of such kind of economic devastation. So far the measurement aspect of business failures is concerned, financial analyst needs certain yardsticks to evaluate the financial soundness or distress of a firm. Though, multiple tools and techniques are available in the arsenal of accountants, researchers and investors for financial analysis, ratio analysis is one of the widely accepted tool relevant for measuring the performance of a firm and to understand its financial status. Financial ratios are the key indicators that are used to determine the operational and financial efficiency of business undertakings and as well to judge the financial soundness or to predict

financial distress. There exist a large number of ratios prescribed by various researchers at different points of time.

Review of Existing Literature

A lot of research studies have gone into studying and analyzing the financial health of companies by accountants and researches all over the world. Some of the important studies are discussed below:

William Beaver [1966] conducted a thorough study by using a good number of financial ratios. His study was based on univariate analysis and he made use of 30 financial ratios of 79 failed and non failed companies. The study reached at the conclusion that the cash flow to debt ratio is the single best predictor [Chuvakhin and Gertmenian, 2003] that provides statistically significant signals well before the actual business failure. Edward Altman [1968] used multiple discriminate analyses (MDA) to develop a bankruptcy prediction model. His study was based on 60 firms in general and he made use of five ratios to build a 'Z' score which helped to predict the financial health of a company and it is found that the joint score of such five ratios outperforms Beaver's [1966] cash flow to total debt ratio. Gordon Springate (1978) developed the Springate model by selecting four out of nineteen ratios that best distinguishes healthy firms from distressed ones. The said four ratios are working capital to total assets, net profit before interest and taxes to total assets, net profit before taxes to current liabilities and sales to total assets. Fulmer [1984] conducted a study and established a model with the help of multiple discriminate analyses to assess forty financial ratios applied to a sample of sixty companies of which thirty were successful. Gupta [1999] attempted to refine Beaver's model with the objective of predicting business failure. Mansur. A. Mulla [2002] made a study with the help of 'Z' score model for judging the financial health by using five weighted financial ratios in textile mills. This was followed by Selvam, Vanitha and Babu (2004) to predict the financial health of India Cement Ltd. Krishna Chaitanya [2005] used 'Z' score model to measure the financial distress of IDBI and predicted in regard to

insolvency of IDBI. Bhanawat [2006] conducted a study made in order to examine the financial health of Indian Pharmaceutical Industry with the help of Altman's 'Z' score model and found that the companies of the Pharmaceutical sector are quite healthy and there is no scope of bankruptcy or any cause of concern in regard to the financial health in this sector in the coming years. Ramaratnam and Jayaraman [2010] developed a study on measuring the financial soundness of select firms with special reference to Indian steel industry with Z-score and revealed that all the selected companies under study are financially sound.

Objectives of the Study

The key objective of the study is to examine and to evaluate the financial health of Eastern Coalfield Ltd. (ECL) by using Altman's 'Z' Score Model. However, in specific terms, it has the following objectives:

- i) to evaluate the overall financial performance of the company
- ii) to judge the operating efficiency of the company
- iii) to forecast the financial soundness and viability of the company
- iv) to provide some valuable suggestions for improving the financial position of the company

Data Source and Methodology of the Study

The study is based on secondary data which have been collected from published Annual Report for a period of eleven years (from 2000-00 to 2010-11) and also from published Annual Report of Public Enterprise Survey, Govt. of India. The data so collected have been analyzed with the help of some selected ratios based on liquidity, solvency and efficiency which are used to predict the financial status of the company applying Altman's 'Z' score model. Statistical tools like mean, standard deviation have been applied in the appropriate places.

Company Profile

Eastern Coal fields Ltd. (ECL) started its journey in 1975 with an aim to reorganize the state-owned coal industry in terms of Coal Mines (Nationalization) Act, 1973 and to convert production division viz. Eastern Division of erstwhile Coal Mines Authority into a Company. ECL was incorporated as a 100% subsidiary of Coal India Ltd (CIL). It is a schedule-'B'/ BIFR / BRPSE referred CPSE under the administrative control of Ministry of Coal, Govt. of India. It's registered and corporate offices are at Burdwan, West Bengal. ECL is engaged in running all non-coking coal mines spread over Raniganj Coalfield, Saharjuri (Chitra) Coalfield and Rajamahal Group of coal fields for producing coal for the power sector through its 108 operating units [84 Under Ground (UG) mines, 24 Open Cast (OC) Mines] at Burdwan, Bankura and Purulia in West Bengal and Dhanbad, Godda, Deoghar and Pakur in Jharkhand. The Company registered an increase of Rs. 727.57 crore in total income during 2010-11 which went up to Rs. 6376.43 crore in 2010-11 from Rs. 5648.86 crore during 2009-10. The net profit of the company however reduced to Rs. 106.57 crore, a reduction of Rs. 226.83 crore over the previous year profit of Rs. 333.40 crore due to an increase in operating expenses. Efforts are being made to refurbish the operation of UG mines by introduction of intermediate technology with deployment of SDL/LHD, Universal Drilling Machine (UDM) and Poly Belt Conveyor. In addition, Mass production technology with highly productive equipment like Continuous Miner with Shuttle Car combination has already been introduced.

Altman's 'Z' Score Model

Individual accounting ratios that are used frequently to predict the financial performance of an enterprise may only provide warnings when it becomes too late to take a curative action. Further, a single accounting ratio does not convey much of a sense in the perspective of predicting overall financial health of a concern. Besides that, no internationally accepted standard for accounting ratios exists following which the results can be compared. Altman Z-Score is a logical representation developed by Edward Altman in the

1960s involving a combination of five distinctive financial ratios relating to liquidity, leverage, activity and profitability to form an index for determining the likelihood of bankruptcy amongst companies. A lower Z-score reflects higher chances of bankruptcy and vice versa. Following Altman's Z-Score model, financial efficiency/bankruptcy can be predicted well in advance up to two to three years. The type of analysis to predict the corporate failure is popularly known as Multiple Discriminate Analysis (MDA). The Z score equation is given below:

$$Z = 1.2 X1 + 1.4 X2 + 3.3 X3 + 0.6 X4 + 1.0 X5$$

Where,

Z = Discriminate Function Score of a firm

X1 = Ratio of Working Capital to Total Assets

X2 = Ratio of Retained Earnings to Total Assets

X3 = Ratio of Earnings before Interest and Taxes (EBIT) to Total Assets

X4 = Ratio of Net Worth (Book value) to Total Liabilities (Book value of Debt)

X5 = Ratio of Sales to Total Assets.

The Z-score model was based on a sample composed of 66 manufacturing companies with 33 failed companies coupled with the same number of non-failed ones. Altman subsequently developed a revised Z-score model (with revised co-efficient and Z-score cut-offs) which dropped variables X4 and X5 (above) and replaced them with a new variable X4 = Net worth (Book value) to Total liabilities. The variables X5 were allegedly dropped to minimize potential industry effects related to assets turnover.

Altman Guidelines for determining Health Zone

Situation	Z-Score	Zones	Remarks
I	Below 1.8	Weak Performance (Distress Zone)	Its failure is certain and extremely likely and would occur probably within a period of two years.
II	Between 1.8 and 2.99	Healthy Performance (Grey Zone)	Financial viability is considered to be healthy. The failure in this situation is uncertain to predict.
III	3.0 and above	Very Healthy/ Sound Performance (Safe Zone)	Its financial health is viable and there is no question of risk to fall.

Findings of the Study

Financial Health of ECL

To judge the financial health of the selected companies working capital, retained earnings, total assets, earnings before interest and taxes (EBIT), total liabilities, sales and equity were considered as the components of 'z' score model developed by Edward Altman and these components have

been shown in Table-1. For measuring the financial soundness of ECL five important ratios as suggested by Altman i.e. Working Capital to Total Assets Ratio, Retained Earnings to Total Assets Ratio, EBIT to Total Assets Ratio, Market Value of Equity to Total Liabilities Ratio and Sales to Total Assets Ratio have been computed and highlighted in Table-2.

i) **Working Capital to Total Assets Ratio:** It expresses the relationship between working capital and total assets. It indicates the level of liquid assets in respect of the total capitalization of the company. The ratio of working capital to total assets of ECL is highlighted in Table-2 where it is observed that this ratio was negative throughout the study period due to the existence of negative working capital (shown in Table-1) and registered an increasing trend with some fluctuations. It clearly indicates that there was a continuous deterioration in the liquidity position of the company. Mean value of this ratio with a maximum of -0.46 implies that the management of working capital of the company to maintain sound financial health was under- satisfactory. So far as the C. V. of the company is concerned, it was -19.57% which is a clear indication of the lower variability of liquidity to maintain sound financial health.

ii) **Retained Earnings to Total Assets Ratio:** This ratio is a measure of cumulative profitability as well as leverage. It also highlights the ability of the firm to earn profit and thereby augmenting retained earnings. Normally a firm with higher retained earnings does not suffer from liquidity crunch; instead, it enhances the ability of the firm to reinvest in appropriate ventures with its own money having a lower cost. Table-2 portrays that retained earnings to total assets ratio of ECL under study was very low and also negative throughout the study period consequent upon negative amount of retained earnings during first nine years of the study (highlighted in Table-1). However, it was positive in the last two years of the study. The average value of this ratio was -0.026 which indicates that the company was not in a good position in respect of liquidity to pay off its short term financial obligations and as well to explore new investment opportunities, if any. The C. V. of this ratio -111.54% which reflects that the company was not consistent in respect of profitability as well as leverage.

iii) **EBIT to Total Assets Ratio:** It indicates the ability of

the company to ensure its earning capacity in relation to its total assets. In addition, this is a measure of the productivity of the firm's assets independent of any tax advantage factors. Since a firm's ultimate existence is based on the earning power of its assets, this ratio appears to be very much appropriate for understanding credit risk. The ratio of EBIT to total assets of ECL under study is depicted in Table-2 where it is observed that the mean value of the ratio of EBIT to total assets was too low and as well as negative owing to the existence of negative retained earnings except in the last two years, i.e., 2009-10 & 2010-11. It implies that the earnings competence of these companies in relation to their total assets was not sound. On an average, it was -0.035 and its C. V. was -85.71%. Hence, it may be concluded that the operating efficiency of ECL was not satisfactory which adversely affected the financial health of the company.

iv) **Net Worth to Total Liabilities Ratio:** It indicates the long-term solvency of a company. Net worth is measured by the combined market value of all shares plus reserve & surplus while liabilities include both current liabilities and long-term liabilities. This ratio, shown in Table-2, shows how much assets of an enterprise reduces in value before the liabilities exceed the assets and the concern becomes insolvent. Table-2 also shows that the ratio of net worth to total liabilities of the company with average value under study was negative due to negative amount of net worth (shown in Table-1) all throughout the study period and below the standard norm of 1:1 and its mean & C.V. were -0.72 and 35.22% respectively. It implies that the company was more dependent on debt capital. Hence, ECL had to face more interest obligations to their creditors with an increased risk for their shareholders.

v) **Sales to Total Assets Ratio:** It is a standard financial measure for highlighting sales generating capacity of the assets. It also reveals the efficiency of the firm in utilizing its assets to convert into sales. But it varies significantly from one company to another. Since the

demand for coal increases over the period of time, this kind of ratio shows healthy trend during the study period. The ratio of sales to total assets of the ECL is highlighted in Table-2 where it is seen that the total assets turnover ratio of this company registered an

increasing trend over the study period which clearly indicates the company has utilized its assets efficiently and effectively in order to generate sales. Hence, this led to favorable impact on the financial performance of company.

Table-1

'Z' Score Components of ECL for the period from 2000-01 to 2010-11

(Rs. in Crore)

Year	Working Capital (Rs.)	Total Assets (Rs.)	Retained Earnings (Rs.)	EBIT (Rs.)	Total Liabilities (Rs.)	Sales (Rs.)	Net Worth (Rs.)
2000-01	-2543.89	7481.72	-278.90	-168.66	4519.53	2578.93	-1644.09
2001-02	-2727.62	7783.54	-329.76	-231.96	4584.44	2757.41	-1937.54
2002-03	-2977.62	8059.97	-338.78	-249.40	4535.32	2729.06	-2267.82
2003-04	-3409.43	8042.38	-326.38	-567.34	4462.70	2746.24	-2570.85
2004-05	-4068.01	8564.24	-679.20	-648.50	4737.24	3048.19	-3399.89
2005-06	-3631.80	8732.57	-363.86	-350.58	4845.96	3417.68	-3036.03
2006-07	-3562.42	8165.63	-120.60	-399.41	4122.58	3518.21	-2925.42
2007-08	-4866.12	9187.17	-209.90	-484.30	4644.02	3187.61	-4239.86
2008-09	-6933.52	11370.83	-210.09	-580.26	5809.48	3837.40	-6348.95
2009-10	-6607.68	11820.15	333.40	282.50	5966.94	5227.78	-6015.55
2010-11	-6505.66	12123.46	106.57	120.84	5722.74	5882.60	-5908.98

Source: Computed and Compiled from published Annual Report of selected companies.

Table-2

Ratios used in Altman's 'Z' Score Model

Year	WC to TA Ratio	RE to TA Ratio	EBIT to TA Ratio	Net Worth to TL Ratio	Sales to TA Ratio
2000-01	-0.34	-0.04	-0.02	-0.36	0.34
2001-02	-0.35	-0.04	-0.03	-0.42	0.35
2002-03	-0.37	-0.04	-0.03	-0.50	0.34
2003-04	-0.42	-0.04	-0.07	-0.58	0.34
2004-05	-0.47	-0.08	-0.08	-0.72	0.36
2005-06	-0.42	-0.04	-0.04	-0.63	0.39
2006-07	-0.44	-0.01	-0.05	-0.71	0.43
2007-08	-0.53	-0.02	-0.05	-0.91	0.35
2008-09	-0.61	-0.02	-0.05	-1.09	0.34
2009-10	-0.56	0.03	0.02	-1.01	0.44
2010-11	-0.54	0.01	0.01	-1.03	0.49
Mean	-0.46	-0.026	-0.035	-0.72	0.38
S. D.	0.09	0.029	0.030	0.25	0.05
C. V. (%)	-19.57	-111.54	-85.71	-35.22	13.16

Source: Computed and Compiled from published Annual Report of selected companies.

Financial Health of ECL through 'Z' Score Analysis

The value of 'Z' Score of the ECL has been highlighted in Table-3 where it is observed that 'Z' Score value of the company lies within the range between -0.357 and 0.123. It shows that the company's 'Z' score values were less than 1.80 [financial health score falls under situation-I of Altman's guidelines] during the whole of the study. Hence, there is

no doubt to conclude that the selected company was under the distress zone i.e. the financial performance of the company was very weak. Apart from that, the Z score values showed a fluctuating trend during study period which speaks of about the inconsistency in performance in improving its financial health. Hence, its failure is certain and extremely likely and would occur probably within a period of two years.

Table-3

Analysis of Altman's 'Z' Score Value of ECL

Year	'Z' Score Value($Z = 1.2 X_1 + 1.4 X_2 + 3.3 X_3 + 0.6 X_4 + 1.0 X_5$)
2000-01	0.104
2001-02	0.063
2002-03	0.035
2003-04	-0.151
2004-05	-0.298
2005-06	-0.026
2006-07	0.047
2007-08	-0.191
2008-09	-0.357
2009-10	0.098
2010-11	0.123

Source: Table-2

Reasons for Poor Financial Health of ECL

The following are some important reasons for poor financial health of Eastern Coalfield Ltd evident during the period of study.

1. The company was under liquidity threat owing to the existence of negative working capital.
2. The domination of negative EBIT during the study period was a matter of serious concern. It was partly because of the fact that earnings were absorbed by excess amount of current liabilities.
3. Excess amount of external equity contributed much to the ill-health of the company as it carries interest burden.
4. Some general kind of managerial ineffectiveness affected the health of the company though such incompetence is common to almost all failure cases.

Suggestions

As the financial status of the selected company under study was not healthy during the period of study, the following important suggestions can be considered to recover its financial health and to grow:

- 1) The effectiveness of the selected company in the affairs of working capital management should be strengthened to maintain good financial health.
- 2) It would have been favourable to the company if they finance through their own funds, instead of debt to achieve sustainable growth. However, a proper planning regarding capital gearing may help the company to gain.
- 3) The avoidance of negative working capital may help to improve operating profit of the company.
- 4) The capital structure of the company is to be altered in such way so that it can balance the standard debt-equity ratio. Higher the debt capital in the capital structure affects the borrowing power and profitability of the concern.

Conclusion

An endeavour has been made in the present study to scrutinize the combined effect of various financial ratios by using the 'Z' score model developed by Edward I Altman. The estimated discriminate 'Z' score function is immensely useful to the management for ascertaining financial health of an economic entity. The study would also be valuable to all companies, policy makers and researchers for assessing financial health of corporate sector in general and coal companies in particular. Company's 'Z' score value less than 1.80 all throughout the study period is a clear signal of its deep financial distress and hence, it may be concluded that if drastic actions to improve the overall financial health of the company are not taken the company will reach the stage of confirmed insolvency and cannot avoid the risk of bankruptcy in the years to come.

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SELF-HELP GROUPS AS AN EFFECTIVE TOOL FOR FINANCIAL INCLUSION: AN OVERVIEW OF SHGS IN WEST BENGAL

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Abstract

Despite the wide network of bank branches spread across the length and breadth of the country, banking has still not reached a large section of the population. The bare reality is that most poor people in the country still lack access to sustainable financial services, be it savings, credit or insurance. It is found that in spite of the phenomenal increase in the outreach of formal credit institutions in the past decades, the poor still continue to depend on informal sources of credit. It is important that financial inclusion is critical for achieving inclusive growth in the country. To achieve that, we have to expand our scope of financial inclusion initiatives to reach out to people at the grass-root level. The micro finance and Self Help Group are expected to play an important role in promoting financial inclusion and inclusive growth. The rationales of micro credit innovations have its roots in the failure of the formal credit institutions to reach the weaker section of the society. As an innovative credit channel, the SHG approach was introduced in our country in 1992, to link poor people with the bank credit. The programme, over a period, has become the common vehicle in the development process, converging important development programmes.

With this background the present paper makes an attempt to understand the significant of microfinance /SHGs as an effective tool for promoting financial inclusion and in this respect the present scenario of SHGs in West Bengal has been discussed. The paper is divided into five sections. Section I and II gives a brief overview of the study and some conceptual idea regarding micro credit and Self Help Groups. Section III describes the position of SHGs in India in a nut shell. Section IV provides an analytical discussion over the progress of SHGs in West Bengal and the last part offers conclusion.

Introduction

We know that the Indian banking industry has been playing a pivotal role in the development process for years together.

This industry has one of the most impressive branch networks, comprising about more than 86,000 branches of scheduled commercial banks and over 1, 00,000 co-operative credit outlets in rural and urban areas. It has been observed that there is a credit outlet for every 15,000 population on an average.

Despite the sizeable increase in the number of bank branches, a significant portion of the households still remain outside the coverage of formal banking system. Despite the wide network of bank branches spread across the length and breadth of the country, banking has still not reached a large section of the population. The bare reality is that most poor

people in the country still lack access to sustainable financial services, be it savings, credit or insurance. It is found that in spite of the phenomenal increase in the outreach of formal credit institutions in the past decades, the poor still continue to depend on informal sources of credit. The proportion of rural residents who lack access to bank account is nearly 40 per cent.

It is evident that the poor, in general have not been welcomed to the banking fold by the banks and financial institutions with a misconception that they are not bankable and there is no business opportunity in offering services to the under-privileged and poor people in the semi-urban, rural and slum-dwellers in the metropolitan cities. The asset less people cannot repay the loan, this unrealistic idea of the bankers has deprived the poor people from getting loans for income generating purpose. But with the passage of time, we have seen that Professor Muhammad Yunus, and

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his Bangladesh Grameen Bank has changed this unrealistic idea of bankers. Today, we need to realise that financial inclusion is critical for achieving inclusive growth in the country. To achieve that, we have to expand our scope of financial inclusion initiatives to reach out to people at the grass-root level. The micro finance and Self Help Group are expected to play an important role in promoting financial inclusion and inclusive growth. Currently when financial inclusion is being hugely emphasized upon, micro credit is found to be indispensable. The rationale of micro credit innovations have its roots in the failure of the formal credit institutions to reach the weaker section of the society, i.e. landless labours, share croppers, rural and urban poor, unorganized labourers, artisans, etc.

With this background the present paper makes an attempt to understand the significance of microfinance /SHGs as an effective tool for promoting financial inclusion and in this respect the present scenario of SHGs in West Bengal has been discussed. The paper is divided into five sections. Section I and II gives a brief overview of the study and some conceptual idea regarding micro credit and Self Help Groups. Section III describes the position of SHGs in India in a nut shell. Section IV provides an analytical discussion over the progress of SHGs in West Bengal and the last part offers conclusion.

Micro credit: A noble idea

Micro credit or micro finance in its simplest form is termed as "banking for the poor". This approach was very successfully tried in Bangladesh where bank credit is extended to the poor through SHGs, NGOs, Credit Unions, etc. The key implication of micro credit in its name itself- "micro". A number of issues come to mind when "micro" is considered- the small size of loans made, small size of savings made, the smaller frequency of loans, shorter repayment periods and instalments, the micro or local level of activities, etc. Micro-finance is defined as provision of thrift, credit and financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their income levels and improving living standards. Micro credit attempts to

combine lower transaction costs and high degree of repayments. Micro credit and SHG is inter dependent. The concept micro credit has been taking shape with the help of SHG. The Self Help Group (SHG)-Bank Linkage Programme has become a well known tool for bankers, developmental agencies and even for corporate houses. Self-Help Group is a voluntary association comprising of the poor people for protecting their social and economic interest through mutual help. A SHG may consist of 10-20 members. The members should build there a regular savings motive and convert their saving into a common fund which they utilize for income generation purpose. The group is democratically controlled by the members and the surplus is equally distributed among them. This is the indication that it is the beginning of a cooperative form of organisation. SHGs, through micro finance, have the potential to fight against chronic poverty and can be an important access to credit. The micro finance and self-help groups are expected to play an important role in promoting financial inclusion and inclusive growth. Self-Help Groups are reckoned as Co-operatives within a Co-operative. They are informal groups of 10-20 persons of the same low level of economic condition, belonging to the same locality or hamlet. Open and voluntary membership, democratic control of members, participation of members in economic activities of the Group, autonomy and independence, education, training and information, cooperation amongst different groups and concern for the community - all the seven Co-operative Principles do exist in these Groups.

Position of SHGs in India

As an innovative credit channel, the SHGs approach was introduced in our country in 1992, to link poor people with the bank credit. In that year Government of India with the assistance of NABARD (National Bank for Agriculture and Rural Development) introduced a "Micro Credit Pilot Project" for the poorest of the poor to revitalize their financial condition by generating income through Self Help Groups. The programme, over a period, has become the common vehicle in the development process, converging important development programmes. With the small

beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.5 lakh saving-linked SHGs and 48.5 lakh credit-linked SHGs. Under this programme, about

9.7 crore families have been linked with banks up to March 2010, which has been envisaging synthesis of formal financial system and informal sector.

The state-wise outreach of the SHG programme in India is being exhibited in Table 1.

Table 1:

State-wise cumulative saving linked SHGs in India as on 31 March, 2010

(Rs in lakhs)

State	No of SHGs	% of Total	Saving Amount
Haryana	36762	0.52	10762.55
Himachal Pradesh	50182	0.72	3490.9
Punjab	45005	0.63	3645.1
Jammu & Kashmir	4366	0.06	1818.83
Rajasthan	213295	3.07	14255.08
New Dehi	2191	0.03	234.85
Assam	218352	3.14	7359.94
Meghalaya	11787	0.18	360.25
Nagaland	5926	0.09	334.37
Tripura	31349	0.46	3335.70
Arunachal Pradesh	6418	0.09	164.89
Mizoram	5097	0.07	251.40
Manipur	10831	0.15	218.56
Sikkim	2428	0.03	141.98
Bihar	140824	2.03	8539.57
Jharkhand	79424	1.14	7421.81
Orissa	503172	7.24	36473.50
West Bengal	647059	9.30	59486.85
A&N Islands (UT)	3763	0.06	92.87
Chattisgarh	113982	1.64	7578.06
Madhya Pradesh	178226	2.56	10151.07
Uttarakhand	43997	0.66	7170.41

Uttar Pradesh	429760	6.18	26464.03
Goa	6745	0.09	3649.31
Gujarat	168180	2.41	32190.15
Maharashtra	770695	11.09	56828.02
Andhra Pradesh	1448216	20.83	125528.98
karnataka	534588	7.69	62705.32
Kerala	394197	5.67	37556.32
Tamil Nadu	826710	11.89	90373.26
Puducherry	19723	0.28	1286.96
Total	6953250	100.00	619870.89

Source: NABARD

Table 2:

Position of Women SHGs in India

(Rs in Crore)

Particulars	Year	Total SHGs		Exclusive Women SHGs		% of Women SHGs to total	
		No	Amount	No	Amount	No	Amount
Saving Linked	2008-09	6121147	5545.62	4863921	4434.03	79.5	80.0
SHGs	2009-10	6953250	6198.71	5310436	4498.66	76.4	72.6
Loans	2008-09	1609586	12253.51	1374579	10527.38	85.4	85.9
Disbursed	2009-10	1586822	14453.30	1294476	12429.37	81.6	86.0
Loans	2008-09	4224338	22679.84	3277355	18583.54	77.6	81.9
Outstanding	2009-10	4851356	28038.28	3897797	23030.36	80.3	82.1

Source: NABARD

Table 3:

Overall Progress of SHGs under SHG-Bank Linkage Programme (including SGSY)

Particulars	2007-08		2008-09		2009-10	
	No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount
Savings of SHGs with Bank as on 31 st March:						
Total No of SHGs	5009794	3785.39	6121147 (22.2)	5545.62 (46.5)	6953250 (13.6)	6198.71 (11.8)
Out of which SGSY	1203070	809.51	1505581 (25.1)	1563.38 (93.1)	1693910 (12.5)	1292.62 (-17.3)
Bank Loans disbursed to SHGs during the year:						
Total No of SHGs	1227770	8849.26	1609586 (31.1)	12253.51 (38.5)	1586822 (-1.4)	14453.30 (17.9)
Out of which SGSY	246649	1857.74	264653 (7.3)	2015.22 (8.5)	267403 (1.0)	2198.00 (9.1)
Bank Loans outstanding with SHGs as on 31 st March:						
Total No of SHGs	3625941	16999.91	4224338 (16.5)	22679.84 (33.4)	4851356 (14.8)	28038.28 (23.6)
Out of which SGSY	916978	4816.87	976887 (6.5)	5861.72 (21.7)	1245394 (27.5)	6251.08 (6.6)

Source: NABARD

Note: Figures in the parentheses indicate the growth rate over the previous year.

The above Tables denote the following facts in relation to SHGs functioning in India.

- The spatial distribution of SHGs across the country is skewed, with significant concentration in southern region. Most of the SHGs are concentrated mainly in 5 states, viz. Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra and Kerala. As at end-March 2010, almost 21 per cent of SHGs were located in Andhra Pradesh,

followed by Tamil Nadu 11.89 per cent, Maharashtra 11.09 per cent, Karnataka 7.69 per cent, and Kerala which accounted for 5.67 per cent of total SHGs.

- Total number of SHGs formed in West Bengal as on March 31, 2010 estimated at 647059, which is 9.3 per cent of total SHGs and gross savings with the banks amounted to Rs 59486.85 lakhs.
- As on 31 March 2010, a total of 69.53 lakh SHGs were having saving bank accounts with the banking sector

with savings of Rs 6198.71 crore as against 61.21 lakh SHGs with savings of Rs 5545.62 crore as on 31 March 2009, thereby showing a growth rate of 13.6 per cent and 11.8 per cent, respectively. Thus, more than 97 million poor households were associated with banking agencies under SHG-Bank Linkage Programme.

- The notable feature was the active women participation. Of the total SHGs, women groups are 80 per cent. It is seen that of the total number of saving linked and credit linked SHGs, exclusive women SHGs with banks were 76.4 per cent (53.1 lakhs out of 69.53 lakhs) and 81.6 per cent (12.94 lakhs out of 15.87 lakhs), respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 81.9 per cent as on 31 March 2009 has increased to 82.1 per cent as on 31 March 2010.
- The share under SGSY was 16.94 lakh SHGs with savings of Rs 1,292.62 crore forming 24.4 per cent of the total SHGs having savings accounts with the banks and 20.8 per cent of their total savings amount.
- Total savings amount of SHGs with banks as on 31 March 2010 was Rs 6198.71 crore.
- Out of total savings of exclusive Women SHGs estimated at Rs 4498.66 crore and
- Out of total savings of SGSY SHGs stood at Rs 1292.62 crore.
- Total amount of loans disbursed to SHGs during 2009-10 was Rs 14453.30 crore.
 - Out of total loans disbursed to Women SHGs estimated at Rs 12429.37 crore.
 - Out of total loans disbursed to SGSY SHGs stood at Rs 2198.00 crore.
- Total amount of loans outstanding against SHGs as on

31 March 2010 accounted for Rs 28038.28 crore, out of total loans outstanding against Women SHGs and SGSY SHGs were Rs. 23030.36 crore and Rs 6251.08 crore respectively.

- Average loan amount outstanding per SHG as on March 2010 was Rs 57795, whereas average loan amount outstanding per member as on 31 March 2010 estimated at Rs 4128.

Present scenario of SHGs in West Bengal

The micro credit movement was started in West Bengal with the establishment of Self Help Groups by "Khanri Large Size Co-operative Society" under South 24 Parganas district of Sundarban area. Later on, this experiment spread over to the other parts of the state. The two major programmes (Table 4) which have been accelerating the movement are: (i) Swarnajayanti Gram Swarajgar Yojana (SGSY) and (ii) NABARD supported SHG-Bank Linkage Programme. Besides this, under non-government category, organization likes CARE promoted informal SHG banking. The process is based on identifying and empowering selected SHPI in promotion and nurturing SHGs. At present,

Table 4:

District-wise number of SHGs formed under SGSY and NABARD in West Bengal

Districts	No of Groups	
	Under SGSY	Under NABARD
Murshidabad	7900	16568
Darjeeling	2561	2232
Malda	9173	9546
Uttar Dinajpur	4422	8816
Dakshin Dinajpur	8224	10451
Birbhum	3312	21701
Hooghly	12572	17606
Purba Medinipur	18695	9853
Paschim Medinipur	3038	3757
Jalpaiguri	14044	10786
Howrah	3243	6380
Coochbehar	9130	12181
Nadia	6356	24836
Bankura	6940	12881
Purulia	10046	3938
Burdwan	10514	15672
North 24 Parganas	11270	23066
South 24 Parganas	8944	20402

Source: Ministry of Self Help and Self Employment, Government of West Bengal.

about 7000 groups have been promoted by partnering SHPIs under CASHE project of the CARE.

Now, it is pertinent to mention that NABARD-sponsored SHG programme acted as a booster and the Self-Help

Groups in the Co-operative Sector in West Bengal assumed the shape of a movement in the State. Through periodical meetings, equal doses of savings at the end of every week, fortnight or month, rotation of leadership, united fight against the evils in the family and the community, group dynamism develops amongst the SHG members over months of existence and they become eligible for credit-linkage through the PACS' which organize and nurture them. In West Bengal, West Bengal State Co-operative Bank (WBSCB), as coordinator, District Central Co-operative banks (DCCBs) as facilitators and Primary Agricultural Credit Societies (PACs) as Self Help Promotional Institution (SHPI) started experimenting by organizing "Self Help Groups: Cooperatives Within Cooperatives" in 1992. The programme has now become a socio-economic movement for the poor people, particularly for the women folk of the state. Table 5 depicts the number of SHGs formed by PACs across the state, as well as number of members

Table 5:

No of SHGs formed by PACs as on 31.03.2009

(Rs in lakhs)

Districts	No of SHGs	No of Members	Of which Women Member	Total Deposit Raised	Total Loan Disbursed	No of SHGs Linked With Credit Facility	% of Recovery
Bankura	12655	113459	109848	959.38	3379.18	9484	91
Birbhum	1836	16150	13259	252.46	352	1101	96
Burdwan	15202	115464	88018	865.62	1080.16	8265	88.67
Coochbehar	6992	62509	57000	357.08	489.81	6434	97
Uttar Dinajpur	8846	70126	63654	509.86	1354.18	6851	63
Dakshin Dinajpur	2584	23502	22542	242.36	671.55	1669	74
Darjeeling	618	5605	5006	56.97	45.08	328	78
Hooghly	29855	196262	195012	1875.74	7760.45	27215	99
Howrah	5364	29145	26321	437.34	861.52	2409	98.28
Jalpaiguri	2378	23374	22719	219.54	353.79	2124	33.69
Malda	12341	115487	101883	916.49	2130.17	9775	98.13
Murshidabad	12095	100301	90887	1529.93	4540.22	9388	92
North 24 Parganas	2302	22540	8702	185.97	97.04	852	40
South 24 Parganas	5123	40849	38558	278.99	723.66	4618	97.22
Nadia	14156	127943	115384	1067.53	767.29	7703	97.28
Purba Medinipur	18219	143380	130345	1374.68	1447.70	10163	93.28
Paschim Medinipur	4825	43644	33798	392.48	363.62	2982	83.16
Purulia	2945	30768	29232	142.09	179.79	693	87
Total	158336	1280514	1152168	11664.51	26597.21	112054	****

Source: Department of Cooperation, Government of West Bengal

involved and deposit mobilized and number of SHGs availed credit linked facility.

The above table evolves the following picture:

- There is uneven development of SHGs in West Bengal. The groups formed in the district vary from 618 to 29855 per district. Out of 158336 SHGs, 29855 (i.e. 18.86%) were formed by Hooghly DCCB. The least number of SHGs were formed by Darjeeling DCCB, which is found here 618.
- Out of total members of 1280514, women participation estimated at 1152168, which constitute 90 percent of the total SHG membership.

- Out of total 158336 SHGs, 112054 Groups have been connected through credit linkage (70.77%).
- Total amount of deposit raised by SHGs up to 31-03-2009 was Rs. 11664.51 lakhs and Total loan disbursed to SHGs to the tune of Rs. 26597.21 lakhs.
- The amount of deposits mobilized and loan issued per members estimated at Rs.911 and Rs 2077 respectively.
- The percentage of recovery of loan varies from 74% to 99% (with the exception of Jalpaiguri-33.69%, North 24 Parganas-40% and Uttar Dinajpur-63%) and average percentage of recovery estimated at 91.36.
- It is exhibited from Table 6 that all banks in the

Table 6:

Position of Savings and Credit Linked SHGs in West Bengal (Both NABARD and SGSY)

Year	Target No	Achievement		Achievement	
		Deposit Link	Credit Link	No of SHGs	Amount
2007-2008	150000	150000	134106	128148	388.50
2008-2009	150000	150000	109617	105450	450.88
2009 - 2010	150000	150000	117372	152067	615.13
2010-2011	150000	150000	103732	114255	530.72

Source: SLBC Report, West Bengal.

State West Bengal, Savings linked to 103732 Self Help Groups (including 60594 Groups under SGSY) during the year ending 2011.

Conclusion

In the study, it is observed that the growth and development of SHGs in West Bengal depends a lot on the active participation of poor people by involving them in SHGs. It

clearly emerges that the SHG linkage programme is a strong supplementary credit delivery system of SHGs in the greater interest. The "income generation process" through SHGs, helps generating income of the poor people by this process. It helps empowering the economically backward people to fight against poverty. In financing SHGs, the requirement of collateral by banks has been replaced by peer group pressure. So, this approach has enabled social and economic inclusion of women by waiving the requirement of collateral.

The SHG movement creates a new economic revolution in the lives of the poor rural women by way of increasing the income level. It benefits the women members to enhance their role in society, family decision making and mobility. The micro finance-SHG's have a great bearing on women empowerment. It has become a ladder for the poor, particularly the women to bring them up not only economically but also socially, mentally and attitudinally. In conclusion it may be said that "the poor are bankable, they have the capacity to save and SHGs-Bank (PACs) Linkage is proved to be a convenient mechanism for mobilizing small savings of the rural poor".

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AN UNDERSTANDING OF SCREENAGERS ATTITUDE TOWARDS MEDIA

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Abstract

To effectively use marketing communications to reach consumers, it is important to study their attitude towards various media. To elaborate, it is an understanding the perspicacity of various screen based and non?screen based media. Today's teenagers are able to quickly and easily integrate new media technologies and multiple channels into their busy lifestyles. To effectively use marketing communications to reach this big consumer of tomorrow, it is important to study their attitude towards various media - both - screen based and non?screen based. Being born in the digital area, these teenagers take technology for given and demand instant access to information.

This study of screenagers is of relevance to academia, marketing practitioners as well as public policy makers and sociologists. Attitude and preferences towards various media have implications for psychological development of an individual, impacts inter-personal orientation of an individual, has broader socio-economic dimensions and is of obvious interest to marketers. Marketing managers are ultimately concerned with influencing behavior. A clear understanding of what are the determinant and influencing attributes is essential for marketing professionals in order to design effective marketing and communication mix aimed at this target audience.

Keywords: Screenagers, Screen based media, Interactive Digital Media, Attitudes, internet usage, mobile phones

INTRODUCTION

Danny Bloom has extensively popularized the word screening which means the act of reading on screens. Bloom has been writing voraciously on how the English vocabulary needs to include a new word for reading content online - screening. As more and more teenagers engage in reading content downloaded on various screens, they are screening and not reading according to Bloom. With this new definition, one could conjecture that what we do online is not reading per se, but "screening."

Screenagers is a term that combines two words to describe "teenagers who are online" and who are "always looking at the screen." The term was first coined in 1996 by Douglas Rushkoff. Rushkoff used it to describe 12-18 year olds who have developed great affinity for electronic

communication, computer, cell phone, and television. Universally referred to as Teens, but they're really Screenagers. They are teenagers who have been born in the computer era, have been surrounded by electronic communication from birth. They have from day one never known of a world without computers and televisions. They are the youngest members of the "Millennial Generation". They have been referred to as Echo boomers to signify the children of baby boomers. They are also known as the Net Gen or simply as Millennials. Members of the Net Generation (Net Gen) were born between 1979 and 1994, and have been raised in a socially networked technological environment. Being a member of the Millennial generation, they have not known life without internet.

According to researched insights, Marc Prensky has written about these teenagers 'communication and information-seeking behaviors. Accordingly his studies indicate their behavior towards digital technology of being distinctly different from those of previous generations. He refers to them as the Digital Natives as against the generation prior

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to the Net Gen who are referred as Digital Immigrants. Digital Immigrants are all born prior to the Net Gen. They have adopted the new technology and have not been born with digital media or electronic communication all around. In their book, *Growing Up Online Young People and Digital Technologies* Sandra Weber and Shanly Dixon agree with the term digital native that was coined by Mark Prensky (2001) to refer to people born and raised surrounded by and comfortable with evolving digital languages. While they don't object to the term being used to describe the Net generation, they disagree with the oppositional term "immigrant," which he used to refer to the adult brigade or cross-over generation.

Being born in the digital area, almost always, the screenagers take technology for given and demand instant access to information. It is like they do not store or have any memory of their own - if they need to look up information they always have the option to Google it. They tend to be result oriented and practical when looking for information. Used to turning to the Web for help, Google and Wikipedia have become familiar and trusted resources for information queries. Their entire world revolves around being connected and information sharing. As mentioned by Chuck Thomas and Robert McDonald, it is an "infosphere" with blurred boundaries linking work, home, and recreation. Online communication styles for the Net Gen have revolve around instant messaging (IM) and chat rooms. In the book *Educating the Net Generation*, the authors have quoted that generation who have a great affinity for screens prefers to learn actively and by discovery and processes visual information efficiently.

Watching television and videos, being on Social Networking Sites like twitter and facebook, surfing the Internet, texting and chatting on the cell phone, playing computer or video games is the daily routine of the screen addicts. It is evident that young people are immersed in screens and spending more of their time staring at screens than ever before. The use of technology is not a great task for these 24/7 screenagers. They learn and adapt to tech developments without any difficulty. They also learn to inter twine and integrate the same to their gadgets and lifestyle. They may

use it with ease, although their knowledge of these technologies may be shallow. For them mastering "how to use" is important than understanding what type of technology is less important. Hence their tech use knowledge is high where as the actual tech knowledge is almost always shallow.

What make these screenagers different from their predecessors are not just their demographic details, but they are the first to grow up surrounded by digital media. Computers and other digital technologies, such as digital cameras, are common place to Net Gen members. They work with them at home, in school, and they use them for entertainment. Increasingly these technologies are connected to the Internet, an expanding web of networks which is attracting a million new users monthly. It is therefore no wonder that as they are constantly surrounded by technology, today's youth are accustomed to its strong presence in their lives.

As this demographic becomes a force to be reckoned with, given their large numbers and given their influential power, there are large number of extensive studies being undertaken to understand them. Researched insights from around the globe confirm that screenagers are opinionated, are open to experimentation and indulge in fun activities. They are independent in their thought process, prejudiced and rebellious too. Although independent, they feel the need to follow the pack and to belong. They have social qualities that come with the comfort of being in a group and a feeling of being wanted. Being the offspring's of baby boomers, they are better educated and mobile. They are digital to the core - they use smartphones which are digital, their games have become digital, their music is digital and the television they love is also using digital technology.

In the Neilson report on *Kids Today: How the Class of 2011 Engages with Media*, they state that The teenage demographic spends the least amount of time watching television, talking on the phone or using personal computers. The report states that it is Mobile technology that is being used the most. It elaborate that Teens are using text messages to communicate with their social circle over twice as much

as any other demographic. And teens also watch more mobile video content than any other demographic.

REVIEW OF LITERATURE

An Australian study published by the Alannah and Madeline Foundation, mentions that young people see technologies, especially the internet, as a fundamental part of their social life and the building of their identity. And among these technologies, the mobile phone has become the vital part of the young people's social lives. The young adults view it as an extension of their personalities and this is seen when they personalize it with colourful stickers, ringtones and even mobile covers. The latest model of the mobile phone is what many have on top of their inspirational lists.

Besely (2008) has coined the phrase "always on" to describe young people as they are constantly fused with technology of one kind or another. In Canada, the average time spent by young people (12-17 year olds) online was about 13 hours per week.

Another study conducted by Third et al confirms the research done in Australia. Majority of the young people interact with one another and the world around them using the internet or mobile phone. They use it to source information, engage, construct and maintain social networks. The continual use of technologies have had an effect on young people's relationships with one another.

The rapid innovations and development in mobile technologies and the broadband technologies have resulted in the full fledged growth of the web. The ordinary cell phone has been transformed into a smartphone. It has become a gadget that has become an extension of one self. So not only has the improvement been dramatic, it has now managed to create a powerful presence in the lives of young people. Today's children and even infants are growing up in an omnipresent digital media. In this digital media world, instant messaging, virtual reality, social networks have become ingrained in their professional, social and personal lives. Almost all experiences have the digital connection.

It is no surprise that the impact of screens is so high that members of this generation of young adults are living their

lives online. As Advertising Age reported, "more than 16 million children aged 2 to 11 are online, making for a growth rate of 18% in the period 2004 to 2009-the biggest increase among any age group, according to Nielsen." The same report explains that according to a Nielsen Online survey conducted in July 2009, "Time spent online for children ages 2 to 11 increased from about 7 hours to more than 11 hours per week, or a jump of 63% over five years."

Richard Watson who is the author of the bestselling book - FUTURE MINDS, How the digital age is changing our minds, why this matters, and what we can do about it, has written extensively on screenagers. He believes that the technology ubiquity and electronic flood are resulting in significant shifts in both attitudes and behavior. He has devoted the entire opening chapter of the book on screenagers.

In the book Watson has mapped the characteristics of screenagers in the premier chapter. He mentions about their multitasking, parallel processing ability. He further writes that screenagers prefer images over words and also read text in a non linear fashion. The screenager brain is hyper alert to numerous streams of information, even if their attention span and understanding can be pretty trivial. The screenager brain is over reactive to the multiple information and screens that they are exposed to.

The screen ubiquity, fast electronic communication and a lifestyles that is dominated by technology 24/7 are resulting in significant shifts in behavior and attitude. Renowned neuroscientist Michael Merzenich has tabulated in his article "Re wiring of the brain" that the internet has the power to rewire and hence change the fundamentals of our brain, leading it to be "massively remodeled" Marc Prensky has documented in his writings what Dr. Bruce Perry of Baylor College of Medicine has researched. He writes that different kinds of experiences lead to different brain structures. As a result of how today's teenagers are growing, exposed to digital communications, it is likely that their brains have physically changed and are different from the previous generations. Lazio has made a statement that "Screenagers are the new generation that are software and hardware savvy and are programmed to react to a blink of light in a nano-second".

RESEARCH INSIGHTS

Children who are as young as 5 years are spending an average of 42 hours every week engaging with some sort of screen. This translates into a staggering 6 hours every single day. Teenagers and young adults and older people are spending many more hours glued to the screens as mobile phones, laptops and iPods become the central forces of everyday existence around the world. The phenomena is not restricted to office and schools but its across households too. Leisure time at home is also spent online or watching TV. It could also be spent watching TV, texting and being online all at the same time. Information technology is woven throughout a screenager's life. These trend, although, emphasise on the generational terms, can be applicable across age groups. Age may be less significant dimension than exposure to technology. People across age groups who are very prolific users of IT tend to have similar traits as that of the Net Gen. Infact, sometimes, the use of technology is so unavoidable, in our work and personal lives, it is impossible to not keep staring at screens.

The screenagers are downloading content from the web, which they may not be reading well enough from want of time as they are busy with screens. Or worse they may not even be reading it. The smartphones, ipods have a memory of thousands of songs. Probably songs that haven't been heard or played by the user himself, or when screenagers jump from one song to another clip without scarcely even listening to the selected song. Motorola has used a phrase called "micro boredom" which addresses this phenomena of describing the minuscule free time available. Influenced by this addiction to being constantly engaged, even in very tiny available slice of free time, a significant number of product development activities have taken place. Motorola has used this concept to bring about many new product ideas into the market. Micro boredom is accompanied by increase restlessness.

Mobile marketing-combining text messaging, mobile video, and other new applications-is one of the fastest growing digital commerce platforms throughout the world, and a particularly effective way to reach and engage children.

As a recent Kaiser Family Foundation study noted, "Over the past five years, there has been a huge increase in [cell phone] ownership among 8- to 18-year-olds: from 39% to 66%. The cell phones have become true multi-media devices, in fact, young people now spend more time listening to music, playing games, and watching TV on their cell phones than they spend talking on them." According to the latest industry data, roughly half of all children use a mobile phone by age 10, and by age 12, fully three fourths of all children have their own mobile phone. As one media executive commented, the mobile phone is "the ultimate ad vehicle - the first one ever in the history of the planet that people go to bed with."

Mobile advertising will increasingly rely on interactive video and has become firmly embedded in "mobile social networks." Advertising on mobile devices will be especially powerful, since it will be able to target users by combining both behavioral and location data. Ads on mobile phones will be able to reach young consumers when they are near a particular business and offer electronic pitches and discount coupons.

Behavioral targeting uses a range of online methods-including cookies and invisible data files-to learn about the unique interests and online behaviors through the tracking and profiling of individual users. Through a variety of new techniques, marketers use this data to create personalized marketing and sales appeals based on a customer's unique preferences, behaviors, and psychological profile.

In today's dynamic media backdrop, ubiquity of digital media and constant need to be connected, it is going to be a challenge to reach out to consumers. Consumers are open to wide information and have more choice and more control over what media to use, when and how. Consumers are going to make full use of the knowledge that they are being exposed to while making decisions. These decisions could be routine or crucial to them. The media explosion and choice is going to be a big factor in making up their minds when picking products, brands or any kind of media offerings. They will also tend to be far less loyal and will

be open to all the plethora of options that are available at the click of the mouse on the internet or a flick of the finger on the smartphones.

It is common sense and every day knowledge gained through experiential evidences that conclude that media communications does have an emphatic influence in creating awareness about products. Along with this it can be added that word of mouth communications are very effective in forming or reinforcing attitudes once they reach a person (Engel, Kollat, and Blackwell, 1968).

The popular press is full of information about the adoption of new media, as well as the subjective and speculative information about its impact on people's lifestyle. Computers, Internet, cell phones are changing the way people communicate and also changing the way people are communicated to. Computers and information technologies have become important components within societies' and peoples' lives globally. The mobile phone is increasingly perceived as a multi-purpose device (Hulme and Peters, 2001) that has a series of social connotations that are reshaping our ways of interactions (Brown, Green and Harper, 2001). Besides being a communication tool through voice telephony and SMS text messaging, it is an entertainment device through games, a locational device, an information tool, an alarm clock, and an agenda and address book. In this way, the mobile phone covers different needs and motivations (Lin, 1996) of the customer.

As Leung and Wei (2000) found, mobile telephony not only provides the obvious enhancement of mobility, but also six additional gratifications of the mobile phone are fashion/status, affection/sociability, relaxation, immediate access, instrumentality and reassurance.

Siemens conducted a Mobile Lifestyle Survey in the Asia region in 2001, which reported new ways of behavior of the Filipino youth. They used their phone not only to keep in touch via voice or SMS messaging, but as well to exchange jokes (89%) or to cheat during exams (17%). In a qualitative study carried out by mobilethink (2001), it has been found that there are significant differences of mobile phone usage and especially text messaging between

teens (age 13-15) and young adults (age 18-22). While teens seem to be more lifestyle driven and are more cost conscious just looking for simple phones that are easy to use and offer cheap calls and SMS, young adults are looking for more efficiency driven applications. Little quantitative empirical evidence exists about how technology adoption and literacy influences the use of mobile telephony among young people.

Public attitudes towards advertising have been a major issue in advertising research. Recent studies (Schlosser, Shavitt, & Kanfer, 1999) suggested that consumers generally have negative attitudes towards advertising. Given the apparent decline in positive consumer responses to advertising, it is unclear how consumers perceive advertising messages on their mobile phones, what would make consumers perceive mobile advertising differently, and how their attitudes affect their behaviors. It is worthwhile to explore what consumers' attitudes towards mobile advertising are and whether their attitudes will lead to positive or negative behavioral intentions. Because there has been little study about attitudes toward mobile advertising, many empirical studies of attitudes toward mobile advertising (Tsang, Ho, and Liang, 2004) borrowed the factors from Internet advertising to predict customer's attitudes, patterns and preferences. Mobile advertising shares many features with Internet advertising. Both are emerging media used to deliver digital texts, images and voices with interactive, immediate, personalized, and responsive capabilities (Tsang, Ho, and Liang, 2004). A review of empirical studies in this area shows that the theories of Reasoned Action (Fishbein and Ajzen, 1975) and Acceptance Model (Davis, 1989) are among the most popular theories used to explain online shopping behavior.

Agreeing with Prensky, the researcher can say that the media behaviors, media attitudes and media relations of the new breed of screenagers are very often different from previous generations. In a white paper published by Alan White, Judy Vogel and Julian Baim, Mickey Galin, Bob Murmane, they found that Gen Y were much more passionate about emergent media while the older (boomer) consumers are more reluctant adopters. The boomers would most use

the new media as an extension of the traditional media behaviors while the Net Gen would more likely to adopt new media behaviors. It is safe to state that as they think differently, their attitudes would most certainly be influenced by this different behavior.

Screenagers behave differently towards media. Furthermore, it also emphasizes that they need to be considered differently while formulating marketing strategies and communications plans. And this communications needs to be different not just for offerings that are directly targeted at screenagers. In the 24/7 always connected world, consumers will continue to control media experiences.

How they react to new media is important. By that it would mean what is their attitude towards new media. By new media one may be referring to a variety of primarily digital media offerings, ranging from broadband internet access, to Bluetooth technologies, to TV on phone.

CONCLUSIONS & DIRECTIONS FOR FURTHER RESEARCH:

It is important to study screenagers likely long-term behavior and their related pathways between different media types. While the outcome is not to be able to predict the future, but to put forth researched evidence that can help predict their behavior towards various media and give insights and directions on their media consumption patterns.

The avenues for further research can be undertaken are to understand screenagers information seeking and navigation pathways. Beyond the typical time spent, engagement and reach, frequency - to seek to understand why they use the media they use and how and where those choices drive them. This will have implications to the business world and help in designing communications that are targeted at screenagers.

The researchers strongly feel that a phase two of the review study needs to be conducted, with focus on studying attitudes of young adults in the age group of 12 to 19 years. Today's teenagers are able to quickly and easily integrate new media technologies and multiple channels into their busy lifestyles.

To effectively use marketing communications to reach this big consumer of tomorrow, it is important to study their attitude towards various media - both - screen based and non?screen based. Marketing managers are ultimately concerned with influencing behavior. Although of paramount importance, it is often difficult to directly influence these attitudes that ultimately result in buying behavior or positive attitudes. A clear understanding of what are the determinant and influencing attributes is essential for marketing professionals in order to design effective marketing and communication mix aimed at this target audience.

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ANALYSIS OF OPERATIONAL EFFICIENCY OF GENERAL INSURANCE COMPANIES IN FIRE & MARINE INSURANCE BUSINESS IN INDIA: A STUDY IN THE LIBERALISED ERA (2003-2011)

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Abstract

The opening up of the insurance sector in year 2000 led to the entry of several large private sector insurers in collaboration with foreign insurance companies with a maximum of 26% stake. Massive growth along with cutthroat competition has been witnessed in every segment of the general insurance sector including the fire & marine segment. An attempt has been made in this study, is to make a comprehensive analysis of the collective operational efficiency of the companies operating in the public & private sector of the fire and marine insurance market in India between 2003 and 2011. Various performance parameters have been studied with suitable ratio analysis in both the segments to judge the effectiveness of the public & private sector in underwriting insurance business. Interrelation among various performance parameters has also been studied. The study reveals surprising improvement in the financial scenario of the fire and marine insurance industry over the last decade.

Key Words: General Insurance, Non-life sector, Fire Insurance, Marine Insurance, Gross Direct Premium, Net Premium (Earned), Operating Expenses, Incurred claims ratio.

INTRODUCTION

The liberalization in Indian insurance sector in year 2000 led to the entry of several large domestic private sector insurers in the insurance market. The immense potential of the Indian general insurance sector attracted these private sector financial service providers in India to form joint ventures in collaboration with global insurance majors with a maximum of 26% stake. Prior to year 2000, four major PSUs were operative in the general insurance market in four zones in India: National Insurance (Kolkata), United India Insurance (Chennai), New India Assurance (Mumbai), Oriental Insurance (New Delhi). The PSUs tend to focus their efforts on maintaining a strong status and market position within their local region rather than competing with one another. Over a period of time it was recognized that there was a wide gap in terms of market potential and its exploitation by the state controlled general insurance industry. It was felt that consumers did not benefit in the absence of competition in terms of wider choice and

competitive pricing. Insurance penetration and enlargement of the market can be accomplished only when a large number of companies compete with each other.

Up to December 2001, 6 new private entrants entered into the market - Royal Sundaram, Reliance, IFFCO Tokio, TATA AIG, Bajaj Allianz and ICICI Lombard. Volume of premium increased from Rs. 9807 crores in FY 2000-01 to Rs. 17481 crores in FY 2004-05 resulting a 78% increase while during FY 1996-97 to FY 2000-01 the volume of premium increased from Rs. 7348 crores to Rs. 9807 crores constituting only 33% increase contributed by the 4 PSUs. Though the benefits of liberalization can be seen with increase in volumes of premium, there was little innovation in the tariff driven General Insurance business. Even after opening up of the insurance sector, the general insurance sector was predominantly governed by the tariffs prescribed by Tariff Advisory Committee (TAC) of IRDA. Considering prevalence of such tariffs against the principles of competition, there was a constant demand from insurers and other industry experts to abolish the tariffs. The sector has been progressively detariffed by IRDA with prices of

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all lines of business barring third party motor vehicles deregulated in 2007.

As on March 2011, there are 4 public sector undertakings, 15 private general insurers, 3 health insurers, 2 specialized institutions and 1 re-insurer operating in India. During the last ten years, the general insurance sector has moved towards a higher annual growth trajectory of 15% with

Gross Written Premium of Rs. 425 billion in FY 2010-11 as compared to an average annual growth rate of 12.5% in the pre-liberalization era of 1993-2000. Despite achieving an impressive growth, the sector remains far from tapped, with penetration rates (premium to GDP ratios) remaining exceptionally low at 0.7% in FY 2010 as compared to average of 4.5% in United States, 3% in Europe and 1.6% in Asia whereas the world average was 2.9%.

STATEMENT OF NO. OF COMPANIES OPERATING IN GENERAL INSURANCE SECTOR IN INDIA

YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
PUBLIC SECTOR								
AS ON 1ST APRIL	4	4	4	4	4	4	4	4
NEW ENTRANTS	0	0	0	0	0	0	0	0
PRIVATE SECTOR								
AS ON 1ST APRIL	8	8	8	8	8	10	12	13
NEW ENTRANTS	0	0	0	0	2	2	1	2

FIRE INSURANCE: BRIEF IDEA

Fire is hazardous to human life as well as property. Loss of life by fire is covered under Life insurance and loss of property by fire is covered under Fire insurance. In a Fire insurance policy the insurer agrees for consideration (premium) to indemnify the insured for the financial loss which the latter may suffer due to damage to the property insured by fire during a specified period of time and up to an agreed amount. Fire insurance policies can be categorized as Valued Policy, Specific Policy, Average Policy, Floating policy, Reinstatement Policy, Consequential loss Policy, Comprehensive policy etc.

MARINE INSURANCE: BRIEF IDEA

Marine insurance is one of the oldest and most vital forms of insurance. It can be described as mother of all insurances. The value of goods shipped by business firms each year cost millions of rupees. These goods are exposed to damage

or loss from numerous transportation perils that arise in consequence of the sea journey. These goods can be protected by marine insurance contracts. In a Marine insurance the insured may be the owner of the ship, owner of the cargo or the person interested in freight. In case the ship carrying the cargo sinks, the ship will be lost along with the cargo. The income that the cargo would have generated would also be lost. Based on this, marine insurance is classified into different categories viz. Hull Insurance, Cargo Insurance, Freight Insurance etc.

OBJECTIVES OF THE STUDY

The primary objective of the study is to make a comprehensive analysis of the collective operational efficiency of the companies operating in the public & private sector of the fire and marine insurance market in India between 2003 and 2011. Specifically, the objectives are:

- a) To prepare a segment wise comparative statement showing operational efficiency in different performance parameters like gross direct premium collected, net premium (earned), market share acquired in fire & marine segment in terms of premium collected.
- b) To review the operational efficiency of both the sector in managing claims and expenses related to insurance business by computing the incurred claims ratio and expense ratio.
- c) To study the net financial result of the operational activities with reference to operating profit ratio.
- d) To study the overall operational efficiency of the two sector in fire & marine segment by considering three operational efficiency measures at a time, to assess the degree of uniformity among the three sets of efficiency ranking by computing Kendall's coefficient of concordance and to test the significance of such coefficient.

METHODOLOGY OF THE STUDY

The design which has been formed for this study is descriptive in nature. The methodology/techniques which will be used for collection and analysis of data in this study are as follows:

A) Collection of data:

The data used in this study has been collected from secondary sources i.e. the published annual report of the insurance companies (both public & private parties) and from the publications of the Insurance Regulatory & Development Authority (IRDA) during 2003-2011. Financial data of the special institutions (due to their distinct nature) has not been considered in this study.

B) Analysis of data:

For analyzing data the technique of ratio analysis, simple mathematical tools like percentages, averages etc. and statistical techniques like Karl Pearson's simple correlation analysis, Kendall's coefficient of concordance has been

used. The Chi-square (χ^2) test, 't' test has been applied at appropriate places.

FINDINGS OF THE STUDY WITH DETAILED DISCUSSIONS

The observations on the findings of the study are as follows:

In **Table I**, a segment wise (fire & marine insurance) comparative statement has been prepared in respect of both the public & private sector of general insurance in terms of gross direct premium, market share represented as a percentage of total gross direct premium collected.

In the Fire Insurance Segment, the four public sector general insurance companies registered maximum gross direct premium of Rs. 3087.42 crores in the FY 2010-11 whereas all the private companies collectively registered a gross direct premium of Rs. 1525.47 crores in FY 2006-07 which was highest during the period under study. Both the sectors increased premium underwritten in Fire Insurance segment during 2003-2011. The four state owned enterprises collectively underwritten premium of Rs. 2446.29 crores and Rs. 3087.42 crores in FY 2003-04 and FY 2010-11 respectively recording an average premium collection of Rs. 2493.87 crores. The eight private sector companies collectively underwritten Rs. 703.76 crores of Fire Insurance premium in FY 2003-04 whereas it was Rs. 1467.70 crores in FY 2010-11 which was contributed by thirteen private enterprises registering an average of Rs. 1213.15 crores which is much less than the public sector. The PSUs remain dominant in the Fire Segment throughout the period under study but their market share in terms of percentage of premium underwritten reveals an overall decreasing trend. From 77.66% in FY 2003-04, the collective market share of the PSUs decreased to 61.48% in FY 2007-08. Later, they stepped up to 67.78% in FY 2010-11 registering a net swap of 10.12% during the study period.

In the Marine Insurance segment, both the public & private insurance companies continued to maintain the increase in gross direct premium during the period under study except in FY 2009-10 where the private companies registered a 4.24% decrease in growth rate over FY 2008-09. However,

the private companies quadruplicated their premium collection in eight years ranging from Rs. 152.08 crores in FY 2003-04 to Rs. 716.74 crores in FY 2010-11 thus increasing their market share in terms of gross direct premium collection from 13.60% in FY 2003-04 to 28.46% in FY 2010-11. This depicts a reduction in market share of the PSUs inspite of the fact that the gross direct premium underwritten by the PSUs is increasing in every year under study registering an average growth rate of 8.31%.

The public sector continued overall dominance in both the Fire & Marine segment, private sector is emerging as serious competitor not only in quality of product and services but also in relative market size. Spectacular growth is witnessed in the private sector during 2003 to 2011 without hampering the growth momentum of the PSUs. A strong contention prior to opening up of the insurance sector in year 2000 was whether the acquisition of the market shares by the private companies is at the expense of the public sector enterprises. Increase in gross direct premium denotes that the public sector enterprises have obviously not lost its growth momentum and the market share of the private players has come out of an enlarged, unattended, untapped market. This enlargement of the market is mostly due to the efforts of the private players themselves. They are generally run by experienced Indian managers and are strongly supported by foreign expertise. They are steadily building their customer base and, over time, they are expected to acquire an ever larger share of the market.

In **Table II**, figures shown in net premium income (earned) arrived after adjusting the increase/decrease in reserve for unexpired risks of a particular year. Again net incurred claims have been computed after adjusting the outstanding claims, claims on reinsurance ceded & accepted. In the Fire Insurance segment, the average net incurred claims of the public companies during the period under study is Rs. 1353.45 crores which is much higher than the private companies i.e Rs. 182.55 crores. Both the public & private sector registered an increase in net incurred claims in every year under study except in FY 2006-07 for public sector and FY 2009-10 for private sector where it has been decreased by 1.51% and 4.89% respectively over the

previous year.

It is observed in the Fire Insurance segment that in almost every year under study except FY 2003-04 and FY 2004-05, the public sector shares greater part of the net incurred claims of the industry while its share in total net premium income (earned) by the industry is comparatively less than the private sector. Net premium income (earned) by the public sector in FY 2010-11 is Rs. 2540.47 crores representing 85.98% of the total net premium income (earned) in the Fire industry whereas for the private sector it was Rs. 414.40 crores which represents 14.02% of the total. In FY 2010-11, the public sector accounted for 87.75% (Rs. 2232.11 crores) of the total net incurred claims of the Fire segment where the private sector expended for Rs. 311.47 crores representing 12.25% of the total claims in the Fire segment. Considering the net premium income (earned) and net incurred claims scenario of the Fire segment in FY 2010-11 we conclude that public sector; having an 87.75% share in total net incurred claims of the industry accounted for 85.98% of the total net premium income (earned) in the Fire segment while the private sector shared 12.25% of the total claims of the Fire segment and booked relatively higher net premium income (earned) i.e. 14.02%. This signifies a comparatively better claims management mechanism of the private companies and obviously good quality of policies underwritten by them. This trend is witnessed from FY 2005-06 to FY 2010-11 but in FY 2003-04 & FY 2004-05 the public sector earned greater percent of net premium income (94.57% & 91.59% respectively) while sharing relatively lower percent in total incurred claims of the fire segment (93.02% & 90.60% respectively).

In the marine insurance segment, both the public & private sector registered growth in net premium income (earned) in every year under study except in FY 2004-05 where the public sector earned 21.54% less net premium income over the FY 2003-04. However, both the sector registered a decline in net incurred claims in the FY 2009-10 i.e 20.98% & 14.01% for public and private sector respectively. The share of the public sector in total net premium income (earned) of the marine insurance segment decreased from 93.07% in FY 2003-04 to 74.80% in FY 2010-11 while the

private sector gradually increased its share from 6.93% to 25.20%. From FY 2003-04 to FY 2009-10, the share of the public sector in total net incurred claims of the segment is less than the percent of total net premium income (earned). But in FY 2010-11, the private sector shared 22.94% of the total claims incurred in the segment which is less than the share in total premium (earned) i.e 25.20%. Hence, except in FY 2010-11, the public sector was in a relatively better position in terms of share in total net incurred claims and total net premium income (earned) in the marine segment.

In **Table III**, Incurred claims ratio [net incurred claims to net premium income (earned)] has been computed in every year under study to judge the efficacy of both the sector in managing their claims in comparison to net premium (earned). This ratio discloses net claims incurred to earn a unit of net premium. A higher incurred claims ratio signifies inefficiency in underwriting risks and at the same time poor pricing technique applied. In the fire insurance segment, the ICR of the public sector is greater than the private sector almost in every year under study except FY 2003-04 and FY 2004-05 whereas in the marine segment the ICR of the private sector is greater than the public sector in every year except FY 2010-11. In the fire segment, the public sector registered an increase in ICR from 0.30 in FY 2003-04 to 0.88 in FY 2010-11 whereas for the private sector it was 0.39 and 0.75 respectively. The private sector showed a poor performance in the marine segment from FY 2003-04 to FY 2008-09 where the ICR was greater than 1 signifying a greater amount of claims incurred in comparison to premium earned. However, they managed to tighten their operational activities in the next two years (FY 2009-10 & FY 2010-11). Except in FY 2008-09, the ICR of the public sector in marine segment is less than 1. However, in FY 2010-11, the ICR of the private sector in both the segments is lower than the public sector.

In **Table IV**, a segment wise statement of commission expenses, operating expenses and operating profit/(loss) of both the public and private sector has been prepared. In a rapidly expanding competitive insurance market, insurers generally expend more on account of commission and

operating (managerial) expenses. As the market size captured by the public sector in fire and marine insurance segment is much higher than the private sector; therefore both the commission expenses and operating expenses in every year under study is substantially greater than the private sector. On the contrary, it is witnessed in Table V & VI that the commission expense ratio [commission expenses to net premium income (earned)] of the private sector is higher than the public sector in both the segments. This implies that to earn one unit of net premium private sector pays more than the public on account of commission. This difference can be seen exceptionally in the fire segment. Among all the years under study, the maximum commission expense ratio (CER) of the public sector in the fire segment is 0.11 whereas in the private sector it ranges from 0.14 to 0.22. In the marine segment, the public sector registered the maximum CER in the FY 2007-08 (0.20) while it was FY 2006-07 where the CER was maximum (0.24). However, the CER in the marine segment ranges from 0.08 to 0.20 and 0.12 to 0.24 for the public and private sector respectively. In comparison to the individual market share acquired by both the sectors in fire & marine segment, private sector expends more on account of operating expenses. Due to mainly their ability to pay higher salaries the private companies have been able to choose the highest-calibre staff from the government owned PSUs.

During 2003-2011, both the sectors registered operating profit in the fire segment except in the FY 2010-11 where a net operating loss amounting to Rs. 228.21 crores and Rs. 29.18 crores is witnessed by the public and the private sector respectively. The difference between the public and private sector in terms of operating profit earned in the fire segment depicts a decreasing trend and in FY 2008-09 & FY 2009-10 the private sector booked greater amount of operating profit in this segment. From Table V, it can be seen that in every year under study operating profit/(loss) to net premium income (earned) ratio (OPR) of the private sector is greater than the public sector. The average OPR of the private sector is 0.54 in comparison to 0.17 of the public sector. The marine segment seems to be a loss making area for the private sector as it registered net

operating loss in every year under study ranging from Rs. 16.71 crores in FY 2003-04 to Rs. 114.04 crores in FY 2008-09. The operating profit of the public sector gradually reduced from Rs. 327.48 crores in FY 2003-04 to an operating loss of Rs. 146.68 crores in FY 2008-09. Later, it improved its position slightly thus registering an operating profit of Rs. 48.63 crores in FY 2009-10 but again registered an operating loss of Rs. 117.85 crores in FY 2010-11.

In **Table V & Table VI**, an effort has been made to assess the overall operational efficiency of the public & private general insurance companies in fire & marine insurance segment respectively by using a comprehensive test based on the sum of scores of separate individual ranking under the three criterion viz. Incurred Claims Ratio (ICR), Commission & Management expenses to Net Premium (Earned) ratio (CMR) and Operating Profit/Loss to Net Premium (Earned) ratio (OPR). Kendall's coefficient of concordance (w) has been computed as it is considered as an appropriate measure of studying the degree of association among several sets (more than two) of rankings. The chi-square test has been applied for testing the significance of such coefficient. A low value of ICR & CMR indicates the position of better operational efficiency and ranking has been done in that order. On the other hand a high value of OPR always depicts a more favourable position and has been ranked accordingly. The total rank has been ascertained by summing up the ranks under those three criterions. Ultimate ranking has been done on the principle that the lower the point scored under total rank, greater is the operational efficiency.

In fire insurance segment (**Table V**), it is indicated that the computed value of w (0.84) is statistically significant for public companies whereas in case of private companies the computed value of w (0.64) is statistically insignificant at 5% level but insignificant at 10% level. Calculated values of χ^2 are 17.64 and 13.44 for public and private sector respectively. Table values of χ^2 at 5% level and 10% level for 7 d.f is 14.067 and 12.017 respectively. It reveals that in fire segment, the measures of operational efficiency in different years under study are much more closely associated in the public sector than the private sector.

In marine insurance segment (**Table VI**), the computed value of w (0.96) is highly significant in the public sector in comparison to the private sector where the $w=0.77$. However, both the values are statistically significant at 5% level. The calculated values of χ^2 are 20.16 and 16.17 for public and private sector respectively which is much higher than the table values of χ^2 at 5% level for $N-1=8-1=7$ d.f.

It can be concluded that in both fire and marine segment, measures of operational efficiency are much more tuned in the public sector than the private sector.

CONCLUSION

It can be concluded that the collective operational efficiency of the public and private sector engaged in the fire & marine insurance segment was encouraging during the period under study. There had been new entrants in the private sector in between 2003 to 2011 that leads to increase in competitiveness among the market participants. Though the public sector companies are in a leading position in both the segments in terms of premium collection, net premium earned and operating profit etc., most of the ratios calculated in this study shown favourable result for the private sector. The private sector insurers have resorted to aggressive growth strategies by building a large agency force and distribution network and are gaining rapid growth in both the segments and if this growth trajectory remains in future they will be able to capture a substantial portion of the market in near future. Despite an attractive growth, the operating performance of both the sectors continues to face shortcomings on critical areas relating to underwriting performance, risk management & pricing which needs to be substituted by efficient underwriting skills, stronger claims management, cost control measure, superior customer service, continuous product innovation and timely regulatory reforms. Key regulation that is expected to facilitate further growth of the insurance sector over the next few years is increase in FDI limit.

TABLE I
SEGMENT WISE STATEMENT OF GROSS DIRECT PREMIUM COLLECTION, MARKET SHARE AS A PERCENTAGE OF GROSS DIRECT PREMIUM COLLECTED

	FIRE INSURANCE SEGMENT											AVERAGE
	YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11			
GROSS DIRECT PREMIUM COLLECTED	PUBLIC	2446.29	2411.38	2515.94	2606.91	2126.65	2180.36	2575.98	3087.42			2493.87
	INCREASE/ (DECREASE) IN %	(1.43)	4.34	(18.42)	3.62	1204.32	2.53	18.14	19.85			3.58
	PRIVATE	703.76	919.54	1258.59	1525.47	1332.55	1204.32	1293.29	1467.70			1213.15
	INCREASE/ (DECREASE) IN %	30.66	36.87	21.20	(12.65)	(9.62)	7.39	66.58	67.78			67.51
MARKET SHARE	PUBLIC	77.66	72.39	66.66	63.08	61.48	64.42	66.58	67.78			67.51
	PRIVATE	22.34	27.61	33.34	36.92	38.52	35.58	33.42	32.22			32.49
MARINE INSURANCE SEGMENT												
GROSS DIRECT PREMIUM COLLECTED	PUBLIC	965.46	982.99	1002.29	1137.69	1252.16	1316.39	1554.96	1802.03			1251.75
	INCREASE/ (DECREASE) IN %	1.82	1.96	13.51	10.06	5.13	18.12	15.89	8.31			8.31
	PRIVATE	152.08	245.11	281.80	490.15	546.66	639.76	612.63	716.74			460.62
	INCREASE/ (DECREASE) IN %	61.17	73.94	17.03	11.53	(4.24)	16.99	71.74	74.32			74.32
MARKET SHARE	PUBLIC	86.39	80.04	78.05	69.89	69.61	67.29	71.54	74.32			74.32
	PRIVATE	13.61	19.96	21.95	30.11	30.39	32.71	28.26	25.68			25.68

Source: published annual reports of the general insurance companies and publications of IRDA.

TABLE II
SEGMENT WISE STATEMENT OF NET PREMIUM INCOME (EARNED), NET INCURRED CLAIMS & SHARE IN TOTAL

		FIRE INSURANCE SEGMENT											AVERAGE
YEAR		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11				
NET PREMIUM INCOME (EARNED)	PUBLIC	1892.78	1913.81	1933.86	2040.40	2020.46	1980.88	2196.12	2540.47			2064.85	
	INCREASE/ (DECREASE) IN %		1.11	1.05	5.51	(0.98)	(1.96)	10.87	15.68			3.91	
	PRIVATE	108.62	175.76	216.32	319.86	403.71	373.19	366.29	414.40			297.27	
SHARE IN %	INCREASE/ (DECREASE) IN %		61.81	23.08	47.86	26.21	(7.56)	(1.85)	13.13			20.34	
	PUBLIC	94.57	91.59	89.94	86.45	83.35	84.15	85.71	85.98			87.72	
	PRIVATE	5.43	8.41	10.06	13.55	16.65	15.85	14.29	14.02			12.28	
NET INCURRED CLAIMS	PUBLIC	568.41	782.44	1259.78	1240.76	1460.44	1502.68	1781.01	2232.11			1353.45	
	INCREASE/ (DECREASE) IN %		37.65	61.01	(1.51)	17.71	2.89	18.52	25.33			20.20	
	PRIVATE	42.65	81.20	132.99	140.48	204.64	280.33	266.63	311.47			182.55	
SHARE IN %	INCREASE/ (DECREASE) IN %		90.39	63.78	5.63	45.67	36.99	(4.89)	16.82			31.80	
	PUBLIC	93.02	90.60	90.45	89.83	87.71	84.28	86.98	87.75			88.83	
	PRIVATE	6.98	9.40	9.55	10.17	12.29	15.72	13.02	12.25			11.17	

MARINE INSURANCE SEGMENT											
	YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	AVERAGE	
NET PREMIUM	PUBLIC	659.08	517.10	530.24	531.48	595.50	727.03	768.96	843.51	646.61	
	INCREASE/(DECREASE) IN %		(21.54)	2.54	0.23	12.05	22.09	5.77	9.69	3.85	
INCOME (EARNED)	PRIVATE	49.06	81.45	98.96	122.80	170.15	218.80	237.77	284.14	157.89	
	INCREASE/(DECREASE) IN %		66.02	21.50	24.09	38.56	28.59	8.67	19.50	25.87	
SHARE IN %	PUBLIC	93.07	86.39	84.27	81.23	77.78	76.87	76.38	74.80	81.35	
	PRIVATE	6.93	13.61	15.73	18.77	22.22	23.13	23.62	25.20	18.65	
NET INCURRED CLAIMS	PUBLIC	312.58	328.75	358.84	427.85	492.34	734.68	580.58	783.55	502.40	
	INCREASE/(DECREASE) IN %		5.17	9.15	19.23	15.07	49.22	(20.98)	34.96	13.98	
	PRIVATE	52.78	82.38	115.54	138.24	170.69	238.90	205.43	233.32	154.66	
	INCREASE/(DECREASE) IN %		56.08	40.25	19.65	23.47	39.96	(14.01)	13.58	22.37	
SHARE IN %	PUBLIC	85.55	79.96	75.64	75.58	74.26	75.46	73.86	77.06	77.17	
	PRIVATE	14.45	20.04	24.36	24.42	25.74	24.54	26.14	22.94	22.83	

Source: published annual reports of the general insurance companies and publications of IRDA.

TABLE III STATEMENT OF INCURRED CLAIMS RATIO*

FIRE INSURANCE SEGMENT											
	YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	AVERAGE	
PUBLIC		0.30	0.41	0.65	0.61	0.72	0.76	0.81	0.88	0.64	
PRIVATE		0.39	0.46	0.61	0.44	0.51	0.75	0.73	0.75	0.58	
MARINE INSURANCE SEGMENT											
PUBLIC		0.47	0.64	0.68	0.81	0.83	1.01	0.76	0.93	0.77	
PRIVATE		1.08	1.01	1.17	1.13	1.00	1.09	0.86	0.82	1.02	

*Values calculated as per annual reports of the general insurance companies and publications of IRDA.

TABLE IV
SEGMENT WISE STATEMENT OF COMMISSION EXPENSES, OPERATING EXPENSES & OPERATING PROFIT/(LOSS)

		FIRE INSURANCE SEGMENT											AVERAGE
YEAR		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11			AVERAGE	
COMMISSION EXPENSES	PUBLIC	169.77	177.11	215.58	223.80	199.54	204.81	239.86	267.79			212.28	
	INCREASE/ (DECREASE) IN %		4.32	21.72	3.81	(10.84)	2.64	17.11	11.64			6.30	
	PRIVATE	14.98	24.56	48.12	63.84	80.97	59.79	60.79	74.86			53.49	
OPERATING EXPENSES	INCREASE/ (DECREASE) IN %		63.95	95.93	32.67	26.83	(26.16)	1.67	23.15			27.26	
	PUBLIC	669.06	628.23	673.89	578.30	461.54	525.68	656.69	821.03			626.80	
	INCREASE/ (DECREASE) IN %		(6.10)	7.27	(14.18)	(20.19)	13.90	24.92	25.03			3.83	
OPERATING PROFIT/(LOSS)	PRIVATE	156.73	183.47	248.90	300.63	301.15	294.92	289.58	331.19			263.32	
	INCREASE/ (DECREASE) IN %		17.06	35.66	20.78	0.17	(2.07)	(1.81)	14.37			10.52	
	PUBLIC	887.29	680.13	214.14	504.15	385.01	35.28	13.94	(228.21)			311.47	
OPERATING PROFIT/(LOSS)	INCREASE/ (DECREASE) IN %		(23.35)	(68.51)	135.43	(23.63)	(90.84)	(60.49)	(1737.09)			(233.56)	
	PRIVATE	111.21	161.95	187.23	286.63	168.34	49.46	48.49	(29.18)			123.02	
	INCREASE/ (DECREASE) IN %		45.63	15.61	53.09	(41.27)	(70.62)	(1.96)	(160.18)			(19.96)	

MARINE INSURANCE SEGMENT												
	YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	AVERAGE		
COMMISSION EXPENSES	PUBLIC	52.24	69.92	78.30	84.37	118.15	120.66	123.26	141.57	98.56		
	INCREASE/ (DECREASE) IN %		33.84	11.99	7.75	40.04	2.12	2.15	14.85	14.09		
	PRIVATE	6.10	16.22	22.77	29.59	37.80	42.28	40.51	52.88	31.02		
OPERATING EXPENSES	INCREASE/ (DECREASE) IN %		165.90	40.38	29.95	27.75	11.85	(4.19)	30.54	37.77		
	PUBLIC	264.05	256.09	268.46	252.38	271.75	317.38	396.40	479.21	313.22		
	INCREASE/ (DECREASE) IN %		(3.01)	4.83	(5.99)	7.67	16.79	24.90	20.89	8.26		
OPERATING PROFIT/(LOSS)	PRIVATE	33.87	48.91	55.73	96.60	123.54	156.67	137.17	161.73	101.78		
	INCREASE/ (DECREASE) IN %		44.41	13.94	73.34	27.89	26.82	(12.45)	17.90	23.98		
	PUBLIC	327.48	123.15	117.65	60.03	10.00	(146.68)	48.63	(117.85)	52.80		
OPERATING PROFIT/(LOSS)	INCREASE/ (DECREASE) IN %		(62.39)	(4.47)	(48.98)	(83.34)	(1566.80)	(133.15)	(342.34)	(280.18)		
	PRIVATE	(16.71)	(23.18)	(44.19)	(77.39)	(64.41)	(114.04)	(26.28)	(52.98)	(52.40)		
	INCREASE/ (DECREASE) IN %		38.72	90.64	75.13	(16.77)	77.05	(76.96)	101.60	36.18		

Source: published annual reports of the general insurance companies and publications of IRDA.

TABLE V
STATEMENT OF RANKINGS TO ASCERTAIN KENDAL'S COEFFICIENT OF CONCORDANCE

		FIRE INSURANCE SEGMENT									
YEAR		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		
PUBLIC											
INCURRED CLAIMS RATIO (ICR)		0.30	0.41	0.65	0.61	0.72	0.76	0.81	0.88		
COMMISSION EXPENSES / NET PREMIUM INCOME (EARNED) (CMR)		0.09	0.09	0.11	0.11	0.10	0.10	0.11	0.11		
OPERATING PROFIT / (LOSS) / NET PREMIUM INCOME (EARNED) (OPR)		0.47	0.36	0.11	0.25	0.19	0.02	0.01	(0.09)		
RANK AS PER ICR (A)		1	2	4	3	5	6	7	8		
RANK AS PER CMR (B)		1.5	1.5	6.5	6.5	3.5	3.5	6.5	6.5		
RANK AS PER OPR (C)		1	2	5	3	4	6	7	8		
SUM OF RANKS (A+B+C) (RJ)		3.5	5.5	15.5	12.5	12.5	15.5	20.5	22.5		
ULTIMATE RANK		1	2	5.5	3.5	3.5	5.5	7	8		

FIRE INSURANCE SEGMENT									
YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
PRIVATE									
INCURRED CLAIMS RATIO (ICR)	0.39	0.46	0.61	0.44	0.51	0.75	0.73	0.75	
COMMISSION EXPENSES / NET PREMIUM INCOME (EARNED) (CMR)	0.14	0.14	0.22	0.20	0.20	0.16	0.17	0.18	
OPERATING PROFIT / (LOSS) / NET PREMIUM INCOME (EARNED) (OPR)	1.02	0.92	0.87	0.90	0.42	0.13	0.13	(0.07)	
RANK AS PER ICR (A)	1	3	5	2	4	7.5	6	7.5	
RANK AS PER CMR (B)	1.5	1.5	8	6.5	6.5	3	4	5	
RANK AS PER OPR (C)	1	2	4	3	5	6.5	6.5	8	
SUM OF RANKS (A+B+C) (RJ)	3.5	6.5	17	11.5	15.5	17	16.5	20.5	
ULTIMATE RANK	1	2	6.5	3	4	6.5	5	8	

TABLE VI
STATEMENT OF RANKING TO ASCERTAIN KENDAL'S COEFFICIENT OF CONCORDANCE (MARINE INSURANCE SEGMENT)

		FIRE INSURANCE SEGMENT									
YEAR		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		
PUBLIC											
INCURRED CLAIMS RATIO (ICR)		0.47	0.64	0.68	0.81	0.83	1.01	0.76	0.93		
COMMISSION EXPENSES / NET PREMIUM INCOME (EARNED) (CMR)		0.08	0.14	0.15	0.16	0.20	0.17	0.16	0.17		
OPERATING PROFIT / (LOSS) / NET PREMIUM INCOME (EARNED) (OPR)		0.50	0.24	0.22	0.11	0.02	(0.20)	0.06	(0.14)		
RANK AS PER ICR (A)		1	2	3	5	6	8	4	7		
RANK AS PER CMR (B)		1	2	3	4.5	8	6.5	4.5	6.50		
RANK AS PER OPR (C)		1	2	3	4	6	8	5	7		
SUM OF RANKS (A+B+C) (RJ)		3	6	9	13.5	20	22.5	13.5	20.5		
ULTIMATE RANK		1	2	3	4.5	6	8	4.5	7		

FIRE INSURANCE SEGMENT									
YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
PRIVATE									
Incurred Claims Ratio (Icr)	1.08	1.01	1.17	1.13	1.00	1.09	0.86	0.82	
Commission Expenses / Net Premium Income (Earned) (Cmr)	0.12	0.20	0.23	0.24	0.22	0.19	0.17	0.19	
Operating Profit / (Loss) / Net Premium Income (Earned) (Opr)	(0.34)	(0.28)	(0.45)	(0.63)	(0.38)	(0.52)	(0.11)	(0.19)	
Rank As Per Icr (A)	5	4	8	7	3	6	2	1	
Rank As Per Cmr (B)	1	5	7	8	6	3.5	2	3.5	
Rank As Per Opr (C)	4	3	6	8	5	7	1	2	
Sum Of Ranks (A+B+C) (Rj)	10	12	21	23	14	16.5	5	6.5	
Ultimate Rank	3	4	7	8	5	6	1	2	

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A STUDY OF UNDERSTANDING BUYING BEHAVIOUR OF ONLINE SHOPPERS IN KARNATAKA WITH SPECIAL REFERENCE TO BANGALORE CITY

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B.K. Suresh³

Abstract

This study attempts to analyze the features related to the buying behaviour of online shoppers. Consumer buying behaviour in respect of online shopping was studied using different socio-economic variables. It also provides a support that helps researchers understand the drivers of consumers' attitude and goal to shop on the Internet, and consumers' perceptions regarding ease of use and usefulness. Conclusions derived from the analysis can be used as useful guide for market orientation. The outcomes of the study suggest that assessment of consumer buying behaviour can contribute to a better understanding of consumer buying behaviour in respect of online shopping in Bangalore city.

Key words: Online shopping, Buying Behaviour, Consumers etc.

Introduction

Indian consumers as a whole spend about 55% of the total consumption expenditure on food items. According to a survey conducted by ORG, the expenditure on non-food items has recorded large growth that the expenditure on food items. Consumers decide whether, what, when, from whom, where and how much to buy. They can avail various mediums to buy the products. But currently we are living in the age of internet. According to a study, "About 44 percent students use Internet in India and overall 72% of young people access Internet on regular basis. Due to the vast usage of Internet, the buying patterns have been changed. It has changed the way goods are purchased and sold, resulting to the exponential growth in the number of online shoppers. However, a lot of differences concerning online buying have been discovered due to the various

consumers' characteristics and the types of provided products and services. Attitude toward online shopping and goal to shop online are not only affected by ease of use, usefulness, and enjoyment, but also by other factors like consumer individuality, situational factors, product distinctiveness, previous online shopping understanding and faith in online shopping.

Therefore, understanding who are the ones consuming and why they choose to use or keep away from the Internet as a distribution channel, is a critical matter for both emarketing managers and consumer thinkers. There are lots of companies which are providing the platform to consumers to buy the products through online. Online consumers tend to be better educated. Higher computer literacy makes internet shopping smarter. Their awareness about the internet also makes them better positioned to identify and take decision for products and services. By the internet, consumers find that they no longer have to accept fixed prices for the products and services and through the click of a few buttons the lowest priced, highest quality product can be found. The concept of online shopping developed gradually, after the launch of the World Wide Web.

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Charles Stack was the first person to create an online book store in 1992. Even Pizza Hut opened an online pizza shop, whereas eBay and Amazon took the concept of online shopping to an entirely new level. Online shopping began in full swing since the year 1996. Overall, 71 million users accessed Internet in year 2009, with 52 Million "active" users who accessed it at least once in a month.

Review of Literature

Simon Rigby, Head of Direct Channels at Comet, says, Our challenge is to meet the needs of the greatest number of shoppers. By undertaking research on a regular basis, we learn more about our customers' shopping needs and styles. This helps us to deliver all the necessary reassurances, product ranges and services. We conducted this survey during our peak selling period as we are in the process of developing our range of online interactive services, such as Live Chat and CometTV.co.uk. Powerful multi media sales tools will soon become standard in the online shopping arena. In three years, you'll be just as likely to click and watch a product related video of your intended purchase on your computer before you buy - as you are to have an email address today." Research summarized by E-marketer (2005) showed that the Internet applied a bigger influence than for offline media for electronics compared to that clothing, beauty or home improvement as would be expected. Internet Marketing has changed the way people buy and sell good and service. It has added lot of convenience and easy to the whole process of buying. Internet buying prevalence is highest in the United States, where 93% of Internet users have bought on-line (Business Software Association, 2002), and it is growing rapidly in India as well (www.ebay.com), (www.flipcart.com).

Objective of the study

The main objective of the study is to discover the key factors that influence online buying behaviour of consumers in India.

Research Methodology

Data Collection Methods

Both the primary and secondary data collection methods were considered. The primary data was collected through a questionnaire designed exclusively for the study. Secondary data was taken from Research papers, Journals, Magazines and Websites.

Sample Design

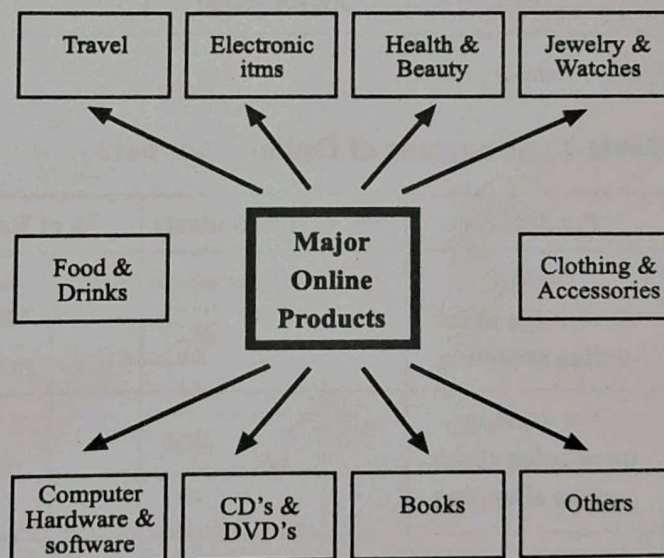
Samples were collected from consumers and buyers of online shopping in which the total sample size of respondents are 200 from Bangalore city.

Questionnaire

Survey method was adopted for this study. For the purpose of the survey, a structured questionnaire was prepared and distributed to the consumers and buyers to study about their preference and satisfaction of online shoppers (online buyers).

Figure: 1:

Major products available for online shopping



Data Analysis and Interpretation

After obtaining and analyzing the collected data, we have found following results:

Table-1: Profile of online buyer

Basic Factors	Categorization	No. of Respondents	% of Respondents
Age	Below 18 Years	36	18
	19-30 Years	54	27
	31-45 Years	66	33
	Above 45 Years	44	22
Sex	Male	146	73
	Female	54	27
Profession	House Wife	22	11
	Employees	102	51
	Business	44	22
	Student	16	8
	Any others	16	8
Monthly Family Income (Rs)	Below 10000	42	21
	10001-20000	98	49
	20001-40000	52	26
	Above 40000	8	4

Source: Primary Data

Table-2: Awareness of Online Shoppers

Particulars	No. of Respondents	% of Respondents
Having knowledge about online shopping	200	100%
Not Having knowledge about online shopping	Nil	0

Source: Primary Data

Table-3:

Availability of online information about Products & Services

Products & Services	No. of Respondents	% of Respondents
Excellent	108	54%
Good	76	38%
Average	14	7%
Poor	2	1%

Source: Primary Data

Table-4:

Reasons for choosing online shopping

Particulars	No. of Respondents	% of Respondents
Wide variety of Products	46	23%
Easy buying procedures	76	38%
Lower Prices	38	19%
Various modes of payment	28	14%
Others	12	6%

Source: Primary Data

Table-5:

Frequency of online Purchasing

Particulars	No. of Respondents	% of Respondents
About once annually	24	12%
2-5 Purchases annually	92	46%
6-10 purchases annually	52	26%
11 Purchases & above annually	32	16%

Source: Primary Data

Table-3:

Availability of online information about Products & Services

Products & Services	No. of Respondents	% of Respondents
Excellent	108	54%
Good	76	38%
Average	14	7%
Poor	2	1%

Source: Primary Data

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Various modes of payment	28	14%
Others	12	6%

Source: Primary Data

Table-5:

Frequency of online Purchasing

Particulars	No. of Respondents	% of Respondents
About once annually	24	12%
2-5 Purchases annually	92	46%
6-10 purchases annually	52	26%
11 Purchases & above annually	32	16%

Source: Primary Data

Table-6:

Buying pattern of online Purchasers

Particulars	No. of Respondents	% of Respondents
Search online but buy & pay at stores	20	10%
Search & buy online but pay in cash on delivery	122	61%
Search, Buy & pay online	58	29%

Source: Primary Data

Table-7:

Problems faced through online purchasing

Particulars	No. of Respondents	% of Respondents
Problems faced with online shopping	46	23%
Problems not faced with online shopping	154	77%

Source: Primary Data

Table-8:

Recommendations to non online buyers for online shopping

Particulars	No. of Respondents	% of Respondents	
Recommended	178	89%	
Not Recommended	22	11%	

Source: Primary Data

Findings of the Study

1. Ratio of male consumers is very high in online Shopping (73%).
2. All the respondents are having 100% awareness about online shopping.
3. Income of respondents largely falls in the bracket of Rs. 10,001 to Rs. 20,000 (49%).
4. Employees of various companies are purchasing more than others through online shopping (51%).
5. Maximum numbers of respondents (38%) feel that online shopping is having easy buying procedures; others think that they can have wide variety of products, Lower price of the products, various modes of payments etc.
6. Most of the respondents think that Availability of online informations about Product & Services is excellent (54%).
7. Most of the respondents purchase the products 2 to 5 times annually (46%).
8. Some respondents are facing problems at the time of online buying (23%).
9. Maximum numbers of respondents are suggesting to non online buyers to be online buyers (89%).
10. Most of the respondents Search and buy online but pay in cash on delivery (61%).

Limitations of the study

The study has been conducted based on the data acquired from the online buyers of India only and the findings may not be applicable to other countries of the world because of socio-cultural differences. Sample size is very small.

Conclusion

This research shows that online shopping is having very bright future in India. Perception towards online shopping is getting better in India. With the use of internet, consumers can shop anywhere, anything and anytime with easy and safe payment options. Consumers can do comparison shopping between products, as well as, online stores.

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RURAL BANKING IN INDIA: AN OVERVIEW

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Abstract

India is a land of villages, with major area, with which Indians farmers forming the large chunk of rural population. Rural households need credit for a various reasons. They seek credit to meet the short term requirements of working capital and for long term investment in agriculture and other income bearing activities. This paper aims and attempt to provide that RBI the initiatives and the keen interest in providing rural credit to farmers through a variety of schemes. The other institutional agencies are also playing a crucial role in promoting and developing integrated rural development. Many national banks like SBI and private banks like ICICI have been set up in different parts of the rural areas with the sole purpose of developing agriculture through credit deployment.

Key words: Rural, NABARD, Banks, Regional Rural banks, RBI

Introduction

The Indian banking sector is facing pressures similar to any company - ensure profitability and to provide adequate returns to the shareholders. With cutthroat competition and reduced margins in the urban sector, banks are looking to diversify their portfolios and creating services to tap the rural markets. Rural Banking plays an important role in meeting the growing needs of rural India. As the majority of Indian population lives in rural areas, there is an urgent need to deliver citizen services to them in a cost effective way with assured quality (1). Despite banks' success with informal channels, reaching rural customers comes with a price tag. The main challenge, bankers point out, lies in financial education: helping the masses to understand these products, and the benefits of saving and investing. The faster users of banking services learn of the benefits, the shorter will be the bank's gestation period in recovering its investments. Rural Banking is the process of conducting banking transactions in the country where bank branches are too far away to be of use.

Challenges in Marketing of Banking Services in Rural Market

1. Lack of adequate financial markets
2. Low value of loans for poor sections
3. Underdevelopment of rural infrastructure
4. Rural interest subsidy
5. Increasing corporate interest in agri -business
6. Large untapped market

Rural Banking Policy in India

Phase I: This was also the early phase of the green revolution in India. During this period, nationalized banks attempted to mop up new rural liquidity. The main objectives of this phase are:

- (a) to provide banking services in previously unbanked or under-banked rural areas;
- (b) to provide substantial credit to specific activities including agriculture and cottage industries; and
- (c) to provide credit to certain disadvantaged groups such as, for example, Dalit households.

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Central Banks issued specific directives regarding social and development banking from time to time. These objectives include specific targets for the expansion of rural branches, imposing ceiling on interest rates and setting guidelines for the sectoral allocation of credit.

Phase II

In the second phase, which began in the late 1970s and early 1980s, the rhetoric of land reform was finally discarded by the ruling classes themselves, and the two major instruments of official anti-poverty policy were developed: loans-cum-subsidy schemes targeted at the rural poor and state-sponsored rural employment schemes. This phase also includes an expansion and consolidation of the institutional infrastructure for rural banking.

Phase III

The third phase was that of liberalization, particularly after 1991. This phase called for a vibrant and competitive financial system to sustain the ongoing reform in the structural aspects of real economy. In this phase the central government recommended that interest rates be deregulated, that capital adequacy norms be changed so that they can compete with banks globally, branch licensing policy be revoked and a new institutional structure that is market driven and based on profitability be created.

Role of RBI in Rural Credit

RBI is taking keen interest in expanding credit to the rural sector. Therefore RBI has decided for providing timely and adequate credit through NABARD. Scheduled commercial banks excluding foreign banks have been forced to supplement NABARDs efforts through specification that 40% of net bank credit should go to the priority sector, out of which 18% of net bank credit should flow to agriculture sector. RBI has also taken steps to strengthen institutional mechanisms such as recapitalization of RRBs and setting up of local area banks.

Micro Finance

Micro - Finance is a novel approach to "banking with poor" as they attempt to combine lower transaction costs and high degree of repayments. The major thrust of these micro-finance initiatives is through the settings up of Self Help Groups (SHGs), non-governmental organizations (NGOs), Credit unions etc. The microfinance sector is still small in India but is growing at an astonishing rate.[3]

Marketing of Mutual Fund Units-RRBs: In order to expand the extent of business of RRBs and taking into consideration that marketing of Mutual Fund (MF) units provides a profitable avenue for banks. RBI has taken decision on 17 may 2006 to allow Regional Rural Banks (RRBs) to undertake marketing of units of mutual funds, as agents. RRBs with the approval of their Board of Directors, enter into agreements for marketing of their mutual funds units subject to following terms and conditions:

- (i) The bank plays a role of agent for the customers, by forwarding applications of the investors for purchase /sale of mutual funds units to the Mutual Fund / Registrar Transfer Agents.
- (ii) Bank will not guarantee for any assured return and the purchase of mutual funds units should be at the risk of customers only.
- (iii) The bank should not acquire any such units of Mutual Funds from the secondary market.
- (iv) The banks should not buy back units of Mutual Funds from their customers.
- (v) RRBs should place adequate and effective control mechanisms in consultation with their sponsor banks.

Agriculture Insurance

As agriculture is highly susceptible to risks such as drought, flood, pests etc it is necessary to protect the farmers from natural calamities. Finance in agriculture is important as development of technologies. Technical inputs can be

purchased and used by farmers only if he has money (funds). agriculture loans are available for a multitude of farming purposes. Farmers may apply for loans to buy inputs for the cultivation of food grain crops as well as for horticulture, aquaculture, animal husbandry and floriculture. There are also special provisions for loans to finance the purchase of agriculture machinery such as tractors, harvesters

Kisan Credit Card

Ensuring timeliness and adequacy of credit to farmers have posed the most serious challenges to banks engaged in financing agriculture[2]. Kisan Credit Card were started by the government of India, RBI and NABARD in 1998-1999 to help farmers access to assess timely and adequate support from the banking system for their short term credit needs during their cultivation for purchase of inputs etc., during the cropping season. The scheme has gained popularity and its implementation has been taken up by 27 commercial banks, 187 RRBs and 334 central cooperative banks. Kisan credit card provides the following advantages to the farmers as:

- (i) Access to timely and adequate credit to farmers.
- (ii) Minimum paper work and simplification of documentation for the farmers for the purpose of withdrawal of funds from the banks.
- (iii) Assured availability of credit at any time enabling reduces interest burden for the farmer.

Initiatives Taken By Others for Rural Development

NABARD

NABARD was established in July 1982 by the Government of India as a development bank with the mandate of facilitating credit flow for promotion and development of agriculture and integrated rural development. The main aim was to provide credit facilities to the farmers through co-operatives and regional rural banks. They were responsible for all matters concerning policy, planning and operations in the field of credit for agricultural and other

economic activities in the rural areas. NABARD has played a pioneering role in Financial Inclusion by extending formal banking services to the unreached rural poor by evolving supplementary credit strategies in a cost effective manner by promoting Self Help Groups (SHGs), Joint Liability Groups (JLGs), Farmers' Clubs (FCs), etc. The National Bank for Agriculture and Rural Development (NABARD) has introduced a scheme to support the capacity building needs of business correspondents and business facilitators of banks. GOI has constituted an Advisory Board for the Financial Inclusion Fund and the Financial Inclusion Technology Fund, the mandate for which has been given to NABARD by the Union Government. The mandate also covers supporting all other allied economic activities in rural areas, promoting sustainable rural development and ushering in prosperity in the rural areas.

NABARD helps in coordinating the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with the government of India, state governments, Reserve Bank of India and other national level institutions concerned with policy formulation. NABARD prepares rural credit plans for all the districts in the country on annual basis. These plans form the base for annual credit plans of all rural financial institutions.

Regional Rural Banks

Regional Rural Banks in India are an integral part of the rural credit structure of the country. Regional Rural banks were set up in 1975 by the government of India in collaboration with state governments and the nationalized banks to provide financial services to the large undeserved and unreached rural population. The Reserve Bank has also granted concessions and exemptions to RRBs in the maintenance of cash reserves, etc [4]. Each RRBs undertakes normal banking business of mobilizing deposits, making loans and advances and providing remittance facilities to its clientele. The speciality of business is that they are required to provide the loans and advances mainly to the weaker sections of the community comprising of small and marginal farmers, landless labourers, rural artisans, small

entrepreneurs and persons of small means engaged in any productivity activity. The branches of RRBs may undertake government business including conducting foreign exchange business with the prior approval of the concerned government authority and RBI [5]. Rural development through the upliftment of weaker sections is the main concern of these banks. They also provide finance to co-operatives, RRBs reduce regional imbalance and increase rural employment generation. They organize and nourish the Farmers Service Societies (FSS). Loans for consumption purpose within specified limits are also provided. RRBs have enlarged their client base and become the principle vehicles for financial inclusion and rural banking in the country. RRBs have grown not only in banking operations but also in quality of service, in meeting social objectives, transparency in operation and technical up gradation RRBs need a to make a real breakthrough on matters like IT based financial inclusion, appointment of business facilitators etc.

Initiatives Taken by Banking Sector For Rural Development

Banking sector in India has come a long way from the time when banks used to be mere deposit-taking and money-lending institutions. Rural indebtedness had taken deep roots in the country. It constituted a serious economic, social and political problem. Banks had made the loan procedures simple and credit accessible for productive and non-productive purposes in order to penetrate the rural markets.

The Green Revolution was a harbinger of major changes in the credit system as it led to the diversification of portfolio of rural credit towards production oriented lending. Rural India derived considerable benefit from the green revolution [6]. Rapid expansion of the banking system had a positive effect on rural farm and non farm output, income and employment, especially after the green revolution. It helped farmers to avail services and credit facilities and a variety of loans for meeting their production needs..

In fact, it is through the banks only that the Indian farmer

is reaching out to the latest advances in the field of agriculture. Despite banks' success with informal channels, reaching rural customers comes with a price tag. The main challenge, bankers point out, lies in financial education: helping the masses to understand these products, and the benefits of saving and investing [7]. Cost of credit also plays a very essential role as it can easily offsets the advantages offered by the accessibility and availability of credit. In order to improve the growth of credit in rural sector, banks should be permitted to lend at different rates depending upon the risk profile of the borrowers.

Satellite banking is furthermore an imminent technological advancement in the Indian banking industry. It is expected to solve the problems of weak terrestrial communication links in many parts of the country. This help in establishing connectivity between branches and will help banks to reach rural and hilly areas in a superior way, and offer better facilities, particularly in relation to electronic funds transfers. As Banking is the engine of growth of growth for any sector, therefore steps should be taken to exempt the tax on income earned by banks from the rural population. The government has to play a supportive role and assist in attracting the credit for developing agriculture infrastructure, market intermediaries, education, health, water supply, electricity supply, drainage etc. Greater acceleration in the development can be achieved through direct incentives like exemption of tax on all private sector employment generation activities in the rural sector. The avenues available to the urban population like investment in the government debt, mutual funds and capital market instruments, insurance products, demat accounts should be made available by the banks to the residents in the rural sector by leveraging the progress already achieved in the communication network. Technology can help banks to convert their rural branch network into financial marts.

Conclusion

The rural market of India has grown rapidly in coming years and offered a big attraction to marketers. The government has taken intensive efforts towards rural development on sectors like animal husbandry, irrigation

etc. banks have been established in rural areas to meet the needs of the weaker sections of the society so that it will eliminate rural indebtedness and promoting economic development by providing the much needed funds to the small and marginal farmers.

NABARD has played a pioneering role in Financial Inclusion by extending formal banking services to the unreached rural poor by evolving supplementary credit strategies in a cost effective manner by promoting Self Help Groups (SHGs), Joint Liability Groups (JLGs), Farmers' Clubs (FCs), etc. RRBs are providing financial services to the rural masses. Many national and private banks has also taking keen interest to penetrate rural market and make the credit process easy to the farmers. Banks tailoring their products and services mix to meet the needs of the rural and delivering them for carrying out their rural banking operations successfully.

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ACCOUNTING AND REPORTING PRACTICES OF NGOS: AN EVIDENCE OF WEST BENGAL

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Abstract

Concerns about accounting and reporting practices in nongovernmental organizations (NGOs) have increased over the past three decades, due in part to a series of highly publicized scandals that have eroded public confidence in non-profit organizations, coupled with a rapid growth in NGOs around the world. To have proper accountability, it is important to have proper records of all the funds received and the expenditure of the NGOs. These views, however, are being increasingly challenged by long-time practitioners and scholars in the field who thinking more concretely about issues of accountability (Gibelman & Gelman, 2001; Young, Bania, & Bailey, 1996). However, this chapter observes how accountability is practiced by nongovernmental organizations (NGOs) in West Bengal. NGOs need to be more professional in their accounting and reporting practices to ensure transparency in dealings. With the rising role in society, accountability in terms of public reliance and larger amount at their disposal NGOs should adopt a sound accounting and financial reporting system to deal with queries from stakeholders. As NGOs receive grants from various funding agencies and donor organizations, it is their duty to maintain proper books of accounts and a programme-oriented fund based accounting system for the different projects should be an imperative accounting practice.

Key words: NGOs, Voluntary, Accounting, Reporting, GAAP, Scandals, Society.

Introduction

NGO is not a new phenomenon in our state. Voluntary effort has always been an important part of our culture and social tradition. The need for organizing people into accredited associations and their involvement and participation in development have now been fully recognized. In recent years, they have increased in considerable number, acquired greater importance and significance and put up many new experiments in the field of development (S. Sattanathan).

A Non-Government Organization is an organization that is not part of a government and was not founded by states. Non-Government Organizations are therefore typically independent of government. Although the definition can technically include for profit-corporations, the term is

generally restricted to social, cultural, legal and environmental advocacy groups having goals that are primarily non-commercial (Venkatesha S. Sampa). According to Asian Development Bank the term Non-Government Organization refers to organization

- Not based in government
- Not created to earn profit

United Nations defines it "NGOs are private organizations that pursue activities to relieve suffering, promote the interest of poor, protect the environment, provide basic social services or undertake community development" (Admin, June 2012).

Taking into account the huge amount at the disposal of the NGOs and importance of their activities towards the socio-economic development of a country like India, there is a great need for developing a uniform accounting and reporting methodology for the NGOs. NGOs primarily

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prepare their accounts for submission to the various authorities like funding agencies, income tax authorities, registrar of societies and to the Ministry of Home Affairs. However, in the absence of any specific accounting regulations for NGOs, there is no uniform accounting and reporting practices (Dandapat, D and Bagchi, B. ,2007),. However, this paper observes how accountability is practiced by nongovernmental organizations (NGOs) in West Bengal. Therefore, an attempt has been made to examine and evaluate the performance measurement as well as accounting and reporting practices of NGOs in West Bengal as a factor responsible for poor financial performance as well as poor accounting and reporting practices relating to finance especially during the post-liberation period particularly from 2000-2001 to 2009-10.

Concept of Accounting and Reporting Practices in NGOs

An NGO is a non-profit, voluntary, service-oriented, developmental organization for the members (a grass root organisation) or of other members of the population (agency). These organizations are formalized, independent, democratic, non-secretarian peoples' organizations working for the empowerment economically and or socially marginalized groups. NGOs played a major role in bringing a change in the lives of average poor rural citizens. However, one area where NGOs are sufficiently lacking is adoption of standard accounting practices, transparency and communication of their financial and social performance through appropriate standardized reporting practices. Their failure on this front has bred a feeling of suspicion amongst the general public regarding utilization of funds and grants by NGOs. While NGOs should really accept their responsibility of proper reporting and follow practices, which are generally adopted elsewhere, there is a need to appreciate the peculiar circumstances in which NGOs work and the constraints arising out of it. NGOs neither have the resources nor the expertise or the need to bring their accounting and reporting practices on par with corporate. They work in an environment totally different from commercial organizations and this fact needs to be recognized (Verma, 2007).

Copious Definitions of Accounting and Reporting Practices

Edwards and Hulme (1996 , p. 967) define accounting and reporting practice as "the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions." Similarly Fox and Brown (1998, p. 12) describe accounting and reporting practice as "the process of holding actors responsible for actions." Accounting and reporting practice is a complex and dynamic concept. It may be defined not only as a means through which individuals and organizations are held responsible for their actions (e.g., through legal obligations and explicit reporting and disclosure requirements), but also as a means by which organizations and individuals take internal responsibility for shaping their organizational mission and values, for opening themselves to public or external scrutiny, and for assessing performance in relation to goals. Accounting and reporting practice operates along multiple dimensions-involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, explicit and implicit, legal and voluntary), and requiring varying levels of organizational response (functional and strategic).

Standard Accounting and Reporting practices

Accounting standards are the authoritative statements of how transactions and events should be reflected in the financial statements. They are intended at providing a common language for communication of information. The basic objective of accounting standard setting is to maintain uniformity in the presentation of economic data contained in the annual accounts of corporate enterprises. In other words, it aims at harmonizing the diverse accounting policies and practices adopted by different enterprises and ensuring consistency in the reported information from year to year so that users of financial statements are in a position to understand and make proper use of the statements for decision purposes (B.Banerjee 2002).

In the past three decades, Generally Accepted Accounting Principles (GAAP) was thought of as a usual language that evolves step by step through practice over long period of

time. In India, accounting standards are prepared by the Accounting standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI). The ASB is now a well equipped accounting standard -setting body capable of delivering high - quality global accounting standard. There has been some controversy as to whether the standards issued by ASB are applicable to NGOs or not. The ICAI has clarified that the standards are mandatory for all NGOs who have any income generating activities, no matter how small they are.

Review of Literature

NGOs play an important role for socio-economic development. In spite of a greatcoat importance, it is strange that so long it could not draw towards as much mindfulness of the researchers in India as it desires. A brief review of the different pains of research in this field is attempted in the following paragraphs.

Abdul-Rahman, A. and Goddard, A. (1998) initiated a study on "An Interpretive Inquiry of Accounting Practices in Religious Organisations. The study of accounting practices was rooted in two religious organisations in Malaysia. The research was an attempt to study accounting practices in a cultural setting. The study also makes a contribution towards the need for accounting research to become more explanatory of accounting as social practice and is developed by observation. This is achieved by developing grounded theory from the data and is in accordance with recent calls for case studies in accounting research to be more concerned with producing social theories of accounting practice.

Forbes (1998) conducted an extensive 20-year review of empirical studies in NGOs that addressed the concept of effectiveness. Forbes included quantitative archival data, such as financial reports and operational statements, as measures of effectiveness. He concluded that effectiveness in not for-profit settings is a complex concept that was not only difficult to measure but also required a multidimensional approach and consideration of multiple constituents.

Seshagiri (1999) observed that neither too much nor too should less importance be given to the non-governmental organizations. NGOs are undoubtedly significant as vital gap fillers and conduits between the governing and governed bodies. She concluded that the NGO phenomenon is an indication of organisational improvement to respond to irregular market trends and an affirmation of the irreducible autonomy of individuals and communities, against an active state.

Farhad Hossain, Marko Ulvia and Ware Newaz (eds)'s (2000) review of "Learning NGOs and the Dynamics of Development Partnership", Dhaka examined how market failure and government failure in developing countries lead NGOs "as channels for development capital transfer through foreign aid" in the developing world.

Alnoor Ebrahim's (2003) study on "Accountability in Practice: Mechanisms for NGOs" examines how accountability is practiced by nongovernmental organizations. Five broad mechanisms are reviewed: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. Each mechanism, distinguished as either a "tool" or a "process," is analyzed along three dimensions of accountability: upward-downward, internal-external, and functional-strategic. It is observed that accountability in practice has emphasized "upward" and "external" accountability to donors while "downward" and "internal" mechanisms remain comparatively underdeveloped. Moreover, NGOs and fund providers have focused primarily on short-term "functional" accountability responses at the expense of longer-term "strategic" processes necessary for lasting social and political change.

Andrew Goddard and Mussa Juma Assad's, (2006) study on "Accounting and navigating legitimacy in Tanzanian NGOs" observed the phenomenon of accounting in non-governmental organisations (NGOs). The study seeks to comprehend accounting processes and reporting practices in NGOs and the conditions that sustain those processes and practices. The study reviewed that NGOs have become important institutions in world affairs but accounting research has not developed significant interest in their

operations. The research recognized the importance of accounting in the process of navigating organisational authenticity.

Anand Pagaria's (2006) study on "NGO's-Accounting and Legal Intricacies" observed that in the absence of any legal authoritative pronouncement and varied interpretation of certain terms under the related laws by the judiciary, it has become a difficult task to follow a uniform line of action in preparation and presentation of the financial statement of an NGO. The practices followed by an NGO on certain issues are varied and diverse thereby making the financial statements incomparable and difficult for users to understand. The essentials range from the accounting treatment of certain items of income/expenditure, to the issues under legal laws in force at present.

The conclusive sum of this retrospective review of the relevant literatures produce till date on the offered subject reveals wide room for the validity and originates of this work and reflects some decisive evidences that affirm its viability, as may be marked here it. No study has incorporated in this fashion before the present work.

Objectives of the study

The main objective of the present work is to assess the accounting and reporting practices of NGOs in West Bengal under the study. More specifically, it seeks to dwell upon mainly the following issues:

1. To review the accounting and reporting practices of NGOs under the study.
2. To observe the drawbacks of the prevailing accounting system.
3. To find out the accountability of NGOs to different interested parties in the society.
4. To recommend a few suggestions to develop a standard accounting and reporting practices.

Test of Hypothesis

To test the hypothesis, the present study pursued to test the following;

Null hypothesis (H0) is that the accounting and reporting practices of NGOs are not well maintained. Alternative hypothesis (H1) is that accounting and reporting practices of NGOs are well maintained.

Methodology

An appropriate methodology has been pursued to carry out the present research work. It encompasses the Universe of the Study, Sampling Structure and Method, sample size, data source and tools used.

Universe of the Study

The location of the study was West Bengal as recognized by the Planning Commission as the "Socio-economically Backward in India" (Wikipedia). The state West Bengal was selected so that findings from this preliminary study may be used to design a more in-depth study on a larger scale. This research work was thus restricted to all the districts of West Bengal. West Bengal and the characteristics of all the districts in West Bengal are not different. There were 100150 NGOs registered under the Information of Society Registration Office in West Bengal as on 31.03.2009. It was also informed from the same office that 30150 NGOs were just existed only in papers, 70000 NGOs were operated in papers but it was clear from the field survey that only 34500 registered NGOS really operated in West Bengal.

Sampling Structure and Method

After finalizing the registered NGOs really operated in the field, it has been collected from the field survey that 8625 registered NGOs have audited and published their annual reports regularly. From the audited and published NGOs, we have taken 20 per cent for each district in West Bengal for sampling purposes.

Sample Design

Out of 34500, total 8625 NGOs who audited and published their annual reports regularly are taken as the population for the study. From the 8625 NGOs we have selected 1725 NGOs (20 per cent of the population). The simple random

sampling without replacement (SRSWOR) method has been used on these 1725 NGOs. 640 NGOs were rejected through sampling and the remaining 1085 NGOs were then approached to supply annual reports for ten years starting from 2000-01 to 2009-10. Out of 1085 NGOs, 346 NGOs responded very negatively and they are not willing to supply any data and reports (NWSDR). Annual reports and data are not available (DNA) for 10 years in case of 427 NGOs. Only 312 NGOs responded favorably and annual reports and data are available for 10 years in case of only 312 NGOs. Thus, sample size stood at 312 NGOs. However, these 312 NGOs spread up in all the districts of West Bengal as their focused area of operation. The description of the sample is given in table-1.1.

Table-1.1:

District-wise representation of the sample NGOs

Districts	Total NGOs selected	Rejected	NWSDR	DNA for ten years	Number on of sample NGOs based SRSWOR	% of sample NGOs
24 Parganas (North and South)	268	82	51	74	61	22.76
Bankura	74	24	28	15	7	9.46
Birbhum	87	33	18	22	14	16.09
Burdwan	52	23	11	10	8	15.38
Coochbehar	41	17	9	8	7	17.07
Darjeeling	68	23	29	12	4	5.88
Dinajpur (North and South)	33	7	17	4	5	15.15
Hooghly	36	17	5	6	8	22.22
Howrah	138	24	8	79	27	19.57
Jalpaiguri	71	18	6	35	12	16.90
Kolkata	536	256	93	90	97	18.10
Malda	87	43	15	18	11	12.64
Medinipur (East and West)	140	38	27	39	36	25.71
Murshidabad	13	4	3	4	2	15.38
Nadia	48	23	15	2	8	16.67
Purulia	33	8	11	9	5	15.15
Total	1725	640	346	427	312	18.09

Source: Field Survey (2010-11)

Data Source

The study is based on primary data for the period from 2001 to 2010. Primary data were collected through structured questionnaire and unstructured interview schedules with NGO leaders, members, beneficiaries, secretaries, presidents and accountants of selected NGOs under study. The primary data was supplemented by field survey as well as discussion with NGO officials.

Period of the Study

The study relates to the period of a first decade of the New Century, starting from 2000-01 and ending on 2009-10.

Tools Used

For the purpose of examining the accounting and reporting practices of NGOs operating in West Bengal, data collected through questionnaire have been duly processed, tabulated and analyzed using chi square test and z test (Test of proportion). These statistical tests reveal how far the hypothesis is justifiable in the light of the information provided by the respondents.

Design of questionnaire

- Q.1. What type of organization are you (Social Clubs, Cultural Associations, Welfare and Charity organizations, Rehabilitation Centres, Actions Groups, Professional Bodies, Mahila Samity, Youth Clubs)?
- Q.2. Whether is organization incorporated or legally registered or not?
- Q.3. Whether is organization required to pay service taxes or not?
- Q.4. Whether does organization have written accounting policies and procedures or not?
- Q.5. Whether is manual accounting system followed by NGO or not?
- Q.6. Whether is automated or combined accounting system followed by NGO or not?
- Q.7. Whether does NGO follow double entry system or not?
- Q.8. Whether is cash basis of accounting system maintained by NGO or not?
- Q.9. Whether is accrual basis of accounting system maintained by NGO or not?
- Q.10. Whether only income & expenditure a/c and balance sheet are prepared for finalization of annual report or not?
- Q.11. Whether receipts & payment a/c, income & expenditure a/c and balance sheet are prepared for finalization of annual report?
- Q.12. Whether profit & loss a/c and balance sheet are prepared for finalization of annual report?
- Q.13. Whether annual report is published or not?
- Q.14. Whether does NGO act in accordance with with Foreign Contribution Regulation Act (FCRA) or not?
- Q.15. Does NGO conform to the norms of funding agencies with respect to the accounting system or not?
- Q.16. Whether does NGO prepare any other account other than 10 or 11?
- Q.17. Whether personal donation and membership dues are the only source of funding?
- Q.18. Whether does NGO get any grant from national government?
- Q.19. Are there any other sources of funding such as income from consultancy or training and workshop fees, sale of goods etc.?

- Q.20. Whether does NGO have any foreign grant or not?
- Q.21. Are NGO involved in fund raising activities or not?
- Q.22. Whether does NGO receive funding from personal donation or not?
- Q.23. Whether is NGO accountable to the central government or not?
- Q.24. Whether is NGO accountable to the state government or not?
- Q.25. Is NGO accountable to the funding agencies or not?
- Q.26. Whether does the accounting system provide for recording of expenses for each program by budget cost categories or not?
- Q.27. Whether does NGO follow relevant accounting standard of ICAI or not?
- Q.28. Whether does NGO have a full-time qualified accountant with sufficient experience or not?
- Q.29. Whether does NGO submit statement of accounts to the proper authorities or not?
- Q.30. Whether the existing accounting system is adequate or not?
- Q.31. Whether does NGO have regular audits or not?
- Q.32. Whether does NGO have any internal auditor or not?
- Q.33. Whether is account audited by statutory auditor or not?

NGOs in West Bengal.

Analysis based on Selected NGOs as a whole

Table-1.2. represents the output of the questionnaire that was administered to the selected 312 NGOs.

The test statistic

$$\text{Chi-Square} = \frac{\sum(O-E)^2}{E}$$

Where, O = Observed value, E = Expected value which is assumed to be fifty percent. The observed value of the Chi-Square distribution is 3431.92.

Empirical Results and Analysis

An empirical study has been made on the basis of selected questionnaires mentioned above to highlight the problems of the prevailing accounting and reporting practices of the

Table-1.2:

Analysis of the output of the questionnaire as a whole

Question NO	YES	NO
2	312	0
3	312	0
4	224	88
5	17	295
6	295	17
7	312	0
8	281	31
9	31	281
10	312	0
11	0	312
12	0	312
13	312	0
14	236	76
15	128	184
16	9	303
17	0	312
18	312	0
19	312	0
20	236	76
21	285	27
22	312	0
23	143	169
24	168	144
25	248	64
26	154	158
27	312	0
28	204	108
29	312	0
30	258	54
31	306	6
32	312	0
33	312	0

Source: Result computed from questionnaire

The observed value of Chi-Square distribution has been compared with the table value (46.194 at 5% level of significance with 32 degrees of freedom). The null hypothesis is rejected as observed value is higher than table value.

Table-1.2:

Analysis of the output of the questionnaire as a whole

Question NO	YES	NO
2	312	0
3	312	0
4	224	88
5	17	295
6	295	17
7	312	0
8	281	31
9	31	281
10	312	0
11	0	312
12	0	312
13	312	0
14	236	76
15	128	184
16	9	303
17	0	312
18	312	0
19	312	0
20	236	76
21	285	27
22	312	0
23	143	169
24	168	144
25	248	64
26	154	158
27	312	0
28	204	108
29	312	0
30	258	54
31	306	6
32	312	0
33	312	0

Source: Result computed from questionnaire

The observed value of Chi-Square distribution has been compared with the table value (46.194 at 5% level of significance with 32 degrees of freedom). The null hypothesis is rejected as observed value is higher than table value.

Analysis based on District-wise selected NGOs

Table 1.3 provides the district-wise result of the questionnaire which is given below:

Table-1.3: District-wise analysis of the output of the questionnaire

Q. No	Districts															
	24parganas		Bankura		Birbhum		Burdubhum		Coochbehar		Darjelling		Dinajpur		Hooghly	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
2	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
3	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
4	53	8	6	1	10	4	5	3	6	1	3	1	3	2	5	3
5	4	57	1	6	0	14	0	8	1	6	0	4	0	5	2	6
6	57	4	6	1	14	0	8	0	6	1	4	0	5	0	6	2
7	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
8	54	7	7	0	14	0	8	0	7	0	4	0	5	0	8	0
9	7	54	0	7	0	14	0	8	0	7	0	4	0	5	0	8
10	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
11	0	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8
12	0	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8
13	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
14	61	0	0	7	3	11	8	0	0	7	4	0	5	0	8	0
15	23	38	5	2	5	9	1	7	4	3	2	2	2	3	2	6
16	2	59	0	7	0	14	0	8	0	7	0	4	0	5	0	8
17	0	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8
18	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
19	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
20	61	0	0	7	3	11	8	0	0	7	4	0	5	0	8	0
21	54	7	7	0	13	1	8	0	7	0	0	4	5	0	8	0
22	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
23	26	35	0	7	7	7	0	8	0	7	2	2	0	5	2	6
24	33	28	4	3	7	7	4	4	5	2	0	4	5	0	5	3
25	39	22	7	0	14	0	5	3	7	0	4	0	5	0	6	2
26	44	17	0	7	0	14	0	8	0	7	0	4	0	5	0	8
27	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
28	48	13	4	3	3	11	5	3	5	2	0	4	3	2	5	3
29	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
30	44	17	7	0	14	0	8	0	7	0	4	0	5	0	8	0
31	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
32	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0
33	61	0	7	0	14	0	8	0	7	0	4	0	5	0	8	0

Source: Result computed from questionnaire

Table-1.3:

District-wise analysis of the output of the questionnaire

Q. No	Districts															
	Howrah		Jalpaiguri		Kolkata		Malda		Medinipur		Murshidabad		Nadia		Purulia	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
2	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
3	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
4	17	10	9	3	64	33	9	2	22	14	2	0	7	1	3	2
5	3	24	4	8	0	97	2	9	0	36	0	2	0	8	0	5
6	24	3	8	4	97	0	9	2	36	0	2	0	8	0	5	0
7	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
8	27	0	12	0	73	24	11	0	36	0	2	0	8	0	5	0
9	0	27	0	12	24	73	0	11	0	36	0	2	0	8	0	5
10	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
11	0	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5
12	0	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5
13	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
14	19	8	5	7	97	0	2	9	19	17	0	2	0	8	5	0
15	9	18	3	9	38	59	7	4	12	24	2	0	8	0	5	0
16	0	27	0	12	6	91	0	11	1	35	0	2	0	8	0	5
17	0	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5
18	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
19	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
20	19	8	5	7	97	0	2	9	19	17	0	2	0	8	5	0
21	27	0	12	0	88	9	11	0	32	4	0	2	8	0	5	0
22	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
23	18	9	0	12	57	40	0	11	28	8	0	2	0	8	3	2
24	15	12	7	5	49	48	9	2	18	18	2	0	5	3	0	5
25	24	3	10	2	72	25	11	0	36	0	2	0	3	5	3	2
26	13	14	0	12	74	23	0	11	23	13	0	2	0	8	0	5
27	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
28	12	15	8	4	87	10	2	9	15	21	0	2	2	6	5	0
29	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
30	27	0	12	0	60	37	11	0	36	0	2	0	8	0	5	0
31	27	0	12	0	91	6	11	0	36	0	2	0	8	0	5	0
32	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0
33	27	0	12	0	97	0	11	0	36	0	2	0	8	0	5	0

Source: Result computed from questionnaire

Table - 1.4:

District wise Acceptance/ Rejection of Null Hypothesis Using Chi square test

Districts	Observed value	Remarks
24parganas (North and South)	719.67	Rejected
Bankura	97.14	Rejected
Birbhum	181.86	Rejected
Burdwan	111	Rejected
Coochbehar	97.71	Rejected
Darjeeling	58.5	Rejected
Dinajpur (North and South)	72.8	Rejected
Hooghly	101.75	Rejected
Howrah	316.74	Rejected
Jalpaiguri	146.17	Rejected
Kolkata	1119.71	Rejected
Malda	148	Rejected
Medinipur (East and West)	433.39	Rejected
Murshidabad	32	Accepted
Nadia	115.75	Rejected
Purulia	72.8	Rejected

Source: Result computed from questionnaire

From Table 1.4, we get the district wise result of the Chi-Square test where, in every district the null hypothesis is rejected except the district of Murshidabad. In Murshidabad district the null hypothesis is accepted because the table value (46.194 at 5% level of significance with 32 degrees of freedom) is higher than the observed value.

Analysis based on questionnaire

The test static

$$Z = \frac{\text{Observed value (P)} - \text{expected value } (\mu)}{\text{Standard Error(S.E.)}}$$

Or, Sample means (P) -- population means (μ)

$$\frac{\text{-----}}{\text{S.E.}}$$

$$\text{Or, } Z = \frac{P - \mu}{\frac{\sqrt{P - \mu}}{n}}$$

For testing significance at 5% level, the null hypothesis H0 is rejected when the value of z is either greater than 1.645 or less than -1.645. If $Z > 1.645$ then H1 (a) is true and if $Z < -1.645$ then H1 (b) is true. Following the methodology mentioned above, z values have been calculated against each of the 32 questions for all the districts of West Bengal. The results and its implications are briefly explained in table 1.5.

Table-1.5:

Acceptance/Rejection of Null Hypothesis using Z values

Q.NO	Districts							
	24PGS	BANK	BIRB	BURD	COOC	DARJ	DINA	HOOG
2	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
3	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
4	-11.66	-16.98	-16.53	-17.10	-16.98	-17.32	-17.32	-17.10
5	-17.21	-17.55	-17.66	-17.66	-17.55	-17.66	-17.66	-17.44
6	-11.21	-16.98	-16.08	-16.76	-16.98	-17.21	-17.10	-16.98
7	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
8	-11.55	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
9	-16.87	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
10	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
11	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
12	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
13	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
14	-10.76	-17.66	-17.32	-16.76	-17.66	-17.21	-17.10	-16.76
15	-15.06	-17.10	-17.10	-17.55	-17.21	-17.44	-17.44	-17.44
16	-17.44	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
17	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
18	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
19	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
20	-10.76	-17.66	-17.32	-16.76	-17.66	-17.21	-17.10	-16.76
21	-11.55	-16.87	-16.19	-16.76	-16.87	-17.66	-17.10	-16.76
22	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
23	-14.72	-17.66	-16.87	-17.66	-17.66	-17.44	-17.66	-17.44

24	-13.93	-17.21	-16.87	-17.21	-17.10	-17.66	-17.10	-17.10
25	-13.25	-16.87	-16.08	-17.10	-16.87	-17.21	-17.10	-16.98
26	-12.68	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
27	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
28	-12.23	-17.21	-17.32	-17.10	-17.10	-17.66	-17.32	-17.10
29	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
30	-12.68	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
31	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
32	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76
33	-10.76	-16.87	-16.08	-16.76	-16.87	-17.21	-17.10	-16.76

Source: Result computed from questionnaire

Table-1.5:

Acceptance/Rejection of Null Hypothesis using Z values

Q.NO	Districts							
	HOWR	JALP	KOLK	MALD	MEDI	MURS	NADI	PURU
2	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.10
3	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.10
4	-15.74	-16.65	-10.42	-16.65	-15.17	-17.44	-16.87	-17.32
5	-17.32	-17.21	-17.66	-17.44	-17.66	-17.66	-17.66	-17.66
6	-14.95	-16.76	-6.68	-16.65	-13.59	-17.44	-16.76	-17.10
7	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.10
8	-14.61	-16.31	-9.40	-16.42	-13.59	-17.44	-16.76	-17.10
9	-17.66	-17.66	-14.95	-17.66	-17.66	-17.66	-17.66	-17.66
10	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.10
11	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66

12	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
13	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
14	-15.51	-17.10	-6.68	-17.44	-15.51	-17.66	-17.66	-17.66
15	-16.65	-17.32	-13.36	-16.87	-16.31	-17.44	-16.76	-17.66
16	-17.66	-17.66	-16.98	-17.66	-17.55	-17.66	-17.66	-17.66
17	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66	-17.66
18	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
19	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
20	-15.51	-17.10	-6.68	-17.44	-15.51	-17.66	-17.66	-17.66
21	-14.61	-16.31	-7.70	-16.42	-14.04	-17.66	-16.76	-17.66
22	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
23	-15.63	-17.66	-11.21	-17.66	-14.49	-17.66	-17.66	-17.66
24	-15.97	-16.87	-12.12	-16.65	-15.63	-17.44	-17.10	-17.66
25	-14.95	-16.53	-9.51	-16.42	-13.59	-17.44	-17.32	-17.66
26	-16.19	-17.66	-9.28	-17.66	-15.06	-17.66	-17.66	-17.66
27	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
28	-16.31	-16.76	-7.81	-17.44	-15.97	-17.66	-17.44	-17.66
29	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
30	-14.61	-16.31	-10.87	-16.42	-13.59	-17.44	-16.76	-17.66
31	-14.61	-16.31	-7.36	-16.42	-13.59	-17.44	-16.76	-17.66
32	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66
33	-14.61	-16.31	-6.68	-16.42	-13.59	-17.44	-16.76	-17.66

Source: Result computed from questionnaire

Based on the analysis of questionnaire collected from NGOs of different districts we summarize the result of z values in table 1.5. The null hypothesis is rejected in all cases as $Z < -1.645$.

Findings of the study

The major findings of this study are presented below:

1. Exactly 224 NGOs (71.79%) out of selected 312 NGOs under the study follow written accounting policies and procedures.

Out of 224 NGOs, the district of Kolkata attains the highest percentage (28.57%) of NGOs concerning written accounting policies and procedure and it is followed by 24-Parganas (North and South) (23.66%) Medinipur (East and West) (9.82%) Howrah (7.59%) Birbhum (4.46%) Jalpaiguri & Malda (4.02%) Nadia (3.13%) Bankura & Coochbehar (2.68%) Burdwan & Hooghly (2.23%), Darjeeling, Dinajpur (North and South) & Purulia (1.34%) and Murshidabad (0.89%). But based on district-wise selected NGOs all the selected NGOs (2) of Murshidabad district have written accounting policies and procedure.

2. In West Bengal, only 17 NGOs (5.44%) follow manual accounting system till date and the remaining 295 NGOs (94.55%) follow automated or combined accounting system.

Based on district-wise selected NGOs, maximum 33.33% of the selected NGOs of Jalpaiguri district follow manual accounting system.

3. About 236 NGOs (75.64%) receive foreign grants and have FCRA Registration with the ministry of Home Affairs, Government of India.

All the selected NGOs in the districts of 24-parganas (North and South) (61) Burdwan (8) Darjeeling (4) Dinajpur (North and South) (5) Hooghly (8) Kolkata (97) and Purulia (5) receive foreign grants and have FCRA Registration.

4. All the selected NGOs in the district of Bankura, Coochbehar, Murshidabad, Nadia and 81.82% NGOs in the district of Malda (9), 78.57% NGOs in the district of Birbhum (11), 58.33% NGOs in the district of Jalpaiguri (7), 47.22% NGOs in the district of Medinipur (East and West) (17) 29.63% NGOs in the district of Howrah (8), do not receive any foreign grants and have no FCRA Registration with the ministry of Home Affairs, Government of India.

5. Among 312 selected NGOs in West Bengal, only 128 NGOs (41.03%) follow accounting regulations as suggested by their funding agencies.

All the selected NGOs in the districts of Murshidabad, Nadia, Purulia and 71.43% NGOs in the district of Bankura, 63.64% NGOs in the district of Malda, 57.14% NGOs in the district of Coochbehar, 50% NGOs in the district of Darjeeling, 40% NGOs in the district of Dinajpur (North and South), 39.18% NGOs in the district of Kolkata, 37.70% NGOs in the district of 24-parganas (North and South), 35.71% NGOs in the district of Birbhum, 33.33% NGOs in the districts of Howrah & Medinipur (East and West) 25% NGOs in the districts of Jalpaiguri & Hooghly and 12.50% NGOs in the district of Burdwan follow accounting regulation suggested by their funding agencies

6. All the selected NGOs under the study follow double entry system in preparing books of accounts and submit their statements of accounts to the appropriate authorities e.g., Registrar of Societies, Income tax Department, Ministries of Central Government and State Government that approve grants and aid to the NGOs.

7. All 312 NGOs under the study receive funding from personal donation and they all also have other sources of funding.

8. Among 312 selected NGOs in West Bengal, exactly 285 NGOs (91.35%) are involved in fund raising activities. But only 27 NGOs (8.65%) under the study

are not involved in fund raising activities.

9. All the selected NGOs under the study in West Bengal appoint internal auditor and statutory auditor for auditing. Among 312 NGOs, Only 6 NGOs (1.92%) in the district of Kolkata which is 6.19% of the district's total NGOs (97) get their accounts audited continuously at regular interval after three months or six months throughout the year and the remaining 306 NGOs (98.08%) audit their accounts only after finalization of accounts at the end of the financial year.

10. It has been examined that just 204 NGOs (65.38%) under the study have qualified full-time accountant with adequate training in accounts and sufficient experience and the remaining 108 NGOs (34.62%) have accountant without sufficient knowledge and experience in accounting.

They do not even have a graduation degree in commerce. All the selected NGOs in the districts of Darjeeling (4) and Murshidabad (2) do not have any qualified full-time accountant with adequate training and sufficient experience in accounting. In comparison to other districts, Malda (81.82%), Birbhum (78.57%), Nadia (75%), Medinipur (East and West) (58.33%) and Howrah (55.56%) have more than fifty percent of the selected NGOs without having qualified full-time accountant with adequate training and sufficient experience in accounting.

11. Only 31 selected NGOs (9.93%) follow the method of accrual basis of accounting and the remaining 281 NGOs (90.07%) follow the method of cash basis of accounting though all 312 NGOs are demanding that they are following the relevant accounting standards of the Institute of Chartered Accountant of India. All the selected NGOs in the district of Bankura (7) Birbhum (14) Burdwan (8) Coochbehar (7) Darjeeling (4) Dinajpur (North and South) (5) Hooghly (8) Howrah (27) Jalpaiguri (12) Malda (11) Medinipur (East and West) (36) Murshidabad (2) Nadia (8) Purulia (5)

follow the method of cash basis of accounting. Only 7 NGOs (11.47 %) in the district of 24-parganas (North and South) and 24 NGOs (24.74%) in the district of Kolkata follow the method of accrual basis of accounting.

12. Out of 312 selected NGOs under the study, only 9 NGOs (2.88%) manage other books of accounts (such as cash book for foreign grants and Indian grants separately, Fixed assets registers, ledger book for each funding agencies etc.) other than preparing Income & Expenditure A/C, Receipts & Payment A/C and Balance sheet.

13. It has been observed that out of 312 selected NGOs in West Bengal, only 143 NGOs (45.83%) feel that they are accountable to the Central Government. District-wise only 28 NGOs (77.78%) in Medinipur (East and West) district, 18 NGOs (66.67 %) in Howrah district, 3 NGOs (60%) in Purulia district, 57 NGOs (58.76%) in Kolkata district, 50% NGOs in the district of Birbhum (7) & Darjeeling(2), 26 NGOs (42.62%) in the district of 24-parganas (North and South) and 2 NGOs (25%) in Hooghly district feel that they are accountable to the Central Government. But all the selected NGOs under study in the district of Bankura, Burdwan, Coochbehar, Darjeeling, Dinajpur (North and South), Jalpaiguri, Malda and Nadia do not consider their accountability to the Central Government.

14. Out of 312 selected NGOs in West Bengal, only 168 NGOs (53.85%) are accountable to the State Government.

District-wise all the selected NGOs in the district of Dinajpur (North and South) (5), Murshidabad (2), 81.82% NGOs in the district of Malda (9), (71.43%) NGOs in the district of Coochbehar (5), 62.5% NGOs in the district of Hooghly (5) & Nadia(5), 58.33% NGOs in the district of Jalpaiguri (7), 57.14 % NGOs in the district of Bankura(4), 55.56% NGOs in the district of Howrah (15), 54.10% NGOs in the district

of 24-parganas(North and South) (33), 50.52% NGOs in the district of Kolkata (49), 50% NGOs in the district of Birbhum (7), Burdwan (4) Medinipur (East and West) (18) consider their accountability to the State Government. But all the selected NGOs in the district of Darjeeling (4) and Purulia (5) do not consider their accountability to the State Government.

15. Out of 312 selected NGOs in West Bengal, only 248 NGOs (79.49%) consider their accountability to the funding agencies.

District-wise, it has been observed that all the selected NGOs under study in the district of Bankura, Birbhum, Coochbehar, Darjeeling, Dinajpur (North and South), Malda, Medinipur (East and West), Murshidabad and 88.89% NGOs in the district of Howrah, 83.33% NGOs in the district of Jalpaiguri, 75% NGOs in the district of Hooghly, 74.23% NGOs in the district of Kolkata, 63.93% NGOs in the district of 24parganas(North and South), 62.50% NGOs in the district of Burdwan, 60% NGOs in the district of Purulia and 37.5% NGOs in the district of Nadia consider their accountability to the funding agencies. But 3 NGOs in the district of Howrah (11.11%), 2 NGOs in the district of Jalpaiguri (16.67%), 2 NGOs in the district of Hooghly (25%), 25 NGOs in the district of Kolkata (25.77%), 22 NGOs in the district of 24-parganas (North and South) (36.07%), 3 NGOs in the district of Burdwan (37.50%), 2 NGOs in the district of Purulia (40%), 5 NGOs in the district of Nadia (62.50%) do not consider their accountability to the funding agencies.

16. Among 312 selected NGOs in West Bengal, Only 154 NGOs (49.36%) under the study provide for recording of expenses for each program by budget cost categories. No NGOs in the districts of Birbhum, Burdwan, Coochbehar, Darjeeling, Dinajpur (North and South), Hooghly, Jalpaiguri, Malda, Murshidabad, Nadia and Purulia have such recording of expenses for each program by budget cost categories.

17. Exactly 54 NGOs (17.31%) under study in West Bengal feel that their existing accounting system is not sufficient though almost 82.69% NGOs think their existing system is adequate.

District-wise, it has been found that all the selected NGOs in the district of Bankura, Birbhum, Burdwan, Coochbehar, Darjeeling, Dinajpur (North and South), Hooghly, Howrah, Jalpaiguri, Malda, Medinipur (East and West), Murshidabad Nadia and Purulia think their existing accounting system is adequate. Only 17 NGOs (27.89%) in the district of 24-parganas (North and South) and 37 NGOs (38.14%) in the district of Kolkata feel that their existing accounting system is not adequate.

Test of Hypotheses

A hypothesis is an assumption to be tested. The statistical testing of hypothesis is the important technique in statistical inference. Hypothesis tests are widely used in business and industry for making decisions. The following are the hypotheses framed and tested using test of significance at 5% level of significance.

Hypothesis

H0: Accounting and reporting practices of NGOs are not well maintained;

H1: Accounting and reporting practices of NGOs are well maintained;

(VAR0001= Hypothesis Test as a whole)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
VAR00001	10.664	31	.000	217.71875	176.0797	259.3578

The calculated value of t is more than the significant value, hence null hypotheses is not accepted.

District-wise Hypothesis Test

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Parganas	10.832	31	.000	43.84375	35.5886	52.0989
Bankura	8.159	31	.000	4.53125	3.3986	5.6639
Birbhum	8.421	31	.000	9.03125	6.8440	11.2185
Burdwan	8.645	31	.000	5.37500	4.1069	6.6431
Coochbehar	8.216	31	.000	4.56250	3.4300	5.6950
Darjeeling	7.945	31	.000	2.59375	1.9279	3.2596
Dinajpur	9.143	31	.000	3.53125	2.7436	4.3189
Hoogly	9.562	31	.000	5.53125	4.3514	6.7111
Howrah	10.302	31	.000	18.90625	15.1635	22.6490
Jalpaiguri	8.913	31	.000	7.84375	6.0490	9.6385
Ko I kata	11,069	31	.000	69.93750	57.0515	82.8235
Malda	8.364	31	.000	7.15625	5.4112	8.9013
Medinipur	9.997	31	.000	25.03125	19.9247	30.1378
Murshidabad	7.188	31	.000	1.25000	8953	1.6.047
Nadia	7.651	31	.000	5.03125	3.6901	6.3724
Purulia	9.290	31	.000	3.56250	2.7804	4.3446

The calculated value of t is more than the significant value, hence null hypotheses is not accepted.

Suggestions and recommendations

Specific Suggestions and recommendations

1. As far as accounting practice is concerned, NGOs in West Bengal are suggested to have written accounting policies and procedures and they should follow the accounting regulation as suggested by their funding agencies.
2. NGOs in West Bengal are recommended to have FCRA Registration with the ministry of Home Affairs, Government of India so that they can receive foreign grant and they all should be involved in fund raising activities.
3. NGOs in West Bengal are suggested to get their accounts audited continuously by statutory auditor at regular interval after three months or six months throughout the year and should appoint a qualified full-time accountant with adequate training in accounts and sufficient experience.
4. NGOs in West Bengal are recommended to pursue the method of accrual basis of accounting.
5. NGOs in West Bengal are suggested that they should have the accountability to the Central Government, State Government and to the funding agencies.

General suggestions and recommendations

1. NGOs should follow the relevant accounting standards, laid down by the Institute of Chartered Accountants of India (ICAI), which would help the NGOs to preserve Uniform Accounting & Reporting Framework for the preparation and presentation of financial statements in NGOs. This includes the application of sound accounting principles pertaining to recognition, measurement and disclosure of various items of income and expenses, assets and liabilities in the financial statements of NGOs keeping in view the peculiarities of the activities of NGOs.

2. NGOs should follow fund based accounting system which is relevant primarily for the purpose of presentation of financial statements of NGOs as the use of some funds may be restricted by an outside agency such as a donor but not for the purpose of identification, recognition and measurement of various items of income, expenses, assets and liabilities. The financial statements of NGOs should reflect income, expenses, assets and liabilities in respect of such funds separately so as to enable the users of financial statements such as the contributors, to assess the usage of the funds contributed by them.
3. NGOs generally follow cash basis accounting system that fails to show a proper picture of the financial position and performance for the accounting period. Therefore, NGOs should adopt accrual basis of accounting to demonstrate a proper picture of the financial position and performance for the accounting period. NGOs registered under the Companies Act, 1956, are required to maintain their books of account according to accrual basis as required in section 209(3)(b) of the said Act.
4. NGOs should maintain proper books of accounts in terms of journal book, inventory register, plan register, purchase and sales book, receipt book, voucher files, cash book / bank book, ledger etc. according to its needs and requirements. A separate set of books and records should be maintained for foreign and Indian contributions, as per the requirements of the Foreign Contribution (Regulation) Act for the purpose of exact utilization and representation of proper financial position.
5. All NGOs should be brought under the common regulatory control and mechanism by suitable legal structure in India to ensure proper accountability, financial discipline, and end-use of funds and to meet the needs of stakeholders.
6. It is also suggested that all NGOs should follow a

common format for presentation of its general purpose financial Statements.

7. All NGOs should get their accounts audited continuously at regular interval after three months or six months throughout the year
8. NGOs should employ qualified full-time accountant with adequate training in accounts and sufficient experience preferably with a commerce degree.
9. For better transparency and accountability to the stakeholders, it is suggested that the NGOs should publish their accounts in condensed form in a newspaper or they can put their summarized financial statements on their websites.

Limitations of the Study

The study suffers from certain limitations. In spite of our best efforts, we could not avoid them because of many practical constraints. Hence, we could not but accept the possibility of a certain degree of error.

1. This study is made applying the survey method with the help of a structured questionnaire of the specified NGOs operating in West Bengal. So it is subject to all limitations that are inbuilt in the survey.
2. Again, this study is based on the data and information relating to the period 2000-01 to 2009-10. Thus, this study covers a period of only ten years. This period is not adequate to make an extensive study in respect of analysis of financial performance of NGOs.

Scope for further study

In this study only 312 NGOs are considered. Thus further study can be made in future by considering a large sample size.

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AN INVESTIGATION BETWEEN SALES AND SELLING COSTS: THE NESTLE EXPERIENCE

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Abstract

It has always been the interest of scholars to analyse the interrelationship between sales volume and advertisement expenditure. The relationship between the two dynamic function of advertising and sales are very closely knit and they rely on each other. Businesses therefore intend to measure the precise impact of advertising on sales performance. Which particular ads drive sales is a powerful knowledge that can channelise owners to focus their advertising budget on promotion that yield the greatest return on their investment. In the present study it has been done so for Nestle by considering its performance in the post liberalisation period i.e. from 1991 to 2011. The authors have developed a new tool to analyse the fluctuations and swings of both sales volume and advertisement expenditure of Nestle. An amazing result emerges that advertisement expenditure affects sales volume but the converse, though the popular belief, is not true. In the end, the policy implications follow as a natural consequence.

Key words: Fluctuations, Swing.

A) INTRODUCTORY OBSERVATIONS & BACKGROUND

Advertising is omnipresent, and modern marketing has brought about a revolution in the same. The buoyant growth inclination has made companies investing millions in this component of the promotion mix. The present study offers valuable light to unearth several intricate qualms in the enchanting world of advertising which is at its pinnacle. The study also gains prominence as it seeks to analyze the stimulating influence that advertising exerts on the purchasing behaviour of the customers thereby generating an impact on the organizational performance in entirety.

With gallons of investments on advertising it would be pertinent to examine the worth of such spending on the bottom line of the firm. Moreover, interest is gaining

momentum in quantifying the impact of marketing activities on a firm's profitability and value thereby providing the framework for linkages between marketing, finance and strategy. It is undeniable that the ultimate function of advertising expenses is to accelerate and expedite sales revenue. It is with this expectation of earning returns that companies invest millions on this dimension of marketing communication. Hence the marketers have been perpetually interested to know the efficacy of their advertising investments on their potentiality of generating sales revenue. They are hell bent on investigating into deciphering the potential relationships that may co-exist among advertising spent, sales revenue and profitability.

In our study we have attempted to investigate this phenomenon, and explore the fundamental cause and effect relationship between advertisements and sales of Nestle India.

B) OBJECTIVES OF THE STUDY

In this exercise we are interested to discuss the following objectives-

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1. To analyze the causal relationship between advertisement spends and sales revenue of Nestle India, and explain the reasons for the same.
2. To examine the impact of advertising expenditure on sales volume using swing analysis.
3. To examine the extent of such fluctuations and commenting on the nature of the such swings

C) NESTLE - A BRIEF PROFILE

Nestle India is a subsidiary of Nestle S.A. of Switzerland. The company manufactures a variety of food products such as infant food, milk products, beverages, prepared dishes and cooking aids, chocolates and confectionery. Some of the famous brands of Nestle include Nescafe, Maggi, Milkybar, Milo, Kitkat, Barone, Milkmaid, Nestea, Nestle Milk, and Nestle Slim Milk among many others.

Nestle was founded in 1867 in Geneva, Switzerland, under the able leadership of Henry Nestle. Nestlé's first product was "Farine Lactee Nestle" an infant cereal. In 1905, Nestle acquired the Anglo - Swiss condensed Milk Company. The company got associated with India in 1912, when it began trading as the Nestle Anglo - Swiss Condensed Milk Company (Export) Limited, importing and selling finished products in the Indian Market.

Post independence, in response to the economic policies prevalent then, which emphasized local production, Nestle formed a company in India, namely Nestle India Ltd. and set up its first factory in 1961 at Punjab where the Government wanted Nestle to be instrumental in the development of the milk economy. In Punjab, Nestle initiated campaign for educating and advising farmers regarding basic farming and animal husbandry practices. Later on, the company established milk collection centres that ensured prompt collection and distribution of milk and paid fair prices. This initiative transformed Moga in Punjab to a prosperous and vibrant milk district.

Nestle, in 1967, set up its next factory at Choladi (TamilNadu) as a pilot plant to process tea grown in the

area into soluble tea. Thereafter, Nestle opened its third factory in Karnataka in 1989, followed by one in Haryana and later on two more in Goa in 1995 and 1997 respectively. The success story continues and now the company is into opening its newer plant at Uttarakhand.

Today, Nestle is the world's largest and most diversified food company. It has around 2,50,000 employees worldwide operating in approximately 100 countries offering about 8000 products to millions of consumers globally.

D) RESEARCH METHODOLOGY

It is important to study the swing analysis of the important economic variables. The swing technology if properly used can reflect the movement of those important variables while at the same time it can reflect the instability, if present, for the firm.

We can start the discussion by considering the instability analysis. The existing instability indices can measure the variability of data selected over time horizon. The fluctuations are a natural phenomenon which may be caused due to upward or downward movements. If these fluctuations are present, it becomes a serious problem for the managers as the targets may not be reached and the company losing its competitive edge.

It would be appropriate to derive the quantitative tools with the help of which the fluctuations may be measured. In this exercise we have analysed the situations on an annual basis and comparison of advertisements and sales performance of a particular year with respect to the previous years' performance would give us a clear indication. This would, in the long run, help in better planning for the firm.

It is highly important to specify proper tools so as to generate proper signals of advertisements and sales performance. The terms "very good" or "very bad" performances are vague and may not lend themselves to algebraic treatment. Thus, the significance of the analysis would be limited. We are hereby interested to analyse the whole exercise by developing a suitable mathematical model which would give meaningful results while at the same time a clear idea of instability and swing would

emerge. It must be mentioned that instability and swings are different concepts. Thus instability may not imply swing which would be clarified at a later stage.

D1) EXISTING METHODOLOGIES

While going through the previous literature, we have come across the several methodologies that are often used to estimate instability (mostly for trade).

(1) Coppock's instability index (1962) - The formula considers the following notations -

X_{it} = the value of the i^{th} commodity group at time "t"

t = time, usually measured in years.

$A = AM [\text{Log} (X_{t+k} - X_{t+k+1}) \forall k = 0, 1, 2, \dots]$

$W_i \log$ is the log variance of the series.

$$W_i \log = \frac{\sum [(\log X_{it+1} / X_{it}) - A]^2}{n-1}$$

where n = total no of years under study.

Hence we have Coppock's instability idea

$$C_I = [\text{antilog} \{w_i \log\}^{1/2} - 1] \times 100$$

(2) United Nations' instability index (1952) - This is an alternative index which can be used to calculate the degree and intensity of instability. It uses the following notations.

$$d = \frac{|x_t - x_{t-1}| \times 100}{\text{Max} (x_t, x_{t-1})}$$

x_t = value of the i^{th} commodity at time 't'

t = time, usually measured in years

n = total no, of years under study

So, the UN index is given as $UN_I = \frac{\sum d}{n-1}$

(3) Instability Index of Staller & Massel (1967) - In this analysis, a mathematical regression for trend estimation is fitted and thereafter from the residual series instability is calculated. The notations used are as follows:-

X is value of the variable under study

f(x) is the mathematical function of the trend value

A is the arithmetic average of X.

n is the total no. of years under study.

In this connection, two indices are used.

$$a) MS (lin)_I = \frac{[\sqrt{\sum (x - f(x))^2} / (n-1)] \times 100}{A}$$

if f(x) is a linear function.

$$b) MS (exp)_I = \frac{[\sqrt{\sum (x - f(x))^2} / (n-1)] \times 100}{A}$$

if f(x) is an exponential function.

We can now take up the existing methodologies and point out their limitations.

I) Coppock Index - The trend effect is eliminated by using log transformation followed by variate difference method. This is used to smoothen out the data set free from non-stationary variance and mean. The method depends

on the calculation of the standard deviation of the series with reconversion by unit. However, this method cannot take into account cases where some observations have zero values, the formula becomes ineffective.

II) UN Index - This does not isolate the trend effect and thereby the method is suitable for short term data but not for long term data. The method is static and not as dynamic as the UN index. It is understood that the greatest pitfall of this method is that it is myopic. Also, if there are more zero observations or values, the method will be ineffective in use.

III) Massel Index - This involves a trend dependent variable based on the computation of its sum of squares. It is known as 'Normalised Staller & Massel Index' as this helps to develop a more stable index of zero values of the variable.

D1) DEVELOPMENT

The discussion so far clearly points out the limitations of the existing instability indices, which are built on the basis of the trend effect. More over, the method is ineffective if there are zero observations. Some researchers have tried to develop an alternative index which is described as follows:-

The data that we are analyzing is a time series. We consider x is the time series. We now derive the 3 year moving average and miss out 2 sample points at the beginning and one at the end. If we miss out four sample points, we miss out four sample points, a three year moving average, a three year moving average, a three year moving average.

Once the MA is computed, the difference d_t where $d_t = (x_t - MA_t)$ is positive or negative. We compare it with its succeeding year.

emerge. It must be mentioned that instability and swings are different concepts. Thus instability may not imply swing which would be clarified at a later stage.

D1) EXISTING METHODOLOGIES

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$A = AM [\text{Log} (X_{t+k} - X_{t+k+1})] \forall k = 0, 1, 2, \dots$

$W_i \log$ is the log variance of the series.

$$W_i \log = \frac{\sum [(\log X_{i+1} / X_{it}) - A]^2}{n - 1}$$

where n = total no of years under study.

Hence we have Coppock's instability idea

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x_t = value of the i^{th} commodity at time " t "

t = time, usually measured in years

n = total no, of years under study

So, the UN index is given as $UN_I = \frac{\sum d}{n - 1}$

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$f(x)$ is the mathematical function of the trend value

A is the arithmetic average of X .

n is the total no. of years under study.

In this connection, two indices are used.

$$a) MS (lin)_I = \frac{[\sqrt{\sum (x - f(x))^2 / (n - 1)}] \times 100}{A}$$

if $f(x)$ is a linear function.

$$b) MS (exp)_I = \frac{[\sqrt{\sum (x - f(x))^2 / (n - 1)}] \times 100}{A}$$

if $f(x)$ is an exponential function.

We can now take up the existing methodologies and point out their limitations.

I) Coppock Index - The trend effect is eliminated by using log transformation followed by variate difference method. This is used to smoothen out the data set for non-stationary variance and mean. The method depends

on the calculation of the standard deviation of the series with reversion by using moving average. However, this method cannot take into account cases where some observations have zero values. In such cases, the formula becomes ineffective.

II) UN Index - This does not isolate the trend effect and thereby the method is suitable for long term data but not on short term data but not on long term data. This method is static and not a dynamic method. It is understood that the greatest pitfall of this method is that it is myopic. Also, if there are more zero observations or values, the method will be ineffective in use.

III) Massel Index - This involves a trend dependent variable based on the computation of its sum of squares. It is known as 'Normalised Staller & Massel Index' as this helps to develop MA for zero values of the variable.

D1) DEVELOPMENT

The discussion so far clearly points out the limitations of instability indices, which are built limitations. Moreover, the MA method is ineffective if there are zero observations. We have tried to develop an alternative index which is described as follows.

The data that we are analyzing is non-stationary. Let us consider x is the time series. We now derive the 3 year moving average. In this we miss out 2 sample points at the beginning and one at the end. If we derive the 4 year moving average, we miss out four sample points at the beginning and one at the end. If we derive the 5 year moving average, we miss out five sample points, a three year moving average.

Once the MA is computed, we derive the difference d_t where $d_t = (x_t - MA_t)$. This difference is positive or negative. We then calculate the average with its succeeding year.

on the calculation of the standard deviation of stationary series with reversion by using anti-logarithm. However, this method cannot take care of the situations where some observations have zero values. Under such cases, the formula becomes ineffective.

II) UN Index - This does not isolate the long terms forces and thereby the method is suitable when it is applied on short term data but not on long term data. Thus, the method is static and not at all dynamic. It must be understood that the greatest problem of this method is that it is myopic. Also, if there are consecutive two or more zero observations or values, the formula would be ineffective in use.

III) Massel Index - This involves estimation of the dependent variable based on linear regression and computation of its sum of squares. This method is known as 'Normalised Standard Error (NSE) method as this helps to develop Massel (lin) index. Again for zero values of the variables, the formula loses its use.

D1) DEVELOPMENT OF A NEW TOOL

The discussion so far clearly hints at the fact that the instability indices, which are used, suffer from some in-built limitations. Moreover the formulations become ineffective if there are zero values. Under such cases, we have tried to develop an alternative fluctuation index F_t which is described as follows:-

The data that we are analyzing is from 1991 to 2011. Let us consider x is the time series variable represented as x_t . We now derive the 3 year moving average (MA) and for this we miss out 2 sample points i.e. one at the beginning and one at the end. If we select a four year MA, we would miss out four sample points and so to lower the loss of sample points, a three year MA is selected.

Once the MA is computed, we try to derive the deviations d_t where $d_t = (x_t - MA) / (x_t)$. The d_t values can either be positive or negative. We then compare a particular d_t value with its succeeding year. Thus, we would now get the points

for the variable x . Expressing each of these points in percentage terms, we get the index I where

$$I_{t+1} = \left[\frac{d_t}{d_{t+1}} \right] * 100$$

We consider difference of I_t and I_{t+1} which is the fluctuation ratio (F) where $F_{t+1} = I_{t+1} - I_t$. We represent F_{t+1} by considering the ratio of $[(x_{t+1} - MA) / (x_{t+1})]$ to the value $[(x_t - MA) / (x_t)]$. This is because economic parameters and performances of a firm are forward looking and so the data of a particular year is compared to its preceding year.

E) DEVELOPING THE IDEA OF FLUCTUATION

In this exercise, for sake of simplicity, we have introduced certain notations. In general, for considering the fluctuations, we have taken two situations. Let us consider two time periods (t) and ($t + 1$). We have defined the presence of fluctuations of particular variable if

- In between period t and period $t + 1$, the variable changes from positive to negative or from negative to positive.
- The variable does not change signs between period t and $t+1$, but the change is 10% or more.

Under such cases, we are using the notations as follows:-

- If the variable changes sign from positive to negative in between periods t and $t+1$, the fluctuation is denoted by $F(+ -)$
- If the variable changes sign from negative to positive in between periods t and $t+1$, the fluctuation is denoted by $F(- +)$
- If the variable does not change signs between periods t and $t+1$, but the change is 10% or more then the notations are $F(- -)$ or $F(+ +)$ which implies the changes from negative to negative or from positive to positive.

(iv) If the changes, between periods t and $t+1$, are from negative to negative or from positive to positive, the notations are $NF(- -)$ or $NF(+ +)$, which implies no fluctuations. If the value is rising or falling for same sign, we note it by \uparrow or \downarrow . The results of the fluctuations of the two variables are presented in Table (1).

F) DEVELOPING THE IDEA OF SWING

We can now use the fluctuation index to determine the swing analysis. For this exercise we have considered two bench mark periods that would determine not only the presence of swing but also the nature of the swing.

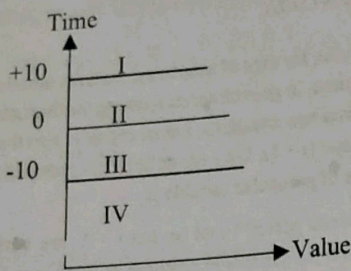


Fig (i)

In fig (i), we have considered two benchmark values of $\pm 10\%$ which would help us to understand the nature of the swing.

1. If the movement ensures the presence of the variable in the same zone between periods t and $t+1$, we do not refer to it as a swing. This fluctuation is considered as normal for any economy and we denote it as a cross sign (X). In other words, the changes are less than 10%
2. If the movement ensures the presence of the variable from a particular zone to another zone which is just below or above it in between period t and $t+1$, we do not again refer to it as a swing (X), if the changes are less than 10%.

We refer to the **swing index** for two cases-

- a) The movement is more than 10% but yet the variable remains in the same zone i.e. in zone I or IV in between periods.
- b) The movement ensures that the variable moves from zone I to zone II or from zone II to zone IV and also from zone III to zone I or from zone IV to zone II.

We have used the following notations in this analysis and presented them in Table (1).

- (i) The variable moves up from a negative value from period t but in period $t+1$ it still remains negative and this is denoted as $U(-)$, where the movement is more than 10%
- (ii) The variable moves up from a negative value to a positive value in between periods t and $t+1$, where the change is more than 10% and this is denoted as $U(+)$.
- (iii) The variable moves down from a positive value to a negative value in periods t and $t+1$ and this is denoted as $D(-)$ given that the change is more than 10%.
- (iv) The variable moves down from a positive value in period t but in period $t+1$ it still remains positive and this is denoted by $D(+)$, where the movement is more than 10%.

We can now move on to analyse the swings of these two series. It may be noted that --

- A) If there is fluctuation, it does not always imply that there would be swing.
- B) If there is swing, it would always imply that there is fluctuation of that variable.

TABLE-1

Year	NESTLE SALES	
	Fluctuation	Swing
91		
92		
93	F(- +)	U(-)
94	F(+ -)	D(+)
95	F(- -) \uparrow	U(+)
96	F(- +)	U(+)
97	F(++) \downarrow	D(-)
98	F(+ -)	D(+)
99	F(- +)	U(+)
00	F(+ -)	U(+)
01	F(- -) \uparrow	U(+)
02	F(- +)	U(+)
03	F(+ -)	U(+)
04	F(- +)	U(+)
05	F(+ -)	U(+)
06	F(- +)	U(+)
07	F(+ -)	U(+)
08	F(- +)	U(+)
09	F(++) \downarrow	D(-)
10	F(+ -)	U(+)
11	F(- +)	U(+)

G) ANALYSIS AND RESULTS

We may now in Table (2) show how advertising costs affect sales volume of an international firm.

1. Advertisement costs affect sales volume can be observed as the
2. In 1997, the swings of sales volume of an international firm.
3. In 1998, the swings of sales volume of an international firm.
4. From 1999 till date, the swings of sales volume observed by the synchronicity

TABLE-1

Year	NESTLE SALES		NESTLE ADS	
	Fluctuation	Swing	Fluctuation	Swing
91				
92				
93	F(- +)	U(+)	F(+ -)	D(-)
94	F(+ -)	D(-)	F(- +)	U(+)
95	F(- -) ↑	U(-)	F(++) ↓	D(+)
96	F(- +)	U(+)	F(++) ↑	U(+)
97	F(++) ↓	D(+)	F(+ -)	D(-)
98	F(+ -)	D(-)	F(- -) ↓	U(-)
99	F(- +)	U(+)	F(- +)	U(+)
00	F(+ -)	D(-)	F(+ -)	D(-)
01	F(- -) ↑	U(-)	F(- +)	U(+)
02	F(- +)	U(+)	F(++) ↑	U(+)
03	F(+ -)	D(-)	F(+ -)	D(-)
04	F(- +)	U(+)	F(- -) ↑	U(-)
05	F(+ -)	D(-)	F(- +)	U(+)
06	F(- +)	U(+)	F(+ -)	D(-)
07	F(+ -)	D(-)	F(- +)	U(+)
08	F(- +)	U(+)	F(+ -)	D(-)
09	F(++) ↓	D(+)	F(- +)	U(+)
10	F(+ -)	D(-)	F(+ -)	D(-)
11	F(- +)	U(+)	F(- +)	U(+)

G) ANALYSIS AND RESULTS

We may now in Table (2) show the interrelations across the two variables to find that the carryover effect of advertisement costs affect sales volume of Nestle but the converse is not true. We note the following results:

1. Advertisement costs affect the sales volume with a lag effect of 3 years in the post liberalization period till 1996 which can be observed as the swings of the two variables match.
2. In 1997, the swings of the two series do not match which is due to the fact that the Malaysian crisis affected Nestle, an international firm.
3. In 1998, the swings of the two series again do not match which is due to the spillover effect of the Malaysian crisis.
4. From 1999 till date, the advertisement costs affect the sales volume again with a lag effect of 3 years which can be observed by the synchronization of the swings of the two variables.

TABLE-2

Year	NESTLE SALES		NESTLE ADS		
	Swing		Swing		
91					
92					
93	U(+)		D(-)		} 3YEAR LINKS
94	D(-)		U(+)		
95	U(-)		D(+)		
96	U(+)		U(+)		
97	D(+)		D(-)		
98	D(-)		U(-)		
99	U(+)		U(+)		} STRANGE DUE TO MALAYSIAN CRISIS
00	D(-)		D(-)		
01	U(-)		U(+)		} EFFECTS OF 1997
02	U(+)		U(+)		} 3 YEAR LINKS
03	D(-)		D(-)		
04	U(+)		U(-)		
05	D(-)		U(+)		
06	U(+)		D(-)		
07	D(-)		U(+)		
08	U(+)		D(-)		
09	D(+)		U(+)		
10	D(-)		D(-)		
11	U(+)		U(+)		

H) FINDINGS AND CON

The analysis clearly tells that advertisements affecting sales are challenged. Rather than sales, advertisement costs, it is the other way around. The company should seriously address the issue of how advertisement affects the quantum of advertisement.

The Granger Causality tests favour of the result that we have seen. The swings of the company's sales clearly tell us that there is a definite relationship of both the variables and the advertisement regarding the variables in the market with some certainty. Thus given the sales, the company's present expenditure on advertisement is justified.

So it can be recommended:

- The company takes a decision on the advertisement cost.
- It should also find a way to reduce advertisement cost in order to increase sales volume.
- It should try to determine the effect of advertisement expenditure on diminishing returns.

So, if Nestle is seriously looking for sales enhancement, a deeper analysis of advertisement expenditure is required.

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H) FINDINGS AND CONCLUSION

The analysis clearly tells that the traditional view that advertisements affecting sales volume is seriously challenged. Rather than sales being a function of advertisement costs, it is the other way round. Thus, Nestle should seriously address the issue where their sales volume affects the quantum of advertisement.

The Granger Causality tests carried out also speaks in favour of the result that we have achieved. Moreover, the swings of the company's sales and advertisement costs clearly tell us that there is a definite pattern in the movement of the both the variables and a systematic movement regarding the variables in the future may be projected with certainty. Thus given the sales volume three years ago, the present expenditure on advertisements might be estimated. So it can be recommended that-

- a) The company takes a serious view of the amount of the advertisement costs.
- b) It should also find out that what portion of the advertisement cost is effectively affecting the sales volume.
- c) It should try to determine the optimum amount of advertisement expenditure beyond which the diminishing returns would come into effect.

So, if Nestle is seriously interested about their sales volume enhancement, a deeper inspection and study on their advertisement expenditure is required.

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PROPERTY TAX AS A MEASURE OF EMPOWERMENT AND DECENTRALIZATION OF ULBS: A STUDY OF ULBS IN WEST BENGAL

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Dr Dulal Chandra Roy²

Abstract

The world is moving from centralized to decentralized form of governance and India is no exception in this trend. The three tier Indian federal system comprises of one central government, 28 states and 7 union territories and 241347 local bodies (3723 ULBs and 237824 RLBs). The 74th Constitutional Amendment Act puts the ULBs on a firmer footing and has given a legal status. By decentralizing, the Constitution has provided financial, functional, political and administrative powers to ULBs. It is well accepted that the third layer of government is more informed, aware and concerned about demographic, economic, political, social happenings, occurrences and are directly linked, close and more liable to the public. In terms of revenue generation and expenditure, the lowest tier is expected to be most rational and effective.

In no cases the ULBs are self sufficient and all fail to explore internal financial sources sufficiently and depend heavily on second or third tier for grant. But Indian Constitution has provided enough scope for the ULB to generate revenue from its own source. One such source is property tax which fulfills most of the criteria of Canons of Taxation like Canon of Economy, Canon of Elasticity, Canon of Productivity, Canon of Ability to Pay etc. Property Tax is a generic concept which besides including tax on property and land also includes a number of other types of taxes like water tax, sewerage tax, scavenging tax, drainage Tax, convergency tax, education cess, tree cess etc.

The present study aims at assessing the position and effectiveness of fiscal decentralization with reference to property tax as the main source of internal revenue of the ULBs in general and to those in West Bengal in particular. Most ULBs in India are reluctant to exercise and enjoy the power given to them towards financial decentralization and West Bengal is no exception.

Key Words: ULB, Constitutional Amendment, Financial Decentralization, Property Tax, Finance Commission

INTRODUCTION

The last two decades are the decades of decentralization not only in India but all over the world. The age of centralized power is fast eroding and the pendulum is swinging in favor of decentralization in political, fiscal and administrative sectors. Decentralization has occupied an important conceptual position in the developmental studies. It has the potential to improve public participation, bureaucratic accountability, administrative efficiency,

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responsiveness to local needs and other good governance.

Among the four broad sub sets of decentralization—administrative, fiscal, political and market, fiscal decentralization can be considered as the most important sub set without which there is no use and implication of decentralization as such. Fiscal decentralization simply means fiscal empowerment of the local governments. It empowers the local bodies to impose tax, duties and also to spend as per the need and requirement of the local areas. The local bodies should enjoy sufficient authority and autonomy in the management, execution and monitoring of expenditure and revenue of their budget without any interference by the central authority.

INDIAN CONSTITUTION

Decentralization in general and in particular is much needed for a multi-religious and multi-structured India. The traditional Indian federal system has two lists: union list and state list.

and effective taxes like income tax, duty etc are placed in the union list. Less elastic, and unproductive taxes like duty, entertainment tax etc are placed in the state list. ULBs being a subject of state list, on the shared fund from the state. Constitutional (Amendment) Act 73 in Indian federal structure has provided recognition of Rural Local Bodies as the third tiers of self government. Their earlier implementing agencies were

Now the Republic of India has a three tier government at the first tier, 28 states and 7 union territories at the second tier, and 3723 ULBs at the third tier. India in true sense fulfills the principle of state through decentralization among three tiers.

The 74th Constitutional Amendment Act has given Local Bodies (ULBs) or Panchayats the functions and taxation powers. Before the colonial rule, the Constitution has given the Constitutional Amendment to ULBs to enjoy decentralization. The Amendment has mandated the devolution of powers and resources of local government. The Constitution listed powers where the ULBs can exercise their policies. Article 243X has provided provisions in legislation to empower municipality to levy, collect, duties, tolls and fees and subject to such limits

INDIAN CONSTITUTION

Decentralization in general and fiscal decentralization in particular is much needed for a multi-ethnic, multi-linguistic, multi-religious and multi-structural pluralistic country like India. The traditional Indian federal structure comprised two lists: union list and state list. The more elastic, productive and effective taxes like income tax, corporation tax, customs duty etc are placed in the union list while comparatively less elastic, and unproductive taxes like sales tax, stamp duty, entertainment tax etc are left in the state list. The ULBs being a subject of state list are depended basically on the shared fund from the states. But the 73rd and 74th Constitutional (Amendment) Act has made historical change in Indian federal structure by giving constitutional recognition of Rural Local Bodies and Urban Local Bodies as the third tiers of self governing institutions instead of their earlier implementing agencies of the state government.

Now the Republic of India comprises of one union government at the first tier; 28 state governments and 7 union territories at the second tier and 2,41,547 local governments (3,723 ULBs and 2,37,824 RLBs) at the third tier. India in true sense fulfills the basic structure of federal state through decentralization of powers and responsibilities among three tiers.

The 74th Constitutional Amendment Act puts the Urban Local Bodies (ULBs) on a firmer footing in respect of functions and taxation powers. Coming out of the legacy of colonial rule, the Constitution of India for the first time has given the Constitutional status and empowered the ULBs to enjoy decentralized power. Constitutional Amendment has made decentralization operational and mandated the devolution of powers and responsibilities and resources of local governments. The 12th schedule of the Constitution listed powers and functions in 18 subjects where the ULBs can make their independent rules and policies. Article 243X relates to financial power through provisions in legislature of the state: a) authorize a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits; b) assign to a Municipality such

taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits; c) provide for making such grants-in-aid to the Municipalities from the Consolidated Fund of the state and d) provide for constitution of such funds for crediting all moneys received, respectively, by or on behalf of the Municipalities and also for the withdrawal of such moneys there from. The Amendment assigns a large number of functions, provides a suitable framework with greater power and freedom makes institutional requirements for devolution of larger financial resources and brings all ULBs of the country under one uniform pattern.

The 74th Constitutional Amendment Act has made a bold and historic change in the operational aspect of federalism by creating an institution of State Finance Commission (SFC) at the state level. The amount, method and operation of sharing fund between the state and the ULB depends on the recommendation of the SFC. The inter-governmental sharing of fund is specified in Articles 243I and 243Y which need to be verified every five years. Besides recommendation on sharing fund, the entire gamut of financial health of the ULBs depends on the assessment of the SFC. The assessment on the amount and extent of revenue gap and the method of balancing can be prescribed by the SFC.

In addition to transfer of fund from state to ULB, the Central Finance Commission set up by the central government for every five years also transfer fund from central government to the state government and the ULBs and RLBs. The Eleventh Finance Commission recommended ad hoc annual grant of Rs 16,000 crores for RLBs and Rs 400 crores for ULBs to support the specific activities.

PROFILE OF ULBs IN WEST BENGAL

History of municipalities in West Bengal dates back to 1726 with the establishment of Calcutta Municipal Corporation, the oldest municipal bodies of the country. In 1842 the first Municipal Legislation outside towns in Bengal Presidency was passed and a large number of municipalities were created. Twenty first century is called

the century of urbanization and more than sixty percent of world's population is living in urban areas. The situation is no exception for India and West Bengal. It is projected that by 2021 nearly 40 percent of Indian population will live in urban areas. In West Bengal 28 percent of the state population are living in urban areas with a growth rate of 20.2 percent during the last decade. The basic statistics of West Bengal ULB are as follows:

Total area	88075 sq. km.
Urban area	2060 sq. km.
Percentage of urban area to total area	2.93
Total population (2001 census)	8,02,21,171
Urban population	2,24,86,481
Percentage of urban population to total population	28.03
Density of total population	910 per sq km.
Density of population in Kolkata	24452 per sq km.

The following table-1 shows total population, urban population and percentage of urban population to total population in India and West Bengal for the census period 1951 to 2001.

Table -1

Population statistics of West Bengal and India (in million).

Year	Total Population		Urban Population		% of Urban Population to Total Population	
	India	West Bengal	India	West Bengal	India	West Bengal
1951	361.09	26.03	62.44	6.28	17.30	23.90
1961	439.23	34.93	78.94	8.54	18.00	24.40
1971	548.16	44.31	109.11	10.97	19.90	24.70
1981	683.33	54.58	159.46	14.45	23.30	26.50
1991	844.32	67.98	217.18	18.62	25.70	27.40
2001	1027.02	80.22	285.35	22.49	27.78	28.03

A perusal of table-1 reveals that the urban population has grown more than four times within last fifty years both in India and West Bengal but the number of ULBs has not been increased in the same proportions. Table-2 shows growth of ULBs in India and West Bengal.

Table -2

Growth of ULBs in India

Year	In Corp
1951	2
1961	2
1971	
1981	
1991	
2001	
2011	

Source: Administrative re second Municipal Financ

ULBs in West Bengal a Municipal Corporation Municipalities. West categorized five types of E on the basis of strength that the rate of growth slower than that in India 2.44 percent of total UL 28.03 percent of total p shows low quality of

COMPOSITION

Revenue of ULBs is external revenue. Int generated from municipal income from municipal external revenue are and the centre gove

Table -2

Growth of ULBs in India and West Bengal

Year	India Corporation	West Bengal			
		Municipal Authority	Notified	Municipality	Total
1951	2795	--	--	--	--
1961	2270	--	--	--	--
1971	2476	--	--	--	--
1981	3245	2	4	98	104
1991	3609	3	7	105	115
2001	5161	6	3	117	126
2011	--	6	2	119	127

Source: Administrative report of Municipal Affairs Department, West Bengal (2001-2005); Report of the first (1982) and second Municipal Finance Commission (1993); West Bengal and urban West Bengal (2000-2002).

ULBs in West Bengal are classified in three categories: Municipal Corporation, Notified area Authorities and Municipalities. West Bengal Municipal Act, 1993 categorized five types of municipalities i.e. A, B, C, D and E on the basis of strength of population. Table-2 reveals that the rate of growth of ULBs in West Bengal is much slower than that in India. West Bengal shares as low as 2.44 percent of total ULBs of the country but accommodates 28.03 percent of total population of the state (table-1). This shows low quality of amenities and service to urbanites.

COMPOSITION OF LOCAL FINANCE

Revenue of ULBs is of two types: internal revenue and external revenue. Internal revenue comprises of income generated from municipal taxes, fees, tools, fines and income from municipal properties and enterprises while external revenue are grants, assignments and loans of state and the centre governments. Tax revenue and non-tax

revenue are the two components of own source of revenue (OSR) of ULBs. The areas where the ULBs can enjoy the power to impose taxes as per the West Bengal Municipal (Amendment) Act 2006 (Part IV Chapter X) are: a) property tax on land and building; b) tax on advertisement, other than advertisements published in newspapers; c) tax on cart; d) tax on carriage; e) toll on i) ferry, ii) bridge, iii) heavy truck. Some other sources of municipal levy are: a) levy on congregation; b) levy on tourist; c) levy on fees, charges; d) levy of toll on heavy truck and bus; e) levy of special conservancy charge.

The Municipal (Amendment) Act 2006 spend 32 pages (65 to 97) covering 72 sections (93 to 165) in Part IV of Chapter in detailing out the 'Municipal Taxation and Application fee'. But majority of the sections contain various aspects of taxes on land and property including rating and valuation, surcharge, exemption, remission etc.

To meet their revenue expenditure the ULBs in West Bengal

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To meet their revenue expenditure the ULBs in West Bengal

depend heavily (nearly 40%) on state grants and transfer. The rate of growth of revenue income remains far below the rate of growth of revenue expenditure. Compared to other states the revenue of ULB in West Bengal is much poor and for some ULBs it is much poorer. In terms of per capita revenue earning both from tax revenue and non tax revenue the position of ULBs of the state remains at the lower rank. A substantial part of internal revenue is generated from tax revenue (80%) and property tax by and large remains the single largest source (>90%) of tax revenue of all ULBs. Property tax is the premier source of tax for ULBs globally and West Bengal is of no exception.

IMPORTANCE OF LOCAL FINANCE

It has been admitted that local finance play an important role in catering expenditure incurred on the services needed

Table- 3

Suitability in terms of Criteria for a Municipal Tax

	Property Tax	Income Tax	Sales Tax	Business Tax
Immobility	+	-	-	-
Adequacy	-	+	+	?
Buoyancy	-	+	+	+
Stability	+	-	-	-
Non-Exportability	+/-	+/-	+	-
Visibility	+	+	+	-
Fairness	+	+	?	-
Acceptability	-	-	?	+
Administrative Ease	?	+	?	+

(A '+' means that the tax is good, a '-' that it is bad, and a '?' that it is indeterminate. A '+/-' means that the tax is good to the extent it falls on residents and bad to the extent it falls on non-residents. It may be noted that the table may not fully apply to the Indian situation).

Blane Lewis and Bob
public expenditure an

Table- 4

Fiscal Decentra

Country	
Bangladesh	
India	
Indonesia	
Japan	
Korea	
Pakistan	
Philippines	
China	
Thailand	
Vietnam	

Source: Blane
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Blane Lewis and Bob Searie (2010) have made a comparative analysis on share of central, state and local bodies on both public expenditure and public revenue for the Asian countries including India (Table - 4).

Table- 4
Fiscal Decentralization in Asian countries - 2009 (In percentage)

Country	Share of total public expenditure			Share of total public revenue		
	Central	State	Local	Central	State	Local
Bangladesh	85.0	05.0	10.0	98.0	01.0	01.0
India	34.0	33.0	33.0	67.0	30.0	03.0
Indonesia	65.0	07.0	28.0	92.0	05.5	02.5
Japan	40.0	20.0	40.0	60.0	20.0	20.5
Korea	55.0	15.0	30.0	75.0	10.0	15.0
Pakistan	57.0	28.0	05.0	93.0	06.5	0.5
Philippines	75.0	11.0	14.0	90.0	02.5	7.5
China	30.0	20.0	50.0	60.0	15.0	25.0
Thailand	90.0	05.0	05.0	98.0	01.0	1.0
Vietnam	55.0	30.0	15.0	65.0	25.0	10.0

Source: Blane Lewis and Bob Searie (2010) *Asia-Pacific in Jorge Martinez-Vazquez and Paul Smoke (eds) Second Global Report on Decentralization and local Democracy 2010, United cities and local Governments.*

It is clear from table -4 that decentralization is most effective in China where as high as 50% money is spend by the local governments and their share is also highest in raising public revenue (25%). The local bodies in other Asian countries take more share in public expenditure but their share in total revenue is very dismal. Indian local bodies could raise as low as 3% revenue locally and heavily depended on central (67%) and State (30%). Among the Asian local bodies, India's position is negligibly better than the countries like Bangladesh, Indonesia, Pakistan, and Thailand in respect to their share in public revenue but in case of their share in total expenditure Indian local bodies are ranking third (33%), just below China (50%) and Japan (40%). So there is enough scope for the ULBs in Asian countries to contribute their share in public revenue and become more

self-reliant. Financial autonomy in India is restricted only within public expenditure and insignificantly in public revenue. A lot needs to do in respect to proper fiscal decentralization in Indian ULBs. India, the second most populous country with second largest urban system, has been experiencing rapid growth in urban population and is facing serious problem in coping with urban growth. The amount of fund required to meet expenses for extending the multi ferrous services of the ULBs cannot be balanced with the revenue collected from the ULBs own source and hence their dependence on state and central sources.

CASE OF PROPERTY TAX

Property tax is a generic term which besides including tax

on property and land also includes a number of service tax and cess like water tax, sewerage tax, scavenging tax, drainage tax, conveyance tax, education tax, fine, education cess, tree cess etc. There is inter-state variation in structure, rate, assessment, valuation, collection, exemption of property tax.

A study conducted by National Institute of Urban Affairs (NIUA) on 'The Best Practice on Property Tax Reforms in India' in 2010 shows that the share of property tax on Own Source Revenue is not same for all selected ten Municipal Corporations in India.

Table - 5
Indicators of property tax for ten Municipal Corporation of India in 2010

Name of Municipal Corporation	Year of study	Share of Property Tax to own source of revenue (%)	Share of Property Tax to total revenue (%)	Collection Efficiency (%)	Per capita property Tax
Ahmedabad	2007 - 2008	10.00	4.00	136.70	597.46
Bangalore	2007 - 2008	85.00	54.00	76.10	598.67
Bhubaneswar	2006 - 2007	35.00	9.00	68.27	99.66
Chennai	2007 - 2008	78.00	41.00	104.02	670.64
Hyderabad	2005 - 2006	41.00	39.00	72.74	249.59
Indore	2007 - 2008	43.00	25.00	18.87	295.27
Kolkata	2006 - 2007	45.00	23.00	59.54	628.60
Ludhiana	2007 - 2008	18.00	18.00	69.68	270.43
Patna	2006 - 2007	93.00	23.00	37.10	--
Pune	2005 - 2006	20.00	19.00	73.59	475.65

Source: NIUA Study, 2010.

Table - 6
Property Tax, Non-own source revenue and their percent

YEAR	OWN SOURCE REVENUE	NON-OWN SOURCE REVENUE
	PROPERTY TAX	PERCENT
1975-1976	6.601	
1976-1977	6.672	
1977-1978	7.002	
1978-1979	7.639	
1985-1986	8.25	
1986-1987	8.25	
1987-1988	8.85	
1988-1989	9.25	
1989-1990	9.25	
1999-2000	41	

Table - 6
Property Tax, Non- Tax, Grant, Total Revenue, Development Expenditure, Other Expenditure
and their percentages in West Bengal

YEAR	TOTAL REVENUE					TOTAL EXPENDITURE			% OF PROP ERTY TAX TO OWN SOUR CE	% OF PROP ERTY TAX TO TOTAL REVE NUE	% OF PROP ERTY TAX TO DEVE LOME NT EXPS	% OF PROP ERTY TAX TO TOTAL EXPS
	OWN SOURCES			REVE NUE GR NT	TOTAL	MAJO R DEVE LOPM ENT EXPE NCES	OTHE R EXPE NCES	TOTAL				
	PROP ERTY TAX	NON - TAX	TOTAL									
1975- 1976	6.601	1.52	8.121	5.95	14.071	4.09	32.38	36.47	81.28	46.91	161.39	18.10
1976- 1977	6.672	1.6	8.272	7.84	16.112	5.00	32.16	37.16	80.66	41.41	133.44	17.95
1977- 1978	7.002	1.62	8.622	9.57	18.192	3.85	40.54	44.39	81.21	38.49	181.87	15.77
1978- 1979	7.639	1.77	9.409	10.33	19.739	4.96	46.2	51.16	81.19	38.70	154.01	14.93
1985- 1986	8.25	5.2	13.45	27.1	40.55	21.4	43.64	65.04	61.34	20.35	38.55	12.68
1986- 1987	8.27	5.27	13.54	40.17	53.71	28.24	52.83	81.07	61.08	15.40	29.28	10.20
1987- 1988	8.86	5.01	13.87	44.95	58.82	32.87	57.08	89.95	63.88	15.06	26.95	9.85
1988- 1989	9.24	6.68	15.92	51.93	67.85	34.32	75.89	110.21	58.04	13.62	26.92	8.38
1989- 1990	9.41	7.81	17.22	49.85	67.07	41.9	72.4	114.3	54.65	14.03	22.46	8.23
1999- 2000	41.64	56.02	97.66	--	97.66	120.89	226.66	347.55	42.64	42.64	34.44	11.98

2000-2001	43.26	58.83	102.09	170.36	272.45	270.42	219.37	489.79	42.37	15.88	16.00	8.83
2001-2002	70.91	64.2	135.11	247.27	382.38	349.88	369.14	719.02	52.48	18.54	20.27	9.86
2002-2003	77.98	100.58	178.56	209.89	388.45	149.75	346.86	496.61	43.67	20.07	52.07	15.70
2003-2004	92.82	104.82	197.64	242.96	440.6	132.85	402.95	535.8	46.96	21.07	69.87	17.32
2004-2005	85.73	102.44	188.17	232.65	420.82	189.94	356.57	546.51	45.56	20.37	45.14	15.69

Source: Administrative report of Municipal Affairs Department, West Bengal (2001-2005), Report of the first (1982) and second Municipal Finance Commission (1993), West Bengal and Urban West Bengal (2000-2002).

Table - 5 shows that share of property tax to OSR is highest for Patna (93%) followed by Bangalore (85%), Chennai (78%), Kolkata (45%) and lowest in Ahmedabad (10%). The share of property tax to total revenue varies from the highest 54 % for Bangalore to as low as 4% for Ahmedabad. The collection efficiency i.e the demand and actual collection varies between 136.70 % for Ahmedabad to 18.87 % for Indore. Per capita property tax varies between 670.64% for Chennai and 99.66 for Bhubaneswar. No uniformity can be observed and wide range of disparities have been marked among the major Municipal corporations in India which necessitates uniform policy prescription.

Property tax is one of the most important sources of OSR of ULBs in West Bengal. But table-5 depicts a dismal picture for the ULBs of West Bengal in respect of their role and function of property tax as share in OSR and total revenue. Although in absolute term revenue from property tax has increased over the period but its contribution in proportion to OSR, total revenue has been decreased. Over the years there has been a tremendous increase in expenditure in respect of both development and non-development sectors but the contribution of property tax in meeting these expenses is not at all satisfactory. A self sufficient ULB should maintain a balance between its development expenditure and own source of revenue income. It is

alarming to note that after decentralization the ULBs in India in general and those of West Bengal are depending more on grants and aids from state and central governments.

FINDINGS AND SUGGESTIONS

In spite of its important role in contributing major share in OSR of ULB, property tax failed to perform its best in West Bengal.

West Bengal Valuation Board (WBVB) established under West Bengal Valuation Board Act 1978 is empowered to assess the valuation of property on the basis of which property tax can be fixed. Up to 2007-08 valuation list of 117 ULBs has been published. This delay and lack of updated list is one of the major causes of loss in collection from property tax.

- The low rate of realization of current demand (53%) and huge outstanding demand is a matter of great concern for the revenue of the ULBs.
- Tax net becomes narrow due to exemption and unregistered properties.
- Unauthorized construction, encroachment holders enjoy services without paying tax.

- Non-payment and government and unused landed pro

Hon'ble Supreme Court tax is the principal s bodies. It is unfortun at very low rates, w and not revised for exemptions and con A lot of disparity is of property tax. The tax reforms to ma transparent, simpl (Quoted from J.P.

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- Timely and p of location
- Proper refor assessment resolution.
- Awareness payers.
- Avoiding for tax pay
- Active an Reductio collection
- Issue of tax evas
- Legal st program
- Update method

- Non-payment and delay in payment by the state government and central governments, sick industries, unused landed property are subjects of loss of revenue.

Hon'ble Supreme Court of India observed that "property tax is the principal source of income of the Urban Local bodies. It is unfortunate that the property taxes are levied at very low rates, which have been generally rent based and not revised for five years. Regrettably, large scale exemptions and concessions are given to property holders. A lot of disparity is also seen in the manner of assessment of property tax. There is needed to have area based property tax reforms to make the system of assessment rational, transparent, simple and fair with minimum exemption". (Quoted from J.P.Gupta)

Following suggestions can be made for the proper functioning of property tax:

- Timely and proper valuation of property on the basis of location
- Proper reform on tax base, tax rate, tax exemption, tax assessment including self assessment and dispute resolution.
- Awareness, training and proper education among tax payers.
- Avoiding hardship measure, relaxation and incentive for tax payers.
- Active and efficient administrative step in collection. Reduction of collection expenditure and improve collection efficiency.
- Issue of demand notice in regular interval and minimize tax evasion.
- Legal steps for realizing tax after launching sensitizing program.
- Updated and computerized demand and collection method.

- Registering and assessing all properties whether registered or not.
- Delinking property tax from rent control Authority.

CONCLUSION

The First (1995), Second (2002) and Third (2008) State Finance Commissions are not satisfied with the process of decentralization of municipal finance in West Bengal. The recommendation of allocation of state grant as untied Fund has not been accepted and the percentage of decentralization of ULBs in West Bengal has been to the tune of 'Fifty Percent' only (Third SFC. P -15). The tax base of ULBs in West Bengal is very narrow and property tax is the main source of revenue which again is subjected to a number of difficulties like valuation, rate, exemption, realization of current and annual demand, unauthorized construction and encroachment etc. Although the 13th Central Finance Commission used West Bengal Central Valuation Board as model for standardizing property assessment and valuation, there is no decentralization in assessing and valuation of property by the ULBs. Financial power and strength of ULBs in West Bengal are very weak but it is the key to success of decentralization as third tier of governance in India.

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FINANCES OF UR

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¹Associate Professor... College, Cooch B

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FINANCES OF URBAN LOCAL BODIES-A CASE STUDY OF COOCH BEHAR MUNICIPALITY IN WEST BENGAL

Dr.Chanchal Kumar Mandal¹

Mr. Asit Roy Karmakar²

Abstract

The 74th constitutional amendments entrusted more responsibilities to ULBs in our country. The amendments also envisaged municipalities as institution of local self government in the urban area. Discharges its responsibilities it needs adequate funds. The success of these bodies depends on their financial resources and strength. The paper aims to study of financial status of municipality in the district of Cooch Behar, West Bengal. The study shows that the functioning of these bodies has been severely hampered by financial constraints. A review of the pattern of finances points out that own resources of the municipal bodies are meagre that constitutes 39 percent. Own resources that include tax revenue & non-tax revenue constitutes principle source of significant income to urban local bodies. Although the taxation power is given to these bodies there is a poor drive on their part to efficiently mobilize own resources. Public health that includes water supply, sewerage, sanitation, eradication of communicable diseases received the least attention in respect of expenditure over the years which are the main hindrance to development. Expenditure in respect of welfare which includes public facilities such as education goes in the same way. No balanced approach exists on their expenditure policy.

Introduction

The degree of urbanization in our country is at a rapid space. It has been crossing more than 30 percent as per census 2011. Municipal bodies are the key agents for urban development. These bodies are not new in India but have been existed since ancient times. The shape of present system of local self-government came off from the famous Ripon Resolution of 1882 in which municipal authorities were made responsible as units of self-government. The first municipal corporation of this was born in the centre of Madras(1968) followed by Calcutta and Bombay(1726).

The decentralization initiative-devolving power, functional responsibility and authorities to urban local bodies in India virtually started with 74th constitutional amendment act 1992. The basic objective of decentralization is to empower municipal bodies both administratively as well as financially.

It is however well known that local govts in India are confronted with poor finances (Venkatarangaiya, 1961). The financial status of ULB remains dismal despite several studies (Rao & Srivastava, 2005, Jha, 2003, Mathur, NIUA). Declining budgetary support as a result of recommendations of SFC aimed at feeding the ULB from the upper tier of the govt. in order to boost the financial health leads to the uncertainty of proper functioning. As finance is the life blood of any organization. Without finance nothing can be done. Without financial independency local bodies cannot be made self governing. Financial autonomy as well as expenditure autonomy is necessary.

Under this backdrop the paper seeks to examine the financial resources available with the municipality of Cooch Behar. In the light of the above objectives the expenditure by ULB to perform their function/duties is analyzed. In this context the following questions are relevant.

1. Do they have enough fund to carry out multiple task of all round development
2. Do they have freedom to spent items which are essential for the areas i.e. do they have expenditure autonomy.

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Methodology

The study is based on secondary data that has been collected from official records of the Cooch Behar municipality. This work has been limited to study of one municipality in the Sadar of the district working on effective lines (total no. being 5). Information regarding the sources of revenue, pattern of expenditure was collected from official records of the municipality. The study periods covers a span of 16 years from 1990-1991 to 2005-2006.

Brief profile of the Research area

The Northern most region of the state of West Bengal consists of six districts, namely Cooch Behar, Jalpaiguri, Darjeeling, West Dinajpur, South Dinajpur and Malda. The district of Cooch Behar geographically forms a part of Himalayan Terai. The area of the district is 3387 sq.km. There are 5 sub-divisions, 8 police stations, 12 blocks, 12 panchayat samities, 128 gram panchayats, 1168 mauzas and 1139 inhabited villages in the district. The district of Cooch Behar is economically backward. It is a no industry district, its per capita income is lower than state average; per capita road kilometer infrastructure is one of the lowest in India; communication system is extremely primitive; railway lines have a poor mileage, it has a large scheduled caste population, the proportion of SC population (50.11 percent) is higher than the state average. The literacy rate is 66.30 percent High proportion of workers population is engaged in agriculture and bulk of them are marginal farmers, small farmers, agricultural labourers. Irrigation facilities, electricity consumption, fertilizers consumption are highly in adequate and much lower than the state average. The district symbolizes backwardness in all manifestations.

Functions & Responsibilities

In this section we look at the ULBs functional responsibilities. The municipal bodies are vested with a long list of functions delegated to them by the state governments under the municipal legislation. These functions broadly relate to public health, welfare, regulatory

functions, public safety, public works and development activities. Public health includes water supply, sewerage and sanitation, eradication of communicable diseases etc. Welfare includes public facilities such as education, recreation etc. Public safety includes fire protection, street lighting etc.. Public works measures such as construction & maintenance of inner city roads, etc; and development functions related to town planning and development of commercial markets. In addition to the legally assigned functions, the sectoral departments of the state government often assign unilaterally, and on an agency basis, various functions such as family planning, nutrition, epidemic control etc.

Development functions like planning for economic development and social justice, urban poverty alleviation programme and promotion of culture, educational and aesthetic aspects are also the functions entrusted to municipalities according to the 12th schedule of the constitution (article 243).

Taxing Power

The ULBs have been empowered to levy certain taxes and fees so that they become financially strong to perform certain additional functions listed in the 12th schedule and the state governments have brought in these taxation provisions for the ULBs either through introduction of new municipal acts. The major taxes, fees and tools to be levied by the ULBs as per the provisions of the act are presented in table-1

Table-1:
Major Taxes and F

- | |
|-------------------------------|
| 1. Property tax |
| 2. Profession tax |
| 3. Lighting tax |
| 4. Water tax |
| 5. Sanitation/Conservancy tax |
| 6. Scavenging tax |

Source: State Le

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Table-1:
Major Taxes and Fees

1. Property tax	7. Latrine tax	13. Entertainment tax	19. Market fee	25. Parking fees
2. Profession tax	8. Drainage tax	14. Duty on transfer of immovable property.	20. Toll on bridges/vehicles	26. Tax on artisans/companies
3. Lighting tax	9. Education tax	15. Tax/toll on animals	21. Fee for fire services	27. Entertainment tax/land revenue
4. Water tax.	10. Entry/terminal tax	16. Boat tax	22. Fees on dogs	28. Betterment /development tax
5. Sanitation/Conse rvancy tax	11. Taxes on Vehicles	17. Pilgrim tax	23. Timber tax	29. circumstances of property
6. Scavenging tax	12. Advertisement tax	18. Tax on consumption of electricity.	24. Registration. on animals.	30. Fee on building application.
				31. Passengers & goods tax..

Source: State Legislation

The West Bengal Municipal act 1993 has mandated that the local bodies shall levy property tax and different fees. Under the act such tax is levied on annual value of the Land & Building. The rate of tax will be determined with the following formula (annual value/100 +10) percent of the annual value when the value of Land & Building does not exceed nine hundred and ninety nine and (annual value/100 +20) percent of the annual value when the annual value of Land & Building exceeds nine hundred and ninety nine rupees. It can also levy tax from advertisement, cart, carriage, levying on ferry, bridge can be imposed.

The state act also provides opportunities for raising income from non - tax items. It is the local body that has been given empowers to assess and release any tax. This implies that taxation powers actually given to the ULBs are not able to generate the required resources to meet the requirements of the enhanced responsibility in the provision of civic services. For instance, in Uttar Pradesh², the

ULBs, as per the act, are empowered to levy as many as 15 taxes, fees, tolls etc. In practice, however, these bodies have been empowered to impose only 7 taxes, fees, tolls etc. In Cooch-Bihar Municipality only 13 taxes are being imposed to the people.

State Finance Commission

Creation of SFC is not sudden but came as a result of 74th amendments of the constitution. Sharing of resources between the states and the ULB was the main objectives behind their creation. Article 243 provides that this commission shall review the financial position of the Municipality five years interval and make recommendations to the state for the principle of sharing for increasing the financial strength of the ULB. Accordingly almost all states completed the task of setting up SFC. Table-2 provides the major recommendations of SFC of the respective states. Most of the SFC made recommendations regarding tax

assignments, tax sharing, tax revenue, Non-tax revenue, untied grant, expenditure assignment as per table-2. It is heartening that Govt of West Bengal accepts the recommendations of SFC but keeps away from its full implementations. . Now all states including West Bengal have submitted second and third generation's report but Govt of West Bengal is yet to comply with the full recommendations. The commitments from the Govt towards local Government are lacking. The scenario of fund and proceeds of the ULB remains still bleak.

Table-2:

Recommended share of municipalities in the state's resources

Sl No.	State	Recommendation
1	Andhra Pradesh	39.24 percent of state tax and non-tax revenue to all local bodies
2	Karnataka	5.4 percent of the non-loan gross own revenue receipts for meeting the plan and non plan requirements
3	Kerala	1 percent of state revenues (excluding from certain sources) be transferred to local bodies as non-statutory, non plan grants distributed between the rural and urban local bodies in proportion to their population
4	Madhya Pradesh	8.67 percent of their tax and non tax revenues of state government
5	Maharashtra	25 percent to 100 percent of entertainment taxes collected from municipalities of different grades, 25 percent of vehicle tax and 10 percent of profession tax are recommended shares for local bodies.
6	Punjab	20 percent of the net proceeds for five taxes namely, stamp duty, motor vehicle tax, electricity duty, entertainment tax, and cinematograph-shows should be transferred to municipalities and the projected gap of Rs.322 core should be made by the central finance commission
7	Rajasthan	21.8 percent of the net proceeds of the state taxes should be developed on to the local bodies; the division of these proceeds between rural and urban should be in the ration of 3.4:1
8	Tamil Nadu	8 percent of the state's net tax revenue should be developed on to the local bodies in 1997/98; this share should gradually increase in successive years to 9 percent, 10 percent and the to 12 percent by 2001/02. the division of this amount between rural and urban should be on the basis of population as in the last census
9	Utter Pradesh	7 percent of the net proceeds of the state's local tax revenue should be transferred to urban local bodies for meting he plan and non plan requirements
10	West Bengal	16 percent of the net proceeds of all taxes collected by the state should be transferred to local bodies .

Source: PRIA(2001), Report of respective State Finance Commission

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Revenue of the Municipality

The source of revenue of the municipality can be classified as (i)own revenue, (ii)funds from central government (iii) funds from state government (iv) others sources. By own revenue we mean the income generated by the municipality on its own. It is the parameter of their financial strength. Own revenue consists of income from two sources i) own taxes ii) non-tax revenue. Own taxes are levied by them exclusively. Minor local revenue constitutes the sources of

non tax revenue. The important sources non-tax revenue are tolls from mella and market, salami from building and shared tax. The funds to municipality from state/central govts are termed as grants. Operationally there are two types of grants the municipality receives. purposive grant which includes implementation of assigned schemes given by the central govt, SJSRY falls under this category. on the other hand establishment grant (salaries, office expenses) are derived from the state govt.

Fig:1-Tax revenue, Non-tax & grant

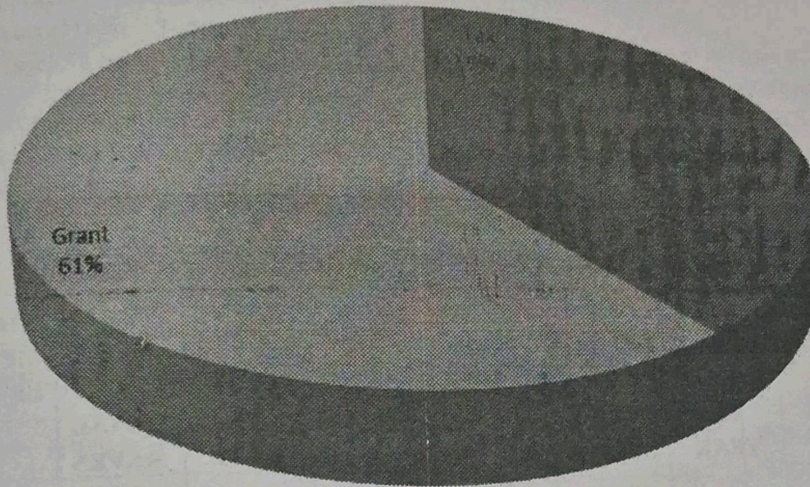
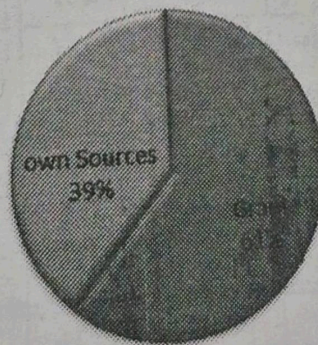


Fig:2-Grant & Own source



In other words funds are flowing to the municipality in west Bengal from different sources i) the centrally sponsored scheme ii) grant-in-aid from state budget iii) fund provided by central finance commission iv) own source.

Table 3 presents the picture of fund to Cooch Behar Municipality from tax revenue and non-tax revenue. Property tax on land and building constitutes a major source of revenue. It is observed that per capita tax revenue increased from Rs 61 to Rs 272 showing an increase of 4 times. Revision of property tax rate, higher number of household tax paying due to reassessment/ revaluation of land & building were the specific factor for the sharp increase.

But Fig 1 shows that own tax revenue forms 9 percent to total revenue. The scenario is dismal when it is compared with other states (AP 36.37 percent, Maharashtra 65.44

percent, Punjab 69.60 percent, NIPFP:2000). It is noteworthy to mention here that the revenue from non-tax played a very crucial role in the generation of own revenue. Fig 1 provides a very satisfactory picture (AP 14.80 percent, Rajasthan 26.90 percent, Tamil Nadu 23.13 percent, NIPFP 2000). Possible extent of revenue collection was not achieved. Collection made by the municipality from tax revenue over the budgeted provision during the years was 61 percent.

Table 4 gives the hopeless picture of total resources generated by the municipality over the years. Fig 2 provides that revenue from own source was 39 percent (AP 51.17 percent, Haryana 80.51 percent, Kerala 70.32 percent, Gujarat 87.45 percent, NIPFP 2000) and grant constituted 61 percent.

Table 3:

Revenue of the Municipality (Rs. In lakh)

YEAR	TAX REVENUE (lakh)	GROWTH OVER PREVIOUS YEAR	Per Capita Tax Revenue (lakh)	PERCENTAGE AS TOTAL REVENUE	TOTAL NON-TAX REVENUE (lakh)	GROWTH OVER PREVIOUS YEAR	PERCENTAGE AS TOTAL REVENUE	TOTAL REVENUE (lakh)	PER CAPITA REVENUE (lakh)
1990-1991	43.96		61.74	22.41	152.25		77.59	196.22	275.54
1991-1992	69.93	59.06	98.2	42.91	93.05	-38.88	57.09	162.99	228.87
1992-1993	46.12	-34.05	64.77	30.58	104.72	12.53	69.42	150.84	211.82
1993-1994	50.44	9.37	70.84	22.13	177.47	69.48	77.87	227.92	320.05
1994-1995	56.20	11.41	78.92	30.83	126.06	-28.97	69.17	182.26	255.94
1995-1996	53.45	-4.89	75.06	29.85	125.62	-0.349	70.15	179.07	251.46
1996-1997	47.90	-10.37	67.27	22.42	165.73	31.93	77.58	213.64	300
1997-1998	48.18	0.57	67.66	17.17	232.39	40.22	82.83	280.58	393.99
1998-1999	89.82	86.43	126.1	28.24	228.23	-1.79	71.76	318.06	446.62

1999-2000	109.2
2000-2001	102.3
2001-2002	105.1
2002-2003	116.2
2003-2004	187.5
2004-2005	207.8
2005-2006	209.1

Note: Population Source: Official Total: 71215, Po

The municipality to the optimum of consciousness

Table 4:

Grant & O

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Source: Off

1999-2000	109.28	21.66	153.5	30.81	245.42	7.529	69.19	354.70	498.08
2000-2001	102.35	-6.34	143.7	25.77	294.74	20.1	74.23	397.09	516.56
2001-2002	105.23	2.82	136.9	21.07	394.19	33.74	78.93	499.43	649.68
2002-2003	116.34	10.55	151.3	7.463	144.26	266	92.54	155.89	2027.9
2003-2004	187.82	61.44	244.3	27.59	492.93	-65.83	72.41	680.76	885.56
2004-2005	207.99	10.74	270.6	39.57	317.62	-35.57	60.43	525.61	683.73
2005-2006	209.30	0.63	272.3	25.93	597.93	88.25	74.07	807.24	1050.1

Note: Population census(1991): male:36291 female:34924

Source: Official Records of the Municipality

Total: 71215, Population census(2001) : male:39008 female: 37866 total: 76874

The municipality did not exploit their sources of tax revenue to the optimum level. Some constrain lies on the way. Lack of consciousness& unwillingness among tax payers in

paying tax, improper valuation of land& building, backing from officials are the example of such bottleneck. The councilors failed to play the crucial role i.e. to convince the tax payer in this matter.

Table 4:

Grant & Own Source of Revenue of the Municipality Rs. In lakh

YEAR	OWN SOURCE		TOTAL OWN SOURCE(R S)	PERCENT AGE OF OWN SOURCE	GRANT (RS)	PERCENT AGE OF GRANT	TOTAL (RS)
	TAX REVENUE (RS)	NON-TAX REVENUE (RS)					
1990-1991	43.96	152.25	196.22	51.14	187.45	48.86	383.67
1991-1992	69.93	93.05	162.99	69.23	72.45	30.77	235.45
1992-1993	46.12	104.72	150.84	82.84	31.24	17.16	182.08
1993-1994	50.44	177.47	227.92	76.73	69.11	23.27	297.04
1994-1995	56.20	126.06	182.26	67.32	88.47	32.68	270.74
1995-1996	53.45	125.62	179.07	49.98	179.20	50.02	358.28
1996-1997	47.90	165.73	213.64	34.52	405.18	65.48	618.83

Source: Official records of the municipality

1997-1998	48.18	232.39	280.58	65.96	144.79	34.04	425.37
1998-1999	89.82	228.23	318.06	60.8	205.10	39.2	523.16
1999-2000	109.28	245.42	354.70	32.3	743.38	67.7	109.80
2000-2001	102.35	294.74	397.09	45.41	477.34	54.59	874.44
2001-2002	105.23	394.19	499.43	25.48	146.03	74.52	195.97
2002-2003	116.34	144.26	155.89	61.86	961.19	38.14	252.01
2003-2004	187.82	492.93	680.76	35.08	125.97	64.92	194.04
2004-2005	207.99	317.62	525.61	32.49	109.19	67.51	161.75
2005-2006	209.30	597.93	807.24	20.6	311.05	79.4	391.78

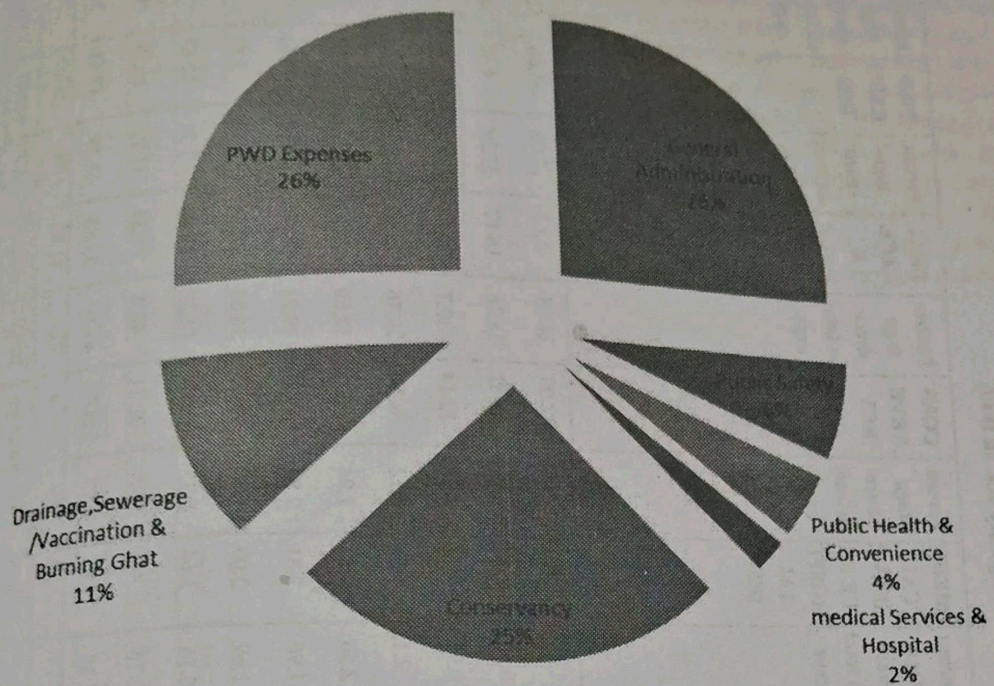
Source: Official records of the municipality

Expenditure of the Municipality

Expenditure is the indicator of development. The functions to be performed by the Municipality according to the act of the West Bengal municipal act are discussed earlier. The ULB are statutorily responsible for providing basic infrastructure and services to the people of the city & towns. The Zakaria committee gave emphasis on services and

suggested norms on expenditure to be made by the urban bodies. These services are water supply, drainage & sewerage, public health measures, primary education, parks & gardens. But the mismatch between the revenue and the expenditure is the problem of the municipality and the present revenue are insufficient to meet the minimum standard of services.

Fig:3-Expenses



Municipal expenditure can be categorized into two main components: revenue expenditure, capital expenditure. Wages and salaries, public safety, Drainage & sewerage, Conservancy, medical services fall under revenue expenditure. Capital expenditure includes capital investment made on municipal property, safety & street light, burning Ghat etc.

Table 5 presents the picture of actual expenditure and sharing to total expenditure made during the periods by the

municipality. The expenditure grew over the years substantially. Fig-3 provides the composition the revenue expenditure which gives that general administration constitutes 26 percent of the total revenue expenditure followed by 6 percent on public safety, 4 percent on public health convenience, 2 percent on medical service, 11 percent on drainage & sewerage and the expenditure on PWD expenses accounts 26 percent over the years.

Table- 5:

Actual Expenditure and Share of Expenditure of the Municipality Rs. In lakh

YEAR	GENERAL ADMINISTRATION (RS)	PERCENTAGE SHARE ON TOTAL EXPS	PUBLIC SAFE TY (RS)	PERCENTAGE SHARE ON TOTAL EXPS	PUBLIC HEALTH & COVENIEN CE (RS)	PERCENTAGE SHARE ON TOTAL EXPS	MEDICAL SERVICE & HOSPITAL (RS)	PERCENTAGE SHARE ON TOTAL EXPS	CONSERVANCY (RS)	PERCENTAGE SHARE ON TOTAL EXPS	DRAINAGE & SWERAGE /VACCINATION ON/ BURNING GHAT (RS)	PERCENTAGE SHARE ON TOTAL EXPS	PWD EXPS (RS)	PERCENTAGE SHARE ON TOTAL EXPS	TOTAL EXPENDITURE (RS)
1990-1991	26.73	17.55	7	4.6	2.25	1.48	NIL	0	32.09	21.08	18.3	12.03	65.86	43.26	152.23
1991-1992	28.28	30.39	9.3	9.99	0.86	0.93	1.45	1.56	32.82	35.28	16.17	17.38	4.15	4.46	93.03
1992-1993	28.91	27.61	6.42	6.14	0.99	0.95	1.7	1.62	32.14	30.7	29.67	28.33	4.85	4.64	104.68
1993-1994	91.03	51.30	9.09	5.12	3.72	2.1	1.98	1.12	36.84	20.76	29.93	16.87	4.85	2.73	177.44
1994-1995	35.58	28.23	9.48	7.53	3.22	2.56	2.44	1.94	41.2	32.69	28.17	22.35	5.93	4.71	126.02
1995-1996	23.4	18.62	12.54	9.99	2.46	1.96	2.81	2.24	49.28	39.23	27.47	21.87	7.63	6.07	125.59
1996-1997	52.94	31.94	14.06	8.49	2.79	1.69	3.09	1.86	60.75	36.66	22.26	13.43	9.81	5.92	165.7
1997-1998	69.33	29.83	14.07	6.05	1.77	0.76	3.64	1.57	98.11	42.22	32.03	13.79	13.43	5.78	232.38
1998-1999	75.23	32.96	6.83	2.99	1.71	0.75	4.4	1.93	92.21	40.4	27.23	11.93	20.59	9.02	228.2
1999-2000	62.79	25.58	14.64	5.96	6.34	2.58	3.25	1.33	106.91	43.56	33.85	13.79	17.63	7.18	245.41

2000-2001	107.52	26.18	14.81	3.6	2.22	0.54	128.82	31.36	103.37	25.17	35.4	8.62	18.53	4.51	410.67
2001-2002	110.17	27.94	38.39	9.74	12.37	3.14	11.37	2.88	151.68	38.48	50.95	12.93	19.24	4.88	394.17
2002-2003	171.69	42.18	22.78	5.59	9.13	2.24	10.9	2.67	134.79	33.11	47.29	11.62	10.45	2.56	407.03
2003-2004	128.1	25.98	36.15	7.33	55.23	11.2	25.24	5.12	152.33	30.9	59.2	12	36.65	7.43	492.9
2004-2005	131.59	41.43	33.24	10.5	27.79	8.75	20.07	6.32	24.5	7.71	48.06	15.1	32.34	10.18	317.59
2005-2006	196.73	32.90	46.44	7.77	51.45	8.61	20.59	3.44	158.56	26.52	63.27	10.6	60.87	10.18	597.91

Source: Official Records of The Municipality

The level of spending on core services is important for maintaining a minimum standard of services in the urban area. Table 5 gives the picture of expenditure on core services made over the years. The per capita expenditure accounts on public safety was Rs 60.4 (Punjab, 95.38, Haryana, 191.84, Himachal Pradesh, 89.57, NIPFP-2000) followed by medical services Rs 26.8, conservancy, Rs 206 (Himachal Pradesh, Rs. 251.760), drainage & sewerage, Rs. 82.3 (Maharashtra, Rs. 155358, Rajasthan, Rs 165.07. Punjab, Rs. 109.70, NIPFP 2000) Expenditure on education is almost absent which is more relevant for human development (UNDP 1993). It is noteworthy that the expenditure on health received the least attention.

Table -6:

Per Capita Revenue Expenditure on Core Services of the Municipality Rs. In lakh

YEAR	ACTUAL PUBLIC SAFETY (Rs)	Per Capita Expenses (Rs)	ACTUAL PUBLIC HEALTH & COVENIENCE (Rs.)	Per Capita Expenses (Rs)	ACTUAL MEDICAL SERVICE & HOSPITAL (Rs)	Per Capita Expenses (Rs)	ACTUAL CONSERVENCY (Rs)	Per Capita Expenses (Rs)	ACTUAL DRAINAGE & SWERAGE / VACCINATION/ BURNING G HAT (Rs)	Per Capita Expenses (Rs)	ACTUAL PWD EXPS (Rs)	Per Capita Expenses (Rs)
1990-1991	7.00	9.83	2.25	3.17	0	32.09	45.06	18.30	25.71	65.86	92.5	
1991-1992	9.30	13.1	86.18	1.21	2.04	32.82	46.1	16.17	22.71	41.51	5.83	
1992-1993	6.42	9.02	99.92	1.4	2.39	32.14	45.14	29.67	41.66	48.59	6.82	
1993-1994	9.09	12.8	3.72	5.23	2.79	36.84	51.74	29.93	42.03	48.59	6.82	
1994-1995	9.48	13.3	3.22	4.53	3.44	41.20	57.86	28.17	39.56	59.39	8.34	
1995-1996	12.54	17.6	2.46	3.46	3.96	49.28	69.2	27.47	38.58	76.31	10.7	
1996-1997	14.06	19.8	2.79	3.93	4.34	60.75	85.31	22.26	31.26	98.19	13.8	
1997-1998	14.07	19.8	1.77	2.49	5.11	98.11	137.8	32.03	44.98	13.43	18.9	
1998-1999	6.83	9.6	1.71	2.41	6.19	92.21	129.5	27.23	38.24	20.59	28.9	
1999-2000	14.63	20.5	6.34	8.9	4.57	106.91	150.1	33.85	47.53	17.63	24.8	

2000-2001	14.81	20.8	2.22	3.12	12.88	18.1	103.37	145.2	35.40	49.71	18.53	26
2001-2002	38.39	49.9	12.37	16.1	11.37	14.8	151.68	197.3	50.95	66.28	19.24	25
2002-2003	22.78	29.6	9.13	11.9	10.92	14.2	134.79	175.3	47.29	61.52	10.45	136.1
2003-2004	36.15	47	55.23	71.9	25.24	32.8	152.33	198.2	59.20	77.01	36.65	47.7
2004-2005	33.24	43.2	27.79	36.2	20.07	26.1	24.50	31.87	48.06	62.52	32.34	42.1
2005-2006	46.44	60.4	51.45	66.9	20.59	26.8	158.56	206.3	63.27	82.03	60.87	79.2

Source: Official Records of The Municipality

Concluding Remarks and way forward

There is no doubt that the urban governance will progressively be managed at their local level ensuring better opportunities for people to express their needs and opportunities. Analysis of above clearly states that Cooch Behar Municipality is struggling with sufficient financial resources. 39 percent of the total resources is for own fund and 61 percent is from grant. In fact the life of the municipal bodies depends on grant rather the bodies failed to obtain financial independency. The expenditure on core services remains far below the desired levels No balanced expenditure policy exists. Autonomy in expenditure has no place in their budget.

However we should not feel despair even in the context of growing population, increasing prices. It therefore calls for necessary ways for raising financial resources in order to achieve financial self dependency:

- a) Property tax should be reformed. In this context information system about the valuation of land & building should be updated and is more relevant for enhancing the revenue.
- b) Govts should take immediate action for implementing SFC recommendations for sharing of resources.
- c) Awareness & campaign regarding tax compliance should be made effectively particularly initiative from the councilors should exist throughout the ward.
- d) Municipality should widen the other areas of tax base through legislation.
- e) Access external source of fund through issuing municipal bonds, borrowing bank.
- f) More leviable items should be assessed regularly and fees to be collected in enhancing non-tax revenue.

Regarding expenditure education, public health, medical services and public welfare should be given priority. The expenditure should be made at desired level

This initiative if continued with more vigor would certainly improve the financial health of the municipality and meet the services as well as expectations of the people residing in Cooch Behar town at maximum level.

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- 1) Census Reports 2011.
- 2) Study made by Priya (2005) on Urban Governance in India (Comparative Status in select States)
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Introduction

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¹Lecturer, Polytec

²Assistant Profess

FORENSIC ACCOUNTING: AN EMERGING ARENA OF EDUCATION IN INDIA

Dr. Kiran Jain¹

Dr. Pratibha Gautam²

Abstract

With increasing automation in operations of financial institutions, risks of fraudulent activities have become more prominent. Consequently, the necessity of a new expertise- the 'Forensic Accounting' is felt to combat these frauds effectively. Forensic Accounting is a blend of accounting, auditing, statistical research and legal aspects. This article intrigues the need of hour to incorporate forensic accounting in commerce education that will equip students with a new job opportunity.

Introduction

In 1940 Maurice Paulobet coined the term 'Forensic Accounting'. Worldwide Sherlock Holmes is considered to be the first forensic accountant; however the contribution of some of the historic characters in India cannot be ignored. In India Kautilya was the first person to mention the famous forty ways of embezzlement in his famous Kautilya Arthashastra during the ancient Mauryan times. Birbal, one of the scholars in Mughal era employed various tricks to investigate the crimes. Recently, Chetan Dalal has explained how Birbal's trap and his litmus test approaches are applied to the investigations.

Objectives of the paper

1. To study the basics of forensic accounting.
2. To understand the need of enhancing forensic accounting education at graduation and post graduation level.
3. To understand the relationship between statistics related to increasing frauds and emerging employment and educational opportunities in the field of forensic accounting.

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Research Methodology

This study is mainly focused on the statistics generated by different websites on the internet e.g. indiaforensic.com etc. The secondary data was drawn from different published books, research papers, journals and newspapers. Main concentration was analysis of different research papers and data available on internet websites for reaching any conclusion to our study.

What is Forensic Accounting?

In simple words, forensic accounting includes the use of accounting, auditing as well as investigative skills to assist in legal matters. It comprises of two major components: litigation services, that recognizes the role of an accountant as an expert consultant and investigative services that uses a forensic accountant's skills and may require possible court-room testimony. However, Forensic Accounting is different from the old debit or credit accounting as it provides a suitable accounting analysis which will help in resolving the disputes that arise in an organization. Forensic accountants utilize accounting, auditing and investigation skills while conducting an investigation. These accountants are trained to look into dispute in a different perspective. They analyze, interpret, summarize and present a complex matter in a simplified and probably supported way.

Scope of Forensic Accounting

This novel and path- breaking accounting has two main

areas to thrust upon:

- 1) Litigation support based on investigation and
- 2) Dispute resolution

The former represents the factual presentation of economic issues related to existing litigation. In this capacity, the forensic accounting sustained by parties involved in the legal disputes and can assist in resolving dispute, even before they reach the court. If dispute reaches the courtroom, the forensic accountant may testify as an expert witness. In criminal matters such as securities fraud which include financial settlement, identify theft and insurance fraud e.t.c. Forensic accountants make some recommendations/ actions that can be taken into account to minimize future risk or loss.

Some statistics related to frauds in India

- Bank Frauds: Reserve Bank of India - Rs.600.16 Crores
- Occupational Frauds: Indiaforensic Research Foundation - Rs.40 Billion
- Corruption in India : Transparency International - India ranks 88th amongst the 158 countries surveyed in the year 2005.
- Cyber Frauds in India - NCRCC - Rs.14 crores lost in cyber frauds in 2002-03.
- There are approximately 6.89 million results that link to "Frauds in India" on Google. About 2.97 lacs have links for "Forensic Accounting in India" 13600 Results for the term "Occupational Frauds in India."
- Mumbai was king of the financial frauds. All the big ticket financial scandals such as Harshad Mehta, Ketan Parekh and Sanjay Seth were committed from the Mumbai city.
- Pune has surpassed Bangalore, Mumbai and all other cities in the cybercrimes. Pune BPO, Webcam Kulkarni, Swimming Tank Webcam and thousands of credit card frauds are the few to mention.

- There are total 185 Certified Fraud Examiners (As on Jan'06) whose information is available from the website of Association of Certified Fraud Examiners. (www.acfe.com)
- Out of the total 185 members 63 members are from Maharashtra,43 from New Delhi and near by areas and 14 From Tamilnadu.

Need for Forensic Accounting

The need for forensic accounting aroused because of the failure of audit system in the organization as the organizational internal and external audit failed to figure certain errors in the managerial system. Experts in the field pointed out that the intense economic pressure, with more companies facing bankruptcy, jobs and careers are at risk and employee feel pressured to maintain and support performance levels. This forces many to commit corruption and whatever the reasoning may be, more and more forensic accountants are been called up to search meticulously through documents. Hence, the opportunities for forensic accountants are growing at rapid speed.

In the following graph it is clear from the survey conducted by indiaforensic.com that occupational Fraud is something that worries Indian auditors the most. More than 45% of the surveyed participants confirmed that the Occupational fraud is the severe disease in the financial world. Over 30% of the participants voted in favour of the bank frauds. Sequential failures of the Co-operative banks, political involvements in the co-operative banks, failure of GTB are some instances that support the fear of the common auditor about the Bank Frauds

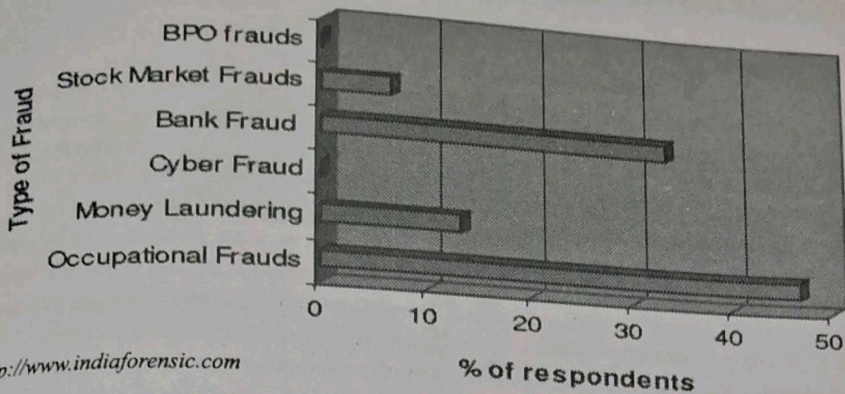
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Source: <http://www.indiaforensic.com>

Skills needed by F

Though, the law enforcement agencies are analyzing the fingerprints and evidence analysis is expected, the forensic accountant is expected to analyze the financial system. As complexity and complexity, the forensic accountant to become a number of professional knowledge of financial analyze them is a basic skill for an accountant. These skill patterns in accounting source. They should internal control system control system that a objectives, inform responsibilities, and so that corrections a in computer and kno required. This skill investigation in the accounting systems. in order to understand and to set up fraud

What worries Indians the Most ?



Source: <http://www.indiaforensic.com>

Skills needed by Forensic Accountant

Though, the law enforcement officers are experts of analyzing the fingerprints and the narcotics but digital evidence analysis is beyond their scope. A forensic accountant is expected to be a specialist in accounting and financial system. As companies continue to grow in size and complexity, uncovering fraud requires a forensic accountant to become proficient in an ever-increasing number of professional skills and competencies. A thorough knowledge of financial statements and the ability to critically analyze them is a basic requirement needed in a forensic accountant. These skills will help them to uncover abnormal patterns in accounting information and recognize their source. They should have the ability to comprehend the internal control systems of corporations, and to set up control system that assesses risks, achieves management objectives, informs employees of their control responsibilities, and monitors the quality of the programme so that corrections and changes can be made. Proficiency in computer and knowledge of network system is utmost required. This skill helps forensic accountants to conduct investigation in the area of e-banking and computerized accounting systems. Knowledge of psychology is required in order to understand the impulses behind criminal behavior and to set up fraud prevention programmes that motivate

and encourage employees. Good interpersonal and communication skills aid them in disseminating information about the company's ethical policies. Thorough knowledge of company's governance policies and the laws that regulate these policies must be known to them. They should have command of criminal and civil law, as well as of the legal system and court procedures

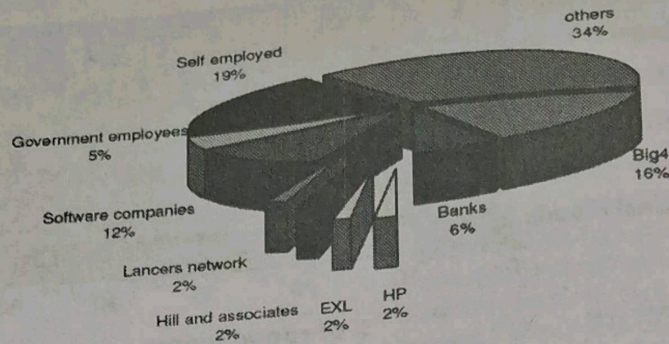
Role of the Forensic Accountant

There are ample opportunities for forensic accountants in insurance companies, public practice, banks, police forces, financial institutions and government agencies.

Employment and fraud examination

As in the following graph it is evident from the survey of indiaforensic.com that big four accounting firms absorb the most of the fraud examiners in the country. The proportion of big four absorbing the Fraud examiner in India is 16%. 19% prefer to practice something of their own after completion of the Certification. It opens new avenues for the fraud examiners. As many as 14% (software companies + HP) are in the field of Information Technology. Hill associates; Lancer Network and EXL are the great surprises on this front, which contributes 2% each to the community of the fraud examiners.

Industry wise composition of Forensic Accountants in India



Source: <http://www.indiaforensic.com>

Hence there should be a provision of formal degree/diploma acknowledging their competence in education. However there is no formal education of forensic accounting is available in graduation or post graduation in India. Thus white collared crime is an ignored area in that sense.

Conclusion

In view of the growing financial frauds and increasing white collar crimes it is concluded that forensic accounting should now be include in commerce education to develop more skilled and competent accountants who are not only able to analyze a complex situation beyond the sight but also provide solutions. Since forensic accounting is in its infancy stage in India, it has to go a long way ahead. This field has a tremendous potential of job opportunities for the commerce students which needs to be explored.

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JOB SATISFACTION COMBAT

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JOB SATISFACTION OF ARTS AND COLLEGE FACULTY MEMBERS IN COIMBATORE CITY WITH REFERENCE TO SELF FINANCING COLLEGES

Dr. R. Ganapathi¹

Abstract

Teaching is considered as the noble profession irrespective of the position, branch of study and the institution where they work. The teachers who are working in Government educational institution and government aided institutions lead their life peacefully and make development to them and their family members in a planned way because they get all the benefits of the government as their salary is fixed by the government. Further they have unions which always work for the welfare of the members (teaching faculties). Now-a-days in teaching line the government offers high package to even the primary school teachers. If we consider the salary of government college and government aided college, it is too high because in no their government sector this much salary is not provided. Hence with the high salary scale fixed by the government they enjoy their life peacefully with high prosperity. Further their work load is very normal. They do not have job security and also the lecturer who are working in self financing colleges face number of problems in their work place. They are given consolidate pay per month with out any norms for calculating their basic pay their scale is fixed by the management. Further they are forced to do the clerical work when they are preparing for the class. They do not have job security. Due to the privatization policy many private institution have been given permission to start self financing colleges both arts and science and also the engineering colleges. As Coimbatore is familiar for its development both in industries and also in education in this districts nearly 200 self financing institutions functioning well. But the status of faculty members in all colleges is similar in many aspects. They are tortured and given more workload. Only limited colleges the faculty members are paid considerable amount of salary. In all other colleges they are paid with low scale consolidate. Hence their economic condition is going decreasing due to the hike of prices for all the domestic materials like, milk and other house hold materials. Someone should take initiatives to bring the betterment to the lives of 1000 of faculty members working in self financing colleges of Coimbatore district. Otherwise in future the teaching profession will be considered as troubled profession for the faculty members working in self financing colleges. Further their standard of living cannot be improved. By keeping the above views in mind the researcher selected the topic "JOB SATISFACTION OF ARTS AND COLLEGE FACULTY MEMBERS IN COIMBATORE CITY WITH REFERENCE TO SELF FINANCING COLLEGES". In this article the researcher will analyze the real issues prevailing in self financing colleges of Coimbatore and find the causes for the issues and also the proper suggestions to solve the issues of the faculty members working in arts and science colleges of Coimbatore.

Introduction

"All who have meditated on the art of governing mankind have been convinced that the fate of empires depends on the education of youth" - Aristotle

Education makes a man capable to practice a particular profession, develop his skills and analyze the factors related

to his field. It develops the psychology of a human and thus personality development. Education has continued to evolve, diversify and extend its reach and coverage since the dawn of human history. Every country develops its system of education to express and promote its unique social cultural identity and also to meet the challenges of the time. There are moments in history when a new direction has to be given to an age old process. That moment is today. Thus begins the National policy on Education - 1986

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high lighting. The importance and need for meeting the challenges - social, economical, cultural and moral of the present day Indian society. The response to this challenge is only through Education, which is fact, the most powerful instrument for meaningful and effective change. Young people are the most valuable heritage of a country Training and Developing these young people occurs through education Good education depends on good teachers. Good teachers have the potential to transform nations.

Teachers mould the future generation of the society. They are most intimately in touch with human lives and their development. The teachers play a major and important role in moulding the students for the future of India. The job satisfaction of these teachers becomes very important considering the fact that they are the architecture in building the nation. If a teacher is not satisfied with his work then both quantity and quality of this performance will suffer. These in turn will affect the development and growth of the country in order to improve the efficiency of the teachers, definite steps must be taken to satisfy their aspirations and need by evaluating their job satisfaction.

A systematic evaluation of the job satisfaction of a teacher in an institution provides factors for improving his efficiency of service. It is the process of delineating obtaining and providing useful information for judging decision alternatives. By such an evaluation the factors affecting the job satisfaction of a teacher can be identified for remedial action.

Job Satisfaction

Considering the growth of education in India and the important role played by the teachers or faculty members, it is obvious that efforts must be taken to study the job satisfaction of Faculty members in the institution. As Faculty members are critical agents of social and economic change, their attitude towards the job is significant. This general attitude of an employee towards his job is usually expressed by the term "Job Satisfaction". If the job satisfaction of a Lecturer increases then there will be an improvement in the quality and quantity of their performance. That will

improve the quality of students also.

Definition of Job Satisfaction

According to **Vroom, V. H** defines Job satisfaction is the positive orientation of an individual towards the work role which he is presently occupying which can be restated as an individual liking more aspects of the work than he dislikes. .

According to **Hansen, James C** defines as "Job Satisfaction results from the interaction between the worker and his job situation. The worker possesses values and needs that may or may not be fulfilled by his job activities. The degree to which his needs are met determines the level of satisfaction"

Kocher quotes an outstanding Industrial Psychologist who defines Job satisfaction as "The whole Matrix of Job factors that make a person like his work situation and be willing to need for it without distaste at the beginning of his work day".

According to **Blum M. L.**, defines Job satisfaction as "A Complex of various attitudes presented by an employee these attitudes are related to the many aspects of Job, wages, supervision, steadiness of employment, conditions of work, advancement opportunities and such other specific factors connected with the job, play their part in making a worker satisfied or dissatisfied with his work. It refers to general attitudes in three areas, namely, specific job factors individual adjustment and group relationship outside the Job".

Scope of the study

The great demand for education and the policy of the present government have led to the mushrooming of self-financing arts and science colleges in Tamil Nadu. This has resulted in the employment of thousands of faculty members in these colleges, as faculty members are the conscience keepers of the society, steps must be taken to consider their needs and aspirations. The job satisfaction of faculty members working in colleges is very important as they train influence, and mould the lives of many students who are the future hope of our country. There is general feeling among the public that the faculty members working

in self-financing colleges working conditions and those working in the government is also a great need for the satisfaction among colleges the factors affecting job present investigation ga intends to study the job members working in Coimbatore city.

Objectives of the study

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in self-financing colleges have poor job security, pay, working conditions and other facilities when compared to those working in the government and aided colleges. There is also a great need for the study to find the level of job satisfaction among college faculty members and determine the factors affecting job satisfaction. In this context, the present investigation gains importance as the researcher intends to study the job satisfaction among the faculty members working in Arts and Science Colleges in Coimbatore city.

Objectives of the study

The overall objective of the study is to examine the various social, economic problems faced by the college faculty members. The specific objectives of the study are:

1. To study the Socio-Economic conditions of faculty members working in different colleges in Coimbatore city i.e. the age, gender, type of family, marital status, numbers of dependents are affecting the Job satisfaction.
2. To analyze the extent to which socio-economic conditions affect the job satisfaction.
3. To make a comparative study on Job satisfaction derived by the college faculty members working in four different colleges.
4. To offer suggestions for further improvement of job satisfaction of Arts and Science college faculty members in Coimbatore city.

Methodology

The validity of any research is based on the systematic method of data collection and analysis. Both primary and secondary data were used for the present study. The primary data has been collected from 200 sample respondents in Coimbatore city. For this purpose stratified random sampling method was used to select the samples. The researcher has approached the Principals and Administrative Officers of various Arts and Science Colleges in Coimbatore city to collect the list of Faculty members in the Colleges. Due to

the time, money and inconvenience, the researcher has selected only top ten arts and science colleges in the Coimbatore city. The questionnaires were collected from 200 respondents (faculty members) from 10 reputed arts and science colleges. The ten colleges selected for this study were Dr. G. R. Damodaran College of Science, Sri Krishna Arts and Science College, RVS College of Arts and Science College, VLB College of Arts and Science, Bishop Ambrose College, CMS College of Science and Commerce, Dr. N. G. P. Arts and Science College, Dr. SNS Rajalakshmi College of Arts and Science, Hindustan College of Arts & Science and Nehru College of Arts and Science. The present study highlights the extent of job satisfaction of the faculty members of arts and science colleges by the selected sample respondents. It also shed light on the common level of job satisfaction and problems faced by the respondents.

For this study data have been collected from both primary and secondary source. An exclusive field study and interview have been conducted. Interview schedule was the main tool used to collect the pertinent data from the selected sample respondents. Secondary data have also been collected for the study from books, leading journals, newspapers, magazines and textbooks related to study and from the internet sources. The collected data were analyzed through percentage, average, range, standard deviation and weighted average. In connection with this two-way tables were prepared and chi-square test was also employed to find the associationship.

The factor-wise analysis was made. The dependent variable satisfaction was related to independent factors influencing the same. The respondents were grouped according to these factors and accordingly their mean and range of satisfaction scores for each factor group were calculated in order to find out the significant of the differences, chi-square test has been applied. The fieldwork for the study was conducted during the month of February 2012 to July 2012. Questionnaire method used by the researcher was the major tool of data collection. The filled up schedules were thoroughly checked to ensure accuracy consistency and competence.

Limitations of the study

The survey is conducted only among college faculty members of Arts and Science College and the sample size is restricted to 200 respondents. The study is based on faculty members attitudes and opinions. This attitude may change in future. The opinion could be biased. The study was contained to the faculty members serving in Arts and Science College in Coimbatore city alone.

Analysis and Interpretation of Data

Job satisfaction is the crucial element in the human resource function, which decides the goodwill of any institution. An attempt is made to analyze the various factors influencing the faculty member's job satisfaction level of the selected sample respondents. The variables are classified into two important strata viz. Dependent variables and Independent variables. The level of satisfaction of faculty members is taken as the dependent variables. The independent variables used in the study are age, gender, category, marital status, monthly income, occupation and educational qualification.

Age group and level of Job Satisfaction on Arts and Science colleges

Age is an important factor in level of job satisfaction. Hence, the respondents have been grouped under three categories viz. Below 25 years, 26-30 years and above 30 years. The sample consisted of 88 respondents (44%) below 25 years, 74 respondents belong to (37%) 26 to 30 years and 38 (19%) respondents belong to above 30 years. The distribution of respondents according to age is observed from the following table. It could be observed from Table 1 that level of job satisfaction on arts and science colleges among the respondents of below 25 years category ranged between 35 and 51 with an average of 43.83. Level of job satisfaction on arts and science colleges between 26-30 years category of respondents ranged between 36 and 53 with an average of 45.84. On the other hand, the respondents level of job satisfaction on arts and science colleges among the above 30 years category ranged between 45 and 56 with an average of 50.00. Thus, it may be concluded from the analysis that respondents of the age above 30 years are having maximum level of job satisfaction. Using chi-square test the age and level of job satisfaction on arts and science has been tested. For this purpose, the age and level of job satisfaction on arts and science colleges are given in the following table.

TABLE 1
AGE GROUP AND LEVEL OF JOB SATISFACTION

Sl. No.	Age Group	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Below 25 years	21(14.96)	35(26.40)	32(46.64)	88	43.83	35 - 51	5.08
2.	26-30 years	13(12.58)	16(22.20)	45(39.22)	74	45.84	36 - 53	5.43
3.	Above 30 years	0 (6.46)	9(11.40)	29(20.14)	38	50.00	45 - 56	3.98
	Total	34	60	106	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The respondents and their level of job satisfaction on arts and science is not statistically significant. The percentage of highest (42.5) among lowest (27.4) among percentage of medium (58.3) among the aged lowest (15) among the. On the other hand, satisfaction is the highest aged below 25 years 30 years aged respondents value (23.295) is greater level of significant hypothesis is rejected association between level of job satisfaction is statistically significant.

Null hypothesis: The association between the age of the respondents and their level of job satisfaction towards arts and science is not statistically significant.

The percentage of high level of job satisfaction is the highest (42.5) among the 26-30 years age group and the lowest (27.4) among the above 30 years age group. The percentage of medium level of job satisfaction is the highest (58.3) among the aged below 25 years respondents and the lowest (15) among the above 30 years aged respondents. On the other hand, the percentage of low level of job satisfaction is the highest (61.8) among the respondents aged below 25 years and the lowest (38.2) among the 26-30 years aged respondents. As the calculated chi-square value (23.295) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the age of the respondents and their level of job satisfaction towards arts and science colleges is statistically significant.

Gender and level of Job Satisfaction

Today there is no discrimination to study the level of job satisfaction on faculty members from arts and science among the male and female group. Today women are equally competing with men in all the fields, including teaching, business, military organization and space research centers. For the purpose of the study, gender classification is observed. The sample consists of 134 (67%) male respondents and 66 (33%) female respondents. The distribution of respondents according to gender and level of job satisfaction on arts and science college faculty members is shown in the table 2. The maximum level of job satisfaction on arts and science college faculty members among the female respondents ranged between 37 and 54 with an average of 46.38. Whereas, male respondents level of job satisfaction on arts and science college faculty members ranged between 35 and 56 with an average of 45.43. Thus the table reveals that the maximum level of job satisfaction on arts and science college faculty members is among the female respondents. Using chi-square test the gender and level of job satisfaction on arts and science college faculty members has been tested. For this purpose, the gender and level of satisfaction on arts and science college faculty members are given in the following table.

S.D
5.08
5.43
3.98
-

TABLE 2

GENDER AND LEVEL OF JOB SATISFACTION

Sl. No.	Gender	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Male	26(22.78)	38(40.20)	70(71.02)	134	45.43	35 - 56	5.35
2.	Female	8(11.22)	22(19.8)	36(34.98)	66	46.38	37 - 54	5.35
	Total	34	60	166	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the gender of the respondents and their level of job satisfaction towards arts and science colleges is not statistically significant.

The percentage of high level of job satisfaction on arts and science college faculty members is the highest (66.0) among the male respondents and the lowest (34.0) among the female respondents. The percentage of medium level of job satisfaction on arts and science college faculty members is the highest (63.3) among the male respondents and the lowest (36.7) among the female respondents. On the other hand, the percentage of level of job satisfaction on faculty members of arts and science college is the highest (76.5) among the male respondents and the lowest (23.5) among the female respondents. As the calculated chi-square value (1.788) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the gender of the respondents and their level of job satisfaction on arts and science college faculty members is not statistically significant.

Category and level of Job Satisfaction

The level of satisfaction may be varying according to the different types of faculty members. For the purpose of the study, category sample consists of 40 (20%) arts faculty

members, 78 (39%) science faculty members and 82 (42%) social science faculty members. The distribution of respondents according to category and level of job satisfaction on faculty members of arts and science colleges is shown in the following table 3. The maximum level of satisfaction on faculty members of arts and science colleges among the arts background respondents ranged between 39 and 54 with an average of 47.15. On the other hand the respondents' level of job satisfaction on faculty members of arts and science colleges among the science background respondents ranged between 41 and 52 with an average of 47.05, whereas social science faculty members level of job satisfaction on arts and science colleges ranged between 35 and 56 with an average of 43.82. Using chi-square test the category of faculty members and level of job satisfaction on arts and science colleges has been tested. For this purpose, the category of faculty members and level of job satisfaction on arts and science colleges are given in the following table.

TABLE 3
CATEGORY OF FACULTY MEMBERS AND SCIENCE COLLEGE

Sl. No.	Category
1.	Arts Faculty Member
2.	Science Faculty Member
3.	Social Science Faculty Member
	Total

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the category of faculty members and their level of job satisfaction towards arts and science colleges is not statistically significant.

The percentage of high level of job satisfaction on arts and science college faculty members is the highest (66.0) among the male respondents and the lowest (34.0) among the female respondents. The percentage of medium level of job satisfaction on arts and science college faculty members is the highest (63.3) among the male respondents and the lowest (36.7) among the female respondents. On the other hand, the percentage of level of job satisfaction on faculty members of arts and science college is the highest (76.5) among the male respondents and the lowest (23.5) among the female respondents. As the calculated chi-square value (1.788) is less than the table value (5.991) at 5% level of significance for 2 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the category of the respondents and their level of job satisfaction on arts and science college faculty members is not statistically significant.

TABLE 3
CATEGORY OF FACULTY MEMBERS AND LEVEL OF JOB SATISFACTION ON ARTS AND SCIENCE COLLEGES

Sl. No.	Category	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Arts Faculty Members	4(6.8)	12(12.0)	24(21.20)	40	47.15	39 - 54	4.22
2.	Science Faculty Members	0 (13.26)	27(23.40)	51(41.34)	78	47.05	41 - 52	3.54
3.	Social Science Faculty Members	30(13.94)	21(24.60)	31(43.46)	82	43.82	35 - 56	6.86
	Total	34	60	106	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the category of the faculty members and their level job of satisfaction on arts and science colleges is not statistically significant.

The percentage of high level of job satisfaction on arts and science colleges is the highest (48.1) among the arts faculty members and the lowest (22.6) among the science faculty members. The percentage of medium level of job satisfaction on arts and science colleges is the highest (45.0) among the arts faculty members and the lowest (20.0) among the science faculty members. On the other hand, the percentage of low level of job satisfaction on arts and science colleges is the highest (88.2) among the social science faculty members and the lowest (0.0) among the arts faculty members. As the calculated chi-square value (50.560) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the category of the faculty members and their level of job satisfaction on arts and science colleges is statistically significant.

Marital status and level of Job Satisfaction

Marital status is an important factor to find the level of job satisfaction. For the purpose of this study marital status has been studied under three heads viz., Single, Married and widow. The study sample consists of 93 (46.5%) single category respondents, 104 (52%) married category respondents and 3 (1.5%) widow category respondents. The distribution of respondents according to category and level of job satisfaction on arts and science college faculty members is shown in the table 4. The maximum level of job satisfaction on arts and science college among the married category respondents ranged between 36 and 56 with an average of 47.12. On the other hand the respondents' level of job satisfaction on faculty members of arts and science college among the single category respondents ranged between 35 and 51 with an average of 44.20, whereas widow category level of job satisfaction on faculty members of arts and science college ranged at 46 with an average of 46. The study reveals that the maximum level of

satisfaction on faculty members of arts and Science College is among the married category respondents in the study area. Using chi-square test the marital status and level of

job satisfaction on arts and science colleges has been tested. For this purpose, the marital status and level of job satisfaction on arts and science colleges are given in the following table.

TABLE 4
MARITAL STATUS AND LEVEL OF JOB SATISFACTION ON FACULTY MEMBERS OF ARTS AND SCIENCE COLLEGES

Sl. No.	Marital Status	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Single	21(15.81)	35(27.9)	37(49.29)	93	44.20	35 - 51	5.12
2.	Married	13(17.68)	25(31.20)	66(55.12)	104	47.12	36 - 56	5.55
3.	Widow	0 (0.51)	0 (0.9)	3(1.59)	3	46.00	46 - 46	0.00
	Total	34	60	106	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the marital status of the respondents and their level of job satisfaction on arts and science colleges is not statistically significant.

It is found that the percentage of high level of job satisfaction on arts and science college faculty members is highest (62.3) among married respondents and the lowest (2.8) among widow category respondents. The normal level of job satisfaction on arts and science college faculty members is highest (61.8) among the single category respondents and lowest is widow category which has no respondent. On the other hand, the percentage of low level of arts and science college faculty members is the highest (61.8) among single category respondents and lowest is widow which has no respondent. As the calculated chi-square value (13.752) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the marital status of the respondents and their level of job satisfaction on arts and science college faculty

members is statistically significant.

Monthly Income and level of Job Satisfaction

Faculty members make the choice of the college or teaching career based on their income for teaching work. Hence, the researcher has given utmost importance to the monthly earning of respondents. For the purpose of the study income has been studied under three heads viz. namely below Rs.10,000, Rs.10,001 to Rs.20,000 and Rs.20,001 and above. The sample consists of 66 (33%) respondents from below Rs.10,000 category, 64 (32%) respondents from Rs.10,001 to Rs.20,000 category and 70 (35%) from Rs.20,001 and above category. The distribution of respondents according to the income and level of job satisfaction on arts and science college faculty members is shown in the following table. It is observed from the table 5 that maximum level of job satisfaction on arts and science college faculty members is among the Rs.10,001 to Rs.20,000 income group which has ranged between 41

and 54 with an average of arts and science colleges Rs.20,001 and above income group with an average of Rs.10,000 income group with an average of 43.39. The level of job satisfaction on

TABLE 5
MONTHLY INCOME AND LEVEL OF JOB SATISFACTION ON FACULTY MEMBERS OF ARTS AND SCIENCE COLLEGES

Sl. No.	Monthly Income	Level of Job Satisfaction
1.	Below Rs.10,000	21 (31.82)
2.	Rs.10,001 to Rs.20,000	66 (55.12)
3.	Rs.20,001 and above	3 (1.59)
	Total	106

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the monthly income of the respondents and their level of job satisfaction on arts and science colleges is not statistically significant.

It is found that the percentage of high level of job satisfaction on arts and science college faculty members is highest (44.3) among Rs.10,001 to Rs.20,000 category respondents and lowest (2.8) among below Rs.10,000 category respondents. The normal level of job satisfaction on arts and science college faculty members is highest (40.3) among Rs.10,001 to Rs.20,000 category respondents and lowest (28.3) among below Rs.10,000 category respondents. The low level of job satisfaction on arts and science college faculty members is among the below Rs.10,000 income group which has ranged between 21

arts and science colleges has been tested. the marital status and level of job satisfaction on arts and science colleges are given in the

FACULTY MEMBERS OF

Average	Range	S.D
44.20	35 - 51	5.12
47.12	36 - 56	5.55
46.00	46 - 46	0.00
-	-	-

significant.

Level of Job Satisfaction

choice of the college or teaching method for teaching work. Hence, the most importance to the monthly income for the purpose of the study income in three heads viz. namely below Rs.10,000 and Rs.20,001 and above Rs.20,000 of 66 (33%) respondents from arts and science category and 70 (35%) from science college faculty members category. The distribution of job satisfaction on arts and science college faculty members is observed from the purpose of the study income in three heads viz. namely below Rs.10,000 and Rs.20,001 and above Rs.20,000 of 66 (33%) respondents from arts and science category and 70 (35%) from science college faculty members category. The distribution of job satisfaction on arts and science college faculty members is observed from the purpose of the study income in three heads viz. namely below Rs.10,000 and Rs.20,001 and above Rs.20,000 of 66 (33%) respondents from arts and science category and 70 (35%) from science college faculty members category.

and 54 with an average of 48.70. The level of job satisfaction of arts and science college faculty members among the Rs.20,001 and above income group ranged between 36 and 56 with an average of 45.26. On the other hand the below Rs.10,000 income group with a range of 35 and 51 has an average of 43.39. Thus it may be concluded that the level of job satisfaction on arts and science college faculty

members is maximum among Rs.10,001 to Rs.20,000 income group of respondents. Using chi-square test the monthly income and level of job satisfaction on arts and science college faculty members has been tested. For this purpose, the monthly income and level of job satisfaction on arts and science college faculty members are given in the following table.

TABLE 5
MONTHLY INCOME AND LEVEL OF JOB SATISFACTION ON FACULTY MEMBERS OF ARTS AND SCIENCE COLLEGES

Sl. No.	Monthly Income	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Below Rs.10,000	21(11.22)	19(19.8)	26(34.98)	66	43.39	35 - 51	5.24
2.	Rs.10,001 - Rs.20,000	0(10.88)	17(19.2)	47(33.92)	64	48.70	41 - 54	3.93
3.	Rs.20,001 & above	13(11.90)	24(21.0)	33(37.10)	70	45.26	36 - 56	5.77
	Total	34	60	106	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the monthly income of the respondents and their level of job satisfaction on arts and science college faculty members is not statistically significant.

It is found that the percentage of high level of job satisfaction on arts and science college faculty members is highest (44.3) among Rs.10,001 to Rs.20,000 income group of respondents and the lowest (24.5) among the below Rs.10,000 income group of people. The medium level of job satisfaction of arts and science college faculty members is the highest (40) among the Rs.20,001 and above category and lowest (28.3) among the Rs.10,001 to Rs.20,000 income group. The low level of job satisfaction on arts and science college faculty members is highest (61.8) among below

Rs.10,000 income respondents and lowest is Rs.10,001 to Rs.20,000 category, which has no respondent. As the calculated chi-square value (28.022) is greater than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the monthly income of the respondents and their level of job satisfaction on arts and science college faculty members is statistically significant.

Designation and level of Job Satisfaction

Designation is an important factor in determining the level of job satisfaction on arts and science college faculty members. For the purpose of this study designation has

been studied under six heads viz. Principals, Directors, Professors, Head of the Departments, Associate Professors and Assistant Professors. The sample consists of 8 (4) respondents from Principals, 24 (12) respondents are working in the directors, 21 (10.5) respondents are Professors, 37 (18.5) are Head of Departments, 16 (8) are Associate Professors and 94 (47) respondents belong to Assistant Professors category. The distribution of respondents according to designation and level of job satisfaction in utilizing the services of arts and science colleges is shown in the following table 6. The maximum level of job satisfaction on arts and science college faculty members is among the Associate Professors, which has ranged between 45 to 54 with an average of 51.5. The level of job satisfaction of arts and science college faculty members among the head of the departments ranged between 41 and 54 with an average of 48.30. The level of job satisfaction of arts and science college faculty members

among the Assistant Professors category respondents has ranged between 35 and 53 with an average of 44.61. The level of job satisfaction of arts and science college faculty members among the Directors have ranged between 36 and 51 with an average of 44.50. The level of job satisfaction of arts and science college faculty members among the Professors has ranged between 37 and 56 with an average of 44.43. On the other hand, the level of job satisfaction of arts and science college faculty members among the Principals has ranged at 43 with an average of 43.00. Thus, it is concluded that the level of job satisfaction on arts and science college faculty members is maximum among the Associate Professors. Using chi-square test the designation and level of job satisfaction on arts and science college faculty members has been tested. For this purpose, the designation and level of job satisfaction on arts and science college faculty members are given in the following table.

Null hypothesis: The assumption of the respondents and the level of job satisfaction on arts and science college faculty members is not significant.

The percentage of high level of job satisfaction on arts and science college faculty members is the highest among the Associate Professors. The percentage of respondents in utilizing teaching services is the highest among the Assistant Professors and the Directors. The percentage of respondents in utilizing teaching services among the Professors and the Principals. As the chi-square test is greater than the table value, the null hypothesis is rejected and it could be concluded that the designation and level of job satisfaction on arts and science college faculty members is statistically significant.

Educational Qualification and Job Satisfaction

Education of the respondents is an important influencing factor of job satisfaction. The skills, values and knowledge of the respondents preparing people to do

TABLE 6

DESIGNATION AND LEVEL OF JOB SATISFACTION ON FACULTY MEMBERS OF ARTS AND SCIENCE COLLEGES

Sl. No.	Designation	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Principals	0 (1.36)	8 (2.4)	0 (4.24)	8	43.00	43 - 43	0.00
2.	Directors	9(4.08)	0 (7.2)	15(12.72)	24	44.50	36 - 51	6.53
3.	Professors	8(3.57)	5(6.3)	8(11.13)	21	44.43	37 - 56	7.27
4.	Head of the Departments	0 (6.29)	8(11.1)	29(19.61)	37	48.30	41 - 54	3.85
5.	Associate Professors	0 (2.72)	3(4.8)	13(8.48)	16	51.50	45 - 54	3.31
6.	Assistant Professors	17(15.98)	36(28.2)	41(49.82)	94	44.61	35 - 53	4.90
	Total	34	60	106	200	-	-	-

Source: Survey Data, (Figures given in the brackets represent the Expected Frequency)

TABLE 7

EDUCATIONAL QUALIFICATION AND LEVEL OF JOB SATISFACTION ON FACULTY MEMBERS OF ARTS AND SCIENCE COLLEGES

Sl. No.	Educational Qualification	Level of Job Satisfaction			Total	Average	Range	S.D
		Low	Medium	High				
1.	Post Graduates	4(1.19)	0 (2.1)	3(3.71)	7	42.00	39 - 46	3.74
2.	M.Phil.,	0 (6.29)	5(11.1)	32(19.61)	37	50.00	45 - 54	3.35
3.	Ph.D.,	21(20.74)	42(36.6)	59(64.66)	122	45.14	35 - 53	5.21
4.	Ph.D. with Additional Degree	9(5.78)	13(10.2)	12(18.02)	34	44.06	36 - 56	6.32
	Total	34	60	106	200	-	-	-

Source: Survey Data

(Figures given in the brackets represent the Expected Frequency)

Null hypothesis: The association between the educational qualification of the respondents and their level of job satisfaction on arts and science college faculty members is not statistically significant.

The percentage of high level of job satisfaction in utilizing teaching services is the highest (55.7) among the Ph.D., holders category and same is the lowest (2.8) among the Post Graduate holders. The percentage of medium level of job satisfaction in utilizing teaching services is the highest (70) under among Ph.D. holders and the same is the lowest (0) among the Post Graduates. The percentage of low level of job satisfaction in utilizing teaching services is the highest (61.8) among the M.Phil., holders and the same is the lowest (0) among the respondents with Ph.D., holders. As the calculated chi-square value (32.211) is greater than the table value (12.592) at 5% level of significance for 6 degrees of freedom, the null hypothesis is rejected and it could be concluded that the association between the educational qualification of the respondents and their level

of job satisfaction on arts and science college faculty members is statistically significant.

Existing facilities in the Self Financing Arts and Science colleges - Henry Garrett ranking

An attempt is made to analyze the reasons for choosing the particular arts and science college. Various factors such as Standard of Education, Attractive Salary, Self Respect, Good Management, Individual Freedom, Possibility of Career Development, Better Working Conditions, Cordial Relationship with Management, Additional Monetary Benefits, Provident Fund Contribution & Free Insurance, finally Normal Working hours and Proud of the Institution are selected for the purpose of the study. The respondents are asked to rank their preferences based on the factors that motivated them most. Table 8 shows the details of various factors that influenced the faculty members

TABLE 8

EXISTING FACILITIES

Sl. No.	Various Facilities
1.	Standard of Education
2.	Attractive Salary
3.	Self Respect
4.	Good Management
5.	Individual Freedom
6.	Possibility of Career Development
7.	Better Working Conditions
8.	Cordial Relationship with Management
9.	Additional Monetary Benefits
10.	Provident Fund Contribution & Free Insurance
11.	Normal Working hours
12.	Proud of the Institution

Source: Calculated from Pr

Table 8 indicates that the 'standard of education' and 'cordial relationship with management' are the main motivating factors that motivated the particular arts and science college faculty members. The first, second and third with the scores of 10725, 10075 and 9482 points respectively. The first, self-respect and provident fund contribution & free insurance are ranked to fourth, fifth and sixth with the score of 8900, 8239 and 7900 respectively. The seventh, eighth, ninth and tenth with the score of 7900, 7900, 7900 and 7900 respectively. The eleventh and twelfth with the score of 7900 and 7900 respectively.

PERCEPTION ON FACULTY

Average	Range	S.D
42.00	39 - 46	3.74
50.00	45 - 54	3.35
45.14	35 - 53	5.21
44.06	36 - 56	6.32
-	-	-

and science college faculty significant.

Self Financing Arts Henry Garrett ranking

are the reasons for choosing college. Various factors such as Attractive Salary, Self Respect, Individual Freedom, Possibility of Better Working Conditions, Cordial Relationship with Management, Additional Monetary Benefits, Provident Fund Contribution & Free Insurance, Normal Working hours and Proud of the Institution are the reasons for the study. The respondents' responses based on the factors are shown in Table 8. Table 8 shows the details of the responses of the faculty members.

TABLE 8
EXISTING FACILITIES IN THE SELF-FINANCING ARTS AND SCIENCE COLLEGES

Sl. No.	Various Facilities	Total Score	Mean Score	Rank
1.	Standard of Education	15082	75.4	I
2.	Attractive Salary	13056	65.3	II
3.	Self Respect	10078	50.4	V
4.	Good Management	9482	47.4	VII
5.	Individual Freedom	10725	53.6	IV
6.	Possibility of Career Development	8051	40.3	XI
7.	Better Working Conditions	7561	37.8	XII
8.	Cordial Relationship with Management	11559	57.8	III
9.	Additional Monetary Benefits	8900	44.5	VIII
10.	Provident Fund Contribution & Free Insurance	9898	49.5	VI
11.	Normal Working hours	8083	40.4	X
12.	Proud of the Institution	8239	41.2	IX

Source: Calculated from Primary Data

Table 8 indicates that the 'standard of education' 'attractive salary' and 'cordial relationship with management' are the main motivating factors that influenced them to select the particular arts and science college which is ranked first, second and third with the score of 15082, 13056 and 11559 points respectively. The factors like individual freedom, self-respect and provident fund contribution and free insurance are ranked to fourth, fifth and sixth position with the score of 10725, 10078 and 9898 respectively. Good management, additional monetary benefits, proud of the institution and normal working hours are ranked in the seventh, eighth, ninth and tenth positions with Garret scores of 9482, 8900, 8239 and 8083 points respectively. The last two positions are occupied by possibility of career development and better working conditions are ranked in the eleventh and twelfth place with a score of 8051 and

7561 points respectively. From the analysis it is concluded that the 'standard of education' 'attractive salary' and 'cordial relationship with management' were the main factors in choosing the self-financing arts and science colleges.

Performance of the Self-Financing Arts and Science colleges in respect of additional facilities

Success of any service depends upon competitive factors that differentiate the services with competitive advantages over traditional services. A selected self-financing arts and science colleges holds some competitive advantage over other traditional colleges. The Table 9 shows the competitive gains of self-financing arts and science colleges.

It is noted from the above table that smart class room is ranked first among all the services with 12520 Garret points

which distinguishes the self-financing arts and science colleges from other traditional colleges. The second rank is given to arrangement of guest lectures and industrial visits with Garret score of 11216. NCC, NSS and YRC, Modern Teaching Aids, Free bus facility and canteen facility are secured third, fourth, fifth and sixth with score of 56.08, 55.50, 53.67 and 49.21 respectively. The health care and

fitness centre and 24 x 7 free access of internet use were secured seventh and eighth rank with score of 9368 and 9014 respectively. The last preference is given for arrangement of educational loan with 40.39 points. From the analysis it is found that smart class room is the major competitive advantage gained by the self-financing colleges when compared to other aided / government colleges.

TABLE 9
PERFORMANCE OF THE SELF-FINANCING COLLEGES IN RESPECT OF ADDITIONAL FACILITIES

Sl. No.	Types of Additional Facilities	Total Score	Mean Score	Rank
1.	Smart Class Room	11216	62.60	II
2.	Health Care and Fitness Centre	9368	46.84	VI
3.	Free Bus Facility	10734	53.67	IV
4.	Modern Teaching Aids	11099	55.50	III
5.	Canteen Facility	9841	49.21	V
6.	Arrangements of Educational Loan	8078	40.39	IX
7.	24 x 7 Free Access of Internet Use	9014	45.07	VII
8.	Arrangement of Guest Lectures and Industrial Visits	8552	42.76	VIII
9.	NSS, NCC and YRC	12520	56.08	I

Source: Calculated from Primary Data

Suggestions

1. Most of the respondents felt that they are always given extra work due to the leave or permission of other staff members in the department. Further the usual work load is more when compared with the work load of the staff appointed in the government colleges and the government aide colleges. By appointing adequate number of staff in the concerned department the management may try to reduce the work load of the faculty members.

2. Almost in all self financing college the faculty members are given consolidated pay instead of fixed the salary on the basis of the norms given by the UGC and AICTE. The government may take initiatives to monitor all this issues and find a solution to provide reasonable salary package to the faculty members working in self financing colleges of Coimbatore city.
3. There is no job security to the faculty members of the Self financing colleges in Coimbatore. If the faculty members register name in any union working for the

welfare of the staff working in self financing colleges of Coimbatore, surely there will be problems from the management side. The government university should frame policy for providing facilities to the workers in Self financing colleges.

4. In some of the colleges the salary of the faculty members after 15th of every year is not given further trouble to the faculties to pay the regular expenses for the milk and tuition fees of the members.
5. In some of the self financing colleges the promotion, increment and also the facilities should be eliminated.
6. In almost all self financing colleges proper system is not followed. The members get job by recommendation. This leads to deterioration in the quality of the faculty members. Hence the members should be based on merit. The self financing colleges should follow the norms of the faculty members. The government financing colleges should follow the norms of the faculty members.
7. In many colleges (self financing) the Provident Fund is not deducted for the faculty members for the last three years from the date of joining. The authorities should have proper policy for providing provident fund contribution for the faculty members.

Conclusion

All the faculty members in self financing colleges of Coimbatore face problems due to the privatization policy the government has adopted. The private group or individual to control the self financing colleges which led to establishment of self financing colleges in and around Coimbatore. Coimbatore is familiar for its education. Hence the educated faculty members

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Mean Score	Rank
62.60	II
46.84	VI
53.67	IV
55.50	III
49.21	V
40.39	IX
45.07	VII
42.76	VIII
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welfare of the staff working in self financing colleges of Coimbatore, surely there will be negative reaction from the management side. The government and the university should frame policy for providing job security to the workers in Self financing colleges of Coimbatore.

4. In some of the colleges the salary is given to the faculties even after 15th of every month which gives further trouble to the faculties to pay the house rent and the regular expenses for the month like groceries, milk and tuition fees of the wards of the faculty members.
5. In some of the self financing colleges the partiality is shown by the authorities in many occasion like promotion, increment and also even in work load. It should be eliminated.
6. In almost all self financing colleges for recruiting the faculties proper system is not followed and many staff members get job by recommendations. It leads to deterioration in the quality of the teachers which will spoil the future generation. Hence recruitment of faculty members should be based on quality and experience of the faculty members. The management of self financing colleges should follow this strictly.
7. In many colleges (self financing colleges) Provident Fund is not deducted for the faculty members for two of three years from the date of appointment. The authorities should have proper checking regarding the provident fund contribution from the employer side.

Conclusion

All the faculty members in self financing colleges of Coimbatore face problems due to various reasons. Due to the privatization policy the government encouraged all the private group or individual to commence Arts and Science colleges which led to establishment of more self financing colleges in and around Coimbatore. Further the city Coimbatore is familiar for its development in higher education. Hence the educated faculty members from all

part of Tamil Nadu come to Coimbatore for getting jobs in teaching. The standard of living and cost of living of Coimbatore is higher when compared with other cities in southern parts of Tamil Nadu. Further due to the policy of the ruling government the prices of the house hold items and the domestic products is going on increasing month by month. Hence all the faculty members suffer lot to make finance to meet their family requirements. If the government, university and the government agencies take effort to provide job security, reasonable salary for the faculties based on their qualifications and experience, it will be a great support to the faculty members working in self financing colleges not only in Coimbatore district but also in all parts of the state, because teaching is considered as the noble profession. So that the teachers are forced to adjust with all the problems in their working place, if these problems of teaching faculty continue then there is no meaning for the noble profession.

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TOURISM AND SOCIETY TOWARDS SUSTAINABLE OPPORTUNITIES SH

There are so many new trends and phenomena of us to visit now. Tourism started from the ancient place and exchanging cultural trade and commerce, Tourism Mass Tourism has put it into developing or undeveloped.

India, considered as one of the feature of year round access all the welcoming nature creates negative impact, but tourism, directly and indirectly through tourism practice. A which not only cater tourists.

The third and the most important destination for which people

Shantiniketan, one of the products of Nobel Laureate Rabindranath Tagore. The lush green adjoining Jodhpur famous for Art, Culture and the characteristics of any environment, culture and Tourism and Society development sustainability. Development but also up indirectly through Tourism.

Key words: Sustainability

Introduction

Tourism has its own potential

¹Asst. Professor, NSHM Knowledge

TOURISM AND SOCIETY DEVELOPMENT - COEXISTENCE LEADING TOWARDS SOCIO-ECONOMIC SUSTAINABILITY THROUGH BUSINESS OPPORTUNITY AT TOURIST DESTINATIONS: A STUDY ON SHANTINIKETAN AND NEARBY AREAS

Ms. Supriya Biswas Sikari¹

Abstract

There are so many new trends in Tourism which is leading it to be the biggest industry in the World. It is one of the common phenomena of us to visit new or known places to enrich experience and to relax as well. The concept of travel and Tourism started from the ancient time by trade practicing to different place and further to that it involved visiting religious place and exchanging culture and tradition. After identification as an industry and proving importance for international trade and commerce, Tourism has got the dimension as a tool for Economy generation to any country. The practice of Mass Tourism has put it into the top priority to the development of economy to any country whether it is developed, developing or undeveloped.

India, considered as one of the popular tourist destination of the world because of its wide range of product and special feature of year round accessibility, availability of comfortable and cheap accommodation, unique attractions and above all the welcoming nature of host community. Though every tourism movement, if it is beyond the Carrying Capacity, creates negative impact, but the overall impact leads to the Socio-economic development. The infrastructure required for tourism, directly and indirectly helps the host's community for their society development as well as business opportunity through tourism practice. Accessibility to the destination and the available accommodation are the two major components which not only cater tourists but also create business and employment opportunity along with infrastructural development. The third and the most important component is "Locale" or attraction which itself has different characteristics to every destination for which people visit that place.

Shantiniketan, one of the popular and well known tourist destinations in West Bengal reflecting the philosophy and culture of Nobel Laureate Rabindranath Tagore. This is not only his workplace but also the ideal destination for acculturation. The lush green adjoining forest area, simple lifestyle of nearby tribal villagers and The Vishwabharati University (Central) famous for Art, Culture, Language and Philosophy is the rare combination which attracts visitors round the year. It is the characteristics of any tourist destination that the involvement of both host and guest should lead to the sustainability of environment, culture and most importantly to the economy. This study is to focus on the inter relationship between Tourism and Society development and the implementation of Tourism to the betterment of the Destination and its sustainability. Developments of any Tourist destination not only brings the opportunity of permanent infrastructural development but also uplift the Socio-economic standard of the host community by creating opportunity directly and indirectly through Tourism related practice for future course of sustainability.

Key words: Sustainability, Mass Tourism, Carrying Capacity, Locale, Acculturation, Multiplier Effect.

Introduction

Tourism has its own potentiality in the field of acculturation

and society development. Tourist movement to any destination not only fulfills the purpose of leisure, pleasure and recreation, but also helps in exchanging culture and enriching socio economic condition of that area. Further

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to that, the socio economic development leads to community development, if it optimize the negative impacts and spread its effectiveness to the every corner of the society, may it be public health, education or social awareness. The most important feature of Tourism is its business opportunity at any tourist destination which leads the host community towards the socio economic sustainability for present economic up gradation and future social up liftment. Tourism related business (direct and indirect) at any destination helps the host community to market their product (both places of interest and other features) to the customers (tourists) and the amount earned by them reinvested in the society for different purpose. The destination where tourism creates socio economic sustainability can be used as a model to the other potential areas to inform hosts about its benefit.

Objective of the study

The entire research is focused on the interrelationship between Tourism and Socital Development both for the host and guest community. The outer face of tourism is to move from one place to another for leisure, pleasure and recreation. But, the inner face is its contribution towards the society by boosting the economy and socio-cultural amalgamation. The mail objectives of the study can be listed as follows:

1. Importance of tourism activity at any tourist destination and its impact on the host and guest community.
2. How tourism is creating the business and entrepreneurial opportunity for the host community.
3. How tourism is helping the host community to maintain the economic and socio-cultural sustainability. And
4. How the growth and development can be used as model to the other potential tourist destinations.

Methodology

This research has been conducted depending mainly on qualitative research method, where observation, interview

and case study are used for collecting materials. Observation is mainly done to get the data like:

- Availability of infrastructure for the tourists such as Accommodation, Transportation, guide service, intermediaries like Travel agencies etc.
- Different type of services offered to the tourists.
- Host's culture and their awareness regarding tourism development.
- Participation of hosts in tourism activity
- Business opportunities for hosts related to Tourism

Interview was mainly conducted to both guests and hosts involved in tourism activity. The points focused on interview are:

- Is the host community getting enough business through tourism practice?
- Are there any socio cultural changes on host area by tourism practice?
- What type of business is being practiced by the host?
- Is there any positive changes in to their life style through tourism related business?

Finally case study has been done in Shantiniketan and nearby areas to get the exact scenario of society development through tourism practice, which can be used as a model to the other potential places of West Bengal.

Tourism and Society Development

The importance of tourism as a tool of economic development of any country has already been recognized and almost all the countries may it be developed or developing set separate action plan for their respective area or region. Tourism not only acts like bridge between host and guest but also helps in acculturation. The single movement of a single tourist helps in economy as well as

society development step. The practice of and indirectly invo access to the des accommodated in food, drinks and l activity which is hi recreation which i climate, scenic bea movement is com Accommodation, destination(s). All of income which d which further lea major areas wher and society devel

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society development by giving its multiplier effect in each step. The practice of tourism, may it be of any kind, directly and indirectly involve economic movement like getting access to the destination by rail, road or air, being accommodated in resort or hotel and even spending for food, drinks and buying souvenir. Tourism is such an activity which is highly motivated by leisure, pleasure and recreation which is again highly dominated by weather, climate, scenic beauty, culture and tradition. Each tourism movement is comprises of three major components like, Accommodation, Transportation and Attraction(s) at destination(s). All these three components are major source of income which directly leads to development of economy which further leads to development of the society. The major areas where we can see the coexistence of Tourism and society development are:

- Expenditure of tourists for tourism purpose
- Tourism related business both directly and indirectly at origin and destination
- Employment generation through tourism business
- Acculturation at destination by guest and host
- Economy development and up gradation of life style of host community
- Awareness of education, sanitation and public health of host community
- Awareness of culture and tradition of host community

Society development through Business Opportunity

Tourism business basically consists of three components like, Accommodation, Transportation and Locale where all these components are equally important on the respective area by giving opportunity to different business related to tourism. The society of both origin and destination and the community living there are directly and indirectly related

to tourism movement and best be measured by the multiplier effect. The expenditure made by the tourist for any tourism purpose helps in the economic development of the society which proportionally effects on its development. Though it is the fact that all tourism movement is creating negative impact if it is beyond the carrying capacity both for society and environment. But through economic sustainability and the society will develop which will create the awareness regarding environment for the coming future. It is very difficult to measure the social impact of tourism to any destination because of its complexity and multiple features. It also depends on the behavior of both host and guest, their way of living, volume of interaction etc. But the best result of tourism is its contribution towards the society development through creating business opportunity like:

Direct business

- Arranging/renting accommodation to the tourist like, hotel, motel, guest house, Inn, rented accommodation etc.
- Restaurant, food park, coffee shop
- Transportation on or between origin and destination like car Rental Company, bus service, cabs or even rickshaw.
- Travel agency or tourism information centre at origin and destination
- Guide service at tourist destination

Indirect business

- Utility shop or establishment at destination
- Communication service provider like telephone boot or internet café
- Handicraft and souvenir shop at destination
- Medical shop or service providers

- Entertainment services like local dance, music, dramatics, instruments etc.

All the above mentioned business at any tourist destination helps the society by generating employment opportunity, education and social awareness.

Shantiniketan: The place where tourism sustains with society development

Santiniketan or the house of peace is the ideal destination of culture and heritage, which gives the place the identity in the whole world. The place was basically a tribal village transformed to the place of cultural amalgamation by the great Nobel Laureate Rabindranath Tagore. This is a preferred tourist destination developed as a part of the popular religious-cultural tourist circuit of the region viz. Santiniketan-Bakreswar-Tarapith.

The place was originally selected by Maharshi Debendranath Tagore to practice religious meditations. Rabindranath started an experimental school known as 'Brahmacharya Ashrama' here with an objective to educate the student in close liaison with nature in the style of 'Tapovana' of ancient India. Later an international university named Visva-Bharati came up as a center of Indian culture and the meeting place of the East and the West.

Rabindranath was great lover of nature. He planted trees in and around the Ashrama and gave it a green look. He introduced several festival to celebrate seasons, to commemorate great name and these were free from any religious narrowness.

Places of interest

Viswabharati University along with Chhatimtala, Upanagriha or the house of meditation, Uttarayan, Shyamali, Udayan, Museum etc. Apart from the university, Khoai river, Konkallitala, Shriniketan, Ballavpur Theme village and the rural development society like, Amar Kutir, Banalaxmi, Sabujbon and Surul are major attractions of Shantiniketan.

Communication

Bolpur and Prantik both the railway stations are just two and half hour journey from Kolkata and well connected by other districts. Govt. And private bus services are there connecting Shantiniketan with the other places.

Accommodation

Almost 85 hotels & lodges offering 1650 accommodation to both domestic and international travellers every year.

Attractions

Natural Beauty: Nearby Sonajhuri forest and Ballavpur Abhayaranya (Bird Sanctuary), Mayurakshi canal, Khowai river etc.

Culture and heritage: Unique culture and tradition of Shantiniketan and typical tribal life, farming, fishing, trekking, Tribal dance and music of nearby tribal villages.

Handicraft and souvenir: Batick print, Kantha stitch, Terracotta, Dokra, Bamboo made items, pottery, tribal jewelry etc.

Entertainment: Rabindrasangeet, Rabindranitya, Tribal dance and music, dramatics, etc.

Religious: Nearby place like, Kankalitala, Joydev, Nanur etc.

Tourism business at Shantiniketan

Shantiniketan is catering approximately 12 lakhs tourists per year, which is directly and indirectly creating the business opportunity to that particular area. The movement of tourist in and around Shantiniketal is creating business opportunity throughout the year. It may be a small tea stall or may be a souvenir shop, but equally responsible for economic support to the society. Further this economic support leads to the society development by getting education and social awareness. In Shantiniketan we can see that the local people are highly oriented with the tourism business. They are much aware about the fact that tourism is one of the major source of income for them and the

satisfied tourists will visit the place other to come to Shantiniketan. The are there in that area are:

- Food and beverage services
- Accommodation
- Transportation
- Local guide or tourist Facilit
- Handicrafts and art object et

All these business are leading the development and they are investing education, sanitation, and even fr is again creating employment

Infrastructural Develop

- Accommodation sector opportunity and employ destination. Guest hous rented room with the n offered to the tourists. investment which als infrastructure of a place
- Transportation is one o for any area as well a of tourism. Bus, car, ri the areas where people c business.

satisfied tourists will visit the place again or will suggest other to come to Shantiniketan. The business opportunities are there in that area are:

- Food and beverage services
- Accommodation
- Transportation
- Local guide or tourist Facilitator
- Handicrafts and art object etc.

All these business are leading them towards the economic development and they are investing the amount for children's education, sanitation, and even for entrepreneurship which is again creating employment opportunity for others.

Infrastructural Development

- Accommodation sector can create business opportunity and employment generation at any destination. Guest house, Rest house and even rented room with the moderate facility can be offered to the tourists. This is a huge sector for investment which also develops the basic infrastructure of a place.
- Transportation is one of the prime infrastructures for any area as well as the important component of tourism. Bus, car, rickshaw, auto rickshaw are the areas where people can invest money to generate business.

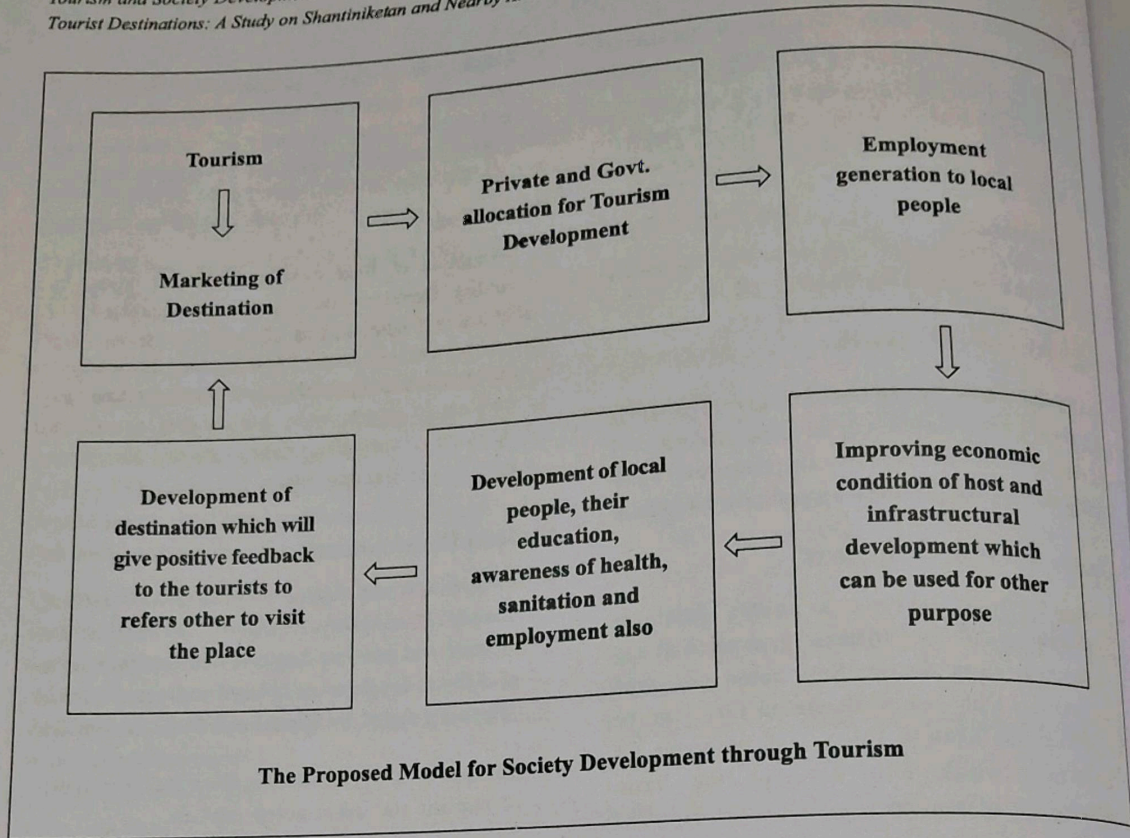
- Guiding or providing assistance to tourists, like information regarding the place, history, tradition and culture about the place etc. which can also help the host to be enriched by earning money.

Promotion

- 1 Promotion of local handicraft and art objects by selling them to the tourists and engagement of skilled and semi skilled labours into the business.
- Preservation and promotion of local culture and tradition to attract tourist and creating opportunity to earn money like, dance, music, dramatics, costume, gastronomy etc.

Societal Development:

- Involvement and support from local Government, mainly Municipality, Panchayat, Gramsabha, etc. to start and run the business and implementation of different Employment oriented and entrepreneurial schemes adopted by Central and State Government.
- Educating host community about the importance of tourism and other allied business.
- Society development through women empowerment, children education, health, sanitation, public awareness etc. which directly and indirectly enhance tourism activity.
- Help NGOs and other Self help Group, for community development in their respective area.



Points to be taken care of

- Planning and promotion of sustainable tourism development in the entire area.
- Preservation and promotion of local art, craft, tradition, heritage, culture (Gavin and Alison, 2009), so that both host and guest can understand its importance.
- Notification of special and potential areas and specific policy and planning for those places.
- Advertisement and promotion of village sports, adventure tourism, river tourism, rural tourism, eco-tourism in and around Shantiniketan which will help host community to indulge with tourism activities and earning money also.
- Public-Private participation for infrastructural development.
- Educating locals to be involved tourism practice. Workshop, Training Programme should be organized in Panchayat or Block level with help of different departments in collaboration with Institutes, Schools, Universities and NGOs.
- Encouraging the work of NGO's, Self help group, Charity foundations in Sundarbans and adjoining areas which will help in development of society and finally tourists will be satisfied.

Some precaution

- Both the host and guest should be given much awareness about the importance of tourism.
- There should be proper business opportunities for the local people.
- Local women should be given like prostitution.
- Practice of tourism should not be overdone.
- Public health facilities should be properly maintained.
- Safety and security should be provided.

Conclusion

Ministry of Tourism, Government of India (2002) that tourism is a key to economic growth (2002). To improve the entire country's development through tourism, Livelihoods, poverty, general credit/...
Thoughtful but, p...
Tourism Planning Centre key t...

Some precautionary measures

- Both the host and guest community should be very much aware and educated about the ecological importance of Sundarbans and nearby areas.
- There should be very strong monitoring regarding the business of Drugs, Narcotics, and Alcohol.
- Local women should not get involved in the business like prostitution.
- Practice of child labour and payment discrepancy should not be there.
- Public health and sanitation should be maintained properly.
- Safety and security both for host and guests should be provided by local administration.

Concluding Remarks

Ministry of Tourism, Government of India announced in 2002 that "Village tourism will be promoted as the primary tourism product of India to spread tourism and its socio-economic benefits to rural areas" (TOURISM POLICY 2002). To initiate that, Central government allocated fund to improve the rural as well as tourism infrastructure of the entire Country. Further to that, in 2003, United Nations Development Programme (UNDP) and the Ministry of Tourism undertaken the project named "Sustainable Livelihood" which was developed "to initiate and build a number of community level initiatives to address issues of poverty, through group mobilisation around income-generation activities buttressed by skill endowment and credit/ resource support issues" (UNDP, 2003).

Though Shantimiketan is featured as a cultural destination but, promising characteristics like Rural Tourism, Eco-Tourism can also be included to explore its optimum. Proper Planning and Policies already undertaken by State and Central Government, but the right implementation is the key to get success.

Finally, this research suggests that, maximum movement of tourists towards any destination helps the host society directly and indirectly for its development which further leads to encouraging local women earning money for their family, children and for their self development.

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CO-RELATION BETWEEN TOPOLOGICAL DETERMINANTS OF DYNAMICS AND STABILITY OF BOOLEAN NETWORKS

Jayanta Bhattacharyya¹

Jayanta Pattanayak²

Gurudev Adhikary³

Abstract

The Random Network models are the complex network for irregular structure. The stability analysis of complex networks therefore relies on the use of sub graph measurements capable of expressing the most relevant structural features. Our main objective is to get or obtain the control of stability of complex information processing Boolean networks/systems by controlling topological design patterns and the connective constants related to Self Avoiding Walk (SAW) for a Boolean Lattice Network Structure. An algorithm is devised to check the tendency of failure, robustness and stability pattern of random network and a Binary Lattice Network. The algorithm generates different types of Boolean Lattice Network Structures along with the connective constants for the Self Avoiding Walk (SAW) with output changes calculated for different input combinations. Similarly, the other part of the algorithm generates the Random Network Structures along with its distinguishable sub graph properties and takes note on the number of output changes for a large number of experiments. It tries to find out the correlation pattern of the structural properties and the stability tendency in the output. From the result of the experiment, we can deduce that stability is controllable by controlling the connective constants of the Lattice Structures, whereas it can be controlled slightly by controlling the appearance of the topological structures in the complex network for which high correlation exists.

Key words: Boolean Lattice Network Structure, Self Avoiding Walk, Macromolecules in biology

Introduction

Self avoiding walks and polygons are paradigms of problems in combinatorics. Their study encompasses the broad range of:-

1. Macromolecules in biology, RNA, DNA, proteins.
2. Numerical analysis and computing.
3. Algorithm design.
4. Functional analysis.
5. Knot Theory.
6. Markov process theory.

This is work on Complex networks, whose structure is

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irregular, complex and dynamically evolving in time, with the main focus moving from the analysis of small network to that of systems of thousands or millions of nodes and with a renewed attention to the properties of networks of dynamically units.

Networks are useful in modelling Human Network (Socio Economic Network), Computer Network; Human Brain functionality. Random network study can be related to the neural networks where the nodes are the sensory units or to social networks where nodes are the community peoples or to circuit networks where nodes may be some universal gates like NAND or NOR etc. or to a computer network where the nodes are switch/hub/router/computer etc. Though they have some different characteristics, they also possess some common characteristics. The application will be a classification of networks in artificial or biological systems, where functionality plays a central role.

Objectives

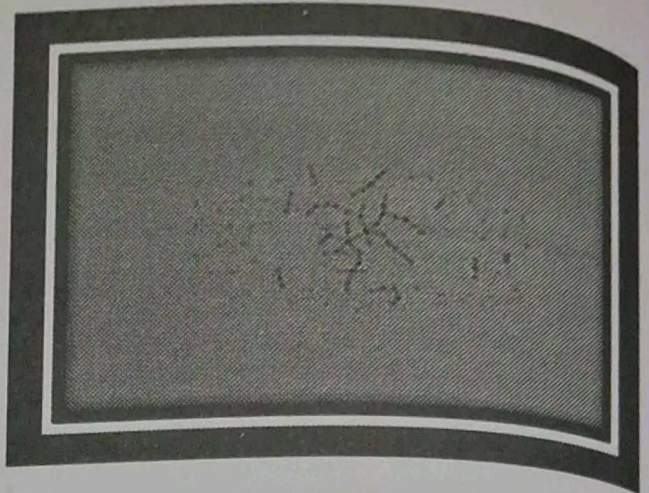
Each complex network presents specific Structural features which characterize its connectivity and highly influence the dynamics executed on the network. Our objective is to investigate the robustness and failure chances of the random network under its randomly adding or deleting edges. The main purpose is to build the simulators to check the stability and instability of the network with respect to changes incorporated in the structure. A string of 0's and 1's are assigned to some randomly selected nodes and some external input edges imposed on those nodes. The edges between nodes are added at random by considering a random number and there are some dangling output edges. Lattice are the two dimensional Graph Structure that also can be randomly generated. A complex network can be arranged into a lattice structure where the adjacent edges are determined by generating a random number for that connection and if it exceeds a fixed threshold value the connection is established. The nodes are assigned some specific or general function so that according to that function output can be calculated.

We want to devise some algorithms to calculate the output string and also find out some stability of the output. A self-avoiding walk is a path from one point to another which never intersects itself. Such paths are usually considered to occur on lattices, so that steps are only allowed in a discrete number of directions and of certain lengths. In one of these algorithms we also try to find the number of Self Avoiding Walks (SAW) present in the Lattice for some randomly chosen nodes and try to find out is there any correlation exists in Stability and the SAW of the Lattices.

Background Theory

The systematic study of random graphs was initiated by Erdos and Renyi in 1959 by means of probabilistic method. The term random graph refers to the disordered nature of the arrangement of links between different nodes. Erdos and Renyi introduced a model to generate random graphs consisting of N vertices and M edges.

There are two closely related variants of the Erdos-Rényi (ER) random graph model.



Design of the Work

A. For the case of Binary Boolean Graph:

At first we fix the number nodes of the graph. It is taken as input. The nodes of the graphs can be considered as any Boolean function chosen at random, but for simplicity we take all the nodes as Universal NAND gates. Though there is an option in the algorithm where the Boolean function that is to be applied to the nodes can be randomly chosen by generating random number in a certain range and this number corresponds to a particular Boolean function. This Boolean function is selected as the function of that particular node. In this way all nodes are defined to represent a Boolean function and the node functionality has been set.

After setting the node functionality the connectivity between vertices been established. To store connectivity information we use adjacency matrix notation. The edges are selected at random by selecting a source node and a destination node. In this way whenever an edge being selected between two nodes v_i as source node to v_j as destination node. Then the corresponding value in the adjacency matrix is set as $1(e_{ij}=1)$, and since we are now avoiding self loop and considering directed graph (edge from v_i to v_j prohibits an edge

from v_j to v_i) we set $e_{ij} = -1$, thus implying the directionality of the edges. This way the whole Boolean network has been set.

From these tabulated value we try to find if there is any topological factors that are affecting the stability factors and robustness of the Boolean network structures.

A directed graph of nodes n without self loop can have a maximum of $nC_2 = n(n-1)/2$ number of possible edges. Depending on the number of edges present in that graph there may be three types of Graph network. We consider a graph with up to one third (1/3) of the possible edges as a Sparse graph network, and up to two third (2/3) of its possible edges as Mesoscopic Graph network and up to 99% of the possible edges as dense Graph Network.

The bit value of the external inputs depends upon a random floating point number in the range of (0,1). If the generated random number exceeds threshold value it is set as 1 otherwise 0 in every time a random input stream is generated to be imposed on the graph.

We divide the total range of possible output changes in equi-spaced interval and regard it as a bit index interval or shortly the Bin interval. In every experiment we find in which Bin interval the number of changes in output falls and the count is incremented for that interval. The experiment is repeated a large number of times producing the Monte Carlo effect. Then the average number of bit change is calculated using the weighted average method i.e if there are x bins and $BI[i]$ denotes the Bin index value for i th bin, then the average number of bit changes $= (SBI[i] * (\text{Mid value of the } i \text{ th range})) / \text{total number of experiment}$.

Varying the structures of the network we obtain various structural pattern information along with the average no. of bit change information. This information are plotted to investigate if there lays any correlation pattern of the sub graph profiles and the stability.

B. For the case of Binary Lattice:

Main objective is to investigate the correlation between the Self Avoiding Walks (SAW) in a Binary Lattice network arranged in two dimensional arrays like structure and the stability of the output of the binary function (gates) applied to the nodes of the lattice. Here to find the correlation we can use to calculate the number of self avoiding walk (SAW) of different number of steps from some randomly selected nodes of the lattice taken/considered as origin in the structure of the lattice.

Conclusion

The correlation coefficient of the connective constants related to self avoiding walks (SAW) are strong for the Boolean lattice structures as observed from the experimental values whereas the correlation coefficient are not very strong for the Sub Graph properties. So by controlling the connective constants we can significantly control the average change in output thus can check the stability (in terms of output changes) for a Binary Boolean Lattice.

The complex random Boolean network has a lot of structural possibilities and characteristics that is to be taken care of when the stability of the network is concerned. There are many structural and other properties that can affect the stability of the graph. A simulator that can generate a lot of random (memory less) graph structure and structural information is built and an experiment is repeated many times to find the average number of output bit changes which denotes the stability index of the graph. It average number of bit changes is less for a graph than the same for another, then the former graph is regarded as more stable.

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Working Capital Management in Indian FMCG Industry during the Post-Liberalisation Era : A Case Study of ITC Ltd.

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Abstract

A strong working capital base may be identified as one of the most vital forces of a business firm for sustaining its day-to-day operations. The sound working capital position facilitates the concern in maintaining a sound liquidity which enables it to maintain a favourable credit term with its suppliers. So, to dominate over the operating cycle odds, not only the corporate giants but almost all the business enterprises, irrespective of their sizes, have been concentrating much on the management of working capital. FMCG sector in India has been playing a vital role in developing its economy not only by providing a large number of consumer goods necessary for carrying on day-to-day activities of the general people but also by generating a considerable amount of employment in India. However, no significant study on the working capital management of the FMCG sector in India considering the effects of the notable changes taken place in Indian business environment due to liberalization of Indian economy has been carried out. It is, therefore, high time to analyse the working capital management of the FMCG sector in India during the post-liberalisation period. In this backdrop, the present study attempts to make an analysis of the working capital management of ITC Ltd., a very well-known company in the Indian FMCG industry during the period 1995-96 to 2009-10.

Key words: Working capital, Working capital management, FMCG sector.

I. Introduction:

Presently in corporate sector funds problem being the most common among the majority of the industries, appropriate utilization of available fund is the prime concern of the managerial people. The need for proper working capital management (WCM) cannot be over-emphasized in such a situation. A strong working capital (WC) base may be identified as the vital force of any concern for sustaining its day-to-day operations. Besides, the sound WC position facilitates the concern in maintaining a sound liquidity which enables it to maintain a favourable credit term with its suppliers. So, to dominate over the operating cycle odds, not only the corporate giants but almost all the business enterprises, irrespective of their sizes, have been concentrating much on the management of WC. The relative importance of WC varies from industry to industry. A firm

in the consumer goods industry may have relatively a higher percentage of the total investment in current assets as compared to the investment in fixed assets. From that point of view WCM may assume a greater importance in FMCG industry.

II. Relevant Literature Review:

In the last few decades, several studies have been conducted on the analysis of WCM of different sectors in India and abroad. A considerable number of studies on the same issue have also been carried out in different countries during the post-liberalisation period. The following paragraphs present brief discussion on some significant studies made in this field.

Vijayasradhi and Rao (1978) in their study on WCM of Indian public enterprises revealed that the management of WC played a key role in the success of the enterprises. The study indicated that increasing trend in the investment of current assets, unlike in fixed assets, resulted in higher

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carrying costs which in turn negatively affected the profitability of the companies.

Reddy (1991) in his study examined various issues associated with WCM of the six large-scale companies belonging to the private sector in the state of Andhra Pradesh during the period 1977 to 1986. The study reflected that the extent of investment in current assets in sample companies was more than that of fixed assets and that the inventories constituted the highest percentage of total current assets in the sample companies.

Sur (1997) in his study on WCM in Colgate Palmolive (India) Ltd. attempted to analyse the efficiency of the WCM of the company during the period 1980 to 1991. This study revealed that the liquid assets of the company were insufficient to meet currently maturing obligations and a major part of short term funds was blocked up in inventories. The study recommended to give special attention to the inventory management of the company by employing all the relevant techniques of inventory control for maintaining an overall control over its WC.

Laitinen and Laitinen (2003) conducted a study on cash management behaviour and failure prediction. This study was made in order to evaluate the information contained in the inventory cash management models to predict failure on a sample of bankrupt firms and their nonbankrupt counterparts. The net outcome derived from the study was that the estimates of the elasticity of cash balance with respect to the volume of transactions was lower for failed firms.

Jafar and Sur (2006) carried out a study in order to examine the efficiency of WCM in NTPC Ltd during the post-liberalization era. The study revealed that the selected company was able to achieve a higher level of efficiency in managing its WC during the post-liberalization era by adapting itself to the new environment emanated from liberalization, globalization and competitiveness.

Anand and Malhotra (2007) made an empirical study on the performance of WCM in Indian corporate sector. This study was made in order to develop quantitative benchmarks at both the firm level and the industry level so as to evaluate

the WCM performance of Indian corporate sector. One of the notable outcomes of the study was that strong evidence of positive relationship between WCM and firms' profitability was absent during the period under study.

Nobanee and Altajjar (2009) conducted a study on the relationship between WCM and corporate profitability of Japanese firms. The study was based on a sample of 2123 Japanese non-financial firms listed in the Tokyo Stock Exchange for the period 1990 to 2004. The net outcome of the study conformed to the theoretical argument that the profitability can be increased by shortening the cash conversion cycle, the receivable collection period, inventory conversion period and also by lengthening the payable deferral period.

Nazir and Afza (2009) carried out a study on the impact of WCM policy on firms' profitability. This study was made in order to investigate the relationship between the policy of WCM and profitability. This study revealed a positive relationship between firms' profitability and the conservativeness of their WC investment and financing policies.

Christopher, Kamalavalli and Talha (2010) carried out a study on the measurement of sensitivity of profitability to WCM in corporate hospitals in India. While conducting this study, the researchers used correlation and regression techniques for analyzing the data for the period 1996-97 to 2005-06 collected from 14 corporate hospitals in India. The study reflected a significant negative relationship between liquidity and profitability of the selected hospitals during the period under study.

Based on the above discussion, it can be inferred that although a good number of studies on the different issues associated with the WCM carried out in India during the post-liberalisation period, no significant study on the WCM of the Indian FMCG sector has so far been made during the post-liberalisation era. It is a well established fact that the FMCG sector in India has been playing a vital role in developing its economy not only by providing a large number of consumer goods necessary for carrying on day-to-day activities of the general people but also by generating

a considerable amount of employment in India. The income as well as the consumption patterns of the people of India have marked notable changes in the post-liberalisation period. As a result, the companies belonging to the FMCG sector have also changed their business policies to face the different challenges emanated from the liberalisation measures taken by the Government of India. It leads to considerable changes in the WCM practices in Indian FMCG companies. However, no in-depth study on the WCM of the FMCG sector in India considering the effects of the above mentioned changes in Indian business environment has been made. It is, therefore, high time to analyse the WCM of the FMCG sector in India during the post-liberalisation period. In this backdrop, the present study attempts to make an analysis of the WCM of ITC Ltd., a very well-known company in the Indian FMCG industry during the period 1995-96 to 2009-10.

III. Objectives of the study:

The present study has the following objectives :

- To assess the liquidity and efficiency of WCM of the selected company using some selected ratios.
- To measure the liquidity status of the company more precisely by using a comprehensive rank test.
- To examine the relationship between liquidity and profitability of the company.

IV. Methodology of the Study:

The data of ITC Ltd. for the period 1995-96 to 2009-10 used in this study were collected from the Capitaline Corporate database, published by Capitaline Publishers (India) Ltd. For the purpose of assessing the performance of WCM of the company under study, some important ratios like current assets to total assets ratio, current ratio, quick ratio, inventory turnover ratio and debtors turnover ratio were used. While analysing the liquidity of the company more precisely Motaal's Test was applied. For examining the relationship between liquidity and profitability

of the selected company Spearman's rank correlation analysis was made and in order to test whether such correlation coefficient was statistically significant or not, t test was used.

V. A Brief Profile of the Company under Study:

ITC Ltd, which was originally incorporated in August 24, 1910 as Imperial Tobacco Company of India Ltd., is one of the largest FMCG companies in India. The company produces cigarettes, paperboards & specially papers, food products, apparels, personal care products, stationery etc. It is also engaged in other business activities like hotels, packaging, agri-business, information technology etc. Very recently ITC Ltd. has been placed in the categories of the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, India's Most Respected Companies by Business World and India's Most Valuable Companies by Business Today.

VI. Empirical Results:

1. An attempt was made in Table 1 for the purpose of assessing liquidity and efficiency of WCM of ITC Ltd using some basic parameters, such as current assets to total assets ratio (CATA), current ratio (CR), quick ratio (QR), inventory turnover ratio (ITR) and debtors turnover ratio (DTR). In Table 2, for identifying the nature of the trend in these selected measures of WCM, linear trend equations were fitted. While examining whether the slopes of these equations were statistically significant or not t test was applied. The following paragraphs provide the results obtained from the analysis of the selected measures of WCM of ITC Ltd.

Liquidity Measures:

a) CATA: It shows the proportion of investment in WC to the total funds invested in the business. It reflects the pattern of investment in WC fund. The higher the ratio, the higher is the proportion of fund invested in WC. Table 1 discloses that, on an average, 67 percent of the total funds were

invested by ITC Ltd. for the purpose of its WC. At a glance, there was an overall downward trend in the CATA of the company during the study period. It ranged between 0.96 in 1996-97 and 0.44 in 2004-05. The linear trend equation fitted to the CATA series reflects that for one unit increase in time, CATA of the company decreased by 0.029 unit which was found to be statistically significant at 5% level. It confirms that there was a notable declining trend in the proportion of investment in WC to that in the total funds invested in the company during the study period. The analysis of CATA of the company reveals that although in relative terms an overall decreasing trend in the WC investment was observed, the company utilized the major portion of its funds for the purpose of meeting day-to-day operating expenses in almost all the years under study (except in the year 2004-05).

b) **CR:** This ratio expresses the relation of the amount of current assets to the amount of current liabilities. It indicates the ability of a business firm to meet its maturing current obligations. The higher the CR, the larger is the amount of rupees available per rupee of current liability, and, accordingly, the greater is the feeling of security. Table 1 depicts that, the CR of ITC Ltd. fluctuated between 0.99 in 2003-04 and 1.93 in 1995-96. On an average, it was 1.54. In the first six years under study and the twelfth, thirteenth and fourteenth years of the study period, the values of CR of the company were considerably higher as compared to the company's mean CR for the study period while in the remaining years under study the values of CR were less than the average CR. It indicates that in the initial years under study the company was able to maintain higher liquidity as compared to the remaining years. The linear trend equation fitted to the CR series reveals that when time increased by one unit, the CR of the company reduced by 0.038 unit which was found to be statistically significant at 5% level. It reflects that with the passage of time the short term debt paying capability of the company declined considerably during the study period.

c) **QR:** This ratio is concerned with the relationship between quick assets and quick liabilities to supplement the information given by the CR. It is a more rigorous test of

liquidity than the current ratio and gives a better picture of the firm's ability to meet its short-term liabilities out of short-term assets. Table 1 shows that the QR of ITC Ltd. varied between 0.45 in 2009-10 and 1.21 in 1997-98. On an average, the QR of ITC Ltd. was 0.85. In the first seven years under study the QR values of the company were considerably higher as compared to the company's average QR while in the remaining years under study the values of QR were less than the average QR. It confirms that in the initial years under study the liquidity position of the company was better as compared to that in the remaining years under study. The trend line fitted to the QR series discloses that for one unit increase in time, the QR of the company stepped down by 0.046 unit which was found to be statistically significant at 5% level. It reflects that the immediate debt paying capability of the company marked a significant declining trend during the period under study. This outcome is in conformity with the results obtained from the analysis of CATA and CR of the company.

Efficiency Measures:

a) **ITR:** It shows the relationship between the cost of goods sold and the average level of inventory of a firm. It measures the efficiency of the company's inventory management. In general, a high ITR is good from the liquidity point of view and implies sound inventory management whereas a low ratio signifies excessive inventory levels and indicates poor liquidity as well as inefficiency in the inventory management. So a low ITR hurts the overall profitability while a high ITR results in higher profitability of the concern. Table 1 shows that, on an average, ITR of ITC Ltd. was 2.48 and it ranged between 2.12 in 2004-05 and 2.97 in 1996-97. The ITR values in the years 1995-96, 1996-97, 1998-99, 1999-2000, 2001-02, 2002-03, 2003-04 and 2009-10 were considerably higher than the average value of ITR for the study period whereas in the remaining years the ITR was placed in the 'below the average value' category. The linear trend equation fitted to the ITR series indicates that when time increased by one unit, the ITR of the company reduced by 0.029 unit which was found to be statistically significant at 5% level. It reveals that the

efficiency of the company in managing its inventory decreased notably during the study period. It had an adverse effect on the company's overall liquidity.

b) **DTR:** It shows the relationship between the net credit sales and the average level of receivables of the company. It indicates how well receivables are turning into cash. It reflects the efficiency of the credit and collection policies adopted by the firm. The higher the ratio, the shorter is the average collection period, the greater is the degree of efficiency in credit management and the better is the liquidity of debtors. Table 1 shows that the DTR of ITC Ltd. followed a fluctuating trend during the study period. On an average, it was 19.91. The DTR of the company ranged between 6.07 in 1995-96 and 39.79 in 2000-01 during the period under study. In the years 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2008-09 and 2009-10 the DTR value of the company was considerably higher than the average value of DTR for the study period while it was below the average value in the remaining years. The linear trend equation fitted to the DTR series reflects that for one unit increase in time, the DTR of the company stepped up by 0.612 unit which was not found to be statistically significant at 5% level. It implies that no strong evidence of upward trend in the efficiency of the company's credit management was noticed during the study period.

2. In Table 3, in order to evaluate the liquidity status of ITC Ltd. during the period under study more precisely, Motaal's comprehensive rank test was used. In this test while assigning comprehensive ranks to the years under study three liquidity ratios, namely working capital to current assets ratio (WCCA), inventory to current assets ratio (INCA) and quick assets to current assets ratio (QACA) were taken into consideration. In case of WCCA or QACA, a high value indicates more favourable liquidity position and ranking was done in that order while in case of INCA ratio, a low value implies relatively more favourable liquidity position and ranking was done accordingly. Ultimately liquidity ranking was done on the basis of the principle that the lower the sum of individual ranks the more favourable is the liquidity position and vice-versa.

Table 3 discloses that the liquidity of the company was the best in the year 2002-03 and it was followed by the years 2003-04, 2008-09, 2001-02, 2009-10, 1997-98, 2000-01, 2007-08, 1998-99, 2006-07, 1999-2000, 1995-96, 1996-97, 2004-05, 2005-06 respectively in that order. However, in respect of liquidity, the company stood on the same point in 1997-98 and 2000-01, in 1998-99 and 2006-07 and also in 1995-96 and 1996-97.

3. In Table 4, it was attempted to measure the degree of relationship between liquidity and profitability of ITC Ltd by applying Spearman's rank correlation coefficient (RLP). While making this analysis liquidity rank based on Motaal's test (as found in Table 3) and profitability rank based on ROCE were used. In order to examine whether the computed value of RLP was statistically significant or not, t test was adopted. Table 4 shows that the computed value of RLP was 0.43 which was not found to be statistically significant at 5% level. It implies that although there was a positive association between the liquidity and profitability of the company, the association was not at all notable. The liquidity of the company did not make any significant contribution towards enhancing its earning capability during the study period.

VII. Concluding Observations:

(i) A significant declining trend in the proportion of investment in WC to total assets investment of the company during the study period was observed. There was also a considerable decreasing trend in both the CR and QR of the company during the period under study. Based on these outcomes, it can be concluded that with the passage of time the overall liquidity of the company declined notably during the study period.

(ii) The net outcome derived from the Motaal's Test reflects that exactly in the mid-point of the period under study (i.e. in the year 2002-03) the liquidity of ITC Ltd. was the maximum and it was followed by the years 2003-04 and 2008-09 respectively. However, in respect of overall liquidity the company was placed in the most undesirable position in the years 2004-05 and 2005-06. Thus, in different parts

of the second half of the study period two opposite situations (i.e. high liquidity and low liquidity) were observed. So, the results obtained from the Motaal Test fail to corroborate the outcomes of the analysis of linear trend equations fitted to the CATA, CR and QR series of the company during the study period.

(iii) A notable declining trend in the efficiency of inventory management of ITC Ltd. during the period under study was observed. Moreover, the analysis of DTR failed to provide strong evidence of positive growth in the efficiency of debtors management of the company during the study period.

(iv) Although from the viewpoint of efficiency of WCM, a high degree of positive relationship between liquidity and overall profitability is theoretically desirable, the analysis of interrelation made in this study failed to reflect strong evidence of positive association between them. It indicates that the liquidity of the company was unable to make a notable contribution towards enhancing its overall profitability during the study period.

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Table 1 :
Selected Ratios measuring liquidity and efficiency of Working Capital Management of ITC Ltd.

RATIO	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average
CATA	0.93	0.96	0.87	0.77	0.70	0.69	0.66	0.64	0.54	0.44	0.56	0.59	0.57	0.59	0.57	0.67
CR	1.93	1.71	1.84	1.80	1.61	1.89	1.44	1.28	0.99	1.17	1.44	1.63	1.58	1.73	1.01	1.54
QR	1.04	1.08	1.21	1.19	0.99	1.18	0.89	0.82	0.55	0.51	0.71	0.76	0.67	0.76	0.45	0.85
ITR	2.55	2.97	2.41	2.71	2.68	2.15	2.58	2.86	2.51	2.12	2.36	2.33	2.20	2.23	2.53	2.48
DTR	6.07	6.66	11.44	10.39	32.67	39.76	25.80	26.87	26.47	14.13	17.51	18.66	18.59	22.94	20.77	19.91

Source : Compiled and computed from Capitaline Corporate Database of Capital Market Publishers (I) Ltd., Mumbai.

Table 2 : Linear Trend Analysis of the Selected Performance Indicators of Working Capital Management of ITC Ltd.

CATA =	$0.913 - 0.02904t$ (22.603) (- 6.536)*
CR =	$1.824 - 0.03821t$ (12.811) (- 2.416)*
QR =	$1.225 - 0.04639t$ (14.940) (- 5.144)*
ITR =	$2.715 - 0.02943t$ (21.936) (- 2.162)*
DTR =	$14.887 + 0.612t$ (2.929) (1.095)

Source : Compiled and computed from Capitaline Corporate Database of Capital Market Publishers (I) Ltd., Mumbai.

Table 3 :
Motaaal's Test

VARIABLE	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
WCCA	0.48	0.41	0.46	0.44	0.38	0.47	0.31	0.22	-0.01	0.14	0.31	0.39	0.37	0.42	0.01
Rank of WCCA (R1)	5	12	9.5	14	13	11	6.5	3	2	9.5	15	8	6.5	1	4
INCA	0.46	0.37	0.34	0.34	0.39	0.38	0.38	0.36	0.44	0.56	0.51	0.53	0.58	0.56	0.56
Rank of INCA (R2)	15	13	14	10.5	8.5	8.5	6	1.5	4	12	10.5	7	4	1.5	4
QACA	0.54	0.63	0.66	0.66	0.61	0.62	0.62	0.64	0.56	0.44	0.49	0.47	0.42	0.44	0.44
Rank of QACA (R3)	9	4	1.5	1.5	7	5.5	5.5	3	8	13	10	11	15	13	13
Sum of Ranks (R1 + R2 + R3)	29	29	25	26	28.5	25	18	7.5	14	34.5	35.5	26	25.5	15.5	21
Ultimate Rank	12.5	12.5	6.5	9.5	11	6.5	4	1	2	14	15	9.5	8		

Source : Compiled and computed from Capitaline Corporate Database of Capital Market Publishers (I) Ltd., Mumbai.

Table 4 :

Analysis of Relationship between Liquidity and Profitability

Year	Liquidity Rank (Based on Motaal's Test)	ROCE (%)	Profitability Rank (Based on ROCE)
1995-96	12.5	34.55	15
1996-97	12.5	39.75	8
1997-98	6.5	37.84	10
1998-99	9.5	35.77	14
1999-00	11	41.18	5
2000-01	6.5	44.10	1
2001-02	4	41.44	4
2002-03	1	41.69	3
2003-04	2	39.58	9
2004-05	14	37.44	12
2005-06	15	37.73	11
2006-07	9.5	40.02	7
2007-08	8	40.44	6
2008-09	3	37.38	13
2009-10	5	43.65	2

Spearman's rank correlation coefficient between liquidity and profitability (RLP) is 0.43, which is not found to be significant at 5% level.

Source : Compiled and computed from Capitaline Corporate Database of Capital Market Publishers (I) Ltd., Mumbai.

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